Memories Are Made of This: New York's Astonishing Nuclear Power Aspirations

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Is there really no one left in New York government who understands energy economics well enough to protect New Yorkers from this reckless combination of nuclear risk and government exuberance?

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Governor Kathy Hochul's order to the New York Power Authority to develop a large nuclear power plant immediately with several more to follow rests on wildly optimistic assumed benefits, assumptions that are flatly contradicted by nuclear power's 60-year history of economic failure in New York and across the US. This history, spelled out below, imposes on proponents of new reactors an obligation to demonstrate that New York taxpayers and electric customers are absolutely protected against the likelihood of multibillion dollar cost overruns and plant cancellations. No such demonstration exists.

In 1985 Forbes Magazine called the US experience with nuclear power *"the largest managerial disaster in business history"*. Nine figure nuclear plant cost overruns dotted the American landscape. As many plants (about 120) were canceled as were completed. New York bore more than its share of these costs. Two plants in particular – Shoreham, which never operated commercially, and Nine Mile Point Unit 2 – accumulated some $10 billion in overruns along with many years of delays. When $5 billion had been spent on Shoreham construction circa 1990, the value of its output to its customers was estimated by the New York Public Service Commission to be lower than before construction began, a truly astonishing achievement, matched only by other builders of nuclear power plants.

This history of economic fiasco caused intense backlash among all classes of electric customers. Industrial customers, as captives of monopoly nuclear plant owners, bore the risk of cost overruns in ways foreign to their own competitive industries. They led the demand for reforms in the way power generation was selected and priced. The goal of these reforms was to make sure that the risks and rewards of power plant construction were born by the stockholders and managers of the companies building the plants, i.e. those actually charged with wise construction management of these multibillion-dollar projects.

New York adopted these power market reforms in the mid-1990s. The era of massive construction cost overruns came to a halt. The New York power market (NYISO), like its counterparts elsewhere in the country, is far from flawless. It has never been adjusted to require procurement of zero carbon energy and energy efficiency. However, the market has provided unfailingly adequate power supplies and has stimulated efficiency and technological innovation well beyond the power supply paradigms of the 20th century.

Notably, no one has bid new nuclear construction into a competitive procurement market any place in the world. The reason is simple. New reactors are too expensive to compete. Adequate clean power generation is available from other, cheaper sources. Indeed, a new nuclear unit proposed for New York was cancelled in 2012 because it had no prospect of producing power at a competitive price.
Within 10 years, even New York's six operating units had proven themselves too expensive to compete in the NYISO market. The two remaining Indian Point units closed. The other

four units have been kept open only by multimillion dollar annual subsidies from their customers, thereby giving the lie to promises that nuclear power plants, however expensive to build, would be economically beneficial later in their lives.

In all likelihood these conditions will remain true even when the power markets are required to protect the climate by avoiding fossil fuels, for renewable resources are being procured throughout the US at prices well below any credible projections for new nuclear energy.

Nuclear power's reaction to this history has been a massive two-decade lobbying and PR effort to subvert the power market reforms brought on by its past excesses. To prevail, nuclear power vendors must get back to a system in which a few state officials can be persuaded to substitute wishful prophecy for economic principle. And, once those state officials have settled on nuclear power plants, they must adopt a financing plan based on accessing what Wall Street calls *"the dumb money"* by assuring that the multibillion-dollar economic risks that inevitably accompany nuclear projects are borne solely by customers or taxpayers, never by investors because there are so few who are willing to do so.

Doubts about this path are brushed aside by paeans to the jobs to be created by the nuclear commitment. Of course, any new power source will create new jobs, probably more than the capital-intensive nuclear projects. And job losses caused when excess electric rates cause production shifts among industrial customers will also outnumber those created by a nuclear power plant.

Enter Governor Hochul and her plan to order the New York State Power Authority to build a new reactor. She relies on a Boston Consulting Group report that projects a cost of $10 billion for such a reactor despite the fact that every reactor built in the Western world in this century has cost twice that or more.

Every one of the dozens of US nuclear plant cost overruns had such a "study" propping it up. If any decision maker or reactor vendor actually had faith in such a projection, surely they'd be willing to accept a cap on the costs of the proposal or make a commitment that customers need pay no more than the New York market price for the electricity from the reactor. They won't.

To begin the process of financing a nuclear power plant without such assurances in place is the height of financial recklessness in light of nuclear power's economic history. Cost overruns have been a near-inevitable part of nuclear construction. No responsible government can proceed with such a project without clear answers as to who will be responsible for cost overruns and as to whether an independently administered market process would produce a cheaper and less risky combination of alternatives.

One would expect the New York Public Service Commission, New York's ostensibly independent electricity regulator, to be pursuing such answers through a rigorous process that includes full transparency and public hearings. But how can it when the NYPSC chair already signed up as a cheerleader for the governor's proposal?

The problems with Governor Hochul's proposal do not end there. The safety of the plant must also be assured by a rigorous and technically sound system of regulation by the US

Nuclear Regulatory Commission (NRC). But that regulatory agency too has become a Potemkin Village.

Overall US nuclear safety history has troublesome lapses, but it is not disqualifying on its face. However, recent actions by the Trump Administration strip away much of the basis for confidence that one can take from the past record.

As he has done with other agencies whose mission is to protect the public through sound science, comprehensive oversight and firm enforcement, Trump has undertaken to hollow out the NRC. He (and sometimes Congress) has promulgated an agenda that blends the NRC's safety mandate with promotion of nuclear power, weakens radiation exposure standards, reduces emergency response planning and lessens any number of safety standards. He even fired the only commissioner to voice any concern with his irresponsible agenda, asserting a power to subordinate NRC decision-making to White House and Department of Energy priorities that Congress expressly denied the President in 1980.

When she announced her plan, Governor Hochul enthused:
"We must embrace an energy policy of abundance that centers on energy independence and supply chain security to ensure New York controls its energy future.... (The New York Power Authority) will now safely and rapidly deploy clean, reliable nuclear power for the benefit of all New Yorkers".

In this optimism, she channeled the exuberance of Governor Nelson Rockefeller at the 1963 groundbreaking of another advanced nuclear technology project, the West Valley reprocessing plant:
"The presence in the state of the nuclear fuel reprocessing industry will as time passes have an increasingly favorable impact on the economics of energy production and utilization in the state with a resultant stimulation of overall industrial development. In short, this state sponsored project...places New York in the forefront of the Atomic Age now dawning – to the benefit of the health, safety and prosperity of this generation and many generations to come".

After overrunning its construction cost estimate by about 50%, West Valley operated sporadically for some six years before closing for repairs to better contain escaping radiation. It never reopened. The private owners exercised their right to turn it over to New York State in 1980.

Far from protecting the state from the economic risks of an uncertain nuclear venture, New York government had agreed to bear those risks. The cleanup costs proved well beyond New York's capacity, so the federal government assumed 90% of them. The 46-year cleanup is unfinished. Cost estimates are between five and ten billion dollars, all paid by taxpayers, though the profits – had there been any – would have gone to the Getty Corporation.

One need not be antinuclear to wonder whether anyone remains in New York government who understands energy economics well enough to shield New Yorkers from this reckless combination of nuclear risk and government exuberance?