

**Next Generation Energy Plan –
Senate Amendment # 2 to SB 1585
Senate Energy & Public Utilities Committee
Testimony of David Fein and Tim Hanley
May 19, 2015**

Introduction

Chairperson Hunter, Members of the Committee: My name is David Fein, I am Vice President for State Government Affairs for Exelon Generation. I am pleased to appear before the Committee today and join Senator Trotter, Senator Lightford, and many others in support of the Next Generation Energy Plan. I am joined on this panel by my colleague, Tim Hanley, Senior Vice President of Nuclear Projects for Exelon Generation. We are also pleased to have leaders of the communities that host our Quad Cities and Clinton plants with us here: Tara Barney, President and CEO of the Quad Cities Chamber of Commerce and Tim Followell, the Clinton City Administrator.

Tim Hanley

Our nuclear plants are among the best-run, most efficient energy assets in the nation and produce zero carbon dioxide. These plants operate more than 94% of the time, through extreme cold and heat. Their reliability is unmatched by any other source of generation.

Each year, Exelon pays more than a billion dollars in Illinois state and local taxes. Our 6 nuclear plants in Illinois produce half of Illinois' total electricity and provide power for more than 10 million homes and business.

Over the past six years, Clinton and Quad Cities have lost more than \$800 million, combined. Costs to operate the facilities consist of labor, maintenance outages, fuel, capital investments and substantial property taxes paid to host communities.

This is \$800 million in negative cash flow, not nearly enough to recover operating costs, let alone earn a return adequate to cover the ongoing cost of capital and the economic risks of operating these plants. We are unable to sustain these types of economic losses any longer.

As such, on May 6th, we announced that we will need to move forward with the early retirements of its Clinton and Quad Cities nuclear facilities if adequate legislation is not passed during the spring Illinois legislative session, scheduled to end on May 31 and if, for Quad Cities, adequate legislation is not passed and the plant does not clear the upcoming PJM capacity auction. The results of the PJM capacity auction will be announced next week.

Unfortunately, the plants aren't like cars, which can be turned off and on with the turn of a key. They are extremely complex and sophisticated machines. Once they're shut down, there's no turning back. The value of the plants will be forever lost to Illinois.

You can help to fix this problem and save these plants – that's why we are here today.

David Fein

We believe the time is right for the passage of the Next Generation Energy Plan. We have worked diligently over the past two years with legislators, stakeholders, allies, opponents and many others to develop a common understanding of the challenges we face and the solutions that are best suited to meeting those challenges.

We believe we have listened to the concerns and critiques from allies and opponents in helping to crafting this latest version of the legislation in a way that fairly and equitably addresses the interests of all stakeholders.

- A key new part of this bill is a shift to a Zero Emission Standard.
- The Zero Emission Standard will create a more level playing field for other clean energy sources to compete and ensure Illinois maintains its status as the State with the largest amount of zero emission generation in the U.S.
- We've listened to many Illinois leaders – the environmental community, the business community, labor organizations, plant host communities, consumer groups and elected officials.
- But we not only listened -- We have responded with constructive solutions to the legitimate concerns that we heard expressed relative to the LCPS legislation introduced in 2015.
- We responded to the concern that the LCPS contained inadequate balance and consumer protections. The Zero Emission Standard maintains a rate impact cap and by setting the credit price based on cost which ensures that consumers don't pay more than is necessary and pay nothing if these plants return to profitability.

- We responded to the concern that there was a lack of understanding of the prices for credits under the LCPS. The Zero Emission Standard in this bill relies on the use of a fair and transparent formula that trusted State agencies will use to calculate the cost of the credits.
- We responded to the concern that the LCPS was too broad in its approach. The Zero Emission Standard reduces the target volumes and focuses the program on only the plants that have a high likelihood of premature retirement.

You may hear that Exelon Corporation is a profitable company. That is true. Exelon, like any other business, cannot continue to sustain the amount of losses at Quad Cities and Clinton because Exelon Corporation is profitable or because other power plants are earning a profit. This is no different than Illinois-based drugstore chains and fast-food restaurant chains not keeping money-losing locations open by subsidizing them with profits from other stores.

Illinois policies already provide financial compensation for eight other forms of zero and low carbon electricity from wind, solar thermal energy, photovoltaic cells and panels, biodiesel, tree waste, anaerobic digestion, biomass and hydroelectric power plants through the existing Renewable Portfolio Standard (RPS) since 2007. Seven (7) times since 2007, the General Assembly has amended that law to provide financial support for these different technologies. This doesn't include numerous tax breaks that the General Assembly also provided to these technologies.

I should note, however, that all of those zero and low carbon resources that have been supported by the RPS are in many instances owned and operated very large and profitable companies. The RPS does not, however, subject these companies or their assets to any profitability test. Many of these companies have received billions of dollars in payments from Illinois consumers and most are not even located in Illinois and the vast majority of these companies have very few full-time employees in Illinois.

You will hear people say that since Exelon is a profitable company, you should be against the Next Generation Energy Plan. However, those people didn't take issue with the fact that every solar and wind company that has participated in the state RPS is profitable, including every company that got a part of the \$2.4 billion wind and solar procurement held a few years ago. Where were the complaints? Is there a double standard when it comes to nuclear energy?

Conclusion

We believe that these zero carbon energy resources that provide thousands of jobs, contribute significant economic activity in many parts of the state, and that support, through their tax dollars, critical social and educational programs in and around the directly impacted communities, are worthy of being secured, through the enactment of this legislation, for the future of this state.

By a factor of at least 8 to 1 and possibly as high as 12 to 1, the Zero Emission Standard creates a host of social, economic and environmental benefits. The Zero Emission Standard does this in 5 ways:

- **First, the state would continue to preserve \$1.2 billion in annual economic activity that would be lost if the plants retire.**
- **Second, the nearly 4,200 direct and indirect jobs would be preserved, many of which are highly skilled, good paying jobs.**
- **Third, the reliability of the transmission grid would continue, avoiding costs to construct transmission lines that would be significant — in the hundreds of millions of dollars or more — and these costs would be paid for by consumers in the form of higher rates.**
- **Fourth, maintaining low and stable energy prices depends on the continued operations of these nuclear facilities. The loss of these facilities would lead to wholesale power price increases of between \$141 and \$259 million annually in the State of Illinois and ranging from \$439 and 645 million for the broader region.**
- **Fifth, avoids \$1 billion in economic damages associated with an incremental increase in the release of carbon dioxide emissions.**

We have an opportunity to usher in a new era of energy policy for the State of Illinois. The comprehensive package of policies included in the Next Generation Energy Plan ensures that the Quad Cities and Clinton nuclear power plants will remain a vital part of Illinois' energy policy now and in the future, as they have been for decades. The Zero Emission Standard, paired with the other components of the Next Generation Energy Plan, is the right solution for Illinois consumers, our economy, our environment, and our communities.