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Aid Sought for Nuclear Plants

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Constellation Energy Will a reactor be added? The Calvert Cliffs nuclear plant in Lusby, Md. The federal loan guarantee program and other aid for new nuclear plants may not be enough to induce Constellation Energy to build a third reactor at its Calvert Cliffs site, 40 miles south of Washington, the company's president and chief executive said on Thursday.

In a partnership with Electricité de France, Constellation wants to build a reactor designed by the French nuclear conglomerate Areva called the EPR. One EPR plant is under construction in Olkiluoto, Finland, and another at Flamanville, France.

But negotiations over loan guarantees between the Department of Energy and the partnership, called [Unistar](#), have dragged on.

Congress authorized a loan guarantee program for new reactors in 2005 and financed it in 2007, but so far only [one such guarantee](#) has been made, for a [twin-unit reactor project near Waynesboro, Ga.](#), that is being built by the Southern Company and two partner utilities. The loan guarantee for that project is for 70 percent of the amount that Southern is borrowing.

The guarantee enables a builder to borrow money from investors, who are skittish about plowing billions of dollars into plants that will not enter the electric system for several years at least.

Aside from the uncertainty about what the market will be like in several years, there is broad uncertainty about exactly how much money and time it will take to build one: no nuclear plant has been completed in this country in more than 30 years. So the government, hoping to kick-start a "nuclear renaissance," came up with the guarantees.

The guarantee is a bit like a parent's co-signing a car loan by a child. The cost to the parent could be zero, but large if the child defaults.

A crucial issue in such loan guarantees is the fee that the borrower pays the government in exchange for the guarantee. This is based on an assessment of the risk of default.

Speaking at a Chamber of Commerce luncheon, Constellation Energy's chief executive, Mayo Shattuck, said there was a wide "perception" that the default risk for a plant like Calvert Cliffs was higher than for the Georgia plant, Vogtle. Georgia has traditional cost-

based regulation of utilities, meaning that if Southern spends prudently, customers will pay through utility rates whatever it cost to build, plus a profit margin.

But Calvert Cliffs is a “merchant” plant, meaning that it will sell its electricity in a competitive market, independent of the costs of construction. If factors like the price of competing fuels and the overall level of demand push prices high, Calvert Cliffs could be a gold mine. If prices stay depressed as they are at the moment because of low electricity demand and low prices for natural gas, the owners might not have the revenue to repay the loan.

“I’d like to think we could get over the hurdle of this merchant dilemma,” Mr. Shattuck told an audience of about 200. “We’re going to have to find the right formula for the fact that a lot of these plants are in a merchant environment.”

In remarks to reporters later, he said that one solution would be for the government to subsidize the fee that a borrower would pay for a guarantee on a loan that the government considered high-risk. Or there could be other answers, he said. He declined to get more specific, but warned that without more aid, the financing could “dwarf the economics of the project.”

10:06 p.m. | Updated Yet Claire Buchan, a spokeswoman for Constellation, said on Thursday evening that Mr. Shattuck “did not say anything” about a subsidy. “Mr. Shattuck said that the company was working to ensure that risk was properly understood in a merchant environment,” she said.

So the nuclear renaissance is looking small and slow at the moment. Other than the Vogtle project, ground has been broken on just one other reactor, in South Carolina. A proposed project in Texas, South Texas 3 & 4, is also a candidate for loan guarantees, but its prospects have been dimmed by a falling out among the partners.

Two other reactors in Texas, four in Florida and one in Missouri have all been moved to the back burner, mostly because of uncertain economics.