



# NUCLEAR INFORMATION AND RESOURCE SERVICE

6930 Carroll Avenue, Suite 340, Takoma Park, MD 20912

301-270-NIRS (301-270-6477); Fax: 301-270-4291

[nirsnet@nirs.org](mailto:nirsnet@nirs.org); [www.nirs.org](http://www.nirs.org)

## NEWS ADVISORY

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**Contact:** Michael Mariotte, NIRS, 301-270-6477 (economics/nuclear loans)  
Sara Barczak, Southern Alliance for Clean Energy, 912-201-0354 (Vogtle, Southern Co.)  
Tom Clements, Friends of the Earth, 803-834-3084 (AP-1000 reactor design)

### **SOUTHERN COMPANY EXPECTED TO ACCEPT NUCLEAR LOAN “GUARANTEE” FRIDAY; GROUPS ALERT JOURNALISTS TO UNDER-REPORTED ISSUES SURROUNDING NUCLEAR LOANS AND THE VOGTLE REACTOR PROJECT**

Southern Company is expected to announce tomorrow, Friday, June 18, that it is accepting a \$3.4 Billion loan “guarantee” from the Department of Energy for its share of construction of two new nuclear reactors in Georgia.

Journalists covering this story should be aware of some under-reported issues surrounding this loan “guarantee” and the Vogtle project.

First, this would be an actual loan from the federal government, not just a loan “guarantee.” The money is expected to come directly from the U.S. Treasury, via the Federal Financing Bank, not from private lending institutions.<sup>1</sup> In effect, the taxpayers will be lending the money to Southern Company, and promising themselves that they will pay it back if Southern Co. defaults. Neither Southern Co. nor any lenders are assuming the risk—it is borne entirely by taxpayers. This is likely to be the case for all such nuclear power loan “guarantees.”

This is particularly significant since the average cost overrun for the first 75 reactors built in the U.S. was 207% (most of the reactors coming on line after 1986 experienced higher cost overruns), according to a May 2008 Congressional Budget Office report.<sup>2</sup> Comparable cost overruns for the \$14.5 Billion Vogtle project would push the total cost to more than \$40 Billion.

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<sup>1</sup> Southern Company acknowledges this in its own press release, ““Total guaranteed borrowings would not exceed 70 percent of the company’s eligible projected costs, or approximately \$3.4 billion, and are expected to be funded by the Federal Financing Bank”. [http://www.southerncompany.com/news/iframe\\_pressroom.aspx](http://www.southerncompany.com/news/iframe_pressroom.aspx)

<sup>2</sup> Congressional Budget Office, *Nuclear Power’s Role in Generating Electricity*, at page 17. May 2008. Based on Energy Information Administration Technical Report DOE/EIA-0485, *An Analysis of Nuclear Power Plant Construction Costs*, January 1, 1986.

Cost overruns for the first two Vogtle reactors, which came online in 1987 and 1989, were approximately 1200%. Initial estimate was \$660 million for two units, final cost was \$8.7 Billion.<sup>3</sup>

Southern Company has repeatedly said that it expects the new Vogtle reactors to be completed by 2016 and 2017. At the same time Southern admits it does not expect to receive a license from the Nuclear Regulatory Commission to build the reactors until the end of 2011. That would mean a 4- and 5-year construction period for the two reactors respectively. Accomplishing that feat would defy history.

The fastest a U.S. reactor has been built, at least since small reactors were completed in the late 1960s/early 1970s, was the River Bend reactor in Louisiana, completed in 1985 after about six years of construction. Of course, River Bend was 400% over-budget. Typical large U.S. reactors took eight years or longer to build.

In addition, before a construction license can be issued by the NRC, the Westinghouse AP 1000 reactor design Southern Co. plans to use at Vogtle must receive a design certification. This design is currently on its 17<sup>th</sup> revision and numerous design deficiencies have been identified. Westinghouse is currently working on a re-design of the reactor's shield building, which the NRC identified as susceptible to collapse in the event of natural events like tornadoes and hurricanes.

Another design deficiency has been identified more recently by independent experts, one that could result in much higher releases of radiation in the event of an accident than previously postulated. Details are available at <http://www.nirs.org/nukerelapse/background/backgroundhome.htm>.

The Nuclear Regulatory Commission currently does not have an estimated date for final certification of the Westinghouse AP 1000 design, which has not been built anywhere in the world.<sup>4</sup>

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<sup>3</sup> Testimony of David Schlissel, Synapse Energy Economics, before Maryland Public Service Commission, July 16, 2008; available at: [http://www.nirs.org/nukerelapse/calvert/schlisse\\_cc\\_testimony071608.pdf](http://www.nirs.org/nukerelapse/calvert/schlisse_cc_testimony071608.pdf)

<sup>4</sup> NRC design certification review schedule for the AP-1000 reactor design is here: <http://www.nrc.gov/reactors/new-reactors/design-cert/amended-ap1000.html>.