

ILLINOIS ENERGY TRANSFORMATION #11 -- NO RATIONAL BASIS FOR AN EXELON BAILOUT

23 November, 2016

Greetings All,

We are sending you a copy of the testimony we gave before the House Energy Committee on Nov. 16, ***urging rejection of the Exelon nuclear bailout***. We also provide the supplemental materials we referred to in our testimony.

Several aspects of our testimony deserve to be mentioned in summary:

1.) The Legislature has not done its due diligence to determine that a bailout is warranted:

- In our testimony, and in the attached fact sheet, we outlined five alternative avenues of funding ***other than*** a legislatively imposed bailout financed by ratepayers that, to our knowledge, the legislature has not examined in any depth, if at all. Since then, a sixth opportunity – conducting a transmission system study, which if it produced positive results would enhance the profitability of both the “economically distressed” Clinton and Quad Cities nuclear stations -- has reportedly been deleted from current legislation language negotiations. We infer that for legislators and Exelon, it’s simply easier to bilk ratepayers than to get Exelon to do the hard but essential business work to find ways to improve its own profitability.
- In our testimony before the House Energy Committee last week, and the Senate Energy Committee in May, we pointed out that the House has failed to analyze the negative impacts on the much larger job producing energy efficiency and renewable energy sectors that an Exelon nuclear bailout would create. The legislature found time to approve HR1146 to order 4 state agencies to study the negative impacts of reactor closure; yet failed to finish the job of analyzing the other negative effects of a bailout on the Illinois economy and energy future. No rational or fair decision about the Exelon nuclear bailout can be made absent this information.

2.) Nuclear reactors CAN be re-opened once their operating licenses are terminated:

- Exelon and its supporters have repeatedly stated in public that once reactors are closed, they are closed for good; and have used this threat to urge hasty, imprudent action and decision making. ***The fact is, this is not true.***
- In written correspondence with the legal department of the U.S. Nuclear Regulatory Commission (NRC), NEIS has determined that there are no legal barriers either in the Code of Federal Regulations (10CFR) or NRC regulations to a utility petitioning NRC for a re-issue of a terminated operating license – through the license waiver petition process, and provided the plants would be in operating condition according to NRC standards. There are also no legal barriers to the NRC granting such a request. We provide a copy of that correspondence.

- The decision to request such a re-issued license would rest entirely with Exelon Corporation, and they would likely base such a decision on economics. Mr. Joe Dominguez of Exelon has often over the past two years indicated that these two reactors are good performers, in good operating condition, and that they would be profitable to the Company if the markets turned around in 5-6 year's time. If these statements are true, then Exelon has the option to make this decision to petition the NRC.
- The implication of this revelation is that 1.) Exelon and its allies have been publicly stating that reactor closures are final decisions. **They clearly are not, and are reversible.** Knowing this, 2.) one has to re-interpret the urgency of all the Exelon closure deadline announcements, and the way Exelon has perhaps used reactor communities as their "human shields" to get support for their bailout bid, without informing these communities of this potential option and its implication for these communities to take alternative actions.

3.) **Whose assets? THEIR assets!**

- As we did in May, we pointed out last week that this bailout -- a legislatively imposed major rate hike in disguise that would be in effect for 10 years or more, according to current language of the legislation -- would amount to little more than a "wealth transfer" of billions of dollars from ratepayers to Exelon's shareholders, without the ratepayers receiving any tangible benefits.
- Other financially stressed businesses and industries have to seek other avenues of funding, in which interest or some kind of equity would have to be given to the party (like a bank) providing the cash. No other businesses or industries have the luxury (or hubris, depending on your point of view) to assume they could go to the Governor or the legislature to be "made whole" when they lose money.
- If the market becomes profitable again, as Mr. Joe Dominguez has public surmised it will, these reactors would still remain the assets of the private company, Exelon, not the ratepayers who guaranteed their survival and return to profitability.

Our testimony touches on the other aspects of why this nuclear bailout is not defensible from an environmental, jobs, business or any other rational standard.

For these reasons **we urge you to reject this bailout.** We further suggest that, if you really want renewable energy and energy efficiency to be a part of Illinois' energy future, have the courage to vote on these issues separately from the issue of the Exelon bailout. To act otherwise is simply to capitulate to economic extortion -- both bad energy policy and bad business practice.

Thank you for your consideration of these views. We wish you all a Happy Thanksgiving. Lord knows Illinois ratepayers would sure like one.

--David Kraft, Director, NEIS--