EDF ENVIRONMENTAL DEFENSE FUND
Finding the ways that work

ANDREW BARBEAU TESTIMONY – NOVEMBER 7, 2017

Good morning, my name is Andrew Barbeau, here on behalf of Environmental Defense Fund. EDF has 70,000 members throughout Illinois focused on a transition to a clean energy future. I have been asked to provide a summary and analysis of these bills today, and so I hope I can provide a straightforward outline of what are always complex subjects.

- **First, some good news:** Because of the Future Energy Jobs Act that you passed last year, we are seeing several major new wind and solar projects coming to Central and Southern Illinois:
    - Alta Farms Wind Project II near Clinton will bring 200 MW of Wind in DeWitt County.
    - Broadlands Wind Farm in Douglas County will bring 202 MW of Wind online.
    - Cardinal Point near Macomb will bring 150 MW of Wind online.

      Every winning project from the first procurement is being built in Ameren territory in Central and Southern Illinois. The renewable industry sees Central and Southern as open for business.

- **Renewable Growth:** In conversations with MISO, they have said a growth in renewable development (wind and solar capacity) would significantly boost the resource adequacy in Central and Southern Illinois. A recent report from MISO, and the whitepaper from the Illinois Commerce Commission, concluded that there is NOT a resource adequacy concern in their five-year horizon, primarily because of the growth of renewables and energy efficiency. In fact, MISO's analysis was based on only 250 MW of new wind coming online in Illinois over the next 5 years, where I just outlined 552 MW of new wind projects in the first 5 months of the Future Energy Jobs Act.

- **Dynegy's Non-Competitive Proposal Details:** That news is especially good because we just got our first look at the alternative future proposed by Dynegy, and it is pretty shocking. While we only saw this for the first time last week, here is what we know so far:

    1) Customer bills would go up. A lot. Dynegy's complaint is that the revenue they get from Central and Southern Illinois customers aren't enough for them. This bill would certainly solve that – by raising rates on Central and Southern Illinois residents by more than $400 million per year. That's the simple difference between the prices these plants are getting now, and the prices that Dynegy says it needs to keep them open. To give them more money, you have to take it from Central and Southern Illinois customers.
    2) They would go up for a long time. This bill would lock Ameren Illinois' customers into overpaying for "capacity" through long-term contracts. No competitive regional market does a contract more than 1-year in length, but this bill requires 3-year contracts at a minimum. But, there's more – There is hidden language in here that could even make them 10, 15, or 20-year contracts.

3) <u>It is not a competitive market</u>. The bill would eliminate the Illinois Power Agency's straightforward mandate to procure environmentally sustainable electricity at the lowest cost over time through competitive auctions for this scheme, and creates a new set of restrictions on what can even qualify to win, preferencing some types of power plants over others, and not at the lowest price.

4) <u>Its not even a capacity market</u>. The concept of a "capacity market" or "resource adequacy market" is simple – pay power plants to ensure they are available during the highest handful of hours a year to meet peak demand. But this would not select the lowest bidders who can be available at peak hours. No, instead it allows any plant to get paid even if they aren't the lowest bidder, by saying they potentially have other characteristics, such as transmission security (which means it excludes many bidders outside Illinois), voltage support (again, limiting winners to in-state projects), dynamic stability (which is an attempt to exclude renewables), frequency response (which is a service in a whole separate market already paid for), fuel security and on-site fuel supply, and import transfer capability (again, excluding out-of-state projects). That's not just a thumb on the scale, that's a whole butt on the scale.

5) <u>I want to talk about that "fuel security and on-site fuel supply" point a little more.</u> There is a requirement in here to support plants based on their "fuel security and on-site fuel supply." If that sounds exactly like Donald Trump and Rick Perry's plan at the federal level to bail out coal plants, it is because it is! What type of power plants have large amounts of its fuel sitting around? Coal plants and Nuclear plants. What type of power plants get their fuel from pipes right when they need it? Gas plants. What type of power plants don't require fuel and thus would not even be eligible for this category? Wind and Solar. But I would much rather trust a resource that isn't dependent on fuel.

6) <u>It would harm the growth of renewables.</u> The bill would shut out new growth from companies who actually want to invest and build here. By locking us into long-term, overprice contracts, we would limit the ability of lower-cost wind and solar to enter the market. New wind and solar would be serving the same market and reliability needs as a coal plant subsidized by the FRAP, but they would be shut out of the market.

Conclusion: This FRAP 2.0 may be a little more blurred, but it is functionally the same as the original FRAP. Here is a company that now has $5.2 billion in excess capital because of its upcoming merger with Vistra Energy, and its asking for a billion dollar bailout. That's bad news for residents paying the bill, for jobs in the community, and for our just-begun transition to the clean energy economy we started just a year ago.