



Nuclear Energy Information Service

Illinois' Nuclear Power Watchdog since 1981

Office and Mail: 3411 W. Diversey Avenue, #16, Chicago, IL 60647-1245
(773)342-7650 www.neis.org neis@neis.org

THE NEED TO FORMALLY ESTABLISH A PLANNED ECONOMIC MITIGATION FUND FOR REACTOR COMMUNITIES IN ILLINOIS

Revised - May 7, 2015

Since Exelon's unilateral closure of the twin-Zion nuclear reactor in 1997, NEIS has urged public officials at all levels to plan and establish economic mitigation funds to prepare for the negative consequences of the abrupt loss of tax revenue and jobs in affected reactor communities resulting from such closures. To date, we have seen **nothing** that rectifies this adverse economic impact eventuality. Just as the U.S. did in Iraq – **we have no "exit strategy."** Consequently all future hand-wringing about economic disruption as a result of reactor closures is really more a matter of "self-fulfilling prophecy," than crisis requiring immediate and ill-thought-out, knee-jerk response. We believe that this situation can best be rectified by State legislation, for uniformity and planning.

Further, in a period of energy transition such as the nation and world are currently experiencing, it is natural and inevitable and should be recognized that some jobs will and must be transitioned, changed or lost. Illinois no longer supports the families of unemployed blacksmiths or clipper ship sailors. While acting responsibly to help workers transition into new jobs and fields, the State should not succumb to legalizing extortive practices from large "company town" employers like Exelon Corporation. Instead, it should responsibly plan and assist ways to facilitate the job transitions with the minimal disruption to workers and local economies. Subsidizing annual jobs-hostage crises -- the inevitable consequence of caving to Exelon's current demands -- is not responsible governance, nor acceptable fiduciary practice.

As NEIS has pointed out repeatedly, there are numerous ways that reactors can close, some anticipated, some unexpected, some outright immediate. Because of the latter, it is incumbent on **responsible** public officials at the local and state levels to take measures in advance which mitigate the negative effects of the **inevitable** closures.

We list the many possible ways for reactors to close:

- Unexpected major accident, resulting in immediate and presumably premature closure
- An NRC ordered shut down
- Exelon's **unilateral** decision to close a plant on economic or other grounds, as it did at Zion, resulting in an immediate loss of about 55% of Zion's tax base
- Devaluation through sale, as occurred at the Clinton station, resulting in enormous loss of tax base
- Eventual old-age, license expiration closure (the outcome most hoped for after 40-60 years)

Because these events cannot always be anticipated, an escrowed economic mitigation fund needs to be established in advance of closure for reactor communities, and be made a formal part of the agreement between local communities and the Exelon Corporation as a condition for doing continued business.

Recommendation: *Planning for some kind of eventual closure must be made long before it happens to minimize economic and service disruptions to the entities whose tax base will be affected. Current debate about the reactor license extensions for Exelon's Byron and Braidwood reactors, and Exelon's threat to close as many as five of its Illinois reactors serve as a reminder of this need, and an opportunity to take action. We recommend that dependent governmental and taxing entities begin formal negotiations with Exelon to establish an escrowed "closure mitigation/just-transition fund," based on some mutually agreeable assessment and payment structure, so that dependent entities will have some kind of defined temporary funding stream available to soften the economic blow of closure, and not radically disrupt essential services.*

Details:

- **Possible Escrowed Income Sources:** could be any or all of the following, or something else either mandated by state legislation, or negotiated and mutually agreed upon between affected communities and Exelon:
 - A small but required, escrowed percentage of the assessed tax payment from Exelon to a community
 - An additional annual fee Exelon must pay, beyond the tax assessment
 - An escrowed percentage of plant profits
 - Nuisance or other forms of state /local taxation tied to spent-nuclear fuel storage
 - Amending the Federal Nuclear Waste Policy Act to allow for funds collected from customers under the law to be used for community transition.
- **Conditions for use:**
 - Escrowed funds made available upon permanent closure of a reactor, and reactor operating license termination by the NRC
 - Restricted to communities with negative impacts on local tax base, resulting in essential public service disruptions (schools, fire, police, and hospital/health facilities disruption or loss of operating funds needed to provide those services)
 - Jobs training and creation funding available to workers at the reactors not accepting or not offered a relocation option by Exelon
 - Other considerations are possible, and negotiable

Such programs have already been established between the U.S. Dept. of Energy and local communities around DOE sites. In the early 90's after several federal nuclear weapons production sites were closed, Sen. John Glenn drafted legislation that established a worker and community transition and worker medical monitoring programs in the Energy Department (Sections 3161& 3162 of the FY 1992 Defense Authorization Act). The law provided funds for worker training for site cleanup, medical follow-up of current and former workers, transfer of assets for community reuse, and payment in to local jurisdictions lieu of taxes.

An example of what NEIS suggests is found in our comments to the Nuclear Regulatory Commission on the proposed re-licensing of the Byron and Braidwood nuclear plants:

Comment 2: Analysis of socio-economic impacts are incomplete. No analysis of impacts of early or unexpected closure are considered or provided.

The Exelon ER documents a significant local tax impact for the presence of the Braidwood Nuclear Station, yet only addresses the positive impacts. No mention or analysis of negative impacts resulting from abrupt, planned, or unexpected early closure of Braidwood is presented. This is a significant omission.

According to the Exelon ER Braidwood represents less than 2% of the Will County total tax base, roughly \$20 million annually for the years 2008 through 2010. However, it accounts for upwards of 78% of the Reed-Custer School District 255U's adjusted property tax levy. These are not insignificant amounts for the local communities around Braidwood, as opposed to the county as a whole. Their abrupt disappearance would wreak local economic havoc on the affected governmental and essential service entities' ability to operate; while leaving Will County as a whole largely unaffected.

The ER either fails to recognize or mention at all some of the possible events that could result in such a situation:

- Unexpected major accident, resulting in immediate and presumably premature closure
- NRC ordered shut down
- Exelon's unilateral decision to close the plant on economic or other grounds, as it did at Zion, resulting in an immediate loss of about 55% of Zion's tax base
- Devaluation through sale, as occurred at the Clinton station, resulting in enormous loss of tax base
- Eventual old-age, license expiration closure (the outcome most hoped for)

Exelon even provides a possible indication of the kinds of circumstances that would lead it to close Braidwood on economic grounds. Section 3.2 on Refurbishment indicates that Exelon is well aware that Braidwood Unit 2 may need a steam generator replacement during the extended operational lifetime. It is also tracking the potential for reactor vessel head replacements at its operating PWRs at both Byron and Braidwood. Should either or both of these conditions emerge at a time of deflated energy prices, or at a time Exelon acknowledges might occur as early as 2024 when renewables are much more cost competitive and approaching base load capabilities (Sec. 7.2, page 7-9), or as the result of multi-season drought curtailing water availability – Exelon being a business will certainly make the calculations it made when it closed Zion, and decide if Braidwood should continue to operate.

In this omission the ER makes the same mistake the U.S. Government made when it invaded Iraq – *it had no exit strategy. To simply assume that the only socio-economic effects of Braidwood’s presence will be positive ones is simply irrational.*

Finally, the Exelon ER is somewhat dismissive of the effects that Braidwood seems to have on local property values. Exelon seems to focus primarily on “property value,” as opposed to salability, which anecdotally seems to be of much greater concern in the communities directly surrounding the reactor site. It matters little what your property is “worth” if you are trying to sell it to move out of the area and can’t. Such figures should be easy to obtain from local realtors, and should be included in the ER.

Recommendation: *Planning for some kind of eventual closure must be made long before it happens to minimize economic and service disruptions to the entities whose tax base will be affected. Debate about the license extension serves as a good reminder of this fact, and an opportunity to take action. We recommend that dependent governmental and taxing entities begin formal negotiations with Exelon to establish an escrowed “closure mitigation fund,” based on some mutually agreeable assessment and payment structure, so that dependent entities will have some kind of temporary funds available to soften the economic blow of closure, and not radically disrupt essential services. Salability of property should be investigated and reported more directly, especially in the communities adjacent to the plant.*

Inescapable Conclusions:

1. Unlike other “company town” large employers, Exelon’s reactors have a finite operating lifespan, in part but not exclusively governed by the limits of its operating license. As a result **it is a FACT that ALL reactors WILL close at some point.**
2. Responsible governmental entities must act **IN ADVANCE** of such closures to prevent major disruptions of essential services due to tax base and economic losses related to the inevitable closures.
3. In a period of energy transition as the nation and world are now experiencing, some **job loss and elimination is inevitable.** Responsible governmental entities must act **IN ADVANCE** to prepare for job transition and loss.
4. Large “company town” employers like Exelon DO have a responsibility to the communities in which they reside and do business to help mitigate such economic disruptions, and should be required to negotiate agreements with local communities to minimize such inevitable disruptions.