FINANCIAL QUALIFICATIONS FOR MERCHANT PLANT COMBINED LICENSE APPLICANTS

A consumer and state regulatory view

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October 11, 2011

Why require financial qualifications

- To ensure designer/builder/operator does not skimp on safety and health.
- If not securely financed, risk of cutting corners.

NRC's job – ensure health and safety

- States preempted by NRC.
- So federal agency better do it.

Merchant plants problems today

- Biggest single problem is low gas prices.
  - Market for electricity is down.
  - Can’t be sure of selling kWh at high enough price.
- Next problem – jittery financiers
  - 2008 market meltdown dampens “animal spirits”
  - Lingering recession lowers customer usage
  - Nuclear risks

All applicants struggling with financing

- Even vertically integrated utilities
- Movements to repeal ratepayer guarantees
  – May be quixotic now
  – But represent real consumer backlash potential
  – And will get bigger if public burdens increase
    - Higher costs
    - Pay now, maybe benefit sometime
    - Health and safety problems
    - Another Fukushima

Finance won't ante up without Money-Back Guarantee

- Receipt of COL is a precondition of financing
- Dedicated revenue stream = precondition, too
  - Creditworthiness of counterparties
  - Government credit still good!
  - Securitized rate receipts still good!
- But risk shifts to consumers or taxpayers.
- Corporate Welfare! Handouts! Subsidies!

Markets are not charities

- Why does finance require such certainty of cost recovery for these investments?
  - Poor track record of on time/within budget
  - Huge investment hard to just write off if goes bad
  - Low electricity prices for the short term
  - Uncertain electricity prices for the long term.
  - Jitters from Fukushima, market meltdown

If profit-seekers won’t finance…

- Why should consumers guarantee recovery?
  - What do you take us for?
- Profit-seekers know the risks/opp’ties well.
  - They have skin in the game
  - Even a decision NOT to finance is a $ choice
- Public sees how they vote with their dollars.
  - Can consumers/PSCs gauge risk better?
  - Can consumers/PSCs manage risk better?

Requiring financing ensures backing rather than skimping

- Even before break ground, decisions are made
  - Plans drawn
  - Sites selected and prepared
  - Technologies selected
  - Payments to get in line for turbines
  - Lining up contractor-builder
- Developer could skimp here as well
  - Not just keep costs down now
  - But also to set up for a budget that can look reasonable

Isn’t the $ closing a formality?

- Some say Commission can delegate to staff
- Is the financing as good as it sounds?
  – Have you read a financing or securitization doc?
  – Fine print was invented for such documents
- Why not close the financing contingent only upon the license, not the other way around?

Who will blink first?

- NRC duty to protect health and safety
    - Not diminished by any administration's energy policy
    - Not charged with subsidizing the industry
- US already has spoken politically about the risks it will put on government/consumers
    - Loans and loan guarantees.
    - Insurance backup.
    - States using customer dollars to securitize projects.
- Merchants can ask for additional govt subsidies.
- *So if finance won't blink, NRC should not either.*

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consulting on utility issues for consumers, commissions and others

Nancy Brockway has been involved in nuclear power issues since the early 1980s. As a staffer under Peter Bradford in Maine, she and the late Tom Austin negotiated the long-term PPA deal with John Rowe that kept alive Seabrook I financial support in that state. She also led staff advocacy on the treatment of the costs of the cancelled Seabrook II plant. Brockway sat as DPU staff hearing officer and General Counsel on cases involving nuclear utilities in Massachusetts. With the National Consumer Law Center, she advised low-income, environmental, and consumer advocates, and the Governor of Illinois, on issues arising from restructuring such as treatment of stranded nuclear plant costs. She sat as a Commissioner in New Hampshire during the period when the state's financial relationship with Seabrook was finally settled, after years of dispute. After leaving the Commission she has provided consulting services for a variety of clients, most recently concentrating on consumer, privacy and cyber-security issues with smart grid technologies. She has testified twice in South Carolina against pre-approval and early rate recovery of utilities' nuclear plant costs, arguing the utility was "betting the company" and the service territory too, and that alternatives should be considered. She filed an affidavit to a similar effect for intervenors at the NRC.