

AFTER CALVERT CLIFFS COLLAPSE: TWO REMAINING TOP FEDERAL LOAN GUARANTEE NUCLEAR REACTOR APPLICANTS IN TEXAS AND SOUTH CAROLINA ALSO SEEN AS UNTENABLE

Experts: South Texas Project and V.C. Summer Reactor Trapped by Same "Powerful Undertow" of Unfavorable Economics, Cheap Natural Gas, Slumping Demand and Runaway Construction Costs That Caused the Collapse of Calvert Cliffs-3.

WASHINGTON, D.C.//October 14, 2010//The same combination of forces that brought down Constellation Energy's Calvert Cliffs-3 nuclear reactor are already well along in the process of undermining the two major remaining federal loan guarantee applicants: the South Texas Project and V.C. Summer reactor project in South Carolina, according to experts who spoke during a national news conference today.

The news conference was sponsored by the nonprofit and independent Nuclear Information and Resource Service (NIRS), which correctly forecast on August 5, 2010 that the troubled Calvert Cliffs-3 reactor project was "in complete shambles" and "on the verge of collapsing under (its) own weight". (See <http://www.nirs.org/home/080510nirsconstellationnewsrelease.pdf>.)

Michael Mariotte, executive director, Nuclear Information and Resource Service, Takoma Park, MD., said: **"Calvert Cliffs' demise was a result of several factors, the most important of which were: soaring construction cost estimates; increased and aggressive competition from other generation sources; falling electrical demand coupled with increased energy efficiency programs; serious reactor design deficiencies; and overreliance on government handouts. The Office of Management and Budget and the Department of Energy are responsible for none of these factors. In fact, their loan offer for Calvert Cliffs-3 was overly generous considering the overwhelming array of market forces and roadblocks facing this project. The simple reality is that there will be no nuclear renaissance in the United States as long as new reactors are far too expensive, natural gas is dirt cheap and renewable energy costs continue to drop, reactor construction costs remain out of control, and consumer demand continues to trend downward. Calvert Cliffs was not unique; the same market wide forces that brought it down make the South Texas Project and VC Summer equally untenable."**

Commenting on last week's setback to yet another new reactor project, former Nuclear Regulatory Commission (NRC) Commissioner and former Chair of the New York Public Service Commission Peter Bradford said: **"The four pillars of the nuclear revival - underestimated costs, ignored risks, political ballyhoo and prodigious but inadequate subsidies - now make clear that we are dealing not with a renaissance but with a bubble. The main remaining question is just how much taxpayer money will go into keeping it inflated"**.

Susan Corbett, chair, Executive Committee, South Carolina Chapter of Sierra Club, said: **"The VC Summer project is afflicted by all of the problems that other nuclear projects suffer and then some. SCANA's low-ball cost projections for the two new reactors are a complete fiction: Cost projections of the AP1000 reactor design in other proposed US projects have tripled. The current high cost estimates do not include the cost overruns that inevitably occur during the construction phase of nuclear projects. Natural gas prices have plummeted and projections are for a long period of low prices. Moreover, demand for electricity is way down. Even in this state, with the most favorable politically and regulatory climate in the country, the main utility, SCANA, is struggling to find investors for these two new units. The fact that Santee Cooper, the state owned utility, is now getting cold feet regarding their 45% share of the two units is an indication of how shaky the whole project has become."**

Tom "Smitty" Smith, director, Public Citizen's Texas office, said: **"Here in Texas, the nuclear bubble is bursting in the same way that it is elsewhere. Proposed reactor costs have trebled in a year, the price of gas-powered energy is down two thirds since 2005 and likely will fall even farther, and the South Texas Project would produce power that is far too expensive to sell in the marketplace. When the first two units of this project were built, they came in eight times over budget and six years late. The new reactor project is already way over budget, beleaguered with accusations of fraud and misrepresentation of the facts and increasingly unlikely to ever be completed. This is a bankruptcy**

in the making and no one should have any illusions about that. The only good news here is that NRG is now looking seriously at renewables, plug-in hybrids and other real solutions.”

As evidence that both the VC Summer and South Texas Project are on ground that is every bit as shaky as that which toppled Calvert Cliffs-3, the experts noted that executives overseeing both projects are publicly acknowledging that they, too, have cold feet. In an October 13, 2010 Associated Press report (see <http://www.google.com/hostednews/ap/article/ALeqM5j5GXYdWUchI3DjYtdYS0QE4a77JAD9IQV65G0?docId=D9IQV65G0>), the Associated Press reported: “Even companies that are finalists for federal loan guarantees, NRG Energy and Constellation Energy, announced recently that they have nearly stopped spending on their projects ... Analysts say low natural gas prices are making the project uneconomic. NRG chief executive David Crane said he will not pursue the company's two-reactor project in South Texas if gas prices stay low, even if his project is offered a loan guarantee.”

Similarly, the Charlotte Business Journal reported on October 8, 2010 (<http://charlotte.bizjournals.com/charlotte/stories/2010/10/11/story8.html?b=1286769600%5E4063181>): “... Santee Cooper, South Carolina's state-owned power producer, is looking to reduce its 45% share in the 2,234-megawatt V.C. Summer Nuclear Station expansion near Jenkinsville, S.C. Fitch Ratings reported this month that “in light of lower forecasted growth projections ..., Santee Cooper is now reviewing its level of participation in the two future nuclear units.” Santee Cooper spokeswoman Mollie Gore says no decision has been made, but she confirms the utility is reviewing its options. The goal, she says, is to control costs as much as possible for Santee Cooper's customers. Such concerns are understandable, SNL's Carter says. It can often cost almost as much as a utility's entire market value to build a nuclear plant. He cites Santee Cooper's V.C. Summer partner, Scana Corp., as an example. Scana's market capitalization is about \$5.5 billion, he notes. Its 55% share of Summer, estimated at costing nearly \$10 billion, pretty well eats up all that value.”

ABOUT THE GROUPS/SPEAKERS

The Nuclear Information and Resource Service (NIRS) was founded in 1978 to be the national information and networking center for citizens and environmental activists concerned about nuclear power, radioactive waste, radiation and sustainable energy issues. For more information, go to <http://www.nirs.org>.

Peter Bradford is a former member of the Nuclear Regulatory Commission (NRC) and former chair of the New York and Maine utility commissions. He has advised many states on utility restructuring issues. Bradford is an adjunct professor at Vermont Law School, where he teaches "Nuclear Power and Public Policy" and has taught "The Law of Electric Utility Restructuring." He also advises and teaches on utility regulation, restructuring, nuclear power and energy policy in the U.S. and abroad. He has been a visiting lecturer in energy policy and environmental protection at Yale University.

Public Citizen serves as the people's voice in the nation's capital. Since its founding in 1971, Public Citizen has delved into an array of areas, but its work on each issue shares an overarching goal: To ensure that all citizens are represented in the halls of power. For information, go to <http://nukefreetexas.org/>.

The South Carolina Chapter of the Sierra Club is a volunteer-driven organization, with nine local groups and approximately 5,800 members in the state. For more information, go to <http://myscsierra.org/chapter/>.

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EDITOR'S NOTE: A streaming audio replay of the news event will be available on the Web at <http://www.nirs.org> as of 6 p.m. EDT on October 14, 2010.