

## PRESS RELEASE

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### **Illinois Would Survive Closure of 5 Exelon Reactors, Report Indicates**

**CHICAGO**—Despite some notable flaws, a report assembled by 4 state agencies to study the effects of closing five uneconomic Exelon nuclear reactors in Illinois came to a reassuring conclusion: Illinois will survive, and WITHOUT having to bail out Exelon's reactors with \$580 million.

The Report, "**POTENTIAL NUCLEAR POWER PLANT CLOSINGS IN ILLINOIS: Impacts and Market-Based Solutions**," was mandated by HR1146 in May of 2014 to study the effects on the Illinois economy and electric power reliability should Exelon decide to close 5 unprofitable nuclear reactors it operates in Illinois.

"This Report, flawed as it is, indicates that while there will be some serious, expected short term effects from Exelon closing its 5 uneconomic reactors, the Illinois economy will not be irreparably harmed, and the lights will stay on. In short – **there is NO crisis demanding quick action by the Legislature to grant Exelon a \$580 million bailout of the 5 reactors**," concludes David Kraft, director of Nuclear Energy Information Service, a nuclear power watchdog organization based in Chicago.

The Report was presented as a compilation of analyses by the Illinois Commerce Commission, the Illinois Power Agency, the Illinois Environmental Protection Agency, and the Department of Commerce and Economic Opportunity. Each was given a specific task to analyze by the enabling Resolution, HR1146; and each conducted its own separate modeling and analysis.

The bottom-line, broad-brush stroke takeaways from the Report are:

1. There is no crisis. Illinois WILL survive. Therefore, there is no need for the legislature to act rashly on the expected to be requested \$580 million bailout, without detailed study, analysis and debate; and certainly not before Exelon provides much more information to the Legislature and the public.
2. The conclusions of each individual agency virtually all support some version of **FIXING THE RENEWABLE ENERGY PORTFOLIO STANDARD**, and/or relying on energy efficiency and renewable energy (EE/RE) to both soften the economic hit, create new replacement jobs, and keep the electrons flowing, in some form or other. Some Agency reports were more explicit about this than others (e.g., Dept. of Commerce and Economic Opportunity).
3. System reliability will NOT be impaired, and even under worst case scenarios, can be propped up sufficiently with appropriate use of demand-side management. (IL Power Agency)

“These are probably not the conclusions Exelon wanted the public or the Legislature to see,” notes Kraft. “But, although incomplete, they are reassuring first analyses that demonstrate Illinois can make a transition to a renewable energy future less painful with proper planning and forethought. More work is clearly needed.”

Indeed, the writers of the report themselves were cognizant of the “GIGO” nature of their work, cautioning that,

“...the Agencies believe that results from modeling and analyses cannot be fairly segregated from the assumptions, caveats, and explanations which accompany them. Guided by this logic, the Agencies’ have chosen not to provide an independent executive summary to this report, and strongly believe that impacts measured through modeling and analyses must be understood in the context of and with the caveats given in their presentation herein.”

“And some of those contexts and analyses seemed to be incomplete and inaccurate,” Kraft states. “It’s good that the authors recognize this limitation, so that conclusions offered are not overly generalized.”

The authors also concluded that,

“There is an old adage: “a rising tide lifts all boats.” Solutions adopted to prevent the premature closure of Illinois nuclear plants should be designed with the goal of raising the tide of the Illinois energy sector. When evaluating the solutions included in this report and any alternatives offered by stakeholders, holistic solutions aimed at solving fundamental market challenges are preferable. The right energy policy has the potential to minimize rate increases to families and businesses while positioning Illinois as a national leader in the development of clean energy.”

“It seems that the Agencies recognize that the situation is one greater than merely deciding whether Exelon reactors should be bailed out or not; but rather one of deciding on a future blueprint for Illinois energy that makes sense and is compatible with the 21<sup>st</sup> Century trends and technological advances,” Kraft observes. “This is not an incremental decision about rate setting; it’s a transformation moment for deciding Illinois’ energy future. The Legislature will be deciding if we move forward into the 21<sup>st</sup> Century of energy, or stay stuck in the 19<sup>th</sup>.”

### ***Flaws in the Report***

From its inception NEIS had been critical of the mandated Report. The enabling Resolution:

- Provided no dedicated funding to conduct deeper more meaningful study that would have produced more valid results;
- Provided a far too narrow mandate for investigation, one which began with a pre-determined conclusion – that the effects would (all) be negative, without allowing for analysis of potential benefits of closing the 5 reactors;

- Provided absolutely no opportunity for public participation or input into the Report.

“This tight political control of the process last May strongly suggested a self-fulfilling prophecy was to be created, not a study to legitimately investigate a serious issue,” Kraft points out. “To the extent that the Agencies were largely able to avoid this built-in pitfall is much to their credit.”

The Report also contained some direct criticism and contradiction of Exelon’s claims leading up to the creation of the Report. For example:

1. the DCEO explicitly criticized Exelon and claims and data from the Nuclear Energy Institute report from last October on negative effects of reactor closures, stating Exelon overplayed the likely damage to expect, and ignored possible means of mitigating the effects of closure (pp. 149-150);
2. despite not being part of the original mandate, several agencies stated that EE/RE would be used in varying capacities to add both jobs and electrons, softening the expected short-term disruptions of premature reactor closures, a point Exelon public statements assiduously ignore;
3. DCEO further noted that if you close reactors, they eventually have to be decommissioned, adding benefits to the local and Illinois economy in the longer-term; they then quoted from the website of Exelon's current sub-contractor at Zion -- Zion Solutions -- as to how much positive economic opportunity that would provide (p. 150);
4. Some specific scenarios analyzed in the Report reject the need for an Exelon bailout at all. One such example scenario investigated by the ICC concluded, “Higher energy market prices would also reduce the capacity market offer caps of remaining units and thus capacity prices, holding everything else equal. The fact that energy market prices would increase *does not support providing subsidies to these plants in order to forestall retirement. Any decision to retire the plants would be based on the basic economics of the plants.*” (emphasis ours, pp. 62-63)
5. The Illinois Power Agency states, “This analysis contained in this report demonstrates that there is a potential for impacts on reliability and capacity from the premature closure of the at-risk nuclear plants. However, in many of the cases analyzed, reliability impacts remain below industry standard thresholds, and impacts appear to be more significant in other states than in Illinois. *Taken alone, there may not be sufficient concern regarding reliability and capacity to warrant the institution of new Illinois specific market-based solutions to prevent premature closure of nuclear plants.*” (emphasis ours, p. 73)

“Even though Exelon did their best to convince everyone that the sky is falling here in Illinois, even a poorly mandated, non-funded, public discounting and disenfranchising, abstract-model-heavy analysis could not reach that conclusion,” says Kraft.

“Given the guardedly incomplete conclusions of this Report, and the uncertainty about FERC awarding an additional \$560 million in profits to Exelon, there is no legitimate reason for the Legislature to take immediate action on Exelon’s requests for a bailout, by any mechanism.”

According to Kraft, “The situation and the conclusions from this Report call for a number of things to happen first, before such consideration should even begin:

1. Exelon needs to open its books to the State and the public, on a plant by plant basis, to conclusively prove its need;
2. The Legislature FIRST needs to fix the Renewable Energy Portfolio Standard to guarantee that EE/RE WILL be available to soften any economic or reliability damage the closure of the 5 money-losing reactors would cause, as the Report suggests numerous times it could;
3. No Legislative decision should be rendered prior to the FERC deciding on its potential \$560 million award for Exelon. The Legislature should not set up an opportunity for a billion-dollar Exelon “double-dip.”
4. Alternatives to the Exelon proposals, and to Exelon as an energy provider, should be investigated by the Legislature. Perhaps some of Exelon’s competitors would be willing to step up and fill some of the energy vacuum Exelon would create by closing the 5 reactors, and do so in a more economic, forward thinking manner -- as the Report suggests should be done.

“The energy future of Illinois and its effects on the Illinois economy for decades to come are at stake with the Legislature’s decision,” Kraft warns. “Their job is to get it done RIGHT, not QUICK.”