

City of Coffeen

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**COMMENTS OF THE CITY OF COFFEEN
ILLINOIS COMMERCE COMMISSION WORKSHOP ON RESOURCE ADEQUACY
IN MIDCONTINENT INDEPENDENT SYSTEM OPERATOR (MISO) ZONE 4**

JANUARY 16, 2018 WORKSHOP – HILLSBORO, ILLINOIS

Good afternoon. My name is Sheila White and I am the Mayor of The City of Coffeen. The City of Coffeen appreciates the efforts of the Illinois Commerce Commission in conducting this important workshop proceeding to consider electric power supply issues in downstate Illinois and, in particular, the market policies and conditions that are adversely impacting power plants that have reliably served downstate Illinois for many years and are important drivers of employment and economic activity in their local areas. We also appreciate the opportunity being provided to downstate Illinois stakeholders such as City of Coffeen to provide our views on these issues. We especially want to thank the Commission for scheduling this workshop to be held here in Hillsboro, so that local stakeholders most likely to impacted by the policies under discussion can express their views.

City of Coffeen wishes to express its concern to the Commission about the potential closing of the Coffeen Power Station and to express to the Commission the severe adverse impacts this closing would have on our community and the citizens of our community. In considering policy options, it is critical that the Commission – and ultimately, the General Assembly and the Governor – take into account the impacts of policy choices on the power plants that provide jobs, economic stimulus and fiscal support to the State and to local governments in downstate Illinois. The City of

Coffeen strongly urges the Commission to recommend policy solutions such as proposed in Illinois Senate Bill 2250 and House Bill 4141, which will implement changes to the downstate Illinois power markets that will give the Dynegy of power station and other downstate power stations a fair opportunity to compete in the market and remain in operation.

The Coffeen power station is located near the City of Coffeen in Montgomery County. It has been an economic mainstay of Coffeen, Montgomery County and the surrounding area for over 50 years. Today the Coffeen power station employs approximately 151 area residents. We understand that the plant's payroll is approximately \$388.6 million annually. The plant provides good, family-sustaining jobs which are among the best available in our area. Many employees have worked at the power station for many years. Because these employees largely live, and spend much of their income, in the area, the operation of the power station supports many other local businesses and jobs. The Coffeen power station itself also purchases supplies and services from local businesses that employ local residents. The positive economic impacts of the Coffeen Power Station benefits not only Montgomery County but also the surrounding area Counties.

Dynegy is one of the largest property taxpayers to Montgomery County and Hillsboro School District. In 2017, the property taxes paid by the Coffeen power station were \$4.2 million [note: 2016 property taxes payable in 2017]. These tax payments provide substantial support to Montgomery County and Hillsboro school district. If this revenue were lost, it would have to be made up by other local taxpayers, to the extent possible given legal limits on property tax rates and extensions. If the revenues could not be made up by increasing taxes on other taxpayers, then the lost revenues would translate into reduced services provided by local governments and the local school district.

Through their spending in the area, the Coffeen Power Station and its employees also pay sales taxes on their purchases. The Coffeen power station pays Illinois Use Tax on its deliveries of

coal from out-of-State sources. A portion of these taxes go to City of Coffeen and Montgomery County while the balance goes to help support the programs of the State government.

In addition to being one of the largest employers and taxpayers in our community, the Coffeen Power Station and its employees are also good citizens of our community. Many of the Coffeen Power Station's employees are local community leaders, including by taking leadership roles or serving on local government boards and community organizations.

If the Coffeen Power Station were to be closed, that would likely initiate a severe downward spiral for our community and the surrounding area. Many employees of the Coffeen Power Station, many of whom have worked at the plant for many years, are unlikely to find comparable, well-paying jobs in our area. Many will be forced to either leave the area to find new jobs; take lesser-paying jobs in the area, if available; or retire. Local spending for goods and services will be reduced and there will be a ripple effect on local businesses that currently serve the employees and their families and the power station itself. Local businesses in turn may be forced to lay off employees or shut down entirely.

We understand that some feel there is an excess supply of power available to downstate Illinois and the surrounding areas, including through power imported from plants located in other states, and that as a result, it is not a problem if some or all of the Dynegy plants retire. However, in our community, the Coffeen Power Station is well known as a reliable, low cost producer of electricity. We are not just concerned about the job losses, property tax losses, and other negative economic impacts of plant retirements. We are also concerned about power plant retirements in downstate Illinois resulting in tightening of supply that in turn could produce volatile prices from year to year. Neither our local citizens, nor our local governments, which must budget and set local tax rates in advance, wish to see significant fluctuations in electric prices from year to year. Such fluctuations can make it very difficult for local governments and school districts to budget and can affect our ability to provide the services our citizens expect and deserve.

We also believe it is unwise for downstate Illinois to rely heavily on power plants in other states, that are under the authority of different legislatures and regulatory commissions, to supply the electricity that is needed for our homes and businesses in downstate Illinois. Further, while we accept development of new wind and solar plants in Illinois, we know that their availability is dependent on the wind blowing and the sun shining, which does not necessarily correspond to the times when power is most needed by consumers. Downstate Illinois has power stations that are physically located in our area, were built to serve Illinois homes and businesses, and are reliable producers of power 24 hours per day, 7 days per week, 365 hours per day – as well as employing local residents and supporting local businesses and governments as I have described. It makes no sense to let these plants go into retirement – not because they are technologically obsolete or physically ready for retirement, but due to a poorly-designed market – while relying for our power supply on out-of-state plants that were not built to serve Illinois consumers.

Our citizens would be extremely upset if the General Assembly and the Governor failed to act on the proposed Illinois-centered electric capacity market reforms that will provide the opportunity for Coffeen Power Station to remain in operation. Our citizens see on their electric bills every month an additional charge, imposed by the General Assembly and the Governor, to subsidize and sustain in operation two Exelon power stations, including one in northwest Illinois. We understand the importance of those two plants to their local communities, and the reasons the General Assembly acted to create a subsidy mechanism, which is paid for by every Ameren and ComEd customer in Illinois, to keep those plants in operation. Our citizens also are being charged on their electric bills for payments made to support renewable generators under the renewable portfolio standard program mandated by the General Assembly. Should no action be taken by the General Assembly and the Governor regarding policies impacting the Dynegy downstate plants, our citizens would certainly wonder why the General Assembly and the Governor imposed a 10-year subsidy program on ratepayers to support the Exelon plants, and have enacted a plan to subsidize

the construction of new wind and solar plants through long-term guaranteed contracts, but could do nothing to help to keep the Dynegy downstate Illinois plants in operation.

The City of Coffeen supports the downstate capacity market reforms that have been proposed by Dynegy and are incorporated in House Bill 4141 and Senate Bill 2250. One of the reasons we support these proposed solutions is that they would provide for market reforms, rather than for a ratepayer-funded subsidy like the General Assembly and the Governor have already imposed for the Exelon plants. Under the proposals in the bills, the power plants that would be selected as capacity suppliers for downstate Illinois would be selected through a competitive bidding process on the basis of the prices they bid. One of the core changes these proposals would implement would be that capacity contracts would be awarded three years in advance, rather than three months in advance. This certainly makes economic sense to the City of Coffeen, as we understand the need for longer-term planning, beyond just the next fiscal year. This approach will also help to ensure that capacity suppliers to downstate Illinois are making longer-term commitments to serve our downstate power needs.

In conclusion, City of Coffeen reiterates its appreciation for the Commission's efforts in studying the important issues relating to long-term power supply and the related local economic impacts in downstate Illinois, and thanks the Commission for the opportunity to provide our comments today.