STATE OF CONNECTICUT

DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION
PUBLIC UTILITIES REGULATORY AUTHORITY
DOCKET NO. 17-07-32

DEEP AND PURA JOINT PROCEEDING TO IMPLEMENT THE GOVERNOR'S EXECUTIVE ORDER NUMBER 59

January 8, 2018

COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION

The Electric Power Supply Association (EPSA) appreciates the opportunity to provide comments to the Department of Energy and Environmental Protection (DEEP) and the Public Utilities Regulatory Authority (PURA) in response to the December 14, 2017 Notice of Request for Written Comment in connection with the Agencies' implementation of Governor Malloy's July 23, 2017 Executive Order No. 59. The issues at hand are extremely complex and EPSA applauds the state for launching this investigation to inform any future decisions.

Founded more than 20 years ago, EPSA is the national trade association representing leading independent power producers and marketers. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies, including owning, operating and developing major assets in Connecticut, throughout ISO New England (ISO-NE), and in the neighboring ISO/RTO regions in New York and the PJM Interconnection. EPSA members have invested billions of dollars in this state and region at their own risk -- not on the backs of consumers -- in response to, and in reliance on, the voluntary decisions of Connecticut and other states to depend on market forces to deliver safe, reliable electricity at the lowest cost to consumers, not cost-of-service regulation. They also did so relying on the mandates of the Federal Power Act that wholesale power rates be just and reasonable and not unduly discriminatory or preferential. Power supplied on a competitive basis collectively accounts for 40 percent of the U.S. installed generating capacity. EPSA seeks to bring the benefits of competition to all power customers.[1]

The Draft Report Shows that no Subsidy is Necessary

The Draft Report confirms what EPSA and others who opposed subsidizing Millstone during the legislative session stated from the beginning of the debate: Millstone is profitable and will remain so many years into the future and needs no subsidy to continue to run profitably. Throughout this debate, studies from the Massachusetts Institute of Technology, Energyzt Advisors, LLC and the New England States Committee on Electricity all confirmed this fact. Furthermore, ISO-New England does not consider Millstone to be among the region's "at risk" generation resources. The Draft Report and LAI assessment actually projected Millstone to be profitable *even further into the future* (LAI modeled to 2035) than the Energyzt analysis (modeled to 2030). As the LAI Report notes, under every scenario run, including a "worst-case" stress test, "Millstone's annual cash flows remain solidly in the black year-over-year, supporting an enterprise value of about $1.3 billion."[2] The LAI joins the chorus studies conducted in demonstrating that there is clearly no economical rational to provide state subsidies to Millstone.

[1] These comments represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

[2] Levitan & Associates, Inc. "Resource Assessment on the Economic Viability of the Millstone Nuclear Generating Facilities": p. 88

There is Ample Time to Allow Regional and Federal Market-Based Processes to Work

As the LAI Report notes and the Draft Report reiterates, the existence of Millstone's Capacity Supply Obligations (CSOs), make it clear that Millstone is highly unlikely to retire during through 2022. Despite dire rhetoric from Dominion, it is clear that Millstone is in no danger of closing any time soon. Connecticut should let the regional and federal processes -- including ISO-NE's Integrating Markets and Public Policy initiative, the U.S. Department of Energy's Notice of Proposed Rulemaking on resilience before the Federal Energy Regulatory Commission and the and ISO-NE's reliability study -- to work to completion. All of these initiatives could lead to policies that add revenue to Millstone's bottom line and protect Connecticut customers from shouldering any increased revenues alone, while preserving the cost efficiency and system reliability that are hallmarks of the wholesale energy market.

Despite Millstone's projected profitability and robust wholesale energy prices due to high demand during the recent cold snap in New England, Dominion may well continue to sound the alarm about the financial health of Millstone. It would not be surprising if Dominion were to resort to seemingly irreversible actions, such as filing notice of retirement with the Nuclear Regulatory Commission. Such a tactic is designed to scare policy makers into action. In reality, this process can be revoked (as Exelon did in Illinois) at any time and is not in any way binding. What matters is how Dominion behaves with respect to the regional markets, and as the LAI Report notes, "The high anticipated cost of unwinding Millstone's CSO through FCA #11 renders moot the examination of Millstone's potential retirement before the 2021-22 delivery year."[3]

Subsidy Schemes are Costly and Potentially Legally Fraught

The Draft Report raises Zero Emission Credit (ZEC) schemes as a potential policy approach. In addition to being legally questionable—EPSA is challenging schemes in New York and Illinois in Federal Court—these programs have proven to be incredibly costly. In addition to a heavy cost per job saved, these schemes have resulted in billions of dollars in rate increases for New York and Illinois homes and businesses, putting a strain on each state's hospitals, transit authorities, low- and fixed-income communities, and overall economies. Connecticut must not follow this costly path.

Power Purchase Agreements (PPAs) come with their own set of challenges and pitfalls for the state. In addition to hampering the state's retail electricity markets and depriving customers of the innovations and cost savings that such markets can offer, PPAs for Millstone would be very difficult to properly value. Any PPA award would likely result in an arbitrarily derived price that would surely be well above normal wholesale prices, depriving Connecticut consumers and businesses of access to low prices and hampering the state's competitive position. Given that the LAI Assessment and Draft Report prove that Millstone is profitable, neither these nor other subsidy schemes are necessary.

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[3] *Id.* at p. 29

EPSA has long supported market-based solutions to address climate issues. In order to respond to the Draft Report, Energyzt Advisors, LLC, has examined potential alternatives to achieve Connecticut's carbon reduction goals; their preliminary assessment of alternatives is attached to these comments as Exhibit A.

EPSA appreciates the opportunity to comment on the Draft Report and LAI Assessment and applauds DEEP/PURA for taking a rigorous look at these issues. We look forward to being a part of the discussion in Connecticut going forward.

Respectfully Submitted,

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EXHIBIT A

Achieving Connecticut Carbon Reduction Goals

A Preliminary Assessment of Alternatives from Energyzt Advisors, LLC