Overview of Problem - National

Federal Government

The Energy Policy Act of 2005 (EPACT) has paved the way for a nuclear relapse. EPACT contains more than $13 billion in cradle to grave subsidies and tax breaks, as well as unlimited taxpayer-backed loan guarantees, limited liability in the case of an accident, and other incentives to the mature nuclear industry to build new nuclear reactors.

Provisions in EPACT favor the first handful of new reactor combined construction and operation (COL) applicants. Those that have announced there intentions to build new reactors are literally racing to submit their applications in the hopes of maximizing their corporate welfare hand-outs. These include:

-authorization of $2 billion in "risk insurance" to pay the industry for any delays in construction and operation licensing for 6 new reactors, including delays due the NRC or litigation. The payments would include interests on loans and the difference between the market price and the contractual price of power.

-EPACT authorized DOE to provide taxpayer-backed loan guarantees for new or improved technologies that reduce GHG emission. Advanced nuclear energy facilities were included on that list. The loan guarantees were authorized to back up to 80% of the cost of a project. The recently passed Senate and House energy bills include provisions that interpret the intentions of the EPACT to shift financial risk away from the industry to tax-payers. The NEI wants a total of more than %50 billion in loan guarantees in FY08/09. The industry, specifically the head of UniStar has confirmed that 100% unlimited loan guarantees are necessary to attractive the investment needed to pursue new reactors. The final provisions that will determine the extent of the loan guarantee program will decide in joint committee this fall.

-production tax credits of 1.8-cent for each kilowatt-hour of nuclear generated electricity from new reactors during the first 8 years of operation for the nuclear industry costing $5.7 billion in revenue losses to the US Treasury through 2025. Considered one of the most important subsidies by the nuclear industry. To be eligible for this credit, a license application must be accepted by the NRC by Dec.31, 2008.

The Nuclear Regulatory Commission

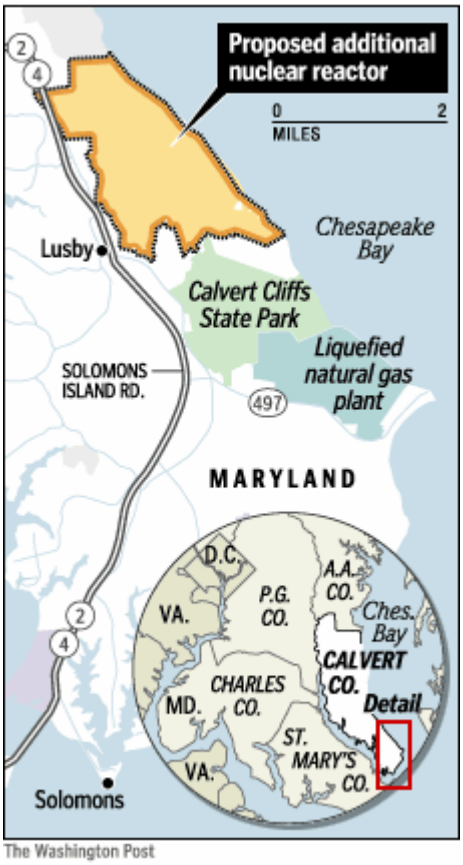
Weaknesses in NRC oversight and a streamlined licensing process for construction and operating permits indicate that the NRC is putting the nuclear industry ahead of safety and public trust. One of the strategies to hasten the permitting process has been to eviscerate public involvement. Changes to consolidate the permitting process over the

past ten years have limited not only when the public can participate, but on what issues they can raise. The NRC has excluded several salient issues from the range of contentions that the public can raise. These include waste and security issues.

The Nuclear Industry

The nuclear industry in tandem with the Nuclear Energy Institute has invested significantly to literally clean up nuclear power's public image in the wake of TMI and Chernobyl. The realities of global warming have offered the industry an opportunity to package nuclear power as the antidote to climate change. The nuclear industry has set out to assuage a once hostile public (opinion). Their campaign touts nuclear power as "clean and green" By doing so they have conveniently detached the generation of power from its source (uranium mining, milling, and enrichment) and its bi-products high and low level radioactive waste. However, they have been to some extend effective. Some polling suggests that public opinion has in fact shifted slightly in favor of nuclear power. Moreover, the environmental community lacks consensus on its position of nuclear power. One of the challenges for the anti-nuclear movement is to realign with their natural environmental allies.

Maryland Overview



A 1,600 MW US EPR new nuclear reactor has been proposed for the Calvert Cliffs nuclear power plant in Lusby, MD (Calvert County). The US EPR reactor is not certified in the US. UniStar is expected to submit the design application within the next few months. The same design is currently under construction in Finland. Delays and cost overruns have already been reported. UniStar has thus far submitted the environmental portion of the combined construction and operating license application. They are expected to submit the safety analysis by March of 2008. They have speculated that the project will cost $5 billion. They have further indicated that, "Without the federal loan guarantees, this whole thing will come to a stop," said George Vanderheyden UniStar CEO. If the proposal moves forward the regulatory review is expected to take approximately three years, and construction is expected to take about four years. The best-case scenario (from UniStar's perspective) would see the new reactor operational in 2015.

While the national problems also apply to the Maryland campaign, there are some unique issues that must be identified to fully understand the scope of the problem.

Calvert County

Calvert County is the proverbial company town. The Calvert Cliffs nuclear plant is the largest taxpayer in the county. They contribute approx. $16 million annually to the tax base. They are the 4th largest employer (800). Their employees support the local United Way, United Cerebral Palsy, and Red Cross Blood Drives. In short, Constellation has created a "good neighbor" image within Calvert County.

In November of 2005, Constellation announced that is was considering two sites (Calvert Cliffs and Nine Mile Point in NY) to pilot the US EPR. In a move to encourage selection, Calvert County Commissioners offered Constellation 15 years of local tax reductions totaling $300 million.

Constellation Energy

Constellation Energy: Generates, Sells, and Distributes Energy. A Fortune 200 competitive energy company based in Baltimore. The nation's leading supplier of competitive electricity to large commercial and industrial customers. One of the nation's

largest wholesale power sellers. A generator of electricity with a fleet of power plants (including nuclear in MD and NY- 61% of overall generation is nuclear) located throughout the United States. Owns distributor, **Baltimore Gas and Electric** utility - of electricity and natural gas in Central Maryland.

Constellation Energy's Business Model and Deregulation are under scrutiny in MD. One of the purposes of deregulation was to break up the monopoly structure of utilities (i.e. utilities that generated, sold, and distributed energy), so they would be more competitive. In the case of Constellation Energy they own the MD distributor, BG&E, which means that they basically sell to themselves. Deregulation in MD has resulted in a 72% rate increase to ratepayers. While the Public Utility Commission in MD has the ability to regulate rates, they have no authority over the auction price, and therefore have no real power to shield ratepayers from price manipulation. Deregulation has allowed Constellation to rake in record profits at the expense of ratepayers. The windfall profits have attracted negative attention to Constellation and forced the state to revisit the restructured regulatory system.

UniStar

In 2005, Constellation partnered with France based Areva to establish the consortia, UniStar. The express purpose of the partnership is to advance Areva's reactor design through Us nuclear fleet expansion. In a move to secure partial financing for the project, Constellation Energy has launched a joint venture with the French owned utility, EDF. The terms of the partnership, which was announced on July 20, 2007, include 50/50 ownership in UniStar Nuclear Energy and a $625 million invest in UniStar by EDF.