

December 11, 2007

Dear Congressman:

We urge you to keep costly loan guarantees for nuclear power out of the Energy and Water and omnibus appropriations bills.

The Administration proposed \$9 billion for all energy loan guarantees and the House approved \$7 billion for all energy loan guarantees in FY 2008. Yet, the media has reported that the Energy and Water Appropriations conferees are considering \$25 billion in loan guarantees exclusively to the nuclear industry.

There has been little to no Congressional debate on this large sum of money. There has also been no discussion or hearings on the implications for other energy projects, if the \$25 billion nuclear loan guarantee package is passed. \$25 billion is more than the entire annual budget for the Department of Energy. Doesn't Congress have the obligation to debate the ramifications of risking \$25 billion?

Moreover, there is no hurry for a nuclear loan guarantee package: no nuclear utilities will be in a position in 2008 to use any federal funds for new reactor construction. Only four utilities so far have submitted applications for new reactors and the NRC licensing process is expected to take a minimum of 30 months for complete applications referencing certified standardized reactor designs. But none of the applications has been certified as complete by the NRC (Constellation Energy so far is missing half its application; NRG Energy's application has deficiencies the NRC projects will take a year to correct), and none of the applications references a certified standardized reactor design (while the NRG Energy application references a standardized design, NRG is seeking 16 changes from the design as certified; TVA is seeking major changes from its standardized design; while Constellation and Dominion Resources are both seeking licensing of reactor designs that have not yet gone through the certification process). It will be at least 2011, and probably later, before any utility can begin reactor construction.

The cost of new atomic reactors, and thus the usefulness of loan guarantees, is an issue that Congress has not yet fully explored. Cost estimates by nuclear utilities for new reactors have essentially doubled over the past two years, and are far above the \$1,500-\$2,000/kilowatt price the Nuclear Energy Institute said in 2005 was necessary to make nuclear power economically competitive. In October 2007, Moody's Investor Service estimated that new reactors will cost far more than the nuclear utilities have estimated. Indeed, Moody's estimates that new U.S. reactors will cost from \$5,000 to \$6,000 per kilowatt. If Moody's is correct, a 1,600 MW reactor such as that proposed by Constellation for the Calvert Cliffs, Maryland site would cost from \$8 to nearly \$10 billion. Risking taxpayer funds on a project with such dubious cost-effectiveness would be unwise—especially years before the funds could actually be used. A full Congressional examination of nuclear construction costs should be undertaken before large amounts of taxpayer funds are risked.

The Energy Department's Office of Inspector General warned in September that even \$9 billion in loan guarantees proposed by the Department for FY 2008 "will result in significant risk to the American taxpayer." What would \$25 billion mean to the American taxpayer, especially given the skyrocketing cost estimates for new nuclear reactors?

Not only is the nuclear industry not ready to use loan guarantees, it is far from clear that the Department of Energy is yet capable of managing such an enormous program. By way of comparison, the U.S. Export-Import Bank—staffed with recognized experts in banking and lending--reported guaranteeing 736 loans valued at \$8.2 billion in FY 2006. The Department of Energy does not have a similar expertise.

We urge you to accept this summer's decision of the House Appropriations Subcommittee on Energy and Water, which determined that no loan guarantee funding should go for nuclear power projects in FY 2008.

Sincerely,

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