

Delmarva Power Integrated Resource Planning Process

Environmental Externalities Workgroup Meeting

Key Environmental Modeling Assumptions

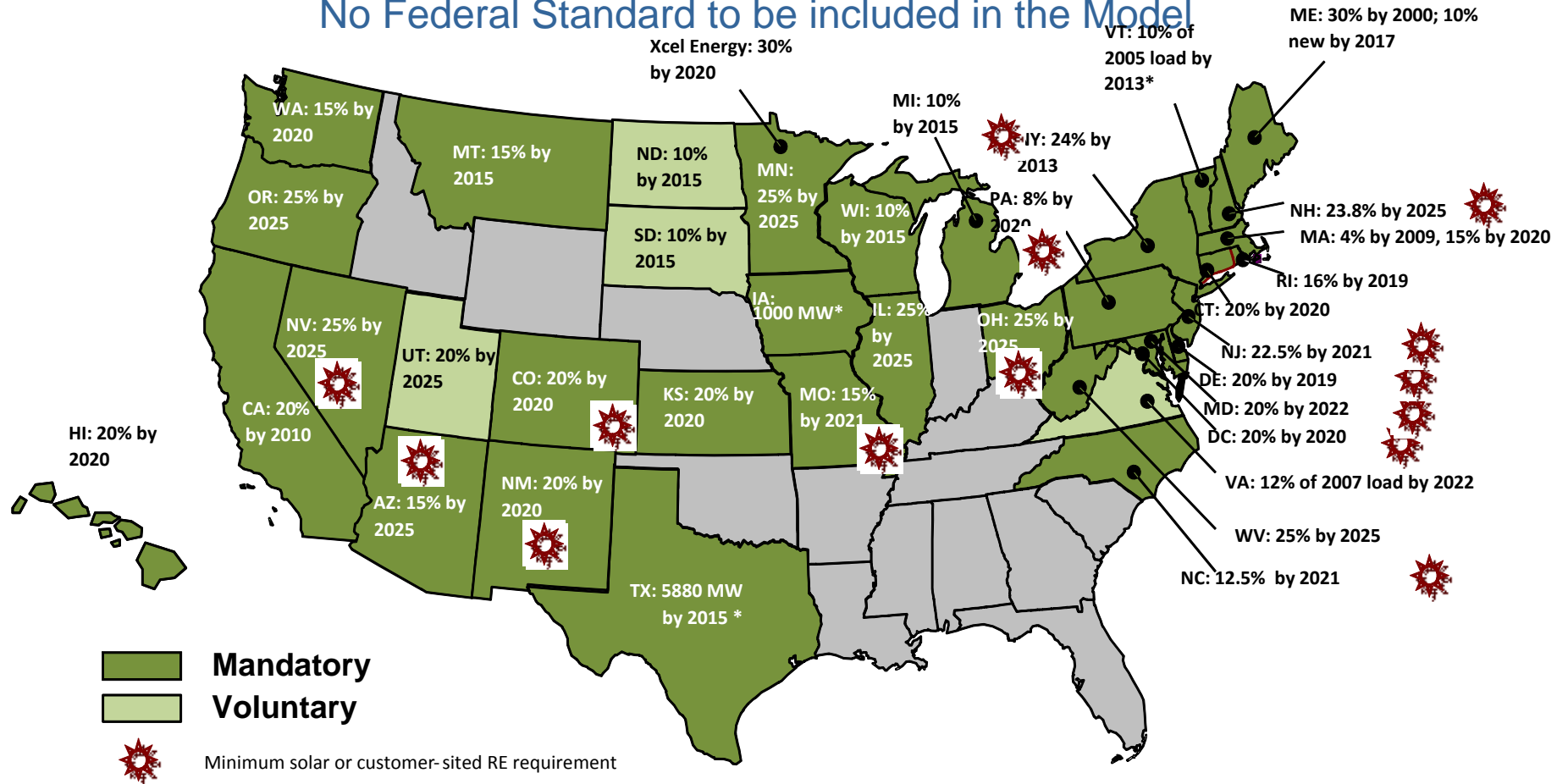
November 5, 2009



A PHI Company

State Renewable Portfolio Standards (RPS)

ICF Expected Case – State RPS Standards Will Remain in Place
 No Federal Standard to be included in the Model



* WI – Mandate is for 6% above baseline (approx 8%) by 2015; goal is for 10% by 2015
 * IA – Goal is for 1000 MW new renewable generation by 2010
 * VT – Goal to meet 2005-2012 incremental load growth; becomes mandate if a total of 10% of 2005 demand is not met by 2013. Additional goal for 25% by 2025.
 * TX – Goal is for 10,000 MW by 2025.

ICF Expected Case Air Regulatory Assumptions for SO₂, NO_x and Hg

- ICF's "Expected Case" includes federal 3-pollutant (SO₂, NO_x, and Mercury, or Hg) regulations, federal climate change regulation and state and regional requirements (e.g., RGGI).
- The Expected Case has a program equivalent to CAIR starting as planned in 2009 and proceeding through Phase I until 2015. In 2015, ICF assumes more stringent standards for SO₂ and NO_x are implemented, consistent with the second phase requirements from Senator Carper's proposed Clean Air Planning Act of 2007 (CAPA).
 - The ozone season CAIR NO_x is assumed to remain in place over the entire time horizon.
- The Expected Case adopts a MACT requirement imposed at the unit level nationwide starting in 2013.

ICF Expected Case Air Regulatory Assumptions for GHGs

- The Expected Case includes a national climate change regulatory component similar in many ways to the Waxman-Markey and Kerry-Boxer bills.
- The cap for ICF's Expected Case policy starts at projected 2015 levels in 2015, reaches 11% by 2020 and declines linearly to approximately 80% below 2005 levels by 2050, the same target as suggested in the Dingell-Boucher discussion paper and by USCAP, EEI and President Obama, and similar to the 83% target in Waxman-Markey and Kerry-Boxer.
 - ICF's starting date is beyond the 2012 start proposed by Waxman-Markey. ICF views a 2012 start as aggressive given the time it would take to translate a bill into regulations for emission sources covering a large part of the economy.
 - ICF's initial year cap is more generous than Waxman-Markey, which leads to the program being somewhat less stringent overall.
- The sectoral coverage of ICF's Expected Case program is the same as in the latest version of Lieberman-Warner (with Boxer Amendments); very similar to Waxman-Markey.
- Offsets are allowed up to 22% of the cap in each year, divided equally among domestic and international sources. 22% is consistent with the cumulative allowance for offsets under Dingell-Boucher. This limit is more restrictive than Waxman-Markey, but ICF's view is that the policy limit may not be as binding as actual market limitations.
 - The availability of international offsets to the U.S. is projected using ICF's proprietary Global Carbon Markets Model. The model projects international offset demand and supply based on projected regional CO₂ allowance prices based on international modeling using IPM.