

Target: North Carolina Electricity Customers

NC Utilities Seek a Blank Check and Annual Rate Hikes – as the U.S. Nuclear Revival Fails

SUMMARY

- Trying to build new nuclear plants would cause power bills to soar in North Carolina – and could cost the average family \$4,000 even if projects could stay on budget.
- Annual rate hikes could cause North Carolina industries to go bankrupt and more jobs to leave the state – while nuclear plant jobs are created in South Carolina.
- New nuclear power projects are failing in several countries and most of the U.S.
- U.S. nuclear plant construction will be limited to a few southern states where the public is forced to absorb ballooning costs and the huge risk of project abandonment.
- Duke Energy and Progress Energy admit nuclear construction would be risky, and that they will attempt new plants only if customers take the risk *and* if the NC legislature grants automatic annual rate hikes – not subject to general rate cases.
- The utilities would reap any “savings” that might come from pre-charging customers.
- New nuclear plants are not needed. Trying to build them makes climate change worse by diverting billions of dollars and precious years from clean power, energy efficiency and cogeneration – faster, cheaper ways to cut emissions. Utility actions are impeding thousands of ready-to-go jobs and the much-needed closure of coal-fired power plants.

North Carolina should reject utility efforts to force an Annual Rate Hike on customers

OVERVIEW

New nuclear power projects are failing in a number of countries and most of the U.S. due to soaring cost estimates, design and construction problems, lack of private financing, risk of accidents or terrorism – and growing competition from clean technologies and natural gas.

Wall Street lenders and rating agencies are thumbs-down on financing new nuclear plants without full taxpayer backing. The Congressional Budget Office says that the **risk of utilities defaulting on such loans is over 50%**.

Construction of new U.S. plants will be limited to a few states where **federal taxpayers and state ratepayers are forced to finance and insure against accidents and attacks** – and to shoulder the enormous financial risk of project abandonment.

In the Carolinas, Duke Energy and Progress Energy want to build four new reactors. But they insist the NC legislature must shift more financial risk to customers by allowing annual rate hikes without utilities having to defend them in general rate cases. **They want to begin pre-**

charging customers for plants that would be completed after 2020, if ever. Such legislation would shield the utilities from inevitable cost overruns and from repaying customers if construction is abandoned for any of a host of reasons.

Duke and Progress have focused their strategy on intensive lobbying to stick Carolinas' ratepayers with the risks and unlimited rate hikes. Also, they will likely seek federal taxpayer loan guarantees.

North Carolina's elected officials should reject this corporate welfare scheme

KEY POINTS

- **The utilities claim that pre-charging customers for \$10 billion reactors will save financing costs.** But any "savings" for the utilities would come up-front from customers' pockets. In Georgia, despite federal loans and pre-charging of ratepayers, a nuclear project caused utility credit ratings to drop, thus loan costs to rise – costing customers more.

- **New nuclear plants could cause power bills to soar by 50% or more.** They could cost each family \$4,000 over time – if projects stay on budget for the first time ever. Businesses and industry would pay over \$18 billion in costs; the rate hikes could cause a number to fail or leave the state.

Pre-paying for new nuclear plants would place an unfair burden on senior citizens who are already suffering from rising health costs and shrinking retirement savings.

If the projects cannot be completed, customers would be stuck with the rate increases anyway.

- **Even Wall Street investors refuse to finance nuclear units** because of the high risks of ballooning costs and project abandonment. Stockholders of Duke Energy and Progress Energy are not willing to take these risks. That's why they insist **North Carolina ratepayers must sign a blank check for nuclear plants.**
- **Risk of project collapse** is driving the utilities' desperation to shift risks. Over 90 U.S. reactors were cancelled in midstream in

the '70s and '80s due to mismanagement by utilities and state utility commissions. Now there are many more risk factors.

"The failure of the U.S. nuclear power program ranks as the largest managerial disaster in business history ... on a monumental scale."

Forbes Magazine, Feb. 11, 1985

- **Moody's financial analysts call new nuclear plants a "bet the farm" risk for utilities.** The Obama administration is promoting taxpayer loan guarantees despite the high risk of default.

- **Efforts to pre-charge customers** for nuclear plants have led to revolts by industrial and consumer groups in Florida and Georgia.

Why should North Carolinians be suckers for the nuclear power industry?

- In May 2010, Progress Energy raised the estimate for two Florida reactors to \$22.5 billion and delayed their start-up by five years due to licensing problems and a credit rating downgrade caused by the project.

"...the idea was that utilities could get a plant design completed and certified and a site reviewed first ... But almost no one is following that ideal process ..."

NRC Chairman Gregory Jaczko, Feb. 12, 2009

- The Westinghouse reactor design, chosen by Progress Energy and Duke Energy, was promoted as “pre-certified” in 2006. **But the design, which has never been built, has since been revised 17 times and remains unapproved.**
- Two reactors under construction by the French – lauded for their nuclear expertise – are mired **in years of delay and billions of dollars in ballooning costs.**

“The [French] Olkiluoto was to be the flagship of the global nuclear revival. Instead it has become a symbol of the enormous cost, complexity and risk of new nuclear projects.”

Wall Street Journal, Dec. 1, 2010

Multiple projects in Canada and South Africa have been cancelled. Those in China and India are experiencing problems too.

- **Virtually every U.S. project has been mothballed** except in a very few states where ratepayers are forced to absorb the risks. Every project has suffered cost overruns and delays.

In 2010 Entergy CEO Wayne Leonard suspended plans to build four new reactors in Mississippi and Louisiana due to uncontrollable risks.

“[Duke and Progress CEOs] readily acknowledge that any future nuclear project will be daunting ... ‘Even at this size that we will be when we combine, it’s a risky proposition’ Johnson told Progress employees ...”

The News & Observer, Jan. 16, 2011

We urge public officials to reject utility efforts to saddle North Carolinians with the financial and physical risks of outdated technologies while the rest of the U.S. and the world increasingly embrace a clean energy future.

In 2010 Constellation Energy withdrew from a Maryland project when the Obama administration required an “insurance premium” for a taxpayer loan guarantee.

Why should the public take such a risk instead of what will become the largest energy corporation in the United States, if the merger succeeds?

- **Gambling on nuclear plants is foolish.** Duke and Progress constantly inflate demand forecasts. Rising rates from new plants causes usage to fall, as proven in Duke’s 2009 rate case.

Other states and countries are proving that energy-saving programs and a growing clean energy economy can offset genuine demand growth, be deployed much more quickly, cheaply, and with far less risk than nuclear plants. The clean-energy strategy also allows for a much quicker phase-out of coal-burning plants, which is urgently needed due to global climate change.

Duke Energy is a leading developer of wind and solar power – but only in states with open competition.

- **Progress Energy and Duke Energy prefer to create jobs in South Carolina** at the proposed Lee Nuclear Station. To preserve that project, they continue stifling the growth of solar and wind power along with energy efficiency – thus blocking thousands of good, ready-to-go jobs across the state.

Those utility actions are squandering this state’s chances to help slow global climate change.