# NUCLEAR POWER – SOCIALIZE THE RISK, PRIVATIZE THE REWARDS

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By Commissioner Ray Judah

There's been a lot of talk coming out of Tallahassee recently about fewer government regulations and more market-driven solutions. A similar sentiment was echoed at the recent Florida Energy Summit – sponsored by Agriculture Commissioner Adam Putnam – where state legislators and appointed officials argued that the state should not "pick winners and losers" when it comes to energy solutions. Let market forces prevail, they said.

Yet, when it comes to helping the state's biggest power companies build nuclear reactors, the state is picking winners (utility shareholders) and losers (utility customers).

In 2006, the Florida Legislature passed a bill to allow "early cost recovery," which allows utilities such as Florida Power & Light to charge customers for the cost of design, licensing, preconstruction and construction carrying costs for nuclear reactors. Your utility company cannot charge you a cent for construction of any type of energy source until it is completed and operational – unless it is building a nuclear reactor. Special treatment like that sure sounds like picking winners and losers.

At a time of economic hardship, it seems unjust to expect consumers to foot the bill and bear the risk for the benefit of a Fortune 500 company's shareholders. The Florida Public Service Commission recently approved $196 million to upgrade FPL's existing nuclear plants and to fund its two new planned reactors at Turkey Point in Miami. This will increase FPL customer bills by $2.20 per month at a time when customers are already struggling.

The biggest concern, though, is the increased cost to pay for the two new reactors. Costs for the construction of a similar reactor project by Progress Energy Florida are estimated to reach over $60/month per 1,000 kilowatt-hours added to regular electric bills. For a large home, it will be twice that or more.

Here's the kicker: customers not only bear the project risk for utility shareholders, but the early cost recovery statute provides that if a utility abandons a reactor project, it can still recover all construction costs from ratepayers.

Reactor projects are prohibitively expensive – FPL's project is now estimated at about $24 billion. Similar projects in the '70s and '80s were abandoned or half-completed due to cost overruns as well as a drop in electricity demand. The tragedy of massive radiation contamination from the nuclear power plant damaged by a tsunami in Fukushima, Japan, and Germany's decision to abandon nuclear power as a viable energy source for the future should inspire a statewide initiative to support a comprehensive energy bill that unleashes the forces of American ingenuity and entrepreneurism in the renewable energy industry. Nuclear projects are now almost impossible to finance unless they are subsidized, and the risk is shifted to customers.

Do you want to bet that FPL will abandon the reactors? That's a bet FPL shareholders weren't willing to take. We are on the hook for all construction costs if FPL abandons the project, and they have yet to commit to building the project. Yet the Florida Public Service Commission just awarded them almost $200 million of your money.

This is why several municipalities in FPL's territory – most notably the Miami-Dade League of Cities that represents 34 local governments – have passed resolutions in opposition to this unfair practice of charging customers for nuclear reactors before they are even sited or permitted.

While we often hear rhetoric about market-driven solutions, this law turns capitalism on its head. Advanced cost recovery socializes all the risk and privatizes all the rewards.

Our lawmakers are picking winners and losers again. And the losers are the consumers.