# Connecticut Passes Bill Paving Way to Subsidize Dominion Nuclear Plant

## Proposed State and Federal Support Could Improve Outlook for Nuclear but Outcome too Early to Call

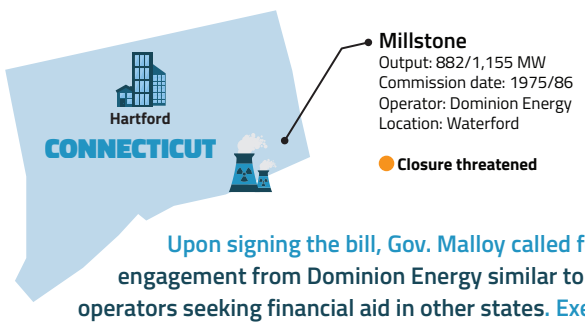
November 7, 2017

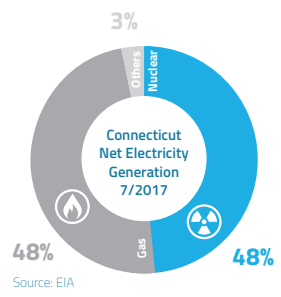
## OCTOBER 31 SIGNING SB 1501

On October 31, 2017, Connecticut Governor Dannel P. Malloy (D) signed **SB 1501** into law that could **allow Dominion Energy's Millstone nuclear plant to enter into a competitive procurement process along with renewables**, provided such rule change is **corroborated by a currently ongoing study** into the plant's viability. Underscoring the importance of Millstone to the state and the region, Gov. Malloy called for **Dominion's cooperation with state agencies to provide the necessary information** to assess the plant's finances accurately.

## 1 Nuclear Debate in Connecticut

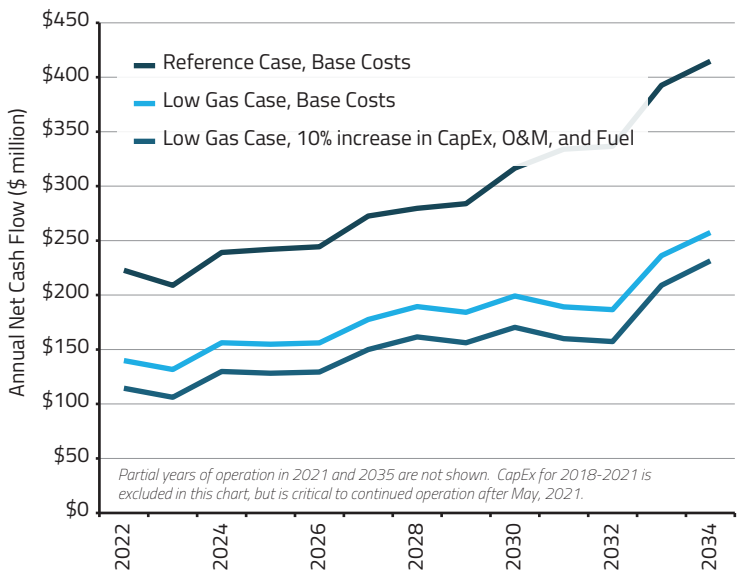
The two operating reactors of the 2,088 MW Millstone plant – the only nuclear power plant in Connecticut – generated approximately 48 percent of the state's electricity in July 2017.



Source: EIA

Upon signing the bill, Gov. Malloy called for more engagement from Dominion Energy similar to nuclear plant operators seeking financial aid in other states. Executive Order 59 that Gov. Malloy signed in July directed the CT DEEP and CT PURA to assess the current and projected viability of operating the Millstone plant by February 2018. If the study shows it is in the public interest, SB 1501 could lead to the sale of Millstone's output in a competitive solicitation alongside other zero-carbon electricity generators.



Source: CT DEEP & CT PURA

On October 31, the two agencies reported preliminarily that Dominion had not provided detailed financial documentation for the assessment. Without Dominion's cooperation, the agencies said they could hardly conclude that Dominion needs financial support from the ratepayers outside the regional market to operate profitably. The report estimates a net after-tax cash flow of about $2.3 billion from mid-2021 through mid-2035 under the expected market conditions.

ENERKNOL

Connecting you to the comprehensive universe of regulatory and legislative information, in real time.

ACCESS NOW

## 2 Nuclear Issues in Other States

Connecticut is the third state, following New York and Illinois, that has created an option to keep nuclear as a low-carbon baseload electricity source in its energy portfolio. Both ZEC programs in New York and Illinois compensate eligible nuclear plants for every MWh of carbon-free electricity they generate.

Recent state actions on nuclear include:

**IL**

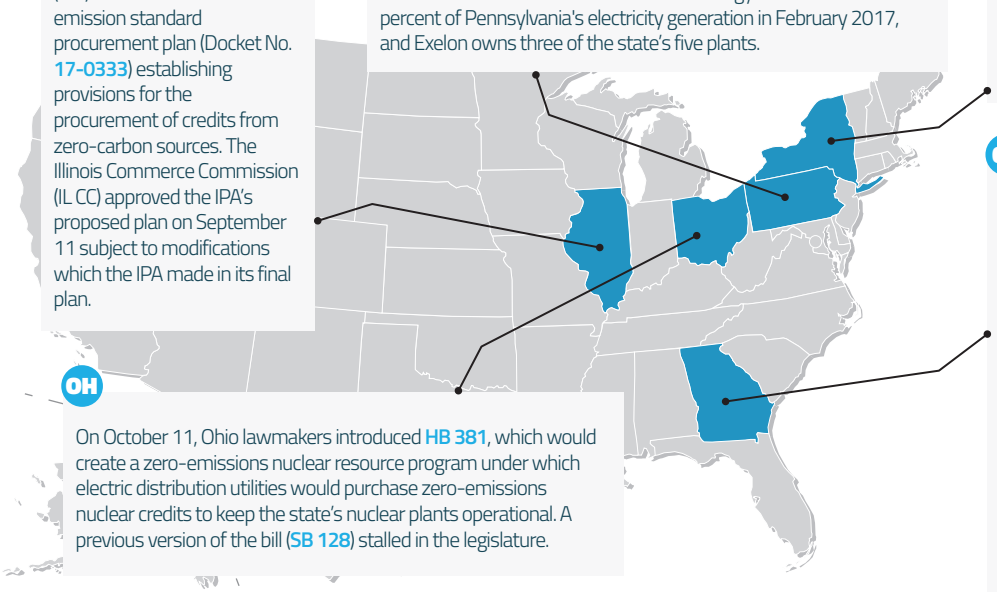
Illinois passed legislation (SB 2814) to support Exelon's ailing nuclear fleet in December 2016. On October 31, the Illinois Power Agency (IPA) submitted its final zero emission standard procurement plan (Docket No. 17-0333) establishing provisions for the procurement of credits from zero-carbon sources. The Illinois Commerce Commission (IL CC) approved the IPA's proposed plan on September 11 subject to modifications which the IPA made in its final plan.

**PA**

On October 25, Pennsylvania passed two resolutions (SR 227 and HR 576), urging FERC to swiftly consider DOE's proposed Grid Resiliency Pricing Rule and to ensure fuel-secure baseload electricity generation resources receive proper compensation. Sponsors of the resolutions include members of the state's nuclear energy caucus, the first of its kind in the nation. Nuclear energy accounted for 45 percent of Pennsylvania's electricity generation in February 2017, and Exelon owns three of the state's five plants.

**NY**

New York's zero emission credit (ZEC) program, approved as part of the state's Clean Energy Standard (Docket Nos. 15-E-0302 and 16-E-0270) in August 2016, served as a model for other states with nuclear plants facing shutdown.



**OH**

On October 11, Ohio lawmakers introduced HB 381, which would create a zero-emissions nuclear resource program under which electric distribution utilities would purchase zero-emissions nuclear credits to keep the state's nuclear plants operational. A previous version of the bill (SB 128) stalled in the legislature.

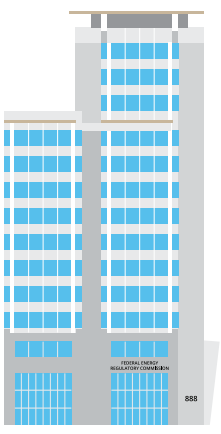
**GA**

On October 30, the Georgia Public Service Commission scheduled hearings (Docket No. 29849) on whether to proceed with the troubled Vogtle nuclear expansion project. Southern Company has recommended to continue its Vogtle project despite cost overruns and delays assuming future payments from Toshiba, availability of production tax credits, and extension of loan guarantees from DOE.

## 3 Federal Support

On September 29, the DOE's proposed (RM18-1-000) to direct FERC to enact rules requiring regional transmission organizations (RTOs) and independent system operators (ISOs) to ensure that certain reliability and resilience attributes of generation with on-site fuel supplies are fully valued. In addition, the House tax reform bill (H.R. 1), introduced in October, would remove the 2020 sunset date for nuclear tax credits, which the Nuclear Energy Institute (NEI) has deemed critical for carrying out the troubled Vogtle expansion project in Georgia. FERC is also exploring ways to reconcile state policy objectives with wholesale markets in a proceeding (AD17-11-000) prompted by contentions arising from nuclear subsidies and out-of-market power incentives.

However, comments from a broad range of interests including industry, lawmakers, and former FERC commissioners, raised numerous issues. The ISO/RTO council filed comments opposing the proposal saying that it would degrade the efficiency and effectiveness of existing organized wholesale markets. Grid operators, such as CAISO, PJM, MISO, ISO-NE, and NYISO, also filed separate comments opposing the initiative. PJM said that DOE had incorrectly identified the problem and its cause and was seeking a regulatory solution where a market solution was called for.



## BOTTOM LINE

**Trend and Opposition**

Supportive policies across multiple states coupled with the DOE initiative has brought optimism for the nuclear industry. Taken as a whole, they portray the growing notion that wholesale market rules do not adequately compensate new or financially struggling existing plants for their zero-emissions electricity. Nevertheless, the DOE proposal has drawn widespread criticism over its potential impact on the wholesale markets. While coal and nuclear interests have applauded the move, grid operators, multiple industry groups, lawmakers, and former FERC commissioners have opposed it.

**Battle Lines Drawn**

Looking forward, the outcome of DOE's initiative to support nuclear remains to be seen. So far, FERC's proceeding on reconciling state objectives with wholesale market design has remained inconclusive. In the short term, the list of states following the example of New York and Illinois could grow longer. In the long term, however, wholesale markets could potentially see some adjustments to accommodate nuclear power in the future energy mix.

**EnerKnol** connects you with comprehensive, real-time **energy policy data** from **federal**, **regional**, and **state** sources.

**Visit enerknol.com to learn more!**

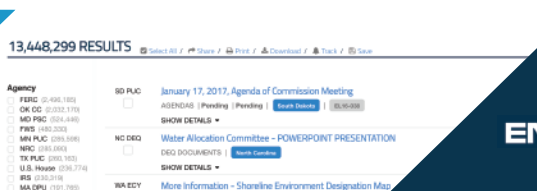

© EnerKnol Inc. 2017
212 537 4797 info@enerknol.com www.enerknol.com

Sources: EnerKnol, EIA, CT DEEP, CT PURA

**Disclosures Section** RESEARCH RISKS Regulatory and Legislative agendas are subject to change. AUTHOR CERTIFICATION By issuing this research report, Angelique Mercurio as author of this research report, certifies that the recommendations and opinions expressed accurately reflect her personal views discussed herein and no part of the author's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. IMPORTANT DISCLOSURES This report is for industry information only and we make no investment recommendations whatsoever with respect to any of the companies cited, mentioned, or discussed herein. EnerKnol Inc. is not a broker-dealer or registered investment advisor. Information contained herein has been derived from sources believed to be reliable but is not guaranteed as to accuracy and does not purport to be a complete analysis of the company, industry or security involved in this report. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any security or to engage in or refrain from engaging in any transaction. Opinions expressed are subject to change without notice. The information herein is for persons residing in the United States only and is not intended for any person in any other jurisdiction. This report has been prepared for the general use of the wholesale clients of EnerKnol Inc. and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this report in any way. If you received it in error, please tell us immediately by return e-mail to info@enerknol.com and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person. In preparing this report, we did not take into account your investment objectives, financial situation or particular needs. Before making an investment decision on the basis of this (or any) report, you need to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of your particular investment needs, objectives and financial circumstances. We accept no obligation to correct or update the information or opinions in it. No member of EnerKnol Inc. accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this report and/or further communication in relation to this report. For additional information, please visit enerknol.com or contact management team at (212) 537-4797. Copyright EnerKnol Inc. All rights reserved. No part of this report may be redistributed or copied in any form without the prior written consent of EnerKnol Inc.

10+ million filings from 300+ sources in energy policy and regulation at your fingertips.

ACCESS TRIAL



ENERKNOL