



Nuclear Energy Information Service

Illinois' Nuclear Power Watchdog since 1981

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**REMARKS CONCERNING AMENDMENT 3 TO SB.1585
THE EXELON "NUCLEAR WELFARE BAILOUT BILL"
Before the Illinois Senate Energy Committee Subject Matter Hearing
May 19, 2016**

Greetings Committee Members. On behalf of the Board and membership of NEIS we thank you for the opportunity to present these remarks for your consideration on the energy future for the State of Illinois.

NEIS is a safe-energy advocacy, anti-nuclear environmental organization based in Chicago. We represent over 600 individual and group members in Illinois; and over 825 nationally.

We wish to register our OPPOSITION to Amendment 3 to Bill SB.1585, the Exelon Nuclear Welfare Bailout Bill, otherwise known as the Next Generation Energy Plan.

We submit to this Committee and to the Legislature that:

1. The rationale offered for the Bill is questionable and contestable at best, inaccurate at worst;
2. Some of the justifications offered by Exelon for the need for the legislation are more accurately seen as harmful self-fulfilling prophecies largely created by Exelon itself, for which it now seeks unjustified compensation to fix;
3. The Legislature has started but not completed its due diligence investigation into the need and justification for Exelon's alleged "solutions;"
4. The Exelon-proposed nuclear bailout scheme represents a wealth transfer from Illinois ratepayers to the shareholders of Exelon that solely benefits a private corporation, without the ratepayers being given any real related compensation or equity for this wealth transfer;

We will elaborate on these contentions as much as time permits; and will provide more detailed and referenced remarks for consideration in writing.

ITEM #1: The rationale offered for the Bill is questionable and contestable at best, inaccurate at worst:

- Exelon claims that its legislation would, "create a level playing field for all clean energy sources to compete,..." and "...recognize the zero-carbon benefits of nuclear power."
- FACT: It was ComEd lobbyists who largely wrote the deregulation legislation of the late 1990s that created the market in which Exelon's reactors now perform.
- FACT: Recently, PJM reacted to criticisms about market distortions by saying, "The simple fact that a generating facility cannot earn sufficient market revenue to cover its going-forward costs does not reasonably lead to the conclusion that wholesale markets are flawed,' PJM wrote. 'More likely, it demonstrates that the generating facility is uneconomic.'"
- FACT: Exelon's obstructing the RPS fix has already introduced a distortion into the playing field, one that needs to be fixed first.
- FACT: Why should low-carbon emissions be singled out for special reward for its positive societal benefits? Should not RE/EE be rewarded for the facts that they not only are lower-carbon emitters than nuclear, but they eliminate the costly and risky societal burdens of radioactive waste production and disposal, and nuclear proliferation of materials, expertise, technology and ultimately nuclear weapons and terrorism. Should not these positive societal benefits be compensated for additional reward?

ITEM #2: Some of the justifications offered by Exelon for the need for the legislation are more accurately seen as harmful self-fulfilling prophecies largely created by Exelon itself, for which it now seeks unjustified compensation to fix:

- Exelon publicly claims that should reactors close carbon emissions would increase. While this is probably true, it has been Exelon itself which has prevented the fix to the Renewable Energy Portfolio Standard (RPS) for the past four years. How many tons of carbon emissions has Exelon obstructionism caused over the past four year by preventing the construction of new emissions and radioactive-waste free renewable energy resources? How many tons of emissions will be added to the atmosphere because Exelon's obstruction prevents new RE and EE projects from being built and implemented?
- Exelon bemoans the loss of jobs and economic activity in Illinois should it close its three reactors. How many jobs in the RE/EE sector have been lost over the past 4 years that Exelon has obstructed the RPS fix? How many RE projects were NOT built in Illinois, and built in other states instead due to Exelon's obstruction of the RPS fix? How many more will not be built until Exelon gets out of the way of fixing the RPS? How many jobs will be lost to Illinois, and where would they have gone?
- Exelon's obstructionism has done real harm to Illinois RE. It now suggests that it will continue to do that harm unless its failed and anachronistic business model is "rewarded" – bailed out. It is simply inappropriate – and dumb energy policy -- to reward such self-fulfilling prophecy.
- **Recommendations:** 1.) Fix the RPS first before discussing Exelon's bailout request. 2.) Enact a "just transitions" program for all Illinois reactor communities, the purpose of which would be to mitigate the negative economic effects and potential public services disruptions occurring as a result of the inevitable reactor closures.

ITEM #3: The Legislature has started but not completed its 'due diligence' investigation into the need and justification for Exelon's alleged "solutions:"

- In 2014 progress was being made to fix the flaws that existed in implementing the State RPS which had prevented the allocation of collected funds from being used to build new renewable energy projects. This progress and reported near-agreement to fix the RPS was never enshrined in legislation or regulation. Instead, House Speaker Madigan introduced HR.1146 – a resolution calling for four State Agencies to study the negative impacts on Illinois resulting from Exelon's proposed closure of five allegedly money-losing nuclear reactors.
- The very preamble of HR.1146 pre-judged the outcome as negative, even before the study had begun, and before alternatives could even be proposed let alone analyzed. The Resolution further excluded other necessary avenues of investigation needed to arrive at an unbiased and valid conclusion.
- In spite of these fundamental design flaws, while HR.1146 indicated that there would indeed be initial negative economic and potential system impacts, that in the intermediate and long-term, many if not all of these would be overcome by the variety of logical alternatives that would step forward and be implemented to compensate for any short-term economic and system reliability problems.
- **THE STATE'S "DUE-DILIGENCE" IS INCOMPLETE:** The State failed to conduct a full study of the negative economic and system impacts that would result from the proposed nuclear reactor bailout scheme on the renewable energy and energy efficiency (RE/EE) sectors, which together represent a far wider geographic area of the State; and which account for nearly five times the number of direct and indirect jobs that Exelon claims it currently employs in its entire Illinois nuclear fleet; and over 13 times as many jobs as Exelon identified were threatened by the five proposed reactor closures. Now that this number of threatened closures has fallen to three reactors amounting to approximately 1,500 direct and 4,200 total jobs, the RE/EE sector accounts for 12 times the number of direct jobs, and 25 times the number of total jobs potentially threatened by Exelon's nuclear bailout.

- **Recommendation:** Before awarding Exelon a nuclear bailout mechanism that could potentially have dire negative consequences on the Illinois RE/EE job sector, the State should undertake a similar 4-agency study to study those effects, using the same methodology as was used to allegedly study the negative impacts of the nuclear reactor closures. To make a decision on Illinois' energy future without this information would not be irresponsible and render the conclusions of HR.1146 invalid, and could potentially damage the Illinois economy and system reliability as much or more than the closure of Exelon's three money-losing private assets.

ITEM #4: The Exelon-proposed nuclear bailout scheme represents a wealth transfer from Illinois ratepayers to the shareholders of Exelon that solely benefits a private corporation, without the ratepayers being given any real related compensation or equity for this wealth transfer:

- **FACT:** Clinton-1 and Quad Cities 1&2 are Exelon's private assets. Exelon has publicly stated and claims: 1.) the reactors are prime producers, with useful life left; and 2.) that Exelon foresees a time in the future – perhaps in 6-7 years -- when energy prices will rise again, making the reactors competitive and perhaps profitable again.
- **FACT:** If Exelon gets ratepayer money through its current legislation, these reactors will still remain Exelon assets, Exelon private property.
- **FACT:** Exelon as a whole is a profitable corporation. Earlier this year its Chair Chris Crane pledged a 2.5% dividend increase to shareholders for the next three years;
- **FACT:** This legislative scheme therefore represents a forced transfer of ratepayer wealth to a private Corporation Exelon and its shareholders to subsidize its private assets, without the benefit of the ratepayers gaining any direct tangible benefit or equity in the transaction for use of their money, which is non-refundable – so that Exelon can ride out the storm until these reactors become profitable once again if/when energy prices rise.
- **Recommendation:** If you must order ratepayer money to be used to bail out Exelon, require that Exelon give ratepayers some equity in the private assets they are subsidizing.

In conclusion there are numerous other flaws in the Exelon Nuclear Welfare Bailout Bill which we cannot get into at this proceeding due to time constraints. We are available for future discussion of and elaboration on the above and additional concerns.

We thank you for your time and consideration of our views.