

Illinois Energy Transformation #8, 6/18/16:

“ONLY 25¢ A MONTH PER CUSTOMER!...” UM....NO.

Much conflicting ink has been spilled back and forth over the alleged cost to Illinois electric ratepayers of the proposed Exelon nuclear bailout . While the actual amount is buried in the arcane formulation and the assumptions behind them found on pages 80 to 95 of Exelon’s legislation, and in future energy prices, we have found these differing amounts in the press:

“[Exelon’s Joseph] Dominguez said the nuclear component, dubbed the "zero emission credit" provision, would cost residential ratepayers about **\$1 a month on average**. Offsets elsewhere in the bill, as proposed, would **reduce the cost to 25 cents a month**.”[1] *Energy Wire, 6/15/16*

“Dave Lundy, director of the BEST Coalition opposing the plan, said price spikes are unlikely because of the amount of electricity produced in Illinois and the high cost to send it through jammed transmission lines in the Quad Cities....The coalition claims the so-called Next Generation Energy plan **would amount to an average \$3 per-month rate hike for ratepayers** and a \$7.7 billion windfall for Exelon over 10 years. Exelon puts the increase to ratepayers at 25 cents a month in exchange for future power stability.”[2] -- *AP Wire, 6/2/16*

“The [Exelon] company won’t confirm or deny how much in incremental revenue it would receive from surcharges applied to electric bills statewide if its bill became law....But the **\$250 million estimate** can be produced using materials Exelon has provided lawmakers and statements its executives have made to analysts.... **And the charges likely would average more than \$200 million in the first three years**, when the market revenues the plants would fetch are more easily forecasted. Exelon's lower six-year estimate appears to rely on assumptions in the last three years of the plan—a much harder market environment to predict....In the first year, at least, the revenues the bill would generate seem to approach the generous **\$290 million** in last year's bill, which foundered in the general Assembly.” [3] -- *Steve Daniels, Crain’s Chicago Business, 5/19/16*

So the \$1.6 billion question is: who’s right? And how would we know?

While it is difficult to calculate how much the increase **will be**, since some of the figures are tied to assumptions about future markets, there are ways to show what they **won’t be**. And 25¢ per month per customer is more than likely -- **wrong**. Let’s examine some reasons why.

1.) **Arithmetic:** Let’s assume Steve Daniels is correct above, since his values come from Exelon's own public data and statements. So, for the next three years, Exelon will receive \$600 million under their proposal. The latest U.S.EIA statistics from December 2014 [4] report that there were 5,751,369 total electric customers of all classes in Illinois. The Exelon surcharge would be levied on all customers, regardless of whether they are served by Exelon or not, according to the Exelon bill.

\$200 million per year divided over that customer base averages out to \$2.87/month/customer. If Steve Daniels is correct, and 2017 garners \$290 million for Exelon, that amount shoots up to **\$4.17/month/customer on crude, unadjusted average.**

2.) **Those assumptions:** Exelon’s Dominguez states above that “offsets” would reduce this to 25¢, but does not state what those offsets are. Assuming that some class of

customers would somehow by those offsets get down to that 25¢ figure, the balance Exelon would still require to bail out its money-losing nukes would have to be made up by increases to other customers and/or classes – and quite substantial ones, since there is already an **11-fold difference** between the crude average we show above and Dominguez’s pledged amount.

Further, **if not all Illinois customers are include for some negotiated reason** – a reasonable request, since non-Exelon customers in Cairo, Carbondale, Du Quoin, Carmi or Springfield should not be forced to pay for Exelon’s failed business model, especially in an election year – **this would drive the per-monthly rate increase from the bailout even higher for the remaining customer base.**

Legislators have not yet been forced to deal with the Exelon bailout bill. Much remains to be discussed, let alone negotiated. Much remains a great unknown, based as it is on being able to predict future energy prices and results of capacity market bidding. Despite all those uncertainties, though, one thing should be abundantly clear – **this nuclear bailout will cost Illinois ratepayers substantially more than 25¢ per month.** Legislators who either believe or promise this to their constituents do so at their own peril in an election year. ■

SOURCES:

[1] “NUCLEAR: What a teetering young reactor says about U.S. industry,” Jeffrey Tomich, E&E reporter -- EnergyWire: Wednesday, June 15, 2016.

[2] “Exelon to Close 2 Nuclear Plants; Still Seeking Subsidies,” by John O’Connor, AP political writer, Springfield, Ill., Jun 2, 2016.

[3] “Rate payers could be on hook for \$250 million for Exelon’s nukes,” Steve Daniels, Crain’s Chicago Business, May 19, 2016.

[4] “2014 Utility Bundled Retail Sales- Total,” (Data from forms EIA-861- schedules 4A & 4D and EIA-861S), <http://www.eia.gov/electricity/data.cfm#sales>



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