

# Pennsylvania

Members of the General Assembly

Commonwealth of Pennsylvania

May 1, 2017

Greetings:

On behalf of the 1.8 million AARP members in Pennsylvania, we are writing you to express our opposition to proposed new subsidies to power plants beyond the payments already given from power grid operator PJM.

While actual bill language has not been introduced, the proponents will no doubt propose schemes they have used in other states like Ohio, Illinois, and New York (dubbed zero emission credits whereby distribution utilities must acquire power credits from primarily existing nuclear power plants). AARP has a number of concerns.

First of all, it is unclear if the plants rumored to be requesting subsidies are in such dire need. If they have cleared the PJM auction, they are receiving capacity, energy, and new enhanced capacity payments. It is unclear why Pennsylvania ratepayers need to provide additional funds.

Secondly, even if a subsidy were needed, AARP agrees with the PJM market monitor and others that note such single-state "out-of-market" subsidies distort the working of the wholesale power market (PJM), discourage construction of new sources of power, discourage conservation, and have other unintended side effects which may be detrimental to consumers and to long term reliability. These subsidies may provide an undue advantage to a power plant owner who -- with a new stream of revenue -- can under-bid the competition thereby distorting pricing and thereby picking winners and losers in what should be a competitive environment.

Similar plans approved in New York and Illinois are under court challenge by the PJM market monitor and other generators and may be ruled illegal under the Interstate Commerce clause and/or Federal regulatory policies.

Most importantly, AARP urges a focus on the cost to consumers.

The New York subsidy is expected to cost consumers \$8 billion a year over 10 years and primarily benefits one company.

The Illinois plan is expected to cost consumers \$230 million a year and again benefits the same company. The Illinois plan is most frustrating as the subsidized plants were determined to either be not needed for reliability or were propped up by in state subsidies for out-of-state sales.

In Ohio, the FirstEnergy plan initially would have tacked on a \$10 per customer per month surcharge which was promptly voided by FERC as interfering with the wholesale market. More importantly, many Ohio consumers would have found such an increase burdensome.

Again, these proposals are part of a larger strategy to use single state subsidies to pick winners and losers in what should be competitive environments.

In Connecticut, proponents are trying to have nuclear power incorporated under a renewable energy subsidy program. While AARP remains fuel neutral, we are concerned that specific firms are proposing unfair subsidies that distort markets on the backs of consumers who to this point will receive the bill but have no seat at the table.

Finally, it is worth exploring why states including California, Vermont, Michigan, and Wisconsin have seen similar power plants close with apparently no impact on reliability and, more importantly, with no request for a subsidy in order to keep the plant open. This matter needs further study by the Commonwealth.

In short, we urge members to demand a full vetting of the matter including the cost impact on customers of single state subsidies in what are regional, multistate marketplaces. Pennsylvania should not embrace a scheme that creates winner and losers. In summary, we look forward to a robust dialogue on this issue.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Bill Johnston-Walsh". The signature is fluid and cursive, with a long, sweeping underline.

Bill Johnston-Walsh,  
State Director  
AARP Pennsylvania