

**REMARKS OF GUY GORNEY
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**ELECTRIC POWER GENERATION ASSOCIATION
POWER GENERATION CONFERENCE
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It is my pleasure to help kick off and welcome you to the 2005 Power Generation Conference. I'd first like to recognize and thank Doug Biden, Ann Kulp, and Teresa McGee at the EPGA for once again organizing this two-day event. It is no small task.

I also want to thank each of you for coming. Our business has changed dramatically in recent years. Whether we work in the generation business or serve as a supplier or consultant or act as a regulator our professional lives have become much more complicated, hectic and challenging. Some of us wouldn't have it any other way -- but it does make it more and more difficult to carve out time to come together like this. It's important we continue to do that.

One reality of our rapidly changing business is that the companies represented here today are sometimes fierce competitors in the open marketplace for electricity. We no longer are part of franchised monopolies with limited markets and guaranteed returns on investment. Still -- there is far more that binds us together than separates us.

I'd like to use my time this morning to talk about those bonds, and to pay tribute to the men and women in this room who help keep the lights on and the power flowing.

I have worked on and with the front-line of power plant operations – both nuclear and fossil fuel – for more than 25 years. I know there is a special bond within those plants, and among all the workers in our industry. We take great pride in knowing that what we do helps make sure that homes and businesses across this country have access to a safe, reliable, and affordable supply of electricity. We understand that we have a special responsibility – a certain element of public service – in what we do.

We also take pride in the other contributions we make to society and to the economies where we live and work. At our Homer City Generating Station here in the Commonwealth, we employ about 250 people in some of the highest-paying and most highly-skilled jobs in that region. Hundreds of other workers have been on-site in recent years to build nearly half-a-billion dollars worth of new pollution controls for our facility. We burn some 5 million tons a year of coal mined in western Pennsylvania and delivered by truck and rail to our station. All told – we estimate our plant’s annual economic impact on the surrounding community at about \$300 million.

Power plant workers also know that we have a special responsibility to each other. Watching out for our colleagues has special meaning in a setting where safety is a paramount concern every day. Attention to the tiniest details of how we work, and looking out for each other, must be a way of life.

We also are bonded by our passion for the technical side of our business. Much of the agenda today and tomorrow provides for a very deep dive into technologies and

processes that can make us more efficient, make us even more reliable, and enable us to continue making tremendous progress in reducing emissions and contributing to a cleaner environment. By nature, we like to learn... we like to tinker ... we like to experiment... we like to find ways to do a job faster, better, smarter and safer.

There also is much common interest in this room in the public policy arena. For the most part, our operations are no longer part of the traditional, rate-base regulation of utilities. We compete in open wholesale markets, and those markets get more competitive every day. But we remain very regulated – or at least closely monitored -- in many aspects of our business, whether it is by FERC, or PJM, or state regulatory commissions, or state and federal environmental protection agencies.

While we may have disagreements at the margins, I would suggest that we usually are guided by the same general principles. We understand the public interest in electricity prices and how they are affected by the wholesale market. To that end, we seek to work with regulators to address those interests, while also making sure there is a level playing field for all competitors, and proper marketplace signals for investors. Doing this requires political and intellectual leadership from regulators, and from within our industry, to steer market constructs in the right direction.

I know many, if not all, of you are familiar with PJM's current efforts to create a capacity market that ensures we will have adequate generation for the long-term. We enjoy a surplus of supply today, but we need to make sure investors are willing to fund the new

generation that will be needed eventually, and which will require significant, capital-intensive, long-term planning and construction.

Addressing future needs today can be difficult and sometimes controversial. It can require a measure of courage and a careful balancing of the interest we all have in providing an adequate and reliable supply of electricity at reasonable prices. Sometimes there may be a perception that there will be short-term pain for long-term gain. It's tough work, and I want to tell anyone in this room from the regulatory world that we understand the challenges and pressures you face.... We have the utmost respect for your task.... And we pledge to work with you as a constructive force to serve the public interest.

Environmental regulations are another critical piece of public policy in our business. As an industry – especially those of us with an emphasis on coal generation – we're proud of our record of increasing electricity output while slashing emissions over the past 30 years. We understand the importance of, and generally support, the new federal regulations which will result in significant, additional reductions in sulfur dioxide and nitrogen oxide emissions, and the first-ever limits on mercury emissions from power plants.

The one concern I would note in this area is the tension between federal and state environmental regulations. My company – and I suspect the others represented here – is of the view that the Federal Clean Air Act has succeeded for some 30 years because it has given us a clear, national roadmap and a measure of regulatory certainty. For example,

national cap and trade approaches to regulation have a proven record of success in the Acid Rain Program.

We certainly recognize that states have the authority to consider additional regulations beyond federal rules. We know that here in Pennsylvania and in my home state of Illinois there is interest in exploring additional, state-specific, or regional, multi-state regulations in light of the new federal regulations.

My first instinct is to be very concerned about the potential for a patchwork quilt of regulatory approaches when we operate in large, regional marketplaces. Neither emissions nor competition are constrained by state borders. With that in mind, the principle we urge is that any debate over environmental regulations – federal, state or local – be holistic, and recognize that there can be a delicate interrelationship between environmental regulations, the competitiveness of individual businesses, the reliability of our electric supply, and the prices consumers and businesses ultimately pay for electricity.

Now let me be clear – I am in no way suggesting that we diminish our pursuit as a society of clean air goals. By any measure, our record under the Clean Air Act is outstanding.

We can stay the course and continue to make further progress, and I know we will. I'm simply saying that the policy debate requires a careful analysis of real benefits, and the potential risks to reliability and the economy.

To close, I want to shift gears and offer my strong belief that every day our power generation and trading business must have a foremost focus on ethical conduct.

There's no need to keep dwelling on the past practices of a few that tainted our industry as a whole. Our legal system will continue to sort that out. But I believe there is an urgent and paramount need to rededicate ourselves each and every day to the highest standards of business practices -- and to always remember the element of public service and responsibility that we share.

Those of us at the Edison Mission Group and our Homer City Generating Station are proud of our industry's heritage, excited about our future, and mindful of the marketplace and environmental challenges we face. It has been my honor to kick things off this morning. You have my best wishes for a successful two days.