

REDIRECTING FEDERAL FUNDS TOWARD COAL AND NUCLEAR PLANT COMMUNITIES

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The U.S. Department of Energy (DOE) [has proposed](#) directing power grid operators to purchase electricity for a period of two years to prevent the retirement of certain power plants. DOE's May 29 memo does not explicitly specify which power plants it would affect, but it implies large coal and nuclear facilities, similar to those targeted by the [2017 Notice of Proposed Rulemaking](#), originally issued by DOE and later rejected by the Federal Energy Regulatory Commission.ⁱ

This research note outlines how \$2 billion in federal subsidies for six uneconomic FirstEnergy coal and nuclear power plants could be better spent investing in an economic transition for the communities where those plants are located, rather than keeping units online for two more years.

\$2 BILLION IN SUBSIDIES OVER TWO YEARS FOR SIX POWER PLANTS

Energy Innovation and the Climate Policy Initiative analyzed DOE's 2017 proposal in [The Department of Energy's Grid Resilience Pricing Proposal: A Cost Analysis](#). In this analysis, FirstEnergy's market-exposed coal and nuclear fleetⁱⁱ would need about \$1 billion per year to keep these uneconomic plants running profitably. Assuming a two-year price support referenced in the latest public [memo](#) from DOE, this would imply subsidies of about \$2 billion over two years to keep six of FirstEnergy's plants operating. DOE's memo is unclear on the question of whether this payment would come from taxes or utility bills.

The regional grid operator (PJM) has repeatedly asserted federal intervention in support of these plants is not necessary for grid reliability in the regionⁱⁱⁱ and the national regulatory body responsible for ensuring national grid reliability (the North American Electric Reliability Corporation) says^{iv} national grid reliability continues improving: Customers in Ohio, Pennsylvania, and West Virginia would not see disruptions in their electricity service from these plants closing.

Moreover, trends suggest cheaper alternatives for producing power in the region will continue to exist even if electricity demand grows in the future, and DOE's memo gives no details about how long the federal government would continue bailing out these power plants beyond the initial two-year period.

Clean energy prices [have dropped below](#) coal and nuclear, so if economic trends are not in the plants' favor, it certainly seems that these government subsidies would at best delay closure

dates for these plants for a few years. Billions will have been spent on subsidies, and the affected communities would still face the same power plant closures a few years later, without having developed long-term solutions.

COMMUNITY INVESTMENT INSTEAD OF WASTED SUBSIDIES

If the same \$2 billion was directed toward locally-led solutions in each of the six communities affected by [imminent](#) FirstEnergy closures, instead of keeping these uneconomic power plants running for two more years, it could provide more than **\$300 million per community**.

The proposed funds to keep uneconomic coal and nuclear plants afloat could instead be used to help to diversify and strengthen local economies, as well as to support innovative workforce development programs to aid affected workers and their communities.

For instance, congressionally funded Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) [grants](#) have been awarded [across the region](#) since 2015 to help communities affected by coal plant and mining closures create new economic opportunities.

Other communities affected by power plant closures have begun successfully begun economic transitions for similar facilities. Tonawanda, located outside Buffalo, recently released a [redevelopment blueprint](#) to replace lost tax revenue and jobs after a coal plant closure, and New York State’s legislators approved gap funding to cover missing tax revenue during the transition. Any available bailout funds could be used for the same kind of gap funding in affected communities.

In short, the communities where these plants are located—not the federal government and the utilities—should decide how any available funds can best be spent to support them in this economic transition. In Ohio alone, [research shows](#) embracing the clean energy economy could create more than 20,000 new jobs and generate more than \$25 billion in new investment.

If the federal government is concerned about workers and their communities at risk from power plant closures, it would have a more positive impact by giving any available funds directly to the affected communities to decide how they want to support a just transition, diversifying local economies.

ⁱ See https://elibrary.ferc.gov/idmws/file_list.asp?document_id=14633130 – Commissioner Richard Glick stated “There is no evidence in the record to suggest that temporarily delaying the retirement of uncompetitive coal and nuclear generators would meaningfully improve the resilience of the grid.”

ⁱⁱ For this analysis, we include Davis Besse Nuclear Generating Station, Beaver Valley Nuclear Generating Station, Perry Nuclear Generating Station, FirstEnergy Bruce Mansfield, FirstEnergy W H Sammis, and FirstEnergy Pleasants Power Station. All of these power plants rely on competitive market revenue for at least a portion of their revenue. We do not include FirstEnergy Harrison Power Station or FirstEnergy Fort Martin Power Station as they are under rate-based cost recovery in West Virginia (and do not rely on competitive market revenue) so we assume they would continue to recover their costs and stay open regardless of federal support. The number included here is based on “Reading 3” from this analysis: http://energyinnovation.org/wp-content/uploads/2017/12/20171025_Resilience-NOPR-Cost-Research-Note-UPDATED.pdf.

ⁱⁱⁱ For example, see <https://twitter.com/pjminterconnect/status/1002597210670936066>

^{iv} See North American Electric Reliability Corporation’s “*State of Reliability 2018*” report https://www.nerc.com/pa/RAPA/PA/Performance%20Analysis%20DL/NERC_2018_SOR_06202018_Final.pdf