

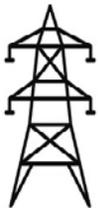
# ELCON Washington Report

## Perry Says Coal/Nuke Bailout Not Dead...

The Department of Energy (DOE) has not given up on crafting a financial support package for at-risk coal and nuclear plants, Secretary Rick Perry said this week, but he encouraged states to devise their own programs as well. DOE is still "looking for answers" to plant retirements, Perry said. He declined to comment on recent remarks from a Pennsylvania legislator, who said DOE staff told the state to pursue nuclear subsidies because no federal bailout was forthcoming. Perry, however, said he would be "inclined" to subsidize nuclear plants if he were a Pennsylvania policymaker, and said he supports "those types of thoughtful, competitive programs where states don't have to rely upon the federal government to support a particular industry sector. I'm open to conversations, I've thrown a lot of Jell-O at the wall on this one trying to find some solutions that we can all, or at least a majority of us, can get behind."

With no action from the federal government, some states are taking matters into their own hands. New York, New Jersey and Illinois have all approved nuclear power subsidies in recent years, and Wyoming this month passed a new law to provide a potential lifeline to retiring coal plants. A separate coal support package is being debated in Montana and Pennsylvania joined the fray as legislators introduced a new bill to provide subsidies for the state's nine nuclear plants. Shortly after its release, the bill's main sponsor said DOE staff had encouraged the state to move on the issue. See story below.

## While Chatterjee Says Transmission Might Be 'More Reasonable Insurance Policy'



The Federal Energy Regulatory Commission's proceeding to enhance grid resilience could feature transmission investments as a solution, Chairman Neil Chatterjee said this week for the first time in public. Instead of designing the grid to withstand "every single type of extreme event," Chatterjee said it may be "more reasonable" to invest in transmission lines "to help reduce the size of a disruption." The emphasis on transmission is new for Chatterjee, who has focused on the ability of plants to store fuel onsite for grid resilience. The chairman confirmed FERC will evaluate transmission as part of the proceeding, but gave no timeline for a decision.

"It may not be possible or cost effective to design the grid to withstand every single type of extreme event that might occur," Chatterjee said. "Striking the right balance for

consumers is undoubtedly a complex undertaking, but I believe it is more reasonable for us to consider additional transmission investments as an insurance policy to help reduce the size of disruption and enhance the grid's ability to bounce back. There were numerous comments submitted with regard to the role transmission plays in grid resilience and that's something we're considering," he said.

FERC's agenda for its next open meeting includes two dockets on transmission policy.

What's also interesting about Chatterjee's comments is that they reflect recent arguments ELCON has made that FERC should consider customer costs more in resilience conversations. Just last week *Utility Dive* published an article by ELCON and the Advanced Energy Buyers Group saying discussions on resilience have ignored cost. Devin Hartman welcomed Chatterjee's new tack on resilience. "DOE's latest murmurings that the power plant bailout agenda may resurface have put America's manufacturers on alert. Industrials need competitive power options to keep a global fuel cost advantage. This means we need to let resources retire that the market has signaled to exit. In contrast, we are encouraged that FERC continues to stand tall. Industrials appreciate Chairman Chatterjee's recent emphasis on accounting for the consumer perspective when it comes to grid resilience."

## **PA Legislators Introduce Nuke Subsidy Bills; Industrials Say It's a Bad Idea**

A Pennsylvania state representative introduced bipartisan legislation this week to provide subsidies for nuclear generators. House Bill 11 seeks to have the Alternative Energy Portfolio Standard (AEPS) include all carbon-free generators of electricity. Rep. Thomas Mehaffie said he unveiled the bill after DOE staffers told him to prioritize state solutions to nuclear retirements, rather than wait for federal action. The push to support nuclear comes ahead of a June deadline for Exelon's Three Mile Island (TMI) to decide whether to move ahead with the next round of refueling. Plant owners indicated that TMI would close in September 2019, and could begin shutdown procedures this summer if no support bill is passed.

The Pennsylvania State Senate is also considering similar nuclear subsidy legislation. A draft bill would create a new tier under Pennsylvania's AEPS to direct utilities to purchase power from the state's nine nuclear plants. Industrial energy consumers in Pennsylvania are lining up to oppose this proposal. In a letter to lawmakers, the Industrial Energy Consumers of Pennsylvania said the bill in development by state Sen. Ryan Aumet would increase electricity prices, pushing them to cut jobs.

## **Ratepayer, Environmental Advocates Oppose New NIPSCO Industrial Rates**

Ratepayer and environmental advocates have come out in strong opposition to a new electric rate structure proposed late last year by Northern Indiana Public Service Co., saying NIPSCO may succeed in its goal of retaining key industrial customers who may be looking to get their power elsewhere, but would in the process unfairly punish other customers and undermine energy efficiency programs. NIPSCO says that its rate plan is designed largely to retain industrial customers who say they will to exit the utility's service and procure their own power as the cost of power generated from cheap shale gas and subsidized renewables has fallen.

NIPSCO's proposal would create three new tiers of service, effectively allowing the industrial customers to procure some of their power directly—from their own plants or generators in the region's power market— while retaining NIPSCO service for a portion of their needs. Also under the plan, however, the industrial customers would pay less for certain fixed costs of running the grid, including maintenance and depreciation for two large coal plants that NIPSCO, a NiSource subsidiary, has proposed to close under the sweeping rate plan, dubbed "Your Energy, Your Future." NIPSCO's effort to keep its largest industrial customers is similar to several other utilities around the country who have large customers seeking more flexibility in procuring their power supplies to cut costs or meet corporate sustainability targets of using green energy.

ELCON members should keep a close eye on this NIPSCO proposal if you have any future plans of gaining market access in regulated states. We'll keep you updated.

## **Energy Chair Meeting on Climate Issues**

Paul Tonko (D-NY), chair of the Environment and Climate Change Subcommittee, met with utilities this week to discuss several incremental measures aimed at addressing climate change. Tonko is meeting with environmental, labor and utility groups to help lay the groundwork for climate principles he plans to issue. "The message has stayed constant with every group: science-based, evidence-based. We need to go forward and harvest that low-hanging fruit that we believe can be done in a bipartisan, bicameral way," he said. Tonko said he expected the full E&C committee to begin processing climate-related legislation "in the near future, perhaps right after the April break."

## **PJM Pushes FERC to Act on Capacity Market Rules**

This week the PJM Interconnection sent a letter to FERC encouraging the agency to approve the grid operator's rewrite of capacity market rules before fast-approaching deadlines for its August auction. FERC last year threw out PJM's capacity market rules but has yet to approve a replacement. In the meantime, PJM said it has directed market participants to prepare for the auction under both the old, invalidated rules and a new proposal it sent to FERC. PJM and market participants face a March 17 deadline for several auction preparations, including PJM's posting of floor prices. Without a decision from FERC soon, the grid operator said "uncertainty and confusion over the state of the capacity market will only grow." Last June, FERC invalidated PJM's capacity market structure, ruling

that state-subsidized resources like renewables and nuclear plants were artificially suppressing market prices. PJM responded in October with a two-pronged plan that would remove the subsidized resources from the market and raise clearing prices for the remaining resources, largely coal and gas plants. The plan sparked major debate among market participants at FERC throughout the autumn, but federal regulators have yet to weigh in on the proposal.

## And this...

Commercial demand is supplanting state policy as the driving force behind deployment of renewables, whose costs are declining in every category, participants at the Northeast Energy and Commerce Association Renewable Energy Conference heard last week. “You will see, maybe not so much yet in New England, but you will see across North America, customers are buying renewable energy,” Brattle Group principal Judy Chang said Thursday. States drove renewable energy adoption in the very beginning, “but now we’re really seeing customers, **particularly large commercial and industrial customers**, directly signing up contracts for renewable generation — and some of those come with storage,” Chang said. ⚡