

# PSEG: Subsidize NJ nuclear plants or we'll close them, rely on fossil fuels

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Did you know a portion of your electric bill goes to help keep New Jersey's three nuclear power plants afloat?

In 2019, state regulators approved a three-year plan to give \$300 million in yearly subsidies to the state's nuclear fleet: the Salem and Hope Creek Nuclear Generating Stations in Lower Alloways Creek, Salem County.

Residential customers throughout New Jersey now dish out, through their electric bills, around \$30 to \$40 a year, depending on how much electricity they use. Large industrial users can pay hundreds of thousands of dollars a year.

Now Newark-based Public Service Enterprise Group, the largest owner of the three nuclear reactors, has asked the New Jersey Board of Public Utilities to extend the subsidies another three years. A decision is expected in April.



The plants are not profitable, says PSEG Power, the utility's subsidiary that operates its power plants.

The company is making the same threat as it did three years ago: it will shutter the nuclear power plants if the BPU does not extend the program.

If any of the units do not receive the subsidies and there is no "material" change in their financial condition, "PSEG Power will take all necessary steps to cease to operate all of these plants," PSEG said in a quarterly report filed in October with the U.S. Securities & Exchange Commission.

Various groups, including the New Jersey Division of Rate Counsel, are opposing the subsidies just as they did two years ago. Rate Counsel Stefanie A. Brand said the three plants are profitable and not eligible for subsidies.

Gov. Phil Murphy cleared the way in 2018 when he signed off on the creation of a so-called "zero emission certificate program" for the nuclear plants as part of legislation that also sought to accelerate the development of solar and wind energy.

In remarks at a recent public hearing, Joseph F. Accardo Jr., vice president-regulatory and deputy general counsel at Public Service Enterprise Group, said market conditions for nuclear power plants "have only gotten worse" since the subsidies were first enacted.

The plants' projected revenues "will not cover their projected costs and risks, including the operational and market risks that result from continued operation," Accardo said. The company is calling on the BPU to extend the program "at its existing level."



Nuclear generation is "critical" to the state's clean energy strategy, Accardo said. It calls for all of the state's electricity to be generated by renewable sources by 2050.

Nuclear power makes up about 40% of the state's electricity needs and represents 90% of its clean energy, Accardo said.

"As the state has recognized, the negative environmental effects of retiring three nuclear plants would be significant," he said. Natural gas and coal-fired plants would offset nuclear generation, boosting greenhouse gas emissions and other air pollutants, he added.



The Salem and Hope Creek plants also employ about 1,600 full-time workers, as well as 1,000 contractors who assist with planned maintenance and refueling outages, the company said.

Citing a study by the Brattle Group, Accardo said the

plant closings would have a negative economic impact of \$1.2 billion. It would result in the "loss of thousands of well-paying jobs, which would have a significant impact on the local economy in Salem County and the economy of New Jersey."

By extending the program, "the board will not be increasing the cost of electricity for New Jersey customers but will in fact be keeping costs lower than if the plants were to retire prematurely," Accardo said.

The state's rate counsel, which represents ratepayers in cases before the board, and groups, such as AARP New Jersey and the New Jersey Large Energy Users Coalition, are resisting PSEG's efforts.

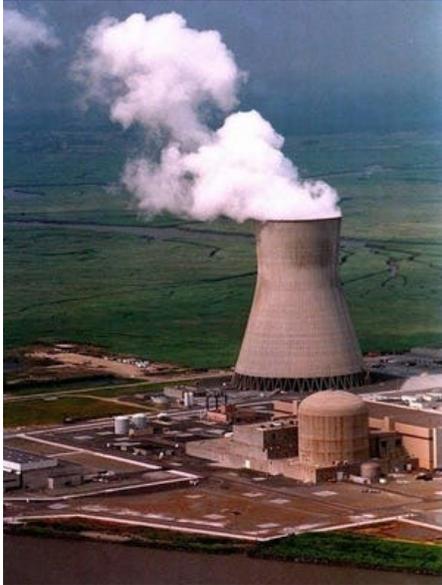
Brand, the director of rate counsel, said her office, which hired two consultants to review the power plants' financial health, believes the plants are profitable.

"We don't question the benefits of nuclear power," Brand said. "We do question whether companies that are deregulated should get to say 'I am entitled to a certain level of profit and if I'm not making that, I get to hold you hostage and get ... subsidies because I want to make more money.'

"That's not how it's supposed to work," she said.

Brand said PSEG, and its partner, Exelon, "inflated their costs and underestimated their revenues."

She could not comment further on the financial health of the nuclear power plants as the information has been deemed confidential. Only redacted versions of the company's filings are available for public inspection.



It comes as New Jersey remains in the grip of the coronavirus pandemic.

Customers who are struggling to pay their electric and natural gas bills have accumulated about \$650 million in arrearages, Brand said. "We question whether or not this is where we want to spend our scarce resources right now," she said of the subsidies.

AARP New Jersey echoed Brand's concern.

"It was always a bad idea and it is particularly bad now in the face of the pandemic," said Evelyn Liebman, director of advocacy for AARP New Jersey. "Folks just don't have the extra money. Hundreds of thousands of people in New Jersey are at risk of shutoff because they can't afford their bills now."

It's not just residential customers who are affected.

The increases have hit the state's largest power users hard as some companies have subsidy-fueled bills jump by \$600,000 to \$700,000 over a year, said Middletown lawyer Steven S. Goldenberg, who represents the New Jersey Large Users Coalition. It is "eye popping."

"It is just a pure cost item," said Goldenberg, chair of the energy, climate change and public utilities practice group at Giordano, Halleran & Ciesla. "There is no improvement in service. There is no special sauce involved. You are just paying more to get what you got before."

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