ILLINOIS ENERGY TRANSFORMATION #22:
On Nuclear Bailouts and the Need for Credible Audits
April 1, 2021

It is no small irony that an audit of Exelon’s allegedly “financially troubled” Illinois nuclear reactors was due to come out on April 1st.

Coincidentally, on this same day, Gov. Mike DeWine of Ohio signed legislation that rescinds a $1.1 billion bailout of Ohio’s nuclear plants that was initially secured through corruption and bribery, and resulted in the indictment and prosecution of five state legislators and one suicide.

Juxtaposing these two events, their significance and lessons-learned should not be lost by Illinois Governor Pritzker and Illinois Legislators who will be working to enact major energy legislation before the May 31st end of the Spring legislative session.

Governor Pritzker made an excellent demand of Exelon by calling for an independent audit of its books to verify legitimate need for subsidies. Selection of the reputable and independent Synapse Energy Economics to conduct the audit was an equally excellent choice. While there is no doubt about the quality of Synapse’s work, it will be critical to examine the exact scope of the work done, and the parameters examined; otherwise the outcome will suffer from the dreaded GIGO phenomenon – rendering it a “study to show” instead of the sorely needed “study to know.”

In 2015 then House Speaker Mike Madigan passed HR1146. It was designed from the outset to "prove" that nuclear plants were needed in Illinois – thus predetermining the outcome of the investigation. It was done on the dime of four state agencies (i.e., Illinois taxpayers) that did the research essentially justifying/rationalizing an Exelon bailout -- without Exelon having to pay for it. The investigation examined all the benefits, without examining the liabilities and then doing a cost/benefit comparison. These agencies were literally prohibited from examining many issues we asked them to investigate that might have led to a different conclusion.

It is crucial that the Synapse audit is not based on that same flawed methodology. It should be carefully reviewed when released.

Exelon maintains its nuclear plants need some form of subsidization as a “reward” for producing low-carbon emissions electricity, an opportunistic fact that exploits the truly urgent need to address the climate crisis and eliminate the use of fossil fuels. The 2016 FEJA legislation was an outright $2.35 billion bailout in the form of “zero emission credits” – “ZECs”- for the Quad Cities and Clinton nuclear reactors. Current proposed legislation avoids outright bailouts, disguising subsidies in pseudo-market-based terms of “capacity market reform” or “carbon mitigation credits,” thereby avoiding the criticism and controversy over ratepayers having to directly subsidize the economically failed assets and corporate decisions of a profitable private corporation.

But, where is the move to fully reward the environmental benefits of renewable energy, energy efficiency and energy storage? Renewables provide truly zero-carbon electricity, and do so without producing long-
lived, hazardous radioactive wastes, and without threatening to turn Illinois into the Belarus of the Midwest from a Homer-Simpsonesque error. Using the Exelon logic, where is the legislative call for “ZRCs” – “zero-radiation credits” to fully reward and compensate renewables for their superior societal benefits?

Even more important than bailing out Exelon’s money-losing reactors will be to enact means to end the perennial Exelon “nuclear hostage crisis,” which Exelon has expertly exploited to panic-peddle legislators into approving perpetual, ratepayer funded support for money-losing nuclear plants (largely through creating self-fulfilling prophecies), using the threat of job and tax-base losses. Exelon will always retain the right to close their private assets for any reason they choose, at any time. That will always be their decision to make, not the Legislature’s, nor labor’s, nor the local communities affected.

Just because Exelon announces intent to close reactors does not mean they will, nor are they obliged to. The federal Nuclear Regulatory Commission will allow them to pull back any closure paperwork if asked. In fact, there is no federal law, nor NRC regulation that prohibits Exelon or other nuclear utilities to petition to relicense and re-open an already closed and de-licensed reactor, should they wish to, provided they are up to regulatory standards for operation.

Examples of something similar already exist in the Ohio debacle. As Tim Judson, director of the Nuclear Information and Resource Service (NIRS) of Takoma Park, Maryland points out,

“That [Ohio] company [Energy Harbor] is now free to run into the ground, as far as FirstEnergy is concerned. But who knows – maybe it will continue running the Davis-Besse and Perry reactors without a bailout, just like it decided to do with its Beaver Valley 1&2 reactors in 2020, despite having already notified the Nuclear Regulatory Commission that it would close all four by the end of this year. Whatever the case, it shows that nuclear bailouts are no more about a supposed “bridge” to a clean energy future – they are an opportunistic scheme by nuclear utilities to make the public assume the costs of their own short-sighted, self-interested business decisions.”

Finally, it seems that the Ohio legislature and Governor have seen fit to cancel a nuclear bailout obtained by corrupt means. It’s a fair question to ask where the Illinois legislature and Governor are in this regard. Much has been made about refunding the $200 million fine ComEd received from the government. But what about the $2.3 billion nuclear bailout? Don’t Illinois ratepayers deserve the same kind of justice for decades of utility abuse? Was Al Capone let off from his tax evasion conviction because he occasionally helped poor people using the money he accrued by ill-gotten means?

The lessons from Ohio and Illinois should be clear:

- Nuclear power is simply not competitive. If power corrupts, nuclear power corrupts absolutely.
- Stop bailing out the past with wasted ratepayer money. Only April-Fools would continue to do that. Use that money to get where everyone except Exelon and the coal companies want to go: to a truly renewable energy/energy efficient future.
- Return the ratepayer money accrued by corrupt means to ratepayers.
- Stop the perennial Exelon “nuclear hostage crises,” and
- Mitigate the economic blows for workers and affected communities by enacting robust “just transition” legislation (something NEIS has been calling on legislators and Governors to do since late 2013)

You cannot create an energy future by continually bailing out the past. No joke.

Nuclear Energy Information Service is a Chicago-based, safe-energy advocacy, anti-nuclear power and watchdog organization formed in 1981.