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## Fee Dispute Hinders Plan for Reactor

By **MATTHEW L. WALD**

WASHINGTON — **Constellation Energy** said on Saturday that it had reached an impasse in negotiations for a federal loan guarantee to build a proposed third nuclear reactor at its Calvert Cliffs site near Washington.

The decision would appear to kill the project unless Congress or the White House steps in. Constellation said in a letter to the Energy Department that the **Office of Management and Budget** was seeking a fee of \$880 million on a guarantee of about \$7.6 billion, which it said would doom the project, “or the economics of any nuclear project, for that matter.”

The fee is to compensate taxpayers for the risk of default. The company argues that because the plant’s model is being proven in Finland, France and China, and because it has a strong partner, **Électricité de France**, the fee should be 1 to 2 percent.

The project had once been hailed as a cornerstone of a nuclear power renaissance.

In 2005, President **George W. Bush** spoke at Calvert Cliffs, the first presidential visit to a nuclear plant in 30 years. “It is time for this country to start building nuclear power plants again,” he said. The last successful groundbreaking for a nuclear reactor in the United States was in 1973.

The federal government authorized a loan guarantee program in 2005 intended to spur nuclear power development, and Congress agreed to finance it in 2007. So far, however, only one guarantee has been issued, for two new units at the **Southern Company’s** Vogtle plant, near Waynesboro, Ga.

Ground has been broken there, and also for two more reactors across the Savannah River in South Carolina, a project that is proceeding without loan guarantees. But a variety of utilities around the country have stepped back from plans to build reactors.

Constellation, which serves a large area of Maryland and owns generating plants nationwide, announced its decision Saturday after the impasse **was reported** by The Washington Post.

On Saturday, James L. Connaughton, executive vice president of Constellation and an environmental official in the Bush White House, stopped short of saying the project was dead. "We were in the middle of discussions," he said.

The government had proposed a lower fee if Constellation agreed to buy three-quarters of the power and Constellation and EDF guaranteed completion of the plant, said Mr. Connaughton, but he said those conditions were too onerous.

The site in question is 40 miles south of the District of Columbia where Baltimore Gas & Electric, a predecessor to Constellation, finished two reactors in the 1970s. They remain in operation.

In a statement, EDF said it was "extremely disappointed and shocked to learn that Constellation has unilaterally decided to withdraw from the Calvert Cliffs 3 project." It added, "We were at the finish line with the Department of Energy and were making significant progress."

Constellation said EDF would have to decide whether to proceed alone, although by law it needs an American partner. The companies had hoped to build a series of identical reactors around the United States, with local partners.

A spokeswoman for the Energy Department said they were surprised by Constellation's announcement.

Constellation had been hinting for weeks that it had reservations. In September, Mayo Shattuck, the company's chief executive, speaking at a Chamber of Commerce luncheon in Washington, referred to the differences in economics between Calvert Cliffs and the Vogtle plant.

The Georgia plant, he said, falls under traditional regulations that pass the costs of construction on to power customers; Calvert Cliffs, he said, was in a "merchant" environment, where companies build at their own risk, and sell power at market rates.

Experts have pointed out that the current economic climate is not favorable to nuclear construction, in part because the price of natural gas is so low.

Congress has authorized loan guarantees of up to \$18.5 billion for new reactors, with \$8.3 billion now earmarked for Vogtle. [President Obama](#) has proposed an additional \$36 billion. The sums are simply guarantees by the government to repay lenders if the builder cannot do so.

Their cost to the **Treasury** is unclear; if the reactors are built as planned and run profitably, the cost would be zero. In fact, the Treasury could make a profit on fees paid by the borrowers. While the negotiations are secret, Constellation has been complaining for months that the fee Treasury sought was too high.