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Congress of the United States
House of Representatives
Washington, DC 20515–2107

May 6, 2011

Jacob J. Lew, Director
The Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Director Lew:

I write to you today seeking information about how the federal government plans to incorporate the additional financial risks that have been brought to light by the Fukushima meltdown into any pending or future loan guarantee agreements for nuclear power facilities. I believe that such actions must be taken in order to protect $22.5 billion worth of potential of U.S. taxpayer liability.

Last month, Japan raised the assessment of its nuclear crisis to the most severe rating of 7, putting the disaster on the same level as Chernobyl -- the world's worst nuclear disaster to date. As the Fukushima crisis stretches into its second month, the United States and the 30 other countries operating nuclear power plants have an obvious duty to reevaluate the safety risks associated with nuclear power and enhance the capacity to effectively respond to nuclear emergencies. But beyond safety, nuclear power also represents an enormous financial risk to American taxpayers. This is in part due to the fact that under current law, the Department of Energy's (DOE's) Loan Guarantee Program allows American tax payers to become the co-signers on billions of dollars in loans to build new nuclear power projects that private financial markets are unwilling to finance on their own.

In the wake of the Fukushima meltdown, private sector financial institutions and credit rating agencies have been unequivocal in their views of high financial risk of nuclear power. Standard and Poor's has warned clients that the risk of cancellations or delays for existing and future nuclear projects has increased as a result of the situation in Japan. According to Bernstein International analyst Alex Barnett, "The severe nuclear incident in Japan has put a global nuclear renaissance into question."

In fact, building new nuclear power plants in the U.S. is such a risky and uncertain venture that utilities which forego building planned new reactors actually become *more attractive* investments from the perspective of investment banks. For example, in a note to clients, Barclays Capital recently wrote that the reduced likelihood of NRG Energy moving forward on two proposed nuclear units in Texas "could cause a write-off in the short term, but would be likely positive in the long-term." Similarly, UBS Utilities said in a recent analyst report that "Given the lower overall probability of [the Texas Project expansion], we see positive

implications for NRG shares." After NRG finally announced it was indeed abandoning the project on April 19, markets reacted positively. The company's stock has appreciated 12 percent in the two weeks since that announcement.

Clearly, Wall Street banks are unwilling to finance new nuclear power facilities, and, as a result, these projects are unlikely to go forward without the United States government providing billions of dollars in loan guarantee support. It is my belief that if any of these deals are to go forward, the terms of loan guarantees for nuclear power plants must be as transparent to the public as possible, they must fully incorporate all known market risks, and they must go as far as possible in protecting American taxpayers from having to bail out the nuclear industry in the event of a loan default.

With these concerns in mind, I ask for your prompt responses to the following questions.

1. Do you believe that the recent statements and reports from private sector financial and credit rating institutions regarding nuclear power reflect a market view that the financial risks of new nuclear facilities have increased since the Fukushima crisis began?

2. On March 16, 2011, in a hearing before the Subcommittee on Energy and Power of the House Energy and Commerce Committee, Secretary of Energy Steven Chu stated that OMB is ultimately responsible for determining the credit subsidy paid by nuclear projects receiving federal loan guarantees and that he believes that the agency will include "anything like what has happened in Japan in their determination" of these credit subsidies.

    a. How has the meltdown at the Fukushima plant changed the way OMB views the risk of new nuclear facilities?

    b. How is OMB integrating these views into the risk assessment process that ultimately drives the cost of these loan guarantees and dictates how much the borrower must pay in terms of credit subsidy costs?

3. As required under the Federal Credit Reform Act of 1990, the Loan Guarantee Program must review the credit risk of a project on an annual basis to determine whether the subsidy cost estimates should be adjusted, in accordance with OMB Circular No. A-11, through a re-estimation process.

    a. The Department of Energy awarded an $8.3 billion conditional loan guarantee commitment for a project in Georgia led by the Southern Company. As a percentage of the amount guaranteed under the conditional commitment, what was the credit subsidy cost assessed for the Georgia project that the borrower is responsible for prepaying?

    b. Nearly 14 months have passed since the conditional commitment for the Georgia project was awarded. Has the credit risk of that project been reassessed? If so, what were the findings and how has the credit subsidy cost changed? If not, then when will the credit risk of the project be reassessed?

4. Will OMB hold the issuance of any final loan guarantees for nuclear projects until a reassessment of the credit risk of the project has been completed that incorporates full and up-to-date project and market risks, including those manifested through the Fukushima disaster?

5. On April 8, 2011, the NRC notified UniStar Nuclear Energy that it would not receive a license to construct and operate a third nuclear reactor at the Calvert Cliffs site due to the fact the Unistar is 100 percent owned by a foreign corporation and that corporation in 85 percent owned by the French government. Can a conditional loan guarantee commitment be awarded to an entity that the NRC has notified is ineligible to receive a license?

Thank you for your attention to this important matter. I request that you provide your response no later than the close of business on May 20th, 2011. If you have any questions or concerns, please have your staff contact Dr. Michal Freedhoff at 202-225-2836.

Sincerely,

Edward J. Markey

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