

# Testimony On Proposed Electric Utility Deregulation

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by

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Nuclear Energy Information Service is an Illinois environmental organization with over 500 individual and organizational members, nearly 400 of which reside in Illinois. We thank Senator Mahar and this committee for the opportunity to present our views on proposed electric utility de-regulation in Illinois.

Before we submit our recommendations, we wish to begin with two very pertinent quotes. The first is from internationally renown energy expert and physicist Amory Lovins of the Rocky Mountain Institute in Colorado, who states,

"We are making a mistake if we ask markets to do things they are not designed to do. Markets are only meant to allocate resources in the short term, not to tell you how much is enough, or how to achieve integrity or justice. Markets are meant to be efficient, not sufficient; greedy, not fair. If they do something good for whales or wilder- ness...that's purely coincidental."

The second quote is shorter, and should be familiar to you in the Illinois Senate:

"The public policy of the State and the duty of each person is to provide and maintain a healthy environment for the benefit of this and future generations. The General Assembly shall provide by law for the implementation and enforcement of this public policy." -- Article XI., Sec. 1, Illinois Constitution

As we at NEIS review the nearly two year old debate over utility de-regulation in Illinois, one feature stands out starkly: that serious and equal consideration of the environmental impacts of the proposed changes in energy policy and laws have been virtually non-existent in this debate. Indeed, from where we sit, it is clear that some of the same short-sighted, self-serving power brokers in government and in the electric utility and private industrial sectors who gave us expensive, dangerous nuclear power and filthy and polluting coal burning are those who are most aggressively attempting to re-write the rules in their favor once again. And if these people get their way a second time, the environment will once more be their first victim.

Utility de-regulation that is merely about shaving a few cents-per-kwh off of people's electric bills, or driving them crazy with endless choices they probably don't care to make in the first place is little more than a disingenuous exercise in mental masturbation. It is disingenuous because it attempts to dupe the public into thinking they are finally getting meaningful utility change, when they will not, at least if S-55 passes in its present form. By anointing de-regulation with the eco-babble mantra "free market competition," everyone is expected to buy into the charade -- whether substantive change is provided or not. As you continue your deliberations, please understand that there are many Illinoisans who can still tell that a pig dressed in silk is -- just a pig in silk.

Short-term market gains may be realized for some large users, and for a brief period of time. But, unless we do de-regulation correctly, utility relief and competition may not be realized by the majority, or by those who need it the most. Further, any initial short term gains realized are likely to vanish when the longer-term penalties of environmentally damaging energy choices like nuclear power and dirty fossil fuels kick in. These will come in the form of increased fines, lawsuits and health damage from air pollution, nuclear accidents, and global warming damage to Illinois' large agricultural economy.

These observations are tied to the warning by Amory Lovins above. With energy abuse accounting for more pollution than any other U.S. industry; with our coal plants ruining the air quality of the Northeast U.S.; with our nuclear plants threatening the safety of Illinois communities and contributing to long-term waste problems that will last 48 times longer than the entire written record of human history to date, one of the last things we ought to be considering is letting the short-term considerations and emphasis of a de-regulated energy market become the sole or primary driver of our energy policies and choices.

To serve society fully, real utility de-regulation must be about something far grander, for it is a once in a generation opportunity to provide the ground rules to undo much of the environmental damage that the past 50 years of energy abuse has done to Illinois, the nation, and the planet.

This brings us to the second quote above. We as citizens, and you as elected officials have a duty "to provide and maintain a healthy environment for the benefit of this and future generations." And you as legislators are sworn to "provide by law for the implementation of this public policy." Not just in the short term, which is the arena of the so-called "free market," but for the long-term benefit of future generations. It is our opinion that any de-regulation legislation that does not account for the long-term environmental consequences of energy damage and abuse that it will create, or emphasizes only short-term market considerations would be in violation of the Illinois Constitution.

To conclude our remarks, we provide the following recommendations:

- 1.) While we are skeptical and greatly concerned that the over-emphasis placed on "the competitive market" can actually address the long-term environmental problems caused by continued energy abuse, we are not opposed to its use, provided that such a market a.) is truly competitive and open; b.) provides equal and guaranteed access for all classes of users; c.) is opened up as quickly as possible; and d.) is not thwarted and undercut by penalizing either the energy providers who historically acted with environmental responsibility, or those classes of involuntarily indentured users who had little meaningful say or choice historically over the poor investments and choices made by irresponsible energy providers.
- 2.) Utility de-regulation should be used as an opportunity to wean energy producers away from more destructive forms of energy production, namely nuclear power and coal. This can be facilitated by the following: a.) provide a minimum of \$30 million per year for the Energy Efficiency Investment Fund to develop less-polluting power sources for Illinois; b.) provide a minimum of \$10 million per year for the development of new and under-utilized renewable energy sources; c.) support tax credits and abatements to promote energy efficiency choices; d.) repeal all air quality exemptions and grandfathering clauses currently in effect for older and more heavily polluting fossil fuel plants; and e.) continue "least-cost energy planning" provisions in the Illinois Public Utility Act.
- 3.) Do not permit such anti-competitive utility subsidies and practices as "exit fees," "transition charges," "stranded cost recovery," or "securitization of utility debts."
- 4.) Require explicit disclosure from any electric utility or entity allowed to do business in Illinois of the exact and detailed source (eg., coal, nuclear, gas, wind, etc.) of all electricity sold.

We urge that any bill creating utility de-regulation contain these elements. If it does not, we conclude with a cautionary reminder coming from one last quote: "Each person has the right to a healthful environment. Each person may enforce this right against any party, governmental or private, through appropriate legal

proceedings subject to reasonable limitation as the General Assembly may provide by law." Article XI., Sec. 2, Illinois Constitution. Thank you for your consideration of this critical environmental issue. We are available to answer any questions you may have.