

The legislation will provide considerable out-of-market revenues to all nuclear generation pursuant to establishment of a new AEPS Tier III product, regardless of whether or not the plants require financial assistance above that provided by PJM wholesale markets. Based on information provided by the PJM Market Monitor, only TMI is clearly financially troubled at this time.

Loss of certain unprofitable nuclear plants will result in the loss of some of the carbon free generation from our nuclear fleet in Pennsylvania. Should the Beaver Valley Plant retire, estimated incremental transmission project spending of approximately \$182 million would need to be accelerated. No additional transmission spending is needed for TMI's retirement. The impact on costs of wholesale power in PJM resulting from the loss of some nuclear power generation may be positive or negative, as potential gains in energy markets are likely to be offset by lower capacity market prices, and lower prices imposed by replacement by new efficient natural gas units, and wind and solar facilities.

Payment of Tier III subsidies to all Pennsylvania nuclear plants could result in higher capacity market payments by Pennsylvania customers should the Federal Energy Regulatory Commission (FERC) approve capacity market proposals filed by PJM. Additionally, a number of energy and ancillary service reforms are under consideration by PJM: energy price formation, fuel security, and resilience, which all have the potential to raise energy prices to the benefit of nuclear generators. These additional revenues would be additive to those provided under the AEPS amendments and would ultimately be borne by ratepayers. Additionally, PJM has convened a stakeholder process to study how to incorporate various carbon pricing options into its market.

Large out of market payments related to capacity could create structural supply market challenges related to both default service customers and competitive suppliers, and could affect the ability of the Commonwealth to continue to operate its retail competitive markets, or at a minimum, result in significant modifications to its current operation.

If enacted, much of Pennsylvania's generation portfolio will be subject to a ratepayer funded financial subsidy, which may be a marked shift away from the goals of the Competition Act passed in 1996.