

Press Reset Button on Nuclear Plant Financing Debate

Nuclear Power Plants and Pay-As-You-Go Financing

Necessary for Florida's Clean Energy Future

It is time to press the “Reset” button on the public reporting about new nuclear power plants and Florida’s current laws allowing ratepayers to pay-as-you-go for development costs. Why? Because anti-nuclear activists have created misperceptions that have been repeated in local, regional and statewide media outlets.

First, we must understand that statewide electricity supply 24 hours per day 365 days per year requires a portfolio of multiple types of power plants that, together perform as a team, combining their unique features. The two main categories are as follows. “Base load” plants, which operate continuously, regardless of weather, sunshine, cloud cover or fluctuating customer demand. The only types of power plants that can provide this large quantity of continuous supply operate on the following fuel choices: nuclear fuel, coal, natural gas, or oil. Complementing the base load category is “peaking power” which supplies the variable portion of electricity demand that fluctuates at varying times of day and seasonally. These plants can be those that can be turned on and off quickly (such as small natural gas turbine plants) and those that are “intermittent” such as solar energy that is available only 15-18 percent of the time when available energy from the sun is strong enough to efficiently collect with panels.

Second, let’s be clear. If we want cleaner air, abundant, reliable home-grown energy and low electric bills, we must maintain nuclear energy’s contribution to the mix of base load energy supply. Among the choices (nuclear, coal, natural gas) nuclear is the only “base-load” type of plant that emits no greenhouse gases. Nuclear energy currently supplies 20 percent of America’s electricity but only about 14 percent of Florida’s electricity. It is nuclear that serves as America’s largest source of emission-free energy, providing 73 percent of all electricity that is carbon-free.

Third, nuclear energy is cost effective. Electricity costs from different sources can only be compared honestly if we include the combination of costs from construction, fuel supply and operations, called “levelized cost”. The up-front cost of constructing nuclear power plants tends to be greater than others, a feature commonly exploited in sensational reporting aimed at opposing new nuclear plants. The fuel cost and operational costs for nuclear energy are so much lower than other base load sources, however, that the levelized cost of nuclear energy becomes very competitive over the 40-60 year life of a plant. This is confirmed with the non-biased annual “Energy Outlook” cost data published by the U.S. Department of Energy’s EIA (Energy Information Center, www.eia.gov/forecasts/aeo). The existing 5 nuclear reactors that have operated in Florida for more than 3 decades have been the lowest cost contributor to

the electricity we Floridians have consumed (and the rates we've paid) over that time period. Moreover, a typical 2-unit nuclear plant saves about \$75 billion that we ratepayers would otherwise have to spend for natural gas to produce the same amount of energy over the life of the plants.

Finally, Florida's nuclear cost recovery statute, adopted in 2006, is necessary for development of nuclear plants. Despite one of the most egregious myths that have been pedaled, the statute does not allow "advanced payment" of costs but rather, allows the costs to be reimbursed as they are incurred. It does not provide a some special benefit to utilities. It is a necessary and proper policy that Florida was wise to adopt. Under Florida's regulated utility system, all costs for developing all needed power plants are reimbursed to the utility companies in return for a government-regulated, fixed cap on the rates we pay for the electricity they produce. We ratepayers pay all the costs (including financing costs) for constructing power plants regardless of when the costs are reimbursed to the utilities. But, because large nuclear plants have high up front costs and the plants take longer to build than other plant types, the financing charges for the pre-construction period would be a large expense for ratepayers. Alternatively, by making reimbursements as the costs are incurred, we ratepayers save over \$300 million in unnecessary interest expenses during construction (and more than \$2 billion over the life of the plant).

Contrary to recent reporting and claims by anti-nuclear activists, none of the nuclear construction expenses reimbursable to Florida utilities can be paid to them prior to the expense being first paid by the utility followed by a full public hearing by the Public Service Commission which must determine that the expense was reasonable and prudent.

Nuclear energy is a necessary component of our energy supply portfolio. It is cost effective. Current Pay-As-You-Go nuclear cost recovery is necessary to develop large, emission-free nuclear plants and saves money for all of us ratepayers in Florida.