

# Washington County Chamber of Commerce

## Nuclear Energy in the Commonwealth



# CLARK HILL'S ENERGY PRACTICE

Our clients come from many segments of the energy sector, starting with large energy users, including:

- HEAVY EQUIPMENT MANUFACTURERS
- TECHNOLOGY COMPANIES
- DATA CENTERS
- UNIVERSITIES
- MUNICIPALITIES
- OFFICE PARKS
- MEDICAL FACILITIES
- ONLINE RETAILERS
- BRICK-AND-MORTAR RETAILERS
- WAREHOUSE FACILITIES
- MINING
- WATER TREATMENT FACILITIES
- AIRLINES AND AIRPORTS
- STEEL AND CAST IRON MANUFACTURERS
- PAPER MILLS
- REFINERIES AND CHEMICAL PLANTS
- MUSEUMS
- OFFICE BUILDINGS
- FOOD MANUFACTURERS
- CASINOS
- PHARMACEUTICAL COMPANIES
- NON-PROFIT AND RELIGIOUS INSTITUTIONS



# CLARK HILL'S ENERGY PRACTICE

In addition to our years of experience advising individual large energy users and coalitions of large energy users, we also have extensive experience working with:

- Energy developers
- Lenders and investors
- Power producers (wind, solar, biogas, nuclear, and fossil fuel)
- Transmission companies
- Alternative energy suppliers
- Municipal utilities
- Rural electric cooperatives
- Retail electric providers



- Member driven organization representing companies involved in all segments of the Natural Gas Industry
  - Unconventional Exploration and Production
  - Midstream and Pipeline
  - Utility and End Use
  - Industry related: Engineering, Law, Construction, Site Reclamation, Geotechnical, etc.
- How do we represent our members?
  - Technical, Regulatory and Government Affairs
  - Advocacy and Communications

## Our Membership

- 200+ diverse members
- Producers, midstream and suppliers

## Our Focus

- Long-term development
- End use opportunities
- Addressing landowner and public issues
- Maximizing benefits to secure our region's energy future

More than 95% of the natural gas in Pennsylvania is produced by MSC member companies.

Associate Members are an integral part of the MSC and the industry's robust supply chain.

The MSC Board of Directors consists of 34 major producer and midstream companies in the Appalachian Basin.



## INDUSTRIAL ENERGY CONSUMERS OF PENNSYLVANIA

**IECPA is a trade organization formed in 1982 by large, energy-intensive customers with one or more facilities in the Commonwealth of Pennsylvania. IECPA regularly monitors Public Utility Commission (PUC) activities, participates in the PUC regulatory process, and participates in the legislative process at the General Assembly on matters impacting large energy users.**

IECPA plays a critical role in shaping energy policy in the Commonwealth of Pennsylvania for all consumers, especially large energy-intensive businesses and industry. IECPA is the recognized voice of large energy consumers in Pennsylvania and played a critical role in the restructuring of both the electric and natural gas industries as well as the enactment of distribution system improvement legislation (DSIC).

IECPA supports and promotes competitive energy markets and regulatory structures that facilitate consumers' use of these markets. Where competitive supply conditions do not exist, IECPA supports regulated monopoly service rates that are based on cost of service principles that reflect the embedded costs of serving individual customer classes.



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# Background



PA Electricity Generation Choice  
and Competition Act of 1996

## **Electricity Generation Customer Choice and Competition Act of 1996**

- ✓ Restructured electric power industry
- ✓ Retail choice for power effectuated

## **"Restructuring" Cases for Each Major Electric Utility**

- ✓ "stranded cost" recovery awarded for utility power plants in the billions of dollars to offset projected market losses
- ✓ Included payments to PECO and FirstEnergy for their nuclear plants
- ✓ Costs recovered from all ratepayers until expiration of each utility's rate cap (last rate caps expired December 31, 2010)



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# Background



## PENNSYLVANIA ALTERNATIVE ENERGY CREDIT PROGRAM

### **Alternative Energy Portfolio Standards Act of 2004 ("AEPS")**

- ✓ Intended to create competitive market for renewables
- ✓ Paid for by customers to this day

### **Tiers 1 and 2 address:**

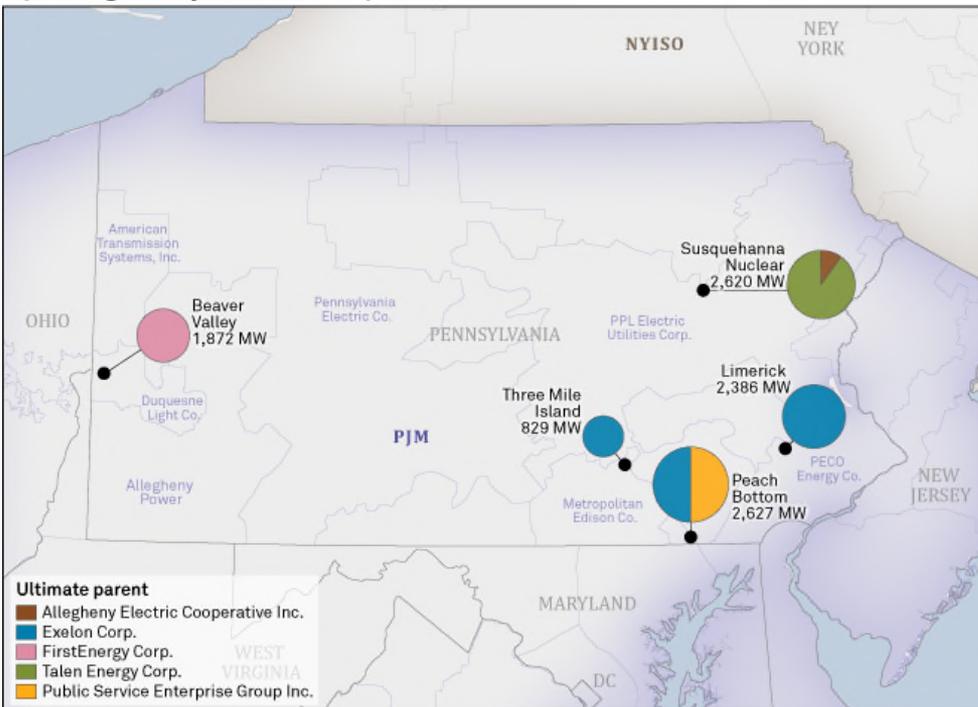
- ✓ Tier 1: Wind, solar, biomass (8%)
- ✓ Tier 2: Waste coal, waste-to-energy, hydro, etc. (10%)

**Percentage of electricity sold up to 18% by 2021**



# Background

## Operating Pennsylvania nuclear plants

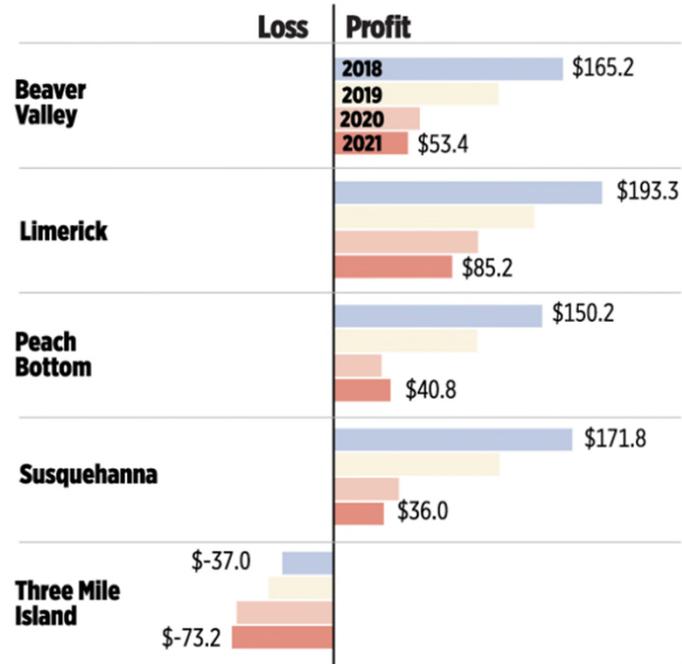


Data compiled March 1, 2019.  
Map credit: Ciaralou Agpalo Palicpic  
Source: S&P Global Market Intelligence

S&P Global  
Market Intelligence

## Projected Annual Profit/Loss — years 2019-2021

(In millions)



Source: PJM Independent Market Monitor



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# House Bill 11 & Senate Bill 510

## **Creates a new Tier III AEPS category**

- ✓ 50% of all electricity sold in the Commonwealth
- ✓ Defined in such a way to insure this requirement is fulfilled by nuclear power (in or out-of-state)

## **Creates a program to establish new capacity payments**

- ✓ Allow alternative energy systems (including nuclear) to opt out of the PJM capacity market
- ✓ Establishes a new capacity charge for these units with cost collected from all customers

## **Charges and cost collected by distribution utilities:**

- ✓ Approx. \$500 million annual cost
- ✓ \$2.5 to \$3.3 billion over the first 6 years



## Nuclear Bailout? Why?!

### 💧 Why not...

- Successful bailouts in Illinois, New York & New Jersey

### 💧 Consumer costs are too low...corporate profits not high enough

- Low natural gas prices to blame

### 💧 Asset sale

- Beaver Valley – First Energy Solutions

### 💧 Uneconomic unit

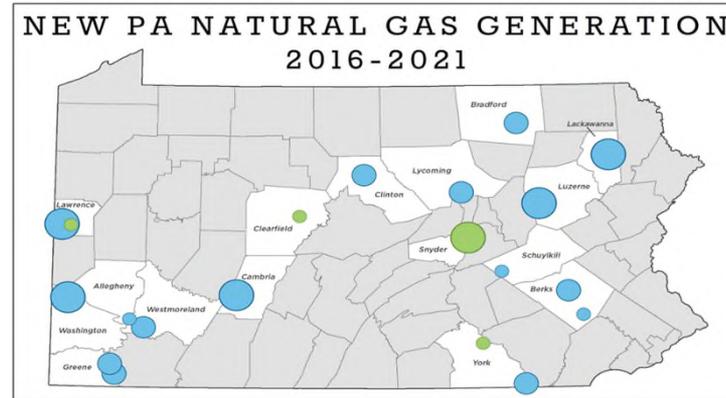
- Three Mile Island

## Lower Prices = Customer Savings

- 💧 Wholesale electric prices down 41% since 2008
- 💧 Natural gas prices for end-use customers down 54% - 73% since 2008
- 💧 Average annual savings > \$1,200 per household

## The Risk

- 🔥 Increased cost to consumers
- 🔥 Government interference in marketplace
  - 68% of electric generation mandated
- 🔥 Jobs & capital investment to PA
  - \$13 Billion+ in private capital investment just for power generation
- 🔥 Significantly reduced downstream opportunities for end use of natural gas
- 🔥 Loss of diversity in portfolio





# Impacts of Nuclear Bailout

*Pennsylvania Office of Consumer Advocate*  
 Customer Impact Analysis of House Bill 11 of 2019  
 (Dollar Impact)

<b>Customer Class</b>	<b>Annual Usage (1)</b> MWh	<b>Annual Impact RY 2019</b> <b>\$6.96/MWh Tier III AEC</b> <b>(2)</b> (0.348 cents/kWh)	<b>Annual Impact Ceiling</b> <b>\$7.904/MWh Tier III</b> <b>AEC (3)</b> (0.3952 cents/kWh)	<b>Annual Impact Floor</b> <b>\$6.08/MWh Tier III</b> <b>AEC (4)</b> (0.304 cents/kWh)
Residential	49,140,470	\$171,008,836	\$194,203,137	\$149,387,029
Commercial	40,621,398	\$141,362,465	\$160,535,765	\$123,489,050
Industrial	47,764,314	\$166,219,813	\$188,764,569	\$145,203,515
Other	1,184,867	\$4,123,337	\$4,682,594	\$3,601,996
<b>Total (First Year Impact)</b>	<b>138,711,049</b>	<b>\$482,714,451</b>	<b>\$548,186,066</b>	<b>\$421,681,589</b>
<b>Total</b> (Based on Impact of Initial Six Year term)		<b>Six-year Impact RY 2019</b> \$2.90 billion	<b>Six-year Impact Ceiling</b> \$3.29 billion	<b>Six-year Impact Floor</b> \$2.53 billion



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# Impacts of Nuclear Bailout

## **Skews the market**

- ✓ Picks a fuel source winner for PA with impacts on other power sources in the market
- ✓ Totally undermines purpose of opening up retail electric power market in 1996

## **Undermines the purpose of the AEPS Act**

- ✓ To create competition-based incentives for renewable energy sources
- ✓ To incentivize new renewable energy development, not to pay for existing zero-emissions plants

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# Impacts of Nuclear Bailout

## **Not about fixing a reliability problem**

- ✓ PJM Interconnection, the regional transmission organization that coordinates the movement of wholesale electricity in all or parts of 13 states, including Pennsylvania, has confirmed that the electricity grid will remain reliable and resilient, even with the planned closure of the plants in our nuclear fleet that are not cost-efficient.
- ✓ Pennsylvania's competitive markets are driving private investment in the growth of renewables as well as 16 new natural gas power plants in operation or currently under construction in the state. These new plants alone will generate nearly 15,000 megawatts of power.

**Will provide billions of dollars to the already profitable nuclear power industry.**



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# Impacts of Nuclear Bailout

## **Places Pennsylvania business & manufacturing jobs at risk**

- ✓ Establish a charge of approx. \$3.04 per MWh to \$3.95 per MWh on top of the price for power available to customers in the market.
- ✓ The closure of a higher cost, inefficient nuclear facility will not result in energy market price increases.

## **Creates an artificial cost on carbon just on Pennsylvania utility customers**

- ✓ There has not been a universal market cost (nationally or internationally) placed on carbon dioxide.

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# Key Players

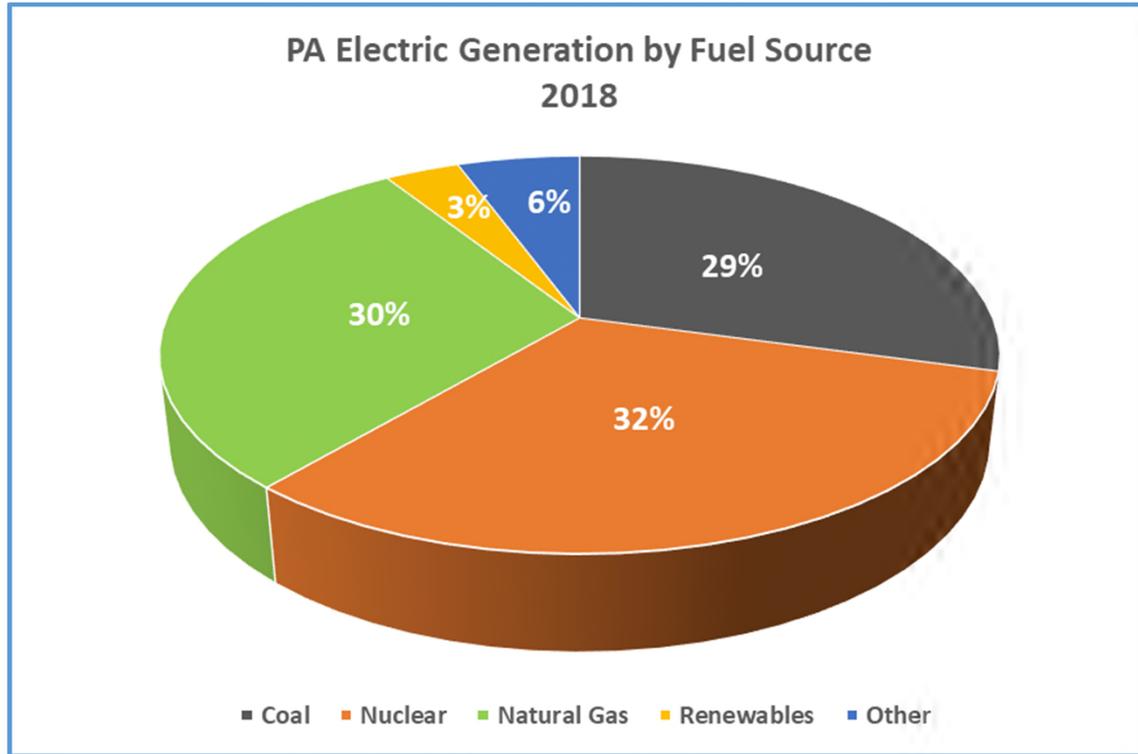
## Proponents:

- Exelon (TMI, *et al.*)
- FirstEnergy (Beaver Valley; see Ohio)
- Unions, Governor Ridge, PA Rural Electric Association, Politicians with plants in district, Nuclear Energy Caucus

## Opponents:

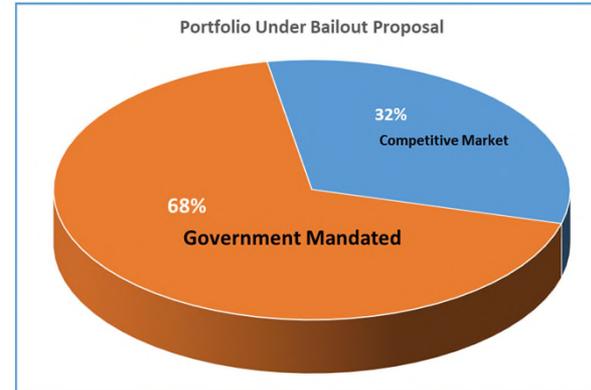
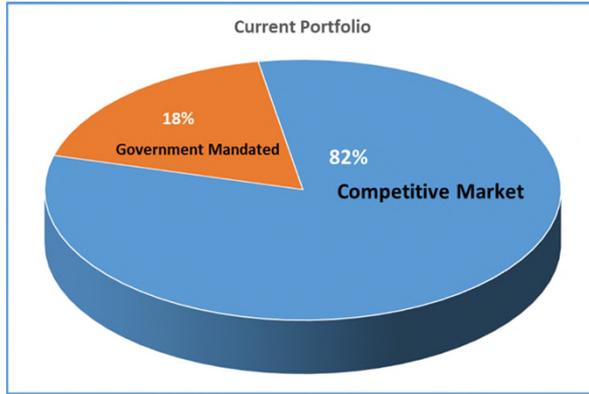
- Ratepayer interests: IECPA, PECA, OCA, OSBA
- Industry interests: PA Chamber, PA Coal Alliance, American Petroleum Institute, Marcellus Shale Coalition
- Market interests: PJM, GT Power, PPL
- Others: AARP, Commissioner Place, Citizens Against Nuclear Bailout





Source: PA Department of Environmental Protection – Energy Assessment Report

# Dictating PA's Energy Portfolio



Source: MSC Analysis of Proposed Legislation Amending AEPS Act

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# Current Status

- Highly unlikely to pass the bills in their current form
- Exelon has announced the shut down of TMI
- Senate Bill 600 to "Modernize" AEPS
  - ✓ Increase Tier 1 to 30% by 2030
- Governor Wolf State Climate Action Plan
  - ✓ Boost renewables
  - ✓ Craft carbon cap-and-trade policy
  - ✓ "Save" nuclear power plants (Gov. Wolf says he's neutral on bailout bill...for now)
  - ✓ Includes joining the US Climate Alliance

**Risk:** Potential teaming of renewable and nuclear interests could be a powerful tandem that results in a 'deal' being included in the legislative budget process.

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## Other Issues – EE&C Program

Signed into law on October 15, 2008, PA Act 129 requires PA Public Utility Commission to develop an Energy Efficiency and Conservation Program (EE&C Program) for electric distribution companies serving >100,000 customers. Utilities are required to achieve electric demand and electric consumption reductions as stated by the law. Utilities manage programs to reduce consumption and demand by collecting money through a monthly EE&C Program surcharge and then using this money to issue grants to utility customers to implement energy efficiency projects. We are currently in Phase 3 of the program:

Phase 1      6/1/09 – 5/31/13

Phase 2      6/1/13 – 5/31/16

Phase 3      6/1/16 – 5/31/21



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## Other Issues – EE&C Program

- Each EDC files an EE&C Surcharge reconciliation for a calendar year from April through March during the Phase 3 program period. These filings are generally subject to review and audit by the Commission's Bureau of Audits and are not actively litigated proceedings.
- Each EDC made such a filing on April 30, 2019, for the period April 1, 2018, through March 31, 2019.
- The cumulative totals represented by the reconciliation filings indicate that the seven EDC's recovered about **\$223 million** over that 12-month reconciliation period, with about **\$53 million** of that recovered from customers classified as "Industrial."
- The cumulative totals represented by the rate change filings indicate that the EDCs intend to collect about **\$245 million** for the 12-month period (June 2019 through May 2020), and of that, about **\$62 million** is targeted to be recovered from customers classified as Industrial.
- **For all of the EDCs except PPL and West Penn, large users will see a rate increase pursuant to these filings; some of those increases are significant on a relative basis.**



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**Discussion  
Questions**





## INDUSTRIAL ENERGY CONSUMERS OF PENNSYLVANIA

### Why should my company join IECPA...

- ✓ IECPA is the voice representing the interest of large energy users.
- ✓ There is significant benefit in getting advanced notice of time sensitive matters.
- ✓ Regulatory and energy policy issues can be complicated with many nuances. IECPA takes positions that reflect the benefit of its members. If you are not a member, your specific concerns or needs may not be addressed.
- ✓ IECPA provides member companies with current business, regulatory, and legislative information that can directly affect your bottom line.
- ✓ Problems come from unmitigated risk. IECPA helps identify the risk and implement strategies to address these risk.
- ✓ There is greater strength in numbers. Legislators and regulators pay attention when we can show the overall economic impact that our members have on the Commonwealth of Pennsylvania.
- ✓ IECPA needs a strong membership in order to remain a viable voice. You just can't depend on "others will do it".





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**The Voice of Large Energy Consumers In Pennsylvania**



Industrial Energy Consumers of Pennsylvania

**Thank you!**

**David J. Spigelmyer  
President**

**Marcelluscoalition.org**