

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**

COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION

August 15, 2017

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 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 conducting this investigation to inform any future decisions.

Celebrating its 20th anniversary in 2017, 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 ISONew 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

As an active participant in the debate surrounding Millstone Nuclear Power Station, EPSA and its members are well aware of the value it provides. With that said, the North American power grid, including the ISO-NE portion, is comprised of hundreds of power plants deploying a range of technologies and fuels with various operating characteristics. No region has separate power grids for nuclear, renewables, natural gas or any other fuel. While nuclear plants provide base load power, customer preferences, public policies and technology advancements require a power supply system that also properly values more flexible resources. Efforts to selectively grant some resources preferential treatment create highly adverse long-term consequences at a time of dynamic changes in how electricity is generated, sold and used. The full impacts of singling out any one fuel (such as nuclear) – or worse, any one power plant – in a physically and financially interconnected system must be thoroughly understood before significant harm is done that would be difficult to reverse.

In addition to raising rates for Connecticut ratepayers and damaging to markets, nuclear subsidization schemes are highly controversial and currently being litigated in multiple federal courts. The Federal Energy Regulatory Commission is also considering changing ISO/RTO tariffs to protect against the harm selective state subsidies cause for

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.

well-functioning wholesale power markets. Any attempt to subsidize Millstone would run into similar legal and regulatory headwinds.

EPSA appreciates the thoughtful approach that PURA and DEEP have taken in framing this study. In addition to the well-crafted Proposed Scope of Study Outline provided in the August 9, 2017 Notice of Request for Written Comments, EPSA respectfully suggests the following additions to the study scope:

1. DEEP and PURA should make it clear that no state assistance should be provided to Millstone absent Dominion providing plant-level, audited financial statements;
2. DEEP and PURA should also consult studies conducted by the researchers at the Massachusetts Institute of Technology and by Energyzt Energy Advisors (attached) for financial benchmarking of Millstone;
3. The study should acknowledge that wholesale markets have succeeded in their goal of delivering historically low wholesale energy prices to Connecticut and New England and quantify the damage that any out-of-market subsidies to Millstone would do to the regional markets, other generators and overall reliability;
4. In addition to examining the regional mechanisms that may be available to Millstone at the ISO or elsewhere, the study should quantify the impact on Connecticut ratepayers of regional mechanisms vs. single-state action;
5. The study should quantify both the market impacts that any subsidy to Millstone will have on existing, non-subsidized resources operating within the state and the local economic effects on host communities, including but not

- limited to loss of jobs and property tax revenue, if existing resources prematurely retire as a result of a Millstone subsidy;
6. The study should examine all steps to achieve agreed-upon carbon reduction goals and whether subsidizing Millstone is the least-cost and most effective means to reduce carbon emissions; and,
 7. The study should put the proposed mechanism in context by documenting the amounts already paid by consumers for nuclear power plants as “stranded costs.”

Competitive markets have delivered enormous benefits to Connecticut and the ISO-NE region. The ISO-NE wholesale markets are delivering reliable service at historically low prices, which challenges the economics of *all* market participants on the supply-side, not only nuclear resources. Each generator’s employees, customers, suppliers, and the communities in which they operate in Connecticut and throughout New England deserve equal treatment and consideration for the many valuable contributions they make to reliable and affordable electric service.

These issues challenge the entire region, and thus, require regional solutions. Regional processes, including the New England Power Pool (NEPOOL) and ISO-NE’s Integrating Markets and Public Policy (IMAPP) discussion, are already underway and should be allowed to run their course. IMAPP is a focused NEPOOL stakeholder process to identify and explore potential changes to the wholesale power markets that could be implemented to advance state public policy objectives in New England. This process could yield a regional solution that would benefit Connecticut ratepayers while helping to address the state’s public policy goals.

EPSA recognizes this is not easy work, as ongoing regional discussions demonstrate. At the same time, EPSA is not alone in voicing serious concern that the potential proliferation of market-distorting subsidies here and elsewhere will undermine regional markets, forcing more and more resources to require out-of-market subsidies to maintain reliability. Caution should be the reaction to anyone pleading for a rush to judgment to reverse the benefits of restructuring and competitive markets without full consideration of all the consequences for all market participants, their consumers and stakeholders.

Respectfully Submitted,

Electric Power Supply Association

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