



We may be on the hook for more nuclear plants

By Peter A. Bradford

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The recent acceptance of \$8.3 billion in taxpayer-backed loan guarantees by the builders of the Vogtle nuclear reactors seems like good news for Georgia electric customers. The taxpayers of the entire country will now share in the costs and risks that had been on the shoulders of the customers of the utilities building the two reactors.

But don't celebrate too soon.

There are more loan guarantees in the pipeline — a total of \$54.5 billion, none for Georgia reactors. These guarantees mean that you and I will repay the lender if the project cannot.

The \$54.5 billion would amount to an exposure of more than \$500 for every American family. Some in Congress want unlimited nuclear loan guarantees, which translate to unlimited taxpayer exposure.

For each of these loan guarantees, Georgia taxpayers will be exposed to the risks of new nuclear construction in such places as Texas, Maryland and South Carolina. Before long, the costs Georgians have passed on to taxpayers elsewhere through the Vogtle loan guarantees may be outweighed by the economic exposure that they will take on to help build reactors elsewhere.

The terms of these deals might, if only we could read them, upset everyone from environmentalists, who want an efficient fight against climate change, to tea party activists, who object to the clandestine fingers that government and special interests often stick into taxpayer wallets.

But will American families know the criteria for issuing these loan guarantees? Not on your life. Nor will they even be told what fee the nuclear developers will pay to compensate the Treasury for taking on the risk of default.

According to the Department of Energy press office, the size of this fee will be determined through “a negotiation” involving the Office of Management and Budget, the Department of Energy and the loan guarantee recipient. The secret final figure will be determined by a “consensus” of this “partnership.”

That information is “proprietary” and “will remain confidential” to avoid giving one recipient grounds to complain that it didn't get as good a deal as another recipient. Apparently DOE would like to be able to charge nuclear developers a low fee without any backtalk from developers of renewable energy or energy efficiency projects who might be charged several times as much.

Few, if any, new reactors will be built without taxpayer-backed loan guarantees because the financial risk is more than private lenders are willing to take on.

The nuclear industry has been advocating for a fee of 1 percent of the guarantee. For every \$100 that an average American family is risking, the Treasury would collect only a dollar from the nuclear developer.

How likely are the events that might cause a default? Certainly more likely than the oil well blowout that is devastating the Gulf of Mexico. Half of all the reactors ever to receive U.S. construction permits were cancelled before completion. Many of those completed cost at least twice the original estimate. Cost estimates for new reactors have tripled in the last decade while those of nuclear power's major low-carbon competitors continue to fall.

Even in the heyday of Wall Street's notorious "credit default swap," knowledgeable investors wanted no part of insuring against nuclear default, especially not at fees of \$1 per \$100 at risk. No wonder DOE, which has a poor record of managing credit support programs, intends to keep the criteria and the fee secret.

Who is really hurt by this secrecy? First, the public, unable to understand the extent to which the government has exposed American families to uncompensated risk. Second, the builders of other forms of power generation and energy efficiency, unable to prove what now seems very likely: that DOE intends to charge less for guarantees for highly risky nuclear ventures than it will charge for loan guarantees to more secure renewable ventures. And finally, state utility regulators, unable to set rates based on actual costs if loan guarantee recipients can use DOE's cloak of secrecy to claim that they cannot disclose those costs in a public forum.

Time and again the government has kept information secret because it would be embarrassing. Secrecy's first cousin — lack of transparency — is among the root causes of the recent financial collapse and is likely also to be part of the story of the oil disaster in the Gulf of Mexico.

President Barack Obama wants the federal bureaucracy to reform this malign tradition. The Department of Energy Web site proclaims, "From his first day in office, President Obama has pushed to make the federal government more open and more accessible to the American people. The Department of Energy is proud to be doing our part."

Energy Secretary Steven Chu's Openness Directive on the DOE Web page concludes, "I look forward to reading your thoughts and to incorporating them into our effort moving forward."

Please take him at his word.

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