**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 25, 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 January 22, 2018 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 commends DEEP and PURA for taking a hard look at the state of Millstone's finances — despite the continued stonewalling and lack of any meaningful participation from Dominion. These are complicated issues and DEEP and PURA have treated them with the rigor and attention to detail that they require.

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. These states 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]

**DEEP and PURA Should Insist on Full Transparency**

While EPSA disagrees with DEEP and PURA's draft decision to allow Millstone to participate in a solicitation, in the event that a solicitation actually goes forward, DEEP and PURA should refuse to let Millstone participate until it has provided independently audited financial statements. To date, Dominion attempted to play a shell game with both legislators and regulators, invoking dire rhetoric and scare tactics at every turn, without providing credible evidence to support its assertions. With ratepayer subsidies valued in the hundreds of millions of dollars on the line, a fully transparent, stakeholder-driven process is critical, and EPSA applauds DEEP and PURA for suggesting such a process in their draft determination.

In the absence of information to the contrary, the LAI assessment confirmed 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

[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.

years into the future and therefore needs no subsidy to continue to operate. 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 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 Assessment 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 Assessment joins the chorus of studies conducted in demonstrating that there is clearly no economical rational to provide state subsidies to Millstone. Moreover, these profit projections were made before passage of the Tax Cuts and Jobs Act of 2017, which significantly reduces federal corporate tax rates. Thus, Millstone's profitability in the future will actually be significantly higher than the LAI assessment and other studies project.

Despite Millstone's projected profitability and recent robust wholesale energy prices caused by 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 a 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

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

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 Assessment 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**

DEEP and PURA should continue to spurn Zero Emission Credit (ZEC) schemes as a potential policy approach. In addition to being legally questionable — EPSA and others are 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 result 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 should not follow this costly path.

EPSA would also like to point out the ZECs were not based on a determination of need in New York or Illinois. ZECs are also neither efficient nor effective as a mechanism to address the legitimate goal of reducing carbon emissions. That is because accepted climate science shows that a ton of carbon avoided is a ton avoided regardless of whether it comes from a fully zero emissions resource or from greater output from resources with lower but not zero carbon emissions compared to the current profile. That is why RGGI applies to all emitting resources in proportion to their relevant

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[3] *Id.* at p. 29

emissions.  The most efficient carbon reductions will come from valuing them equally regardless of source based on fuel type.

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 every other study conducted demonstrate that Millstone is profitable, neither these nor other subsidy schemes are necessary.

In addition to the pitfalls outlined above, policies that would benefit Millstone continue to be discussed at both the regional and federal levels.  As DEEP and PURA have noted, Millstone is a regional asset and Connecticut ratepayers should not be forced to shoulder the burden of subsidizing the plants on their own.  Market-based solutions insulate Connecticut homes, businesses, and the regional energy markets from the damaging effects that would result from an out-of-market state subsidy to Millstone.

The fact remains that if Millstone is profitable—and all signs are that it will be for a very long time—then Millstone requires no *additional* state payments to stay online and continue to provide the array of attributes that such plants offer to their communities and states.  If Millstone is to be measured by a set of non-energy attributes that it provides, such as carbon reductions, jobs, taxes, or any other attribute, then all in-state generators must be measured in the same manner. Importantly, the regional competitive market administered by ISO-New England fully values all resources' contributions to the system. This is the paradigm that Dominion signed up for when it acquired Millstone, and it's the same paradigm that generated billions of dollars for the company—none of which the company plans to refund to the state.

EPSA appreciates the opportunity to comment on the Draft Determination and commends 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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