

Financial Necessities for the Nuclear Renaissance

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Overview of Concentric Energy Advisors

- Concentric is the leading provider of financial advisory, strategic, managerial and regulatory consulting services to owners and operators of, and investors in nuclear power plants in North America. Concentric's staff has been involved in these activities for more than 25 years, and brings a depth and breadth of experience to our assignments that is unequaled. The firm's staff members have held executive positions with management consulting firms, utility companies, regulatory agencies, competitive energy suppliers and investment banks.



What Do We Need to Make the Renaissance a Reality?

From the perspective of financial markets, the following needs must be addressed:

- Need for a merchant plant to be *able* to be built
 - ❑ Need for project financing to be viable
- Need for multiple technologies to be viable
- Need for vendors/AEs to have skin in the game
- Need to accommodate diverse partnerships with 4 or more owners
 - ❑ Need to accommodate public and IOU ownership
 - ❑ Need to accommodate significant foreign ownership
- Need to accommodate uncertain budgets and schedules
- Need to survive prudence challenges facing regulated utilities
- Need to accommodate Japanese, French, etc. ECAs
- Need for additional funded federal guarantees



Renaissance Reality: A Merchant Plant Must Be Able To Be Built

- **Nuclear development in states with “wires only” utilities presents several major challenges**
 - ❑ Long-term PPAs with LSEs are almost non-existent
 - ❑ Deregulated power prices make financing quite difficult
- **Deregulated generators operate almost entirely through project-financed SPEs**
- **Unbundled states face significant needs for retirement of older, base-load generation**

A “Red-State Only Renaissance” leaves 155 million Americans without any alternative to fossil fuels for new base-load generation.



Need for Multiple Technologies To Be Viable

- AP1000 units at vertically-integrated utilities and ABWR, APWR and EPR units for all other projects
- There are clear consequences of having only “one wheel in town”
- The U.S. has benefitted from fleet diversification in the past
- International markets (will) have shown the viability of all four technologies

Technological diversification should be objectives for DOE and NRC.



Project Partnerships Will Be Critically Important

- **Technology sponsors (vendors, contractors) will need to step up and share project risks**
 - ❑ Merchant projects have made more progress on this than the utility projects
- **IOU/Public Power partnerships have worked well in the past, but ...**
- **International partnerships clearly are being relied on more heavily, but more are needed (strategic and financial)**
- **State, federal and international financing sources create another dimension to the partnerships**

It clearly will require concerted, sustained effort to get these projects built.



Traditional Utility Projects Are Beginning to Re-visit 1980's Issues

- **Commodity cost changes have taken cost estimates on a ride**
- **Design/scope changes are being re-priced**
- **Demand reduction will lead to deferrals**
- **Cost recovery challenges are coming**
- **Regulators are facing public opposition to rate hikes**

The sustainability of regulatory support for full recovery of prudently incurred costs needs to be like Caesar's wife if the projects are to continue.



Expansion of Nuclear Loan Guarantees Is Job One

- **\$36 Billion of incremental authority is a good start**
- **All of the guarantees should have the fees appropriated**
- **The applicant queue should be maintained and reopened**
- **Coordination with other lenders/guarantors needs to be completed**
- **Priority should be given to technological diversification and merchant project funding**

Advancing new nuclear development has been recognized as a national priority; we need to maintain the momentum.



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FOR CONSULTING
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Questions and Follow Up:

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