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Report on Nuclear Portion of Senate Bill 877

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New Jersey Senate Bill 877 includes a proposal for a new nuclear zero emission credit, or "ZEC" program. This program "recognizes and compensates nuclear energy generators in a manner similar to other non-emitting energy generation resources to the extent required to prevent the loss of nuclear energy." The proposal is offered on the basis that the nuclear generation that supplies New Jersey electric demand is faced with the risk of premature retirement and that this generation is necessary to maintain fuel diversity and air quality standards.

The Bill directs the New Jersey Board of Public Utilities to establish a method and application process to determine the eligibility and selection of nuclear power plants for the ZEC program. The Board would then provide a rank-ordered list of nuclear power plants eligible to receive ZECs and would select these plants until the combined number of megawatt-hours ("MWh") of electricity produced by these plants reaches 40 percent of Energy Year 2017 retail sales. The selected nuclear power plants would receive ZECs for the first energy year in which the plant is selected, plus an additional three energy years. This eligibility period may be extended for an additional three years.

Senate Bill 877 directs the Board to order the full recovery of all costs associated with the ZEC program and provides for a tariff to recover from electric utility retail customers a charge of $0.004 per kilowatt-hour ("kWh"); or $4 per MWh. From Energy Year 2017 retail sales of 75,031,955 MWh, this results in an annual direct cost to ratepayers of $300,127,820.

The direct costs, which are the costs that ratepayers will pay through additional charges on their utility bills, will themselves generate ripple effects throughout the New

Jersey economy. These ripple effects take the form of indirect impacts when New Jersey businesses lower their expenditures due to increased electric bills, and induced impacts when the direct and indirect impacts lower consumers' income and cause them to decrease their spending. Together, these direct, indirect, and induced impacts comprise the total economic impact of the rate increase associated with the ZEC program.

In addition to direct rate impacts of $300 million per year, indirect and induced costs incurred would add another $244 million per year in lost economic output, adding up to $1.7 billion for seven years or $2.4 billion for ten years. This is a total economic impact of $544 million per year, or $3.8 billion in total lost economic output. In net present value ("NPV") terms, this totals $2.7 billion from Energy Year 2019 through Energy Year 2025. If the program lasts ten years, economic impacts would total $5.4 billion in lost economic output, or an NPV of $3.4 billion from Energy Year 2019 through Energy Year 2028.

Table 1 summarizes the estimated economic impacts of the rate increase outlined in the proposed legislation in the cases of a 7-year and 10-year program.

Table 1. Rate Impacts of S877 ZEC Program

		7-Year Program		10-Year Program
Economic Impacts (million $)				
Direct	$	(2,100.9)	$	(3,001.3)
Indirect/Induced	$	(1,704.7)	$	(2,435.3)
Total	**$**	**(3,805.6)**	**$**	**(5,436.5)**
Economic Impacts (NPV, million $)				
Direct	$	(1,473.3)	$	(1,864.1)
Indirect/Induced	$	(1,195.4)	$	(1,512.6)
Total	**$**	**(2,668.7)**	**$**	**(3,376.7)**