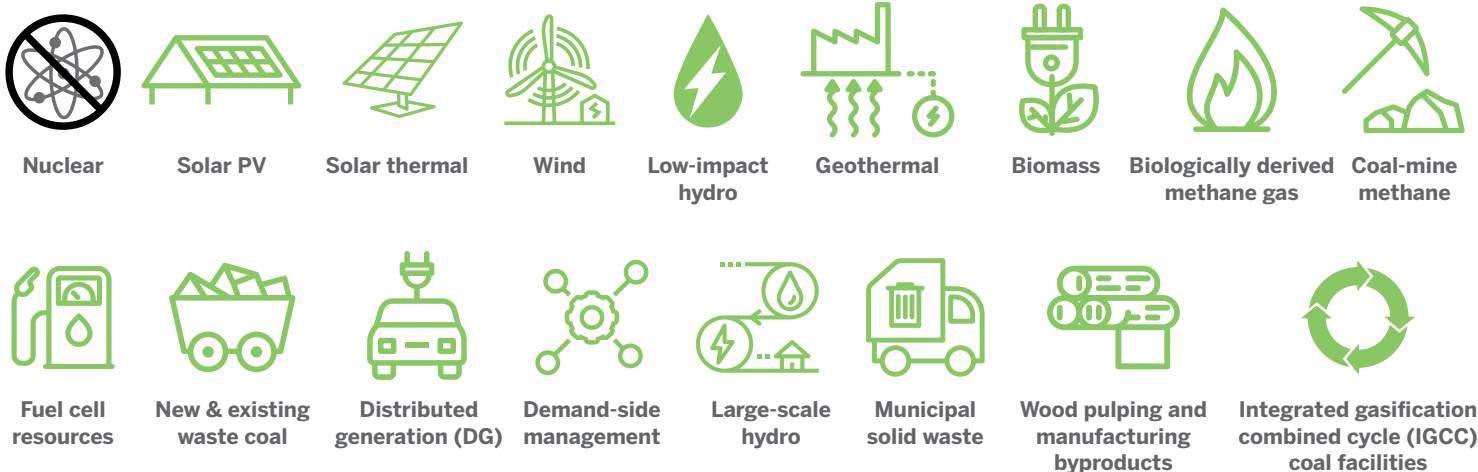


Amending the AEPS to Keep Electricity Prices Stable, Protect Jobs, and Keep Air Clean Across the Commonwealth

The problem?

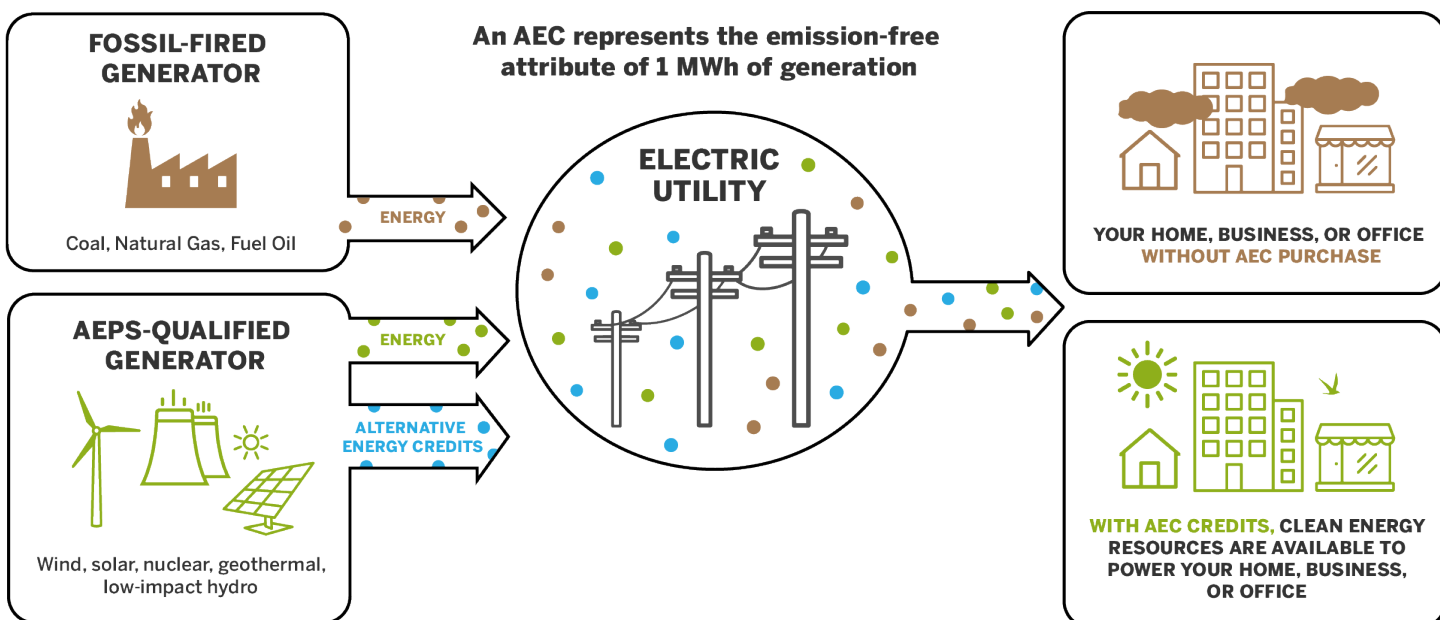
Despite the fact that Pennsylvania's nuclear power plants generate 42 percent of our Commonwealth's electricity and provide 93 percent of the Commonwealth's zero-carbon electricity, nuclear energy has been excluded from Pennsylvania's Alternative Energy Portfolio Standards (AEPS) Act program. Because federal regulators in Washington D.C., have failed to act, unless Pennsylvania addresses this inequity, Three Mile Island will shut down in October 2019, Beaver Valley will shut down in 2021, and the Commonwealth's three other nuclear power plants are projected to follow. This shutdown process is irreversible, guaranteeing the permanent loss of Pennsylvania's nuclear assets.

The AEPS Act currently allows 16 forms of electricity production to receive alternative energy credits under the existing Tier I and Tier II AEPS credit programs:



The solution?

Amend the AEPS to add a "Tier III" credit program that will recognize the value that all zero-emission electric generation resources provide to the Commonwealth, including zero-emissions nuclear energy.



HB 11 includes three key components that:

- 1 Requires qualifying Tier III resources to commit to operate for at least six years**, ensuring that Tier III resources continue to benefit Pennsylvanians while they are in the AEPS program.
- 2 Protects consumers by:**
 - 1. Prohibits “double dipping” by:**
 - » Preventing resources receiving cost-based recovery through state-regulated rates or from another state’s program from being included in the Tier III AEPS program.
 - » Ending the Tier III program if Pennsylvania enacts a carbon fee or participates in any federal or regional greenhouse gas program that creates an effective cost of carbon of \$15 per ton.
 - 2. Installing a maximum and minimum price cap on the Tier III credit price** by tying it to Tier I prices that the PUC sets annually, based on publicly available market data. The formula to establish the maximum and minimum is based on the Tier I price published in the PUC’s AEPS annual report.
- 3 Prevents federal regulators from taking away states’ rights to determine their energy portfolios by including a “safety valve.”** To ensure the continued success of the competitive market and the AEPS, HB 11 includes a competitive “safety valve” mechanism, proposed by FERC, that allows Pennsylvania’s AEPS program to co-exist with the PJM capacity market. IF the FERC rules are such that AEPS resources are restricted from participating in the PJM capacity market, AND the safety valve construct is approved by FERC and incorporated into PJM market rules, THEN Pennsylvania will implement the safety valve mechanism consistent with these new rules. The “safety valve” ensures that the Pennsylvania General Assembly’s energy policies withstand changes in the PJM capacity market by allowing Pennsylvania to continue to provide AEPS credits to qualifying resources as well as revenue for capacity equal to the PJM capacity auction clearing price, maintaining status quo for Pennsylvania consumers.

If State Lawmakers Do Nothing—Pennsylvanians Will Bear the Cost

Allowing Pennsylvania’s nuclear power plants to succumb to failed policies will cost the average Pennsylvanian \$2.39 per month in residential electricity cost increases alone and, all told, cost Pennsylvanians \$4.6 billion annually¹ from:

- » \$788 million annually in electricity cost increases
- » \$2 billion annually in lost state GDP
- » \$1.6 billion annually in costs associated with carbon emissions
- » \$260 million annually in other pollution costs associated with SO₂, NO_x, and PM2.5 emissions

Properly valuing nuclear energy will ensure that Pennsylvania’s five nuclear power plants will continue to contribute to reliably powering our grid 24/7/365 and:

- » Keep electricity prices stable
- » Protect 16,000 family-sustaining jobs for hardworking Pennsylvanians
- » Contribute \$2 billion to state GDP and \$69 million in net state tax revenues annually
- » Keep thousands of tons of SO₂, NO_x, and small particulates out of the air we breathe that could trigger asthma attacks, lung disease, and lost days of work from poor air quality
- » Avoid more than 37 million tons of CO₂ emissions annually

If Pennsylvania’s leaders do not act immediately to preserve these plants, Pennsylvania’s communities, economy and environment will face imminent and irreversible harm. The cost of doing nothing is severe:

Thousands of jobs will disappear. Consumers will pay higher electricity bills and breathe dirtier air. The Commonwealth’s stable power supply will be threatened. Lawmakers and the Governor must act.

1. http://files.brattle.com/files/5732_pennsylvania_nuclear_power_plants_contribution_to_the_state_economy.pdf