EXELON NUCLEAR – HOLDING ILLINOIS HOSTAGE YET AGAIN?

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The business press has announced that Exelon Corporation now considers the two Byron nuclear reactors south of Rockford as candidates for closure, joining a list that included the two old Quad Cities reactors, and the single Clinton reactor in central Illinois.

CEO Chris Crane and other Exelon executives state that these reactors are losing money, or simply not profitable enough to operate in a current energy market dominated by low gas prices and increasing use of wind power. *Crain's* reports that these six reactors, "…employ more than 2,300 with an annual payroll of $193 million, pay $51 million in taxes to localities and the state and provide enough electricity to light more than 4.2 million homes."

While Crane had previously stated he would not be asking the State legislature for help, he and Exelon execs have engaged in "briefings" with the likes of Rep. Mike Madigan and Sen. John Cullerton. Exelon lobbyists have even floated the idea that poor, disadvantaged nuclear plants operating in a free market system, should now somehow be entitled to a special financial credit for providing cleaner air and 24/7 baseload power.

Ratepayers – it's time to hide your wallets!

With the exception of being concerned for the welfare of the 2,300 workers and the potentially devastated tax bases that these reactor closures would represent, everything these "briefings" are pointing to is -- wrong, wrong, wrong.

Any kind of Legislature-mandated special rate consideration for nuclear reactors is wrong on every count, and should be rejected.

For starters, for decades Exelon and other nuclear reactor operators have extolled the low operating costs of their plants. Apparently, this is now questionable. Whether the ancient 42 year-old Quad Cities reactors, or the relatively new 28 year-old Byron reactors – which just last year applied for a 20 year operating extension with the federal Nuclear Regulatory Commission – it appears that alleged low operating costs either don't exist, or are not enough to keep the reactors competitive in the 21st Century energy market.

Second, that market happens to be the one crafted by then-ComEd lobbyists in the late 1990s. Be careful for what you wish (or lobby for) – you might get it. ComEd/Exelon opted to leave the regulated market structure in favor of what they gambled would be a higher profit free market/merchant plant system. Now, they don't like the results of that corporate decision, and seek protection from the capricious child they sired.

Third – if reactors qualify for special rate benefits simply for performing in the manner they were designed and which ComEd/Exelon used as a selling point when building them, shouldn't other energy resources get similar financial credits for their unique abilities and societal benefits? Energy efficiency does not create nuclear waste, a societal cost for the next 6,000 generations. Shouldn't EE get credit for this avoided cost? Unlike nuclear power, neither wind nor solar power contributes to the threat of nuclear weapons or materials proliferation. In fact since they consume no fuel at all, they produce ZERO pollution. Should not wind and solar get a special and additional non-nuclear proliferation or zero-pollution credit for these major societal benefits?

These three factors (and others) all point to a deep, fundamental problem markedly different from being buffeted by a tough current energy market: Exelon executives have consistently embraced an anachronistic, inflexible, eggs-in-one-basket, and now demonstrably lousy business plan for meeting 21st Century energy needs. And now they are looking to the 20th Century ratepayer bailout system for relief.

It's not like they weren't warned. As I look at my bookshelf at the 296-page, 2-inch thick testimony of Amory Lovins of the Rocky Mountain institute titled, *"Least-Cost Electrical Service as an Alternative to the Braidwood Project,"* filed July 3, 1985 as part of a ComEd rate hike request to build new nuclear reactors, it becomes painfully obvious just how incapable Exelon execs have been these past 28 years to anticipate correctly and adjust to future energy trends.

Much talk in the trade press recently speaks to the "end of utilities" and the crises these face as the 21st Century market continues to bring on renewables with a roar, and demand for electricity stagnates under better energy efficiency measures. Duke power has recently "got it," recognizing that they can no longer exist as a utility if they act merely as electron retailers. They are evolving into becoming an "electric service provider" instead. These concepts were raised with ComEd in the 1990s by members of the Evanston Energy Commission, which included now U.S Rep. Jan Schakowsky, myself and others, when we were charged to advise the City of Evanston on its franchise negotiations with then-ComEd. ComEd, and later Exelon execs made the corporate decision to move in a different direction. They now are paying the price. Or rather, want Illinois ratepayers or their customers to pay it.

If Exelon intends to survive as a utility, it likewise needs to make these two radical transitions – to 21st Century renewable energy, and to divorce profits from merely selling electrons. The Legislature should not impede these necessary transitions by granting undeserved, preferential rate relief.

But Exelon will persist in its old ways. It will hide behind the hostages of the 2,300 workers who might lose their jobs, and loss of $51 million in taxes to localities and the state to continue doing business the way IT wants to, without concessions to change a faulty business model. Worse, it may be that Exelon will attempt to block reform of the Renewable Energy Portfolio standard unless it gets its ransom money from the Legislature. Besides showing what a bad actor and lousy neighbor they are, these two possibilities would have truly negative impacts on the State.

During the recent NRC public hearing on the Environmental Impact Statement for the relicensing of the Byron and Braidwood reactors, local politicians, Chamber of Commerce members, School District officials and others could not say enough about what a good neighbor and financial contributor Exelon's reactors were to their local communities – read "economies." We thought it strange that all these economic benefits were offered as testimony at an environmental impact statement hearing, so we put a question to the crowd for their consideration:

> *What will you do when the reactors close, and the gravy train is over? If Exelon decides overnight to close the plants, or the NRC orders them closed for some reason, what would an overnight loss of 75% of your school's budget, or 50% of your tax base – such as had already occurred to the community of Zion when ComEd pulled the plug in 1998, and Clinton, when the reactors were sold at bargain basement prices, devaluating it in the local tax base – mean to your communities? What will you DO then?*

We did offer the suggestion that the relicensing period offered a time for these civic leaders to begin to plan for such closures, since they were inevitable. We offered a direct suggestion that communities need to begin negotiations with Exelon to create an escrowed "reactor termination fund", to protect the local schools, economies and tax bases from the abrupt loss of funds in case of the closure of the reactors. Money could be deposited into the fund as a small, negotiated percentage of plant profits, and could be used during a "closure period" by the local communities to offset some of the abrupt negative effects of the loss of so large a local employer. And finally -- we also pointed out that reactor operation or closure would be an Exelon corporate choice, official federal mandate, or nuclear disaster – not up for a community vote.

We received no reply.

Perhaps if the Legislature is to be involved in this new Illinois nuclear hostage crisis, its proper role would be to negotiate for the release of the nuclear hostages – unharmed; not reward the hostage takers. ■