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FES Presses Senators For Quick Decision On Nuclear Subsidies

A FirstEnergy Solutions representative reiterated Wednesday that senators must pass a controversial nuclear subsidy bill by June 30 or the company will shutter its two nuke plants.

But the Senate's top leader said it will be lawmakers and not outside parties like FES who set the chamber's agenda and timeline moving forward.

"I don't think anybody sets the legislative schedule except for me and the chairmen and the members," Senate [President Larry Obhof](#) (R-Medina) told reporters.

Dozens of proponents urged support verbally or in writing during the Senate Energy & Public Utilities Committee's second formal hearing on the legislation ([HB 6](#)) that would subsidize nuclear plants through a "Clean Air" credit program and eliminate the renewable and energy efficiency standards.

Much of the testimony mirrored that delivered by proponents during debate in the House, including several appeals from government subdivisions, school districts or unions residing in the footprint of the Davis-Besse and Perry plants. (See [Gongwer Ohio Report, May 15, 2019](#))

Charles Moore, FirstEnergy Solutions' chief restructuring officer, provided the company's perspective, saying that the minimum level of annual support needed for the plants is \$150 million a year. The assurance of that funding, he said, is needed by June 30 in order for the company to commit to fabricating continued fuel for the plants.

"The decision to authorize fuel fabrication is a financial obligation of \$52 million," Mr. Moore said. "As a result of the unprofitable position of the plants, as well as the complex bankruptcy oversight process, FirstEnergy Solutions is unable to make this commitment by June 30, 2019 without legislative support."

[Sen. Rob McColley](#) (R-Napoleon) repeatedly sought to gain insight into the company's projected cash flow post-bankruptcy, but Mr. Moore said he was unable to provide that information because there are too many variables and scenarios.

Sen. McColley said that response does nothing to alleviate the questions from him and other members over whether the support is truly needed.

"I think the phrase trust but verify would be appropriate," Sen. McColley said. He questioned whether the company would support an amendment placing oversight of the program with the

Public Utilities Commission of Ohio – instead of the Air Quality Development Authority – and ensuring the subsidy would not be distributed without a need analysis.

Mr. Moore said that based on his conversations, "I don't believe that structure would allow the creditors to say we'll give you the authority to move off this deactivation path because there's too much uncertainty."

[Sen. Dave Burke](#) (R-Marysville) questioned whether the current credit program is adequate or whether the company will only return in the future requesting more funds.

"It's hard to tell that far out," Mr. Moore replied. "Under the current legislation it's a limited period of time. What we do anticipate though is this provides the runway in order for these units to continue to operate into the foreseeable future."

He later clarified that he does not believe future support will be needed, suggesting, "This is what is needed to ensure the plants operate presumably through their extended lives."

Mr. Moore estimated that the company, once it emerges from bankruptcy with a new structure, will shrink from the current 2,700 employees to about 100 employees and stay the course in deactivating existing generating assets. Hearing that, [Sen. Sandra Williams](#) (D-Cleveland) asked what would happen to the other 2,600 workers.

"They wouldn't get anything?" she asked. "They'd be out on the streets?"

Mr. Moore said some provisions of the various collective bargaining agreements provide severance or extended benefits but that those are offered for a relatively brief period. "So, to respond directly to your question, yes. Eventually," he said.

Sen. Andrew Brenner (R-Powell) floated the idea of providing the company with the \$52 million for procuring fuel in the near term while lawmakers continue hashing out the larger issues of long-term support after June 30.

"There is another element to this," Mr. Moore answered. "These units are losing money and the creditors are looking at it saying: 'That's our return.' We don't want to diminish our return for these units to continue to lose money."

[Sen. Sean O'Brien](#) (D-Bazetta) asked what the company and its potential future owners are doing to remain competitive.

"You're telling us they're losing money, they're losing money every day," Sen. O'Brien said. "What are the companies doing so they can get into the game and compete with gas or whoever else? If they're not doing it, we're going to continue seeing this loss."

Mr. Moore said these are "top operating nuclear units" and that there is a constant effort to improve but that factors such as the market remain beyond the company's control.

[Sen. Frank Hoagland](#) (R-Adena) continued airing concerns about FES's planned closure of the coal-fired W.H. Sammis plant in his district. Mr. Moore assured the lawmaker the company is working to find ways to maintain that plant despite its proposed deactivation.

"The problem I see," Sen. Hoagland replied, "is you're putting people out of work then turning around and asking them to pay to keep the nuke plants open."

Among other witnesses, Tom Froehle, vice president for external affairs for AEP, said the measure would enable the company to make the investments in renewables that customers are seeking.

"HB 6 would allow AEP Ohio to offer renewable energy services to our customers and pose no financial risk to other customers – this is an economic development tool that AEP Ohio has been seeking clarity on for several years," he said.

He also emphasized the company's support of the language extending Ohio Valley Electric Corp. cost recovery and said the scrapping of energy efficiency standards would enable electric utilities to offer voluntary programs akin to those offered by natural gas utilities.

Kevin Murray, executive director of the Industrial Energy Users-Ohio, argued the energy standards implemented in 2008 "made little sense then and they make even less sense today."

"It is past time to eliminate Ohio's energy efficiency and renewable energy mandates, which for the vast majority of customers simply represent an added tax on their electricity bills," Mr. Murray said.

He also signaled support for House-added language that sunsets the credit program in 2026, includes a circuit breaker to adjust the credit price based on market prices, and phases out energy efficiency programs.

Maria Korsnick, CEO of the Nuclear Energy Institute, echoed arguments from representatives of local communities in outlining the economic damage expected to result from the plants' closure.

"If these plants close, the downstream consequences of premature plant closures are dire and irrevocable," Ms. Korsnick said.

She told [Sen. John Eklund](#) (R-Chardon) she views it's unlikely federal or regional discussions about financially supporting nuclear plants will pan out. And she emphasized that once the decision to close the plants is made it's unlikely to be reversed.

"That's why it's so very important you're deliberate about your decision," she told the panel.