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# Idaho Samizdat: Nuke Notes

This blog covers political and economic news about nuclear energy and nonproliferation issues.

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United States

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January 5, 2010

## [No clue on status of loan guarantees](#)

Department of Energy is mum after promising awards just before the holidays

~ Comments & updates below ~

Less than a month ago, the Department of Energy (DOE) was giving strong signals that a long-running impasse with the Office of Management & Budget (OMB) had been resolved on the pricing of premiums for federal loan guarantees for new nuclear power plants. An ebullient Warren (Pete) Miller, DOE Assistant Secretary for Nuclear Energy, (right) was quoted Dec 17 in [wire service reports](#) that “we will have loan guarantees by the end of the year.”



That time has come and gone. Today, Jan 5, a spokesman for DOE told this blog the agency is “still crossing t’s and dotting i’s.”

Asked if the dialog with OMB had been resolved, the spokesman would only say the agency is not ready to announce the winners of the loan guarantees. This outcome is a puzzle since last November Secretary of Energy Steven Chu [announced](#) a new director of the loan guarantee program.

It has been an open secret since last Spring that DOE has a [short list](#) of four projects which have passed the agency’s rigorous standards for due diligence and market readiness. However, on Dec 24, just one week after Ass’t Sec. Miller voiced considerable optimism, another DOE official threw cold water on the prospects for any awards in 2009.

### What other issues are in the mix?

The New York Times reported that [Daniel Poneman](#), Deputy Secretary of Energy, (right) said the DOE’s negotiations with energy companies on loan guarantees for “first mover” reactors “still has some distance to cover.”



According to the newspaper, DOE and OMB remained at odds over the credit subsidies that nuclear developers would have to pay up front to cover the risk of a loan default.

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"We have worked with, and continue to work with OMB very cooperatively, on trying to get these things resolved ... . It's obviously mission-critical to figure out if the [project] transactions will work. It's not surprising that this would be a number that gets pretty closely scrutinized. We're getting close, but we're not done."

Poneman is an expert on nonproliferation issues which creates a question of why he's involved in the loan guarantee issue. There's been criticism of the Obama administration's work on the loan guarantee program from nonproliferation experts like [Sharon Squasonni](#) at the Carnegie Endowment who has written several highly critical reports. Of course, it's impossible to say whether they are influential. It would be helpful if Ms. Squasonni would get some of her facts straight. For instance, Ameren would be surprised to learn there are no commercial nuclear reactors in Missouri.

## Congressional impatience surfaces

As DOE and OMB remain locked in a stalemate, Congress is getting frustrated as evidenced by a [letter](#) sent from six Senators, including Idaho's [Sen. Mike Crapo](#), to [Peter Orszag](#), the director of OMB.

There's a lot of pent up impatience in the letter. While the language is couched in the parlance of congressional budget technicalities, the message is clear. Get the lead out and get the job done. How could that not be more clear?

Secretary Chu has few good options if OMB is keeping the loan guarantees bottled up. Going over the head of the budget agency to the White House is a risky step which could backfire. Chickens could come home to roost in future bureaucratic tangles.

Also, there remains the question of whether OMB is digging in its heels on its own initiative or if there is White House pressure showing up on this front. It may take a White House intervention to clear out the tangled issues that have yet again shown the at best lukewarm support for nuclear energy coming from the Obama administration.

## Comment from Ed Kee

*Blogger's note to readers - normally comments appear in a link below an article, but this one from [Ed Kee](#) shines new light on process and expected outcomes. Full text follows.*

"I appreciate the desire to see action on loan guarantees now, but this may be inconsistent with the process.

Secretary Chu, in a 22 Dec 2009 [letter](#) to Congress outlined the DOE Loan Guarantee process and schedule.

The next step is for the short-listed applicants and DOE to agree on a term sheet; this will become the "Conditional Commitment" defined in [10 CFR Part 609](#).

Loan Guarantee closing (i.e., the point when an applicant could begin to draw upon a guaranteed loan) will not happen until all conditions are met. A key condition is that the nuclear project's

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COL application has received NRC approval.

If DOE has not signed any Conditional Commitments by the time the first units receive COL approval, there could be delays in project construction.

However, no US nuclear project is expected to receive an NRC COL approval before late 2011."

## Idaho Samizdat responds

This is my response to Ed Kee's comments which I thought were very good. I am offering readers a set of rhetorical questions. These questions will only be answered at some future time when DOE makes an official announcement about the loan guarantees.

1. Will DOE change out any of the utilities on the short list while it is making up its mind? For instance, NRG, which is one of the short-listed firms, is having a real dust-up with CPS Energy, one of its potential investors and customers, over a reported \$4 billion price increase cited by Toshiba. which is the EPC contracto.r for the twin 1,350 MW ABWR reactors.

CPS sued NRG and the Mayor of San Antonio is trying to get both parties to settle their differences without protracted litigation.

If the price really is going up that much, how will it affect DOE's 'due diligence' review of the financials for the project? Note that the "alternate" project on the list, if one of the top four goes south, is likely to be Luminant's Comanche Peak project with twin Mitsubishi 1,750 MW APWRs. The parent firm has its own financial difficulties which could complicate DOE's choices.

2. Does it follow that delays in awarding the loan guarantees actually work in DOE's favor since none of the utilities on short list can really use them until they get their licenses from the NRC? The earliest any licenses will be granted is 2011/2012.

By 2011 OMB may have been worn down by the stalemate, or the principals involved will have moved on to other issues or jobs. Their replacements might not be so heavily invested in the pricing issue. Also, it lowers the risk of DOE going over OMB's head, after the 2010 elections, to get a decision from the White House.

3. Do utilities really want an early decision and commitment since investors, who's loans would be guaranteed, are not going to show up until the NRC licenses are issued and the reactor projects can break ground? None of the utilities will want to pay the fees for the loan guarantees until they can use them to draw against loans.

4. If time doesn't matter, at least until the NRC issues the licenses, why are DOE and Congress making so much noise, respectively, about the awards and the delays? Is this really just another case of inside-the-beltway political theatre?

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5 comments:

[Edward Kee](#) said...

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If DOE has not signed any Conditional Commitments by the time the first units receive COL approval, there could be delays in project construction.

However, no US nuclear project is expected to receive an NRC COL approval before late 2011.

[1/05/2010 11:08 AM](#)

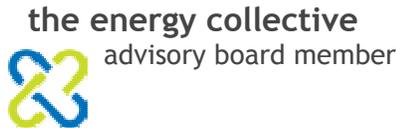
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[1/05/2010 9:37 PM](#)

## Anonymous said...

The reason that nuclear companies need the conditional commitments for loan guarantees now is that they need to make decisions now that depend on these decisions. Companies developing new nuclear facilities are already spending hundreds of millions of dollars on design, procurement, planning, etc. But they cannot incur these large upfront expenses without knowing what their financing is going to be - or if they will get financing at

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all. That's why it is high time that DOE acts on nuclear loan guarantees.

[1/06/2010 4:22 PM](#)

[Joffan](#) said...

To your rhetorical #3, and somewhat similar to Anon above, of course the utilities want the public announcement of their award so that they can go and negotiate with lenders. They may not want to actually pay for the loan guarantee yet, though, and it seems reasonable that they could defer some or all of the payment until the loan to be guaranteed is activated. Maybe Edward can shed more light on that possibility/process.

[1/07/2010 10:42 AM](#)

[Edward Kee](#) said...

The DOE Nuclear power plant Loan solicitation (see <http://www.lgprogram.energy.gov/NuclPowerSol7-11-08Amend1.pdf>)

has details of fees (see pages 16-18 and 59)

[1/07/2010 10:58 AM](#)

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