

Testimony of Gov. Tom Ridge
PA House Consumer Affairs Committee
April 8, 2019

Chair Roae, Chair Matzie, Members of the Committee,

It is good to be here; thank you for the invitation to speak with the Committee. Today, I will address aspects of HB11 that touch on issues I was engaged in as Governor of the Commonwealth, especially the restructuring of the electric power industry, and issues I dealt with as the nation's first Secretary of Homeland Security, including implications for national security and the safety and security of the Commonwealth. I support the passage of HB11 and will offer the reasons I have come to that conclusion. Those reasons have to do with maintaining Pennsylvania's energy leadership, national security, and the state's need for a clean and business-friendly environment.

Pennsylvania and the nation need diverse energy resources to ensure our national security and global competitiveness and to maintain our leadership role around the world. As former governor and Secretary of Homeland Security, I have come to appreciate that only an electric grid built on diverse and stable sources of energy can withstand evolving threats and keep the lights on. As a source of energy that runs around the clock for 18 to 24 months at a time without refueling, nuclear energy is a critical component of a resilient electric grid. In my opinion, grid resilience cannot be met without nuclear power.

Nuclear generation is the most reliable and lowest cost source of zero-carbon electricity. Don't just take my word on that, you heard this from recognized experts from MIT, Penn, the Union of Concerned Scientists and others during the extensive hearings conducted by the Pennsylvania legislature's bipartisan, bicameral Nuclear Energy Caucus. Nuclear power's combination of secure fuel and zero-carbon attributes make it uniquely valuable. The Pennsylvania state legislature already recognized those values when it overwhelmingly adopted resolutions in support of fuel-secure resources in

October 2017.¹ The concurrent resolution specifically recognized that the current design of the wholesale electric markets results in prices that undervalue fuel-secure generation resources.

States have the responsibility to their citizens and the authority to ensure fuel diversity and compliance with Federal and State environmental goals. This is best accomplished by defining goals and using a balance of competitive market forces and requirements to direct markets to accomplish outcomes that benefit the health and welfare of all its citizens.

For example, as Governor of the Commonwealth of Pennsylvania, I led the effort in the mid-1990s with bipartisan support in the Pennsylvania legislature to get restructuring of Pennsylvania's energy market passed. This has led to millions of dollars in savings for the citizens of the Commonwealth and a strong foundation to support other state goals. One thing the restructuring law did not change was the state's authority and responsibility to meet federal laws – including goals for clean energy.

One tool that governors and state legislators have utilized in over 30 states are portfolio standards that determine key attributes needed to support the state's efforts meet clean energy goals and compliance with federal pollution rules. After I left office, the Pennsylvania legislature took such action and established the Alternative Portfolio Standard to ensure clean energy and attract investment under a competitive structure that compliments the energy market restructuring we had previously established in the Commonwealth. Although the AEPS casts a wide net when it comes to clean energy resources, the one resource it missed is nuclear. Nuclear is the nation's and the Commonwealth's largest clean energy resource.

The energy market structures we have in Pennsylvania are robust and will accommodate changes to AEPS to put nuclear energy on a level playing field. Including nuclear energy in the AEPS will not hinder competition and the ability of

¹ SR227 (42-8) and HR576 (176-9)

customers to buy electricity. AEPS has and will continue to coexist with competitive markets; energy will still be procured competitively and at lowest cost. The AEPS provides a way to recognize other attributes we value and procure a mix of resources that benefit the health and welfare of all Pennsylvania's citizens. It is not prudent to wait for action from other quarters such as the Federal government or PJM

Today the Commonwealth and nation face threats – from polar vortexes, terrorist acts, or cyber-attacks – that wholesale markets were not designed to handle. There is a misalignment of market incentives and resilience in the face of such threats. These market gaps have resulted in inadequate revenue to maintain and operate the most important resources needed to provide reliability and price stability during extreme periods, such as during an extended deep freeze or failure of a major pipeline.

Nationally, nuclear energy accounts for barely 20 percent of our power mix, according to the Energy Information Administration. And that share is declining as more plants come offline. While China has embarked on a high-profile campaign to build 60 nuclear power plants over the next decade, the U.S. has closed or retired 13 nuclear plants since 2012, with an additional 20 at risk of shutting down in the coming years, according to industry experts. If current trends continue, nuclear could fall to just 10 percent to 15 percent of our energy supply — a dangerously low percentage from a national security standpoint.

This retreat risks another element of our national security: leverage over how other countries use nuclear power. When other nations buy Russian and Chinese nuclear exports — as they increasingly do — Moscow and Beijing, not Washington, set the standards.

Pennsylvania's historical leadership in nuclear energy is at risk. The premature retirements of Beaver Valley, Three Mile Island, and potentially other nuclear plants within the Commonwealth will put Pennsylvania in the category of other states that watched while they lost these valuable resources, such as Vermont. Securing

Pennsylvania's leadership in nuclear energy by including it within the AEPS will save jobs and help keep Pennsylvania secure.

Two-thirds of Pennsylvania voters believe the state needs to do more to address climate change, according to the latest Franklin & Marshall poll. A majority believe nuclear power should be part of the state's strategy. Similar polling results are being seen across the country and it is only a matter of time before Federal or state legislation will require more carbon-free electricity.

Nuclear power generation is also vital to local growth and opportunities. When I was Governor, we spent a lot of time making sure we kept the jobs we had right here in Pennsylvania, a priority, I know, of yours as well. I am proud of our investments in economic development and job creation. Pennsylvania's status as a net exporter of energy is an extremely important economic engine for the state. Retirements of nuclear power plants are permanent and irreversible, and once gone, those good jobs are not coming back.

Let me, if you will, share a personal recollection. In the weeks and months following 9/11, after I was asked by the President to join him at the White House and assume the responsibilities of Homeland Security advisor, one of my early priorities was to better understand our national defense and the industries that support it to help keep our country safe. It was during this time that I was able to personally experience the professionalism, dedication and expertise of the men and women who operate our nuclear plants – here in Pennsylvania and across the nation. I came to better understand the critical role these facilities play in our national defense. All Pennsylvanians should be proud of the professionals who operate these incredibly valuable assets. And proud of the role our Commonwealth has played for more than half a century as a national leader in nuclear energy.

Let me close with this. Pennsylvania has control over its energy future. The Committee has before it a bill that can further the objectives of the state – a future of clean, reliable energy, continued status as a net power exporter, and preservation of thousands of

family-sustaining jobs. Adding nuclear power to the AEPs is compatible with competitive markets, and it will strengthen and preserve one of the Commonwealth's most resilient resources of electricity. I encourage you to support HB11.

Thank you for your time. It's always great to be back in Pennsylvania.