



Early Warning on Nuclear Cost risk

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Nuclear cost risk should be minimized.

All new generation should be owned by independents.

Nuclear financial risk is the most important aspect of the new generation decisions which face the Commission. The utilities throughout the South and Mid-West are seeking *carte blanche* from regulators and legislators to pass all costs on to rate payers no matter how badly they mismanage their proposed nuclear projects. The estimated costs for the next round of power plants keep going up. The providers of generating equipment and construction services are in a sellers' market because so many utilities are planning new projects. During the last round of nuclear plant building the utilities proved to be very poor managers of complex projects. Then, for a while, it looked like independent power producers would dominate the market but that prospect has been reduced as the utilities have employed regulation to give themselves competitive advantages. Now that dozens of utilities are planning big construction projects, regulators need to remove barriers to new entrants. In the competitive sector of the economy an effective and efficient company would emerge as the leader in building and operating complex facilities; while in the regulated

sector new construction is back in the hands of individual utilities without regard for their ability to manage. In the competitive sector, managers are chosen for their competence and ability. In the regulated sector internal and external politics play the major part in the selection of top managers. The best schmoozers get to the top. In the real economy when a consortium is put together to develop a big project, the members of the team are chosen because they bring certain strengths to the effort. Members of utility consortiums for power plants are chosen by geography – their territories adjoin one another. The major strength a utility brings to a project is its ability to collect debt service from its customers. The guaranteed access to the income of its customers is the most important collateral for a nuclear project. So on the eve of another round of high risk construction projects, we have a system of scattered companies with weak politicized managements trying to implement expensive new technology with other people's money. This is truly a recipe for disaster.

The technical and environmental case for nuclear power seems compelling. The case for allowing regulated politically-oriented utilities to be managers of the projects is not compelling. The only thing the utilities have learned since the last round of nuclear plant construction is how to protect their stockholders through politics rather than with management competence.

The Commission should require 100% of all new power plants be built by Independent Power Producers. Affiliates of the utility should not be allowed to bid on new generation for the territory of any sister company.