

Statement of Talen Energy Corporation
On behalf of Susquehanna Nuclear, LLC a Talen Energy generating affiliate

Presented Before the Pennsylvania Senate Consumer Protection & Professional Licensure
Committee

Wednesday, April 10, 2019

Talen Energy is a privately-owned, Independent Power Producer (IPP) that owns or controls approximately 15,000 megawatts of generation across the country, of which more than 8,295 megawatts are located in Pennsylvania. Talen owns the largest generation portfolio within the Commonwealth, including the only privately-owned nuclear plant in the country, the Susquehanna nuclear plant located in Berwick, Pennsylvania. In addition to our generating assets in Pennsylvania, we have a corporate office located in Allentown, Pennsylvania.

As an IPP, our future is tied directly to the success of competitive markets. We believe that in order for energy markets to be competitive, there must be an “all of the above” energy policy that recognizes the value of a diverse, balanced energy mix for both grid reliability and stable market prices. Talen Energy prides itself on having a fuel diverse portfolio of generation comprised of nuclear, coal, natural gas and oil. Our portfolio in the Commonwealth includes nuclear (28%), natural gas (45%), coal (24%) and oil (3%), which closely mirrors Pennsylvania’s generation resource mix. As the owner of a group of fuel diversified generation stations, we view policies through a lens that considers the impact to all of these resources and are not willing to sacrifice one resource at the expense of another. Given this perspective, Talen does not believe that Senate Bill 510 will have a negative effect on the fossil plants – including our own gas plants – within our overall portfolio.

After being taken private in 2016, Talen Energy spent the past two years establishing an organization that focused the company’s resources on achieving operational excellence by generating electricity in a safe, cost-effective and reliable manner. As a direct result, Susquehanna’s performance has improved significantly. However, even with this focus, low natural gas prices and declining capacity prices are making it difficult to be competitive, notwithstanding a nuclear asset that provides reliable, emissions-free electricity, numerous

jobs and other benefits. As reported in the PJM Independent Market Monitor's 2018 State of the Market report, published March 14, 2019, Susquehanna, as well as all of Pennsylvania's nuclear plants, are facing declining profits in the coming years. If Pennsylvania values nuclear generation, it must consider policies that equitably value the attributes associated its entire nuclear fleet because the market is not valuing these assets despite recognizing other sources of clean energy for their contributions. We believe Senate Bill 510 provides the state with a solution to this issue.

Susquehanna provides significant benefits to Pennsylvania, including, but not limited to the following:

- Susquehanna is the second-largest dual unit Boiling Water Reactor (BWR) in the U.S. with a combined nameplate capacity of 2,600 megawatts – enough to power over two million homes.
- In 2018, Susquehanna produced 21.2 million gross MWHs of clean energy, with an availability factor of almost 93%.
- Susquehanna has approximately 900 family-sustaining, full-time jobs, more than 45% of which are represented by IBEW Local 1600.
- Each year, Susquehanna contracts with nearly 2,000 supplemental workers to support the station's refueling outages, of which approximately 80% are associated with a labor organization.
- Allegheny Electric Cooperative, the generation and transmission cooperative for Pennsylvania's 13 electric distribution cooperatives, is a 10% owner of the Susquehanna power plant, which represents nearly 60% of their power supply.
- Unit 1 at Susquehanna is licensed until 2042, while Unit 2 is licensed until 2044. There are opportunities to extend the licenses to 2062 and 2064, respectively so they could continue operating well into the foreseeable future.
- Susquehanna has a strong working relationship with the surrounding community, for example:

- The station operates the Susquehanna Riverlands, a public use space that provides fishing, exercise, picnicking and recreation.
- United Way is the cornerstone of Susquehanna's community involvement with employees contributing over \$167,000 in the last two years, and raising more than \$650,000 over the last nine years in the station's annual United Way golf tournament. Over the last decade, support has totaled nearly \$3,000,000.
- More than \$18,000 is contributed annually to assist first responders in 11 local departments.
- Susquehanna is the largest employer and taxpayer in Luzerne County, and a significant taxpayer to Berwick Area School District and Salem Township.

When considering the value of Susquehanna's contributions to Pennsylvania's clean energy future, it is impossible to ignore the impact to our local community if this station were forced to cease operations and the production of safe, reliable, affordable, carbon-free electricity. In a part of the Commonwealth facing its own broader economic challenges, the loss of approximately 900 full-time, family-sustaining jobs would devastate local businesses, contract and service providers, as well as the local tax base.

In order to maintain these important relationships with our stakeholders, Talen is also making every effort to positively impact our bottom line. As mentioned, following our take-private in 2016, Talen set out to raise our operational and financial results to remain competitive within the depressed pricing pressures. Our approach is systematic, measured and monitored to ensure we achieve our goals with employee ownership and accountability. Our goal is to be a top industry performer and we are on track to achieve this goal. However, even with these excellent results, the long-term viability of the station is threatened due to a market that fails to provide a level, competitive playing field. Specifically, while Susquehanna provides safe, reliable, carbon-free energy that helps ensure the resilience of the regional electrical grid, it is not being equally valued or compensated when compared to other carbon-free energy resources.

All nuclear plants are facing challenging markets that are based upon the lowest cost resource, and this is impacting their financial condition. If policies remain as they are, we believe the future electric supply will be dominated by natural gas with some renewables, driven by the current low cost of natural gas and existing policies—policies that recognize and value clean energy attributes provided solely by renewable generation and only encourage the building of renewable generation through subsidization of those technologies. In the absence of policy changes that level the playing field by fairly recognizing the clean energy attributes provided by nuclear generation, like what are contained in Senate Bill 510, it should be expected that we will continue to see nuclear generation assets struggle and retire.

Eliminating nuclear energy from Pennsylvania’s energy mix, we believe, will have negative impacts on both competition and price, as well as carbon emissions. Losing a source of generation will impact reliance on, and in turn, demand for, other sources of energy in the market, increasing prices. As stated in the Brattle Report, with natural gas likely to replace any lost nuclear generation in Pennsylvania, not only will gas prices rise, but so will carbon emissions as this fossil fuel takes a greater market share. The Bicameral Nuclear Energy Caucus Report states that because of this, all progress made toward reducing carbon emissions in Pennsylvania will be set back 25 years.

And, with less fuel diversity, the market will also be subject to greater impacts when markets fluctuate. Natural gas prices drive electricity prices, and history has shown that gas prices will be volatile. With each cold snap we have experienced since 2014, gas prices have spiked and electricity prices react ten-fold to gas prices, all of which is felt by the consumer. Long-term stability comes from a diversity of supply. The proposal within Senate Bill 510, to create a third tier within the state’s current Alternative Energy Portfolio Standards (AEPS), is a fair way to level the playing field on which nuclear has to compete. By recognizing and valuing the clean energy contributions of nuclear plants, in the same manner the state values those contributions from sixteen other forms of generation, Pennsylvania will put nuclear energy on equal footing with those resources, while also retaining all the benefits provided by these plants and maintaining critical energy diversity in Pennsylvania.

Unlike some other fossil fuel owners, Talen is not looking for nuclear plants to shut down as a result of an unlevel playing field. We own natural gas and coal plants and yet we do not want to see the nuclear plants shut down. We believe the status quo mix of fuels in PJM is diverse and should continue to be so. We want to see all resources adequately compensated and believe that a diversified generation portfolio is vital if Pennsylvania is to maintain a long-term, financially viable supply base. If the state wants to continue to have nuclear power as a resource, there needs to be an investment in the long-term viability of these units.

As we have stated in prior written comments at FERC, Talen generally supports market-based solutions that recognize attributes associated with fuel diversity and resilience to address the current challenges facing competitive generators. However, recent efforts at both the FERC and RTO level have demonstrated that any progress in this area will be slow to occur, if it occurs at all. If Pennsylvania values nuclear generation resources, legislators must act and act quickly.

In closing, Talen Energy is pleased to be included in this important discussion taking place in Pennsylvania. We encourage you to take swift action, as we are already seeing the impact of the current market challenges result in premature closures of other nuclear stations. Thank you for the opportunity to present our position.