Picking Losers:
Why Coal and Nuclear Interests Are Desperate for a Ratepayer Bailout

By Grant Smith, Senior Energy Policy Advisor and Bill Walker, Editor in Chief

It's really just a tax on customers . . . and if you want to tax customers to do favors for friends, be honest about it.

That's what **Nora Mead Brownell**, a former member of the Federal Energy Regulatory Commission, or FERC, under George W. Bush, said about Energy Secretary Rick Perry's scheme to make utility customers subsidize aging, dirty, dangerous, and uneconomical coal and nuclear plants to keep them running.

She's right.

FERC data compiled by EWG show why the Trump administration's friends in the coal and nuclear industries are desperate for a ratepayer bailout: Their plants are losing billions of dollars, and without subsidies to make them competitive with renewable energy and natural gas, utilities are proposing to close 75 coal and nuclear facilities in just three short years.

At the United Nations global warming conference Nov. 6 through 17 in Bonn, Germany, the Trump administration will promote coal, nuclear energy and natural gas as an answer to climate change, **The New York Times** reported. That's sure to get a chilly reception, as other nations are dismayed that President Trump pulled the U.S. out of the Paris climate agreement. The FERC data show that by backing coal and nuclear over solar and wind, the White House is not just **picking winners and losers**, but picking sources that are already proven losers.

In September, Perry ordered FERC to fast-track consideration of a **proposed rule** to require regional electricity suppliers to buy above-market-rate power from coal and nuclear plants, even when cheaper sources are available. FERC has until Dec. 11 to decide whether to adopt the proposed rule.

Policy analysts at **Energy Innovation** estimate Perry's proposal would cost ratepayers up to $10.6 billion a year, with 80 to 90 percent going to 10 or fewer utility companies. Among beneficiaries would be FirstEnergy of Akron, Ohio, which could get $500 million a year. To avoid bankruptcy, FirstEnergy is considering **selling 13 struggling coal and nuclear plants.**

In August, the **Associated Press obtained a letter** to a Trump aide from the CEO of Murray Energy, a major FirstEnergy fuel supplier. CEO Robert E. Murray wrote that he was "desperate" for Trump to order an emergency—separate from Perry's proposal to FERC—to bail out FirstEnergy. According to **Politico**, the company and its PAC contributed $200,000 to Trump's campaign, and

CEO Robert Murray threw an invitation-only fundraiser for Trump in West Virginia. In the letter, Murray wrote that he was "desperate" for Trump to order an emergency—separate from Perry's proposal to FERC—to bail out FirstEnergy.

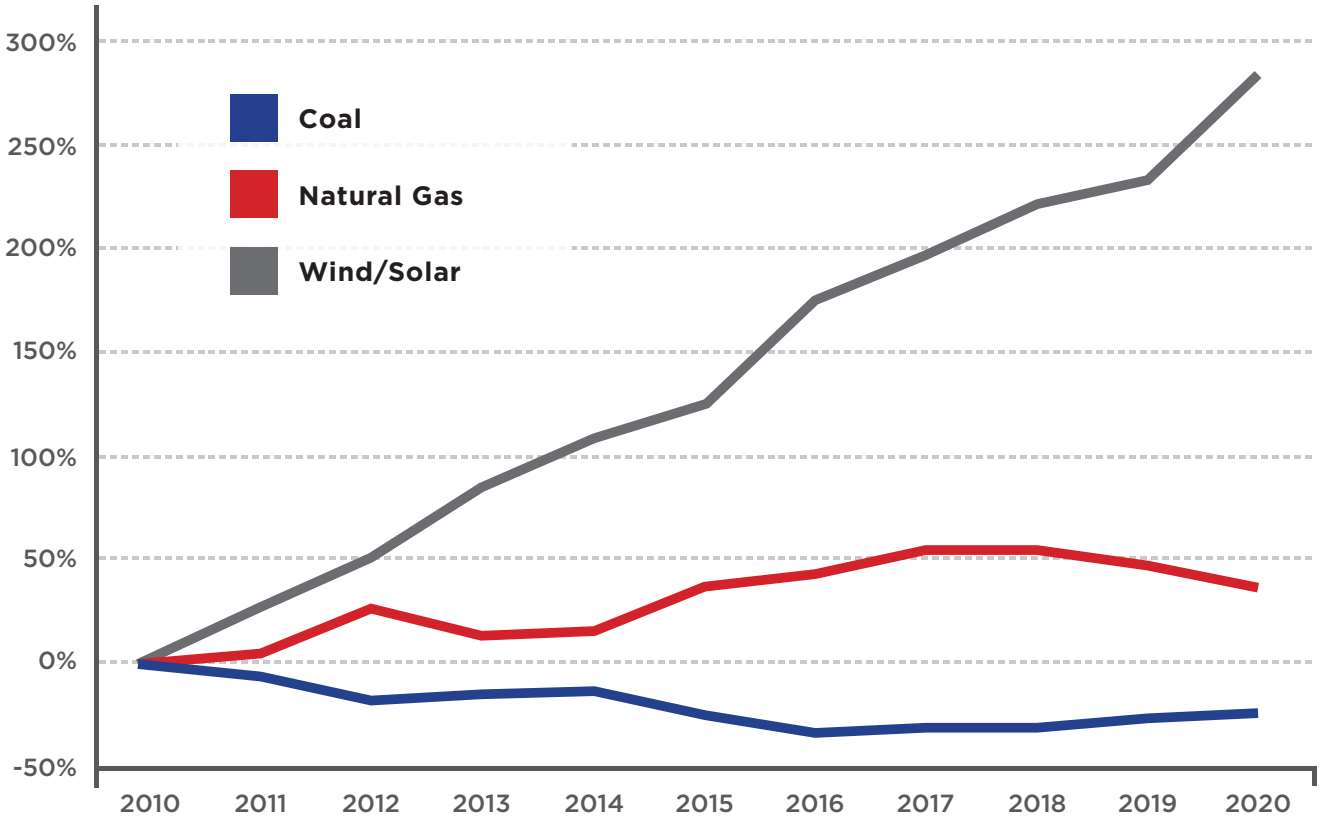
Murray said a bailout would save 6,500 jobs at his company. **The plea was rejected**, but shortly afterward the Department of Energy asked FERC to move quickly on Perry's proposal.

Perry claims the scheme would make the U.S. energy supply more reliable and save jobs. **In reality**, it would do little to strengthen reliability and would slow the remarkable growth of renewable energy jobs, which already outnumber jobs in coal mining or nuclear energy.

Data from FERC's **Office of Energy Projects** show the growing dominance of wind and solar power in the mix of the nation's electricity sources and how fracking—despite the **hidden costs** of its harm to the environment and public health—has driven down the price of natural gas. The glut of natural gas on the market, increased energy efficiency of homes and businesses, and the rapidly declining cost of renewables are inexorably driving coal and nuclear plants **out of the competitive wholesale market for electricity.**

FERC data show that since 2009, solar power capacity has multiplied by more than 89 times, and wind power capacity has increased sixfold. In that same period, because of plant closures, coal capacity has declined by more than 6 percent and nuclear capacity has remained about the same. In terms of generating electricity, look at how renewables and natural gas have increased as coal and nuclear have stagnated:

Renewable Energy Growth Outpaces Gas and Coal



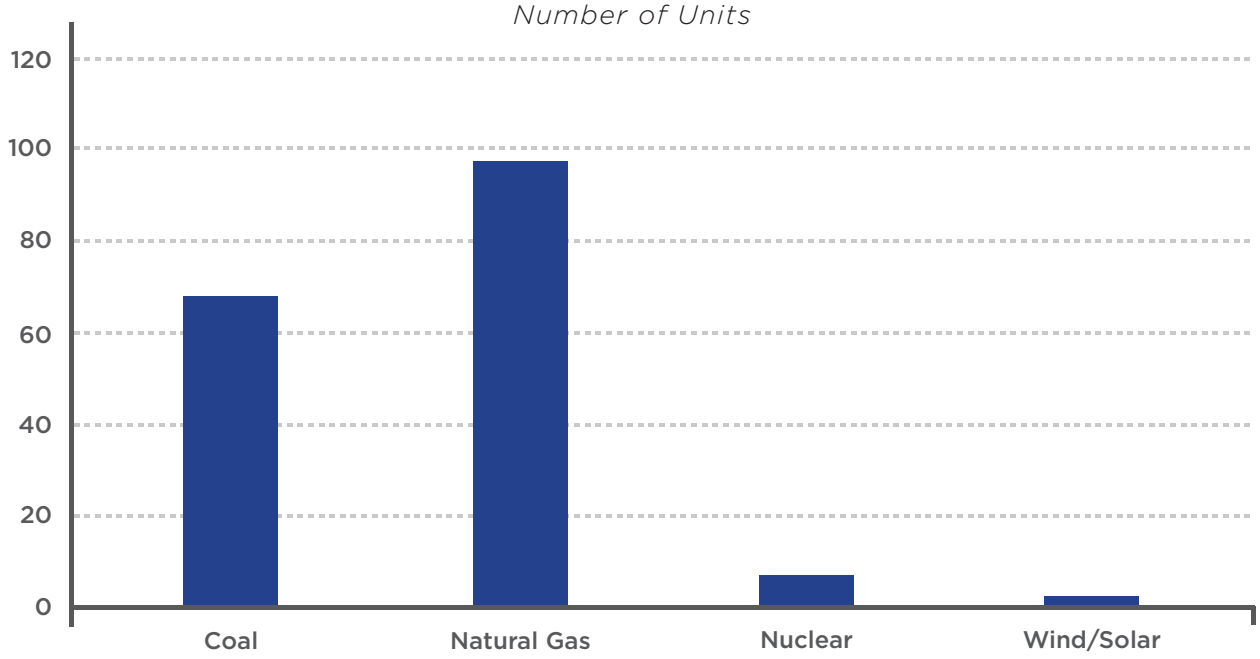
Source: EWG, from US Energy Information Administration (**Electricity, Supply, Dispositions, Prices and Emissions** and **Electricity Net Generation**)

Without a bailout, nuclear and coal will continue to shrink. According to the FERC data, utilities proposed by 2020 to close 68 coal units, which supply more than 16,000 megawatts of electricity, and seven nuclear units, which supply about 6,500 megawatts. Almost 100 natural gas units are also expected to close, but new natural gas capacity will continue to come online, while the **Energy Information Administration** projects no new coal plants.

Only one new nuclear reactor, Unit 2 of the Watts Bar plant in Tennessee, has come online in the last 20 years, and was **almost immediately shut down for repairs**. In July, construction of the unfinished twin-reactor **V.C. Summer** plant in South Carolina was cancelled after massive cost overruns and building delays. Owners of the two reactors being built at **Plant Vogtle** in Georgia are begging for more federal subsidies to finish the plant. **Six reactors have closed since 2013**, several more are slated to close in 2019, and, besides the costly attempt to add two new reactors at the Vogtle nuclear power plant, no other reactors are under construction.

75 Coal and Nuclear Units Slated to Close by 2020

Number of Units



NOTE: Closure of natural gas units will be offset by an unknown number of new units.

Source: EWG, from Energy Infrastructure Update, **Office of Energy Projects**, FERC

There's a simple reason for these trends: Solar, wind and natural gas facilities are cheaper and easier to build and operate. Operating costs for nuclear and coal-fired plants are soaring because they are old and require more maintenance, and new construction or expansion of existing plants' capacity is difficult and time consuming. Below are some examples:

1. **Duke Energy Indiana's Edwardsport coal gasification plant**, initially estimated to cost $1.95 billion, ended up at $3.55 billion when it came online in 2013.
2. In 2007, completion of **Tennessee Valley Authority's Watts Bar** nuclear Unit 2 was estimated to cost $2.5 billion. When finished in October 2016, the final cost was $4.4 billion. Counting the $1.7 billion spent at Watts Bar in the 1980s, before construction was suspended, the final cost of the plant was over $6 billion.

3. The rebuilding and expansion of **Xcel Energy's Monticello Nuclear Generation Plant** in Minnesota was estimated to take five years and cost $320 million. But it took nine years, cost over $665 million and could top out at $748 million.

Support for Perry's proposal is virtually nonexistent outside of the coal and nuclear industries.

Greentech Media reported that even among utilities, FirstEnergy is "one of the lonely voices in support of the [proposed] ruling." By contrast, energy newsletter **Platts** reported that Dynegy's CEO said Perry would provoke a "subsidy war," and NRG Energy's CEO called it "a recipe for disaster." An unprecedented coalition of energy industry associations, from the American Council on Renewable Energy to the American Petroleum Institute, filed a **joint petition** of opposition with the Department of Energy, citing **a recent DOE report** "categorically concluding that there is no reliability emergency."

It's plain to see why coal and nuclear interests are scrambling to save their dying industries. Perry's scheme could keep them on life support a bit longer. But the market has spoken: The competition for America's energy future is over, and wind, solar and energy efficiency have won.