



Connecticut Department of

ENERGY &
ENVIRONMENTAL
PROTECTION

Robert J. Klee, Commissioner

October 31, 2017

Re: Executive Order 59 Preliminary Progress Report

Dear Governor Malloy,

In accordance with Executive Order 59, signed on July 25, 2017, the Department of Energy and Environmental Protection (“DEEP”) and the Public Utilities Regulatory Authority (“PURA”) are conducting an assessment to evaluate the current and projected economic viability of the Millstone nuclear generating facilities (“Millstone”) in order for the state to determine a path forward that best benefits the residents and businesses of Connecticut.

We write to update you on some preliminary results developed by DEEP and PURA’s consultant, Levitan & Associates (“LAI”), of the assessment of the financial health of Millstone. More than two months ago, DEEP and PURA requested that Dominion Energy Services, Inc. (“Dominion”), the owner and operator of Millstone, provide detailed financial documentation to assist with our assessment of the current and projected economic viability of Millstone. As you are aware, Dominion has not provided the requested information either in writing or through an oral briefing, despite DEEP and PURA’s ability to protect confidential business information through a protective order, as is standard practice.¹ Therefore, LAI relied on the best publicly available information to attempt to forecast Millstone’s going forward costs.

As described in the attached summary from LAI, under all reasonable assumptions and scenarios, Millstone is significantly profitable between 2022 (the first year Millstone does not have an existing obligation in the Forward Capacity Market) and 2035 (the year Millstone Unit 2’s license expires) time period, generating an expected \$2.3 billion in net after-tax cash flow (present value) to Dominion over that period. Moreover, in a scenario that assumes unfavorable market conditions for Millstone, including lower than anticipated natural gas prices and higher than anticipated capital, fuel, and operations and maintenance costs, Dominion’s after-tax cash flow remains significantly in the black at \$1.2 billion over the 2022-2035 time period.

¹ Correspondence with Dominion Energy, Inc. related to the data request in this proceeding is available at [http://www.dpuc.state.ct.us/DEEPEnergy.nsf/\\$EnergyView?OpenForm&Start=1&Count=30&Expand=10.4&Seq=8](http://www.dpuc.state.ct.us/DEEPEnergy.nsf/$EnergyView?OpenForm&Start=1&Count=30&Expand=10.4&Seq=8) and [http://www.dpuc.state.ct.us/DEEPEnergy.nsf/\\$EnergyView?OpenForm&Start=1&Count=30&Expand=10.3&Seq=9](http://www.dpuc.state.ct.us/DEEPEnergy.nsf/$EnergyView?OpenForm&Start=1&Count=30&Expand=10.3&Seq=9)

A primary impetus for Executive Order 59 was the claim from Dominion that Millstone was experiencing the same types of severe financial challenges that other nuclear facilities in deregulated markets have faced due to low natural gas prices and other factors. Owners of existing nuclear facilities in New York and Illinois, for example, provided evidence of their distressed financial position to justify ratepayer-backed financial support mechanisms in those states. For this reason, DEEP and PURA believe that it is reasonable to expect such a demonstration from Dominion.

Absent Dominion's cooperation in providing full disclosure of the requested detailed financial information, the LAI analysis shows that, Millstone is expected to be highly profitable through 2035, the expiration of the license of Unit 2. As such, there is unlikely to be a basis upon which to conclude at this time that Dominion requires electric ratepayers to provide financial support outside the regional market in order for Millstone to continue operating profitably.

Timely conclusion of this process is important, given the significant role that Millstone plays in southeast Connecticut and the New England region as a whole, the potential impacts of a retirement, and the high level of public interest surrounding this issue. DEEP and PURA are continuing this work with urgency. It is in that spirit that we share our preliminary findings with respect to the economic viability of Millstone.

DEEP and PURA are continuing our analysis under sections 1(b)-(d) of the Executive Order, which call for evaluation of the role of existing nuclear facilities and other zero-carbon resources in meeting environmental and reliability requirements; an assessment of the best mechanisms to ensure continued progress to meet such requirements; and a determination of whether and how such mechanisms should be utilized. We will look forward to updating you and also inviting stakeholder comment as the effort progresses.

Sincerely,



Robert J. Klee
Commissioner, DEEP



Katie Dykes
Chair, PURA