

December 22, 2010

The Honorable Steven Chu
Secretary of Energy
Washington, D.C. 20585

Dear Mr. Secretary:

I received the enclosed letter from the Southern States Energy Board dated November 16, 2010, regarding the Loan Guarantee Program for nuclear plants. Because the U.S. Nuclear Regulatory Commission has no direct role in the loan guarantee program and since the Congress directed the U.S. Department of Energy and the Office of Management and Budget to manage and administer this program, I am forwarding their letter to you concerning this program.

Sincerely,

/RA/

Gregory B. Jaczko

Enclosure: As stated

EDO Principal Correspondence Control

FROM: DUE: 11/29/10

EDO CONTROL: G20100691
DOC DT: 11/16/10
FINAL REPLY:

Governor Robert F. McDonnell, Virginia
Governor Steve Beshear, Kentucky
Governor Haley Barbour;, Mississippi
Governor Mike Beebe, Arkansas
Governor Jay Nixon, Missouri
Governor Sonny Perdue, Georgia

TO:

Chairman Jaczko

FOR SIGNATURE OF :

** PRI **

CRC NO: 10-0502

Chairman Jaczko

DESC:

Nuclear Loan Guarantee Program
(EDATS: SECY-2010-0554)

ROUTING:

Borchardt
Weber
Virgilio
Ash
Mamish
OGC/GC
Reyes, RII
Sanfilippo, NRO

DATE: 11/17/10

ASSIGNED TO:

CONTACT:

NRO

Johnson

SPECIAL INSTRUCTIONS OR REMARKS:

Response letter should inform Governors this is a
DOE program and what NRC's role is.

Template: SECY-017

E-RIDS: SECY-01

EDATS

Electronic Document and Action Tracking System

EDATS Number: SECY-2010-0554

Source: SECY

General Information

Assigned To: NRO

OEDO Due Date: 11/29/2010 11:00 PM

Other Assignees:

SECY Due Date: 12/1/2010 11:00 PM

Subject: Nuclear Loan Guarantee Program

Description:

CC Routing: RegionII

ADAMS Accession Numbers - Incoming: NONE

Response/Package: NONE

Other Information

Cross Reference Number: G20100691, LTR-10-0502

Staff Initiated: NO

Related Task:

Recurring Item: NO

File Routing: EDATS

Agency Lesson Learned: NO

OEDO Monthly Report Item: NO

Process Information

Action Type: Letter

Priority: Medium

Sensitivity: None

Signature Level: Chairman Jaczko

Urgency: NO

Approval Level: No Approval Required

OEDO Concurrence: YES

OCM Concurrence: NO

OCA Concurrence: NO

Special Instructions: Response letter should inform Governors this is a DOE program and what NRC's role is.

Document Information

Originator Name: Governor Robert McDonnell, et al.,

Date of Incoming: 11/16/2010

Originating Organization: Governor of Virginia

Document Received by SECY Date: 11/17/2010

Addressee: Chairman Jaczko

Date Response Requested by Originator: NONE

Incoming Task Received: Letter

OFFICE OF THE SECRETARY
CORRESPONDENCE CONTROL TICKET

Date Printed: Nov 17, 2010 10:08

PAPER NUMBER: LTR-10-0502 **LOGGING DATE:** 11/16/2010
ACTION OFFICE: EDO

AUTHOR: GOV Robert McDonnell and 5 other Governors
AFFILIATION: VA-GOV
ADDRESSEE: Gregory Jaczko
SUBJECT: Urges the Commission to provide direction and support necessary to ensure the success of the nuclear loan guarantee program

ACTION: Signature of Chairman
DISTRIBUTION: RF

LETTER DATE: 11/16/2010
ACKNOWLEDGED: No
SPECIAL HANDLING: Chairman Correspondence

NOTES: Response letter could inform Governors this is a DOE program and what NRC's role is
FILE LOCATION: ADAMS

DATE DUE: 12/01/2010 **DATE SIGNED:**

EDO --G20100691



November 16, 2010

Commissioner Gregory B. Jaczko
Chairman
U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, Maryland 20852

Dear Chairman Jaczko:

Nuclear energy supplies almost twenty percent of this nation's power supply. In the South, that percentage ranges to as high as 53 percent in the state of South Carolina. It provides a low cost, clean air alternative to other conventional forms of energy. In what can become a "nuclear renaissance," many of our southern states are considering construction of new nuclear reactors, up to 27 gigawatts of new capacity. If these proposed expansions are built, southern states would produce 71 percent of the country's nuclear power.

However, there are serious barriers to the full development of the nuclear fleet in the South. Among these issues are the total costs of construction; cost escalation of components and construction over time and financing. The upfront capital cost and the length of time required to build nuclear plants have caused utilities to pause and reconsider these projects.

Constellation Energy of Maryland recently announced that it is withdrawing its attempt to secure a federal loan guarantee for the Calvert Cliffs 3 nuclear station because of the high fee being insisted upon by OMB for DOE's loan guarantees. Constellation Energy's decision to pull out of discussions with OMB for the \$7.5 billion loan guarantee is further proof Congress needs to overhaul the loan program into a more streamlined, powerful and effective tool for supporting expansion of this country's nuclear industry.

Since Congress authorized the loan guarantee program for new reactors in 2005 and financed in 2007, Georgia Power Company has received \$3.4 billion in loan guarantees for two nuclear reactors at Plant Vogtle that will cost \$14 billion to build. Co-owners Oglethorpe Power and MEAG Electric continue to negotiate with DOE for loan commitments. The loan guarantee for that project is for 70 percent of the eligible project costs for Vogtle Units 3 and 4. (Note: DOE awarded a total of \$8.3 billion in federal loan guarantees; however, only \$3.4 billion to Georgia

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OKLAHOMA PUERTO RICO SOUTH CAROLINA TENNESSEE TEXAS U.S. VIRGIN ISLANDS VIRGINIA WEST VIRGINIA

Chairman Jaczko
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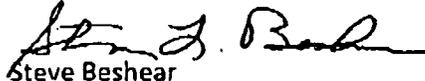
Power which owns 45.7 percent of the new units.) While there are similarities between the two projects at Calvert Cliffs and Plant Vogtle, Georgia has traditional cost-based utility regulation allowing recovery of prudent costs through utility rates. Calvert Cliffs, meanwhile, is a plant that will be selling its electrical output into a competitive market, independent of the costs of construction, which creates a different recovery mechanism for Constellation Energy.

As Governors, we know that investment in the country's nuclear expansion is critical to serving our energy future. In addition, it promises thousands of new high paying, private sector jobs and all of the indirect economic benefit that comes with this. We therefore urge you to provide the direction and support necessary to ensure the success of the nuclear loan guarantee program. We cannot afford to allow the rest of the world to outpace us in their development of clean, reliable energy.

Sincerely,



Robert F. McDonnell
Governor of Virginia
Chairman, Southern States Energy Board



Steve Beshear
Governor of Kentucky
Member, Southern States Energy Board



Haley Barbour
Governor of Mississippi
Member, SSEB Executive Committee



Mike Beebe
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