



PENNSYLVANIA BAILOUT COSTS FOR HOUSE BILL 11 AND SENATE BILL 510

	Tier III price ceiling and floor are calculated using a percentage of 2017 average price for retired Tier 1 credits. (\$12.16 per AEC)	Annual MWh usage by EDC customers Note: We use the actual statewide MWh usage reported in the PUC/DEP 2017 Annual Report for Alternative Energy Portfolio Standards Act of 2004, issued April 2018.	Amount of Tier III AECs needed to cover 50% of the annual MWh	Annual Statewide Cost at the Price Floor or Ceiling	6 Year Program Period Cost	Cents per Kwh increase to consumers' electric costs
Tier III Price Floor in both HB 11 and SB 510	\$6.08 per AEC (50% of 2017 price)	141,511,559 MWh	70,775,780 Tier III AECs	\$430 million	\$2.55 billion	0.304¢ per kWh
Tier III Price Ceiling for SB 510	\$7.30 per AEC (60% of 2017 price)	141,511,559 MWh	70,775,780 Tier III AECs	\$517 million	\$3.1 billion	0.315¢ per kWh
Tier III Price Ceiling for HB 11	\$7.90 per AEC (65% of 2017 price)	141,511,559 MWh	70,775,780 Tier III AECs	\$559 million	\$3.35 billion	0.395¢ per kWh

Annual Usage	Bailout Impact at Price Floor (\$6.08 per Tier III REC) 0.304¢ per kWh	Bailout Impact at Price Ceiling in SB 510 (\$7.30 per Tier III AEC) 0.315¢ per kWh	Bailout Impact at Price Ceiling in HB 11 (\$7.90 per Tier III AEC) 0.395¢ per kWh
	Average Residential 6000 kWh	\$18.24 annual cost	\$18.90 annual cost
Small Manufacturer Stand-alone Retail 15,000,000 kWh	\$45,600 annual cost	\$47,250 annual cost	\$59,250 annual cost
Metals, Paper, Cement Plants Other manufacturer Larger Hospital 100,000,000 kWh	\$304,000 annual cost	\$315,000 annual cost	\$395,000 annual cost
Steel, Chemicals, Industrial Gas University Campus 500,000,000 kWh	\$1.52 million annual cost	\$1.58 million annual cost	\$1.98 million annual cost
Multiple Location Manufacturers 1,000,000,000 kWh	\$3.04 million annual cost	\$3.15 million annual cost	\$3.95 million annual cost



- ✓ **Subsidizing Nuclear Generators Reverses Pennsylvania's Pro-Competition and Customer Choice Policy**
 - Customers paid \$12 billion in stranded costs from 1996-2011, about \$9 billion of which was for the "losses" that nuclear owners projected they would have in the competitive markets when Pennsylvania deregulated.
 - The Competition Act of 1996 removed generation from the PUC's jurisdiction, which means that the ratepayers are no longer responsible for ensuring that generation owners collect a fair return. The nuclear bailout puts ratepayers back on the hook to subsidize the profits for the nuclear generation owners.
 - The closure of less efficient and uneconomic generation plants is part of the appropriate operation of a competitive generation supply market, regardless of the generation fuel source or owner. Efficient markets rely on the entry of newer, more efficient competitors and the exit of older, less efficient participants.
 - As of March 2019, only Three Mile Island (TMI) is not profitable, but HB 11 will bailout plants that are profitable.

- ✓ **This issue in Pennsylvania should not be rushed! The regional wholesale market operator is proposing multiple rule changes that will increase profits for nuclear generators.**
 - The regional transmission organization (PJM) is pursuing changes to its energy and capacity market rules that will provide nuclear generation owners with more revenues. Those changes could increase Pennsylvania's energy costs by over 10%. This is separate from a bailout. Pennsylvania's pursuit of a state "solution" will needlessly increase the energy costs for our consumers by an additional 5-15%. Thus, our consumers face combined increases of 15-25%.
 - Since TMI announced its closure in 2016, the energy market prices in PJM have increased by over 30%.

- ✓ **Jobs losses and other adverse community impacts can occur for energy users if the Commonwealth requires subsidies for nuclear plants.**
 - Job losses at the nuclear plants should be addressed through ordinary state measures that were used as manufacturers lost many jobs during the recent economic recession and continue to lose jobs today, such as PA Department of Labor & Industry and DCED programs for retraining, job fairs and the unemployment compensation system. Paying an annual subsidy to nuclear owners of \$425 million annually to retain 4,685 direct jobs at nuclear plants is not an equitable or rational policy decision.
 - ***Because only TMI is failing to earn a profit, the legislation seeks \$653,000 annually per job to save the roughly 650 jobs at TMI***
 - Increasing energy costs for Pennsylvania businesses places jobs, capital investments and community giving at risk. Energy consuming businesses have the same beneficial impacts on local communities and employees that the nuclear generation plants have on their communities and employees.

- The General Assembly should not prioritize nuclear generation jobs over the jobs at many other businesses that will be adversely impacted by the bailout.
- ✓ **Claims that Pennsylvania's energy costs will increase without a bailout are false.**
 - TMI's closure will not increase energy costs in Pennsylvania because enough natural gas generation exists to take its place. As PUC Commissioner Andrew Place concluded, "cost impacts of the retirement of TMI and Beaver Valley are very likely to be *insubstantial*."
- ✓ **Except for TMI, Pennsylvania nuclear plants are profitable.**
 - Four of the five Pennsylvania nuclear plants were profitable during 2018, with TMI being the exception. According to PJM's Market Monitor, Beaver Valley, Limerick, Peach Bottom and Susquehanna collectively had profits of \$680 million in 2018. The Market Monitor projects that those plants will continue to have profits in 2019, 2020 and 2021.
 - ***Generation plants that are earning profits don't deserve subsidies from ratepayers just because the owners would like to earn a higher profit and to distribute dividends!***
 - Exelon, which owns TMI, categorized its 2018 financial results as "a record-breaking year" in its recent 2018 earnings release and stated that its goal in 2019 is to grow its dividend by 5% through initiatives like seeking nuclear subsidies in Pennsylvania.
- ✓ **Generation diversity will decrease if nuclear plants are given subsidies or guaranteed market shares.**
 - The Pennsylvania electric generation market is currently balanced among nuclear, natural gas, coal and renewable resources.
 - Proposals such as House Bill 11 would increase the AEPS requirements to 68% of the generation market, leaving coal, natural gas and emerging technologies to fight over the remaining market share of 32%.
 - Government intervention in the "competitive" market will discourage private investment and innovation, such as the Marcellus Shale development in the last 20 years.
 - Subsidies beget subsidies!
- ✓ **Pennsylvania is different from other states that approved bailouts. Unlike Connecticut, Illinois, New Jersey and New York, Pennsylvania produces energy.**
- ✓ **This issue deserves debate.**
 - Exelon has been lobbying this issue for over two years, but now expects legislation to be introduced and passed in 90 days.
- ✓ **Payments by large energy users will be substantial**
 - Detailed cost projections are available.

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