

NYS PSC's Clean Energy Standard Includes a Huge Nuclear Subsidy

NY State Public Service Commission: Case 15-E-0302 – Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard.

Clearwater applauds New York State's leadership in creating a goal of 50% renewable energy generation by 2030 as part of the Clean Energy Standard (CES) adopted by the Public Service Commission (PSC) on August 1, 2016. We are, however, deeply concerned that Tier 3 of the CES will subsidize three nuclear facilities in upstate NY – FitzPatrick, Ginna and Nine Mile Point (with two reactors) – which are no longer profitable in New York's deregulated market place. The PSC's Reforming the Energy Vision (REV) policy stresses shifting to decentralized energy resources, including renewables with storage and energy efficiency, and the ostensible purpose of the CES is to increase renewable energy sources to 50% of the state's electricity supply by 2030. Aside from the nuclear subsidy program, REV and the CES also stress allowing the marketplace to work freely as an integral part of this transition.

Because the nuclear facilities in central and western NY can no longer compete favorably with renewables and low-cost gas plants, the PSC has decided to create a huge subsidy, which they refer to as Zero Emission Credits or "ZECs". By placing a value on the avoided "social cost of carbon," the PSC's formula for determining this subsidy is estimated to cost **\$7.6 billion** over the next twelve years, to be paid by all electricity consumers throughout the state.

In addition, the revised Clean Energy Standard added Indian Point as a potential recipient of up to **an additional \$2.8 billion** in subsidies. This potential **\$10.4 billion** subsidy – essentially a nuclear tax – will be paid for by every ratepayer in New York State, regardless of location. The downstate area is already burdened with the Lower Hudson Capacity Zone surcharge, which is was imposed in 2013 to incentivize generating capacity in this region, but has mainly served to increase the profitability of existing nuclear and fossil fuel facilities. For low- and moderate- income residents and energy-intensive businesses on the margin, this new nuclear subsidy will be especially burdensome.

As it is now structured, our region will pay 60% of the total cost of the nuclear subsidy program. Five New York State Assembly Members – Jim Brennan, Jeffrey Dinowitz, Steve Englebright, Amy Paulin, and Charles Lavine – have determined that this is inequitable to their constituents. Assembly Members Kevin Cahill and Ellen Jaffee agree. NYS Senator David Carlucci has called for reconsideration of the nuclear subsidy altogether, and we agree – especially given the unfair and rushed manner in which it was adopted.

It's important to note that the support proposed for nuclear is four times greater than that envisaged for all types of renewable generation combined. The PSC Order essentially forces all consumers, including municipalities, to subsidize nuclear power – in direct contradiction with one of the major goals promoted in the REV: consumer choice.

Two other major concerns: Unless modified, New York is locked into this nuclear subsidy, which dwarfs CES funding of renewables and discourages efficiency, for the next 12 years. There is no escape clause if advancements enable an abundance of energy to be provided by reliable, cheaper, true zero-emission and lower risk resources, nor if it turns out that inflexible, baseload nuclear generation creates problems integrating with renewable energy and distributed energy resources. Additionally, there are no strings attached to the utilization of these ratepayer-funded subsidies – no requirement for staffing, preventative maintenance or other measures to ensure public health and safety when operating these aging facilities. This nuclear subsidy can go entirely to profit upper-level executives and shareholders, if Exelon and Entergy so choose. It should be noted that several entities have filed petitions calling for the PSC to reconsider the Tier 3 nuclear subsidy, including environmental and industry groups, and it is likely that an Article 78 action will be filed shortly to force reconsideration.

Tier 3 is a wakeup call for those of us who live within the 50-mile radius of Indian Point. Our grid has sufficient energy to do without Indian Point. As reported in the NY State Department of State, Bureau of Coastal Management determination of November 2015, closing Indian Point is carbon neutral and would cause no interruption of service to our grid. New York needs to develop a plan for closing Indian Point and phasing out other nuclear facilities by supporting a rapid scale-up of renewable energy generation and clearly incentivizing smart demand-side initiatives. New York, as an entrepreneurial and financial capital of the world, can and must be a leader in transmitting both clean energy and smart energy market signals. This can be done by aspiring to 100% renewable generation, while protecting workers' jobs by retention or retraining for decommissioning work and placement for those who will need to be transitioned over time, as is now being done at Diablo Canyon, California's last nuclear facility.

Decommissioning Funds: Finally, one other matter of concern is the transfer Indian Point decommissioning funds from the New York Power Authority (NYPA) to Entergy. Decommissioning nuclear reactors is monumental task that requires stringent oversight and the active input from workers who have the institutional memory needed to ensure the process is done safely and is as cost-efficient as possible.

When the Indian Point 3 and FitzPatrick licenses were transferred from the New York Power Authority to Entergy in 2000, NYPA retained ownership of the decommissioning trust funds for Indian Point 3 and FitzPatrick. The existing Decommissioning Trust Agreement limits use of the funds to expenses related to facility decommissioning (e.g., dismantlement and site remediation), and assures the state has a voice in the decommissioning process. However, NYPA has agreed to transfer the decommissioning funds to Entergy, apparently as part of the arrangement required by the CES to transfer ownership of the FitzPatrick reactor from Entergy to Exelon, which has recently merged with Constellation Energy Nuclear Group LLC. This unnecessary arrangement severely compromises the State's ability to advocate for a responsible and timely cleanup of Indian Point and the job security of the plant's workforce when it does shut down.

Thank you for your consideration of these important matters that directly affect my constituents. Hopefully, we can act together to create changes in these regulations that will better protect public health and safety and will ensure our collective resources are wisely invested.

If you have any questions, please contact:

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