

Testimony
of
James R. Meister
Vice President, Operations Support
Exelon Nuclear

Before
the
Pennsylvania Senate Consumer Protection
& Professional Licensure
and
Veterans Affairs & Emergency Preparedness
Committees

Public Hearing Regarding Nuclear Issues

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Good morning Chairs and members of the Committees. My name is Jim Meister and I am Vice President of Operations Support for Exelon Nuclear. In that capacity I am responsible for all nuclear security and emergency preparedness issues. We are the largest nuclear operator in the nation and I am pleased to be here today to talk about nuclear energy issues in Pennsylvania.

Our seventeen nuclear units, at ten sites, three of which are located in Pennsylvania, represent approximately twenty percent of the U.S. nuclear industry's capacity. Our plants in Pennsylvania include the Peach Bottom Atomic Power Station in York County, the Limerick Generating Station in Montgomery County and the Three Mile Island Generating Station located just south of Harrisburg in Dauphin County.

Our Pennsylvania nuclear operations employ more than 2,100 highly skilled individuals and produce over 5,400 MW of around the clock, reliable electric power. Overall, Exelon Generation provides almost 30% of the electricity consumed in Pennsylvania. We pay millions of dollars in property taxes annually and contribute many millions more to both the state and local economies. Our employees are important contributors to the communities where they live and work, and support a wide range of local community groups and charitable organizations. We also support the local first responder organizations that provide emergency support to our facilities.

At Exelon Nuclear, we take seriously our obligation to protect the health and safety of the public and our employees in all aspects of our operations. As I provide you a short overview of a recent security related issue at our Peach Bottom Station, I want to assure you that due to our extensive defense in depth strategy, at no time was public safety in jeopardy.

Federal regulations set forth by the U.S. Nuclear Regulatory Commission (NRC) require that nuclear operators demonstrate they can protect against a threat by a well-trained paramilitary force intent on forcing its way into a nuclear power plant. Our sites have in place numerous physical systems to thwart possible terrorist actions, including multiple layers of defense designed to provide a level of security unmatched by other industrial facilities nationwide. In addition, nuclear plants maintain robust containment, redundant plant safety systems, highly trained operators who are skilled in accident and event response, and comprehensive emergency plans.

Unfortunately, at Peach Bottom we recently experienced unacceptable performance by our security contractor and some of their security officers. A video revealed officers sleeping in Peach Bottom's "ready room". The ready room is a break room where security officers are allowed to read, study, eat or relax but must remain ready to respond to a plant location if called upon.

Upon learning of this issue we immediately launched an investigation and took action to address the problem. Specifically, we fired our security contractor at Peach Bottom and we are evaluating their performance at our other sites. We will not and cannot accept the lack of leadership and management by any security or other contractor at our nuclear facilities. At Peach Bottom, we are replacing the security contractor with our own internal security organization.

To address these issues, we have undertaken several specific actions including greater management oversight of ongoing security activities, the creation of a new Exelon security organization, new training procedures for our security officers and changes to the ready room to make it more conducive to attentiveness.

In the end, it is Exelon's responsibility to ensure that all security personnel recognize the need to raise any concerns and get them to the right level for resolution. As we complete our fleetwide assessment and determine what additional changes will be made to our security procedures and organization, they will be communicated to you and the public.

I would like to now address Exelon Nuclear's current and future role in Pennsylvania.

We believe that each of our nuclear generating stations is an essential component of the state's and the region's electricity supply. Their continued safe, reliable and economic operation is critical to meeting the needs of electricity consumers. Nuclear power represents 35% of the electricity generated in Pennsylvania, and three of the five nuclear plants in the Commonwealth are either in, or about to begin, the license renewal process. To that end, we have already renewed the operating license for our Peach Bottom Atomic Power Station for another 20 years, and will soon be applying to the NRC for license renewal for Three Mile Island Unit 1. We have invested billions of dollars in our nuclear sites since their construction, and we are confident that our nuclear plants can continue to provide clean, safe and reliable energy beyond their current operating licenses.

Nuclear power clearly addresses "head on" the need for generation technologies that do not contribute to "global climate change" through the emission of greenhouse gases. Nuclear generation along with other clean technologies like investments in renewables, energy efficiency and cleaner fossil fuel applications will be important components of our future energy mix.

From an operational perspective, nuclear power has been able to increase its capacity factors dramatically, to now well over 90%. Exelon's fleet expects to be in the 95% range this year. These high capacity factors mean that we will not have to utilize more expensive generation throughout the year. A study

performed by a national economic consulting firm – Bates White – indicated that improved performance by four nuclear plants since 1999 has resulted in annual benefit to consumers of \$434 million in eastern PJM and \$122 million in Pennsylvania. In the 36 months ending in October of 2006, these four plants had an average capacity factor of 93.3%.

From a future development perspective, Exelon continues to look at several options. In Illinois, we have received an Early Site Permit from the NRC at our Clinton Power Station that provides us the option to construct a new plant at that location in the next 20 years. We have also announced plans to pursue new nuclear development in Texas. Texas is particularly appealing because of the need for new capacity, a pro-nuclear political environment and no current market power restrictions.

As you consider Pennsylvania's energy future, I hope that you will recognize the important role that nuclear power continues to play in the Commonwealth. I want to again thank you for the opportunity to provide comments today, and I am happy to answer any questions you may have.