August 5, 2020

UAMPS' Response to Utah Taxpayers Association Press Conference

In its Aug. 4 press conference, the Utah Taxpayers Association (UTA) expressed concern about six things related to the Carbon Free Power Project (CFPP) and asked participating members to withdraw from the project:

Here are the six concerns:

- The CFPP development process has not been sufficiently transparent.
- Costs may escalate beyond budgets as they have in some other recent nuclear projects.
- Developing a first-of-a-kind nuclear plant is too risky for small municipalities.
- The project requires massive federal subsidies and federal appropriations may not materialize.
- The necessary project subscription level may never be reached and the current level is low.
- The schedule has already seen significant delays.

UAMPS' response:

Transparency.
The UTA premise that this project lacks transparency is ridiculous on its face. More than 120 open meetings have been held all across the membership (including a very recent six-hour town hall meeting for all stakeholders that was streamed live and made available to anyone interested). The nature of UAMPS governance itself assures an open process with 36 different governing bodies (city councils and mayors) holding hearings, debating and making decisions in open meetings.

UAMPS has been totally responsive to requests for information from interested parties, including UTA. Last April, in response to an inquiry from UTA, UAMPS tried to set up a meeting. UTA declined the meeting at the time and did not get back to UAMPS until three months later, in late July. UAMPS executives then met with UTA in a 2.5 hour electronic meeting on July 28. A follow up meeting was held July 30. Before UAMPS could even prepare written responses to UTA's questions, UTA held a surprise press conference on Aug. 4 criticizing the project and asking participants to withdraw. They obviously had their minds made up before even receiving answers to their questions, or doing due diligence about the details of the project. UTA did not follow a fair, transparent process to learn what they needed to know about the CFPP.

While UAMPS is not required to follow every prescription of Utah's open meetings law, UAMPS willingly follows the spirt of the law by publicly noticing all board meetings, by taking roll call votes to close meetings, and by only discussing sensitive matters in closed meetings like contract negotiations, confidential financial matters, and personnel. All board decisions and votes are made in open meetings.

Cost escalation and comparisons to traditional nuclear plants.
As the project has continued development and details have been refined, some costs have gone up. But the important fact is that the projected cost of power to ratepayers has actually gone down. The levelized cost of energy over 40 years is now at $55 per MWh, down from $65 when the project was started. That ensures a very competitive rate for ratepayers over the long term. It's important to remember that the full cost of the project includes financing and decommissioning costs.

It is totally disingenuous to compare the CFPP to older models of nuclear plants. It is like comparing a 1960s Oldsmobile with big fins to a 2020 Tesla Model S. Just because one enterprise may struggle financially, another business in the same category that is flexible, innovative and disruptive may prosper. We see that every day in the business world. Many companies failed to develop viable electric vehicles until Elon Musk showed how to do it.

Most of the comparisons of CFPP to older nuclear plants in UTA's arguments came from Peter Bradford, who is a long-time anti-nuclear activist who travels the country opposing nuclear energy. He makes the same tired arguments against all nuclear development, no matter how different projects are.

The cost-containment and financial discipline features of the CFPP are unparalleled. The nuclear power modules, the most expensive part of the plant, will be constructed in factories with price guarantees in place. UAMPS will ensure that the engineering design is complete before construction, rather than building while design is ongoing, which caused cost overruns in some large plants.

It is important to note that taxpayer dollars are not being used to build or finance this project. As is the case with all public power projects, ratepayers in all the participating communities will pay for the project, in this case over 40 years, through monthly payments for electricity used. Electricity rates in UAMPS member communities are historically low and stable, and this project is designed to keep them that way over the long term.

The UTA critics have certainly not done enough due diligence or a deep enough dive into the financial models to be able to intelligently comment on CFPP costs and financial information.

First-of-a-kind risks.
For CFPP, and for UAMPS member customers, being first-of-a-kind is actually a benefit, not a problem or weakness. The basic technology is not risky because it has been used for nearly 70 years. But the technology has been refined, miniaturized, digitized and simplified, and made safer and less costly.

Ratepayers will ultimately benefit because it is in the national interest of the country to successfully build this next-generation nuclear plant. For that reason, the federal government is a major partner and financial participant and is helping to mitigate the costs.

The project is moving forward in careful phases, with each phase reducing risk for the next phase so that when the time comes for large amounts of money to be invested, risks are greatly reduced. At key junctures in the process, participants have the option to drop out, reduce subscription levels, or increase subscription levels. When NuScale Power receives its design certification from the Nuclear Regulatory Commission (expected later this year), a substantial risk will be eliminated. When federal funding starts to flow, risk will be substantially reduced. When precise engineering and refined cost estimates are

completed, the project will be further de-risked. Increasing expenditures will be made only proportionate to the de-risking of the project.

UAMPS has also engaged world-class nuclear engineering consultants, financial advisors, construction firms, and project management experts with decades of nuclear experience. UAMPS itself has built many complex energy projects and has excellent internal processes and controls.

Federal subsidies and federal appropriations.
UAMPS is proud of the fact that the federal government (and the preponderance of national energy experts) view this project as so important that the U.S. Department of Energy (DOE) has become a major partner. Under both the Obama and Trump administrations and past and current Congresses, national leaders have viewed this project as the gateway to next-generation nuclear energy, to meeting global climate change goals, and to keeping the United States in the forefront of global leadership in nuclear technology and innovation. They view it as crucial to the stability of the electrical grid as more intermittent renewable energy is developed nationwide.

While we are building this project to provide long-term, reliable, affordable, clean, carbon-free energy to UAMPS' member customers, the national and global context of this project is also important. It is being watched by energy experts across the world as it represents a leap forward in carbon-free energy innovation. It will enable and complement significantly more intermittent wind and solar renewable energy as a steady backstop when the sun doesn't shine and the wind doesn't blow.

For those reasons, we are confident (and have many assurances) that the commitments from DOE will be realized, and that Congress will continue the appropriations.

Project subscription levels.
As the project is de-risked, we are confident that the project's 720 MW of power will be fully subscribed. There has been great interest, even excitement, about the project among many western utilities. As expected, most of them want to see key milestones reached before committing.

A major study in the Northwest projects a 6,000 MW regional electricity shortage in the coming decades, and all new energy must be clean and carbon-free. The study concluded that the most cost-effective way to meet that demand is a combination of renewable energy and small modular nuclear reactors. Many Northwestern utilities are interested in this project because it will produce safe, dispatchable, affordable, clean, carbon-free energy for the long term and complement renewables.

Schedule delays.
This is one of the more silly UTA criticisms. As UAMPS has worked through a new comprehensive budget and plan of finance for the CFPP, it has revised the project schedule to align with the timing of UAMPS member energy needs, and other financial and project developments.

The development and construction schedule will provide electricity from the project when it is needed, as UAMPS' coal-fired generation is retired around the end of this decade. The schedule also provides time for regulatory, engineering and licensing review of project features, including the power output increase from 50 MW to 60 MW of each NuScale nuclear power module, and the decision to use dry-cooling technology rather than water-cooling, saving 20,000 acre-feet of water each year. Each of those recent developments represents a large benefit to the CFPP and to UAMPS, both financially and

environmentally, but they do require additional engineering, and further work with the Nuclear Regulatory Commission.

UAMPS' approach is to do this project right, rather than do it fast. The schedule aligns with member energy needs and provides ample time to ensure prudent financial management, cautious entry into subsequent phases, and further de-risking of the project.

Conclusion.
It is important to highlight that UAMPS and its members have not made a final decision or commitment to build this project. If schedule, financing, levelized cost of energy, subscription levels, partner support, licensing, technology, etc., do not end up at target levels in future phases, the project will simply not be built. A sophisticated economic competitiveness test has been developed to monitor all aspects of the project and the ultimate cost of energy. Electricity delivered to customers must be affordable and cost-competitive or the project will not go forward.

So far, however, the project looks very promising.

It is worth noting that in its press release, UTA said it has no position on nuclear energy. But by trying to destroy the CFPP, UTA is actually taking a position against nuclear energy because the CFPP is the future of nuclear energy. It is unlikely that any more large, traditional nuclear plants will be built in the United States. The future of clean, safe, reliable, affordable, carbon-free nuclear energy is small modular reactor plants, which are being pioneered by UAMPS, along with key partners.

Anyone who really understands the climate change challenge knows that the energy sector cannot be decarbonized without renewables and next-generation nuclear working together. That's why conservation groups like the Union of Concerned Scientists support nuclear as part of the climate change solution. It's why renowned environmentalists such as Carol Browner, who was Pres. Clinton's Environmental Protection Agency chief, and Pres. Obama's climate change czar, support next-generation nuclear development. It's also why elected officials at the state and federal levels and in both major political parties have endorsed the very technology that UAMPS is developing.

It is exciting that through the CFPP, UAMPS can make real strides toward decarbonization. UAMPS is developing a project with global ramifications for fighting climate change, while providing safe, reliable, affordable electricity to member communities.