

ECA Update: May 19, 2014



ECA Message from the Executive Director

Well it has been an interesting two weeks for EM.

DID DOE EM JUST TELL US THAT IT MAY REQUEST EXTRA \$1.5 billion for cleanup in 2016 for just one site?

On Wednesday last week DOE (both DOE Richland Office and Office of River Protection - DOE-RL and DOE-ORP) held their annual public meeting on the budget two-years out (FY2016). The Hanford Site office said that the FY2015 budget request was/is \$2.1 billion for Hanford (both offices). AND, that their request for FY2016 was going to be a "compliant budget request" of \$3.6 billion. This will be a \$1.5 billion increase in the Hanford budget request. This public pronouncement may simply be designed to catch the State's attention that this lift, to meet the Consent Decree, is simply impossible. Regardless, does anyone believe that Congress will increase EM funding to over \$7.5 billion (from \$6 billion in a great year)? DOE's site prepared budgets rarely make their way through DOE-HQ/OMB/etc., but does EM/the site believe that a \$1.5 billion increase will occur?

We all want the larger budget - but if that does not happen - and this is only a ploy to tell the regulators that it will request the larger budget - what game are we playing? If the budget request is real - SRS and Oak Ridge just lost their cleanup budget - which will not happen - so what is the plan?

An interesting aside is that the local community does not seem to be supporting the larger request in the "announcement" - they recognize that in these tough times - the budget has to work across all sites and that flat funding is likely for a long time- stay tuned.

MOVE FORWARD WITH WIPP NOW THE PROBLEM IS IDENTIFIED - 2 to 3 years is too long to reopen the site.

Two weeks ago an EM employee (who is responsible for the WIPP response) reportedly told an audience that it may be 2 to 3 years before the WIPP site re-opens. This site is too important to let it take that long to re-open. DOE needs to present a plan that gets the site re-opened quickly now that it has pinpointed the problem. Everyone agrees safety is paramount - so what is the plan and why do people in DOE think it will take up to 3 years?

Note - We learned that DOE identified on Friday afternoon that photographic evidence collected from the entry into the WIPP showed a potential breach and heat damage to a Los Alamos waste drum. LANL has told us that it has taken additional precautionary measures to ensure that similar waste drums at LANL and those sent to Waste Control Specialists in Texas are in a safe and controlled configuration. Additional

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investigative work is being planned to pinpoint the cause of the breached drum, the radiological release, and whether other containers were involved in the release. Experts from DOE, WIPP, Los Alamos, and Savannah River National Laboratory are working together to establish the range of possibilities that may have caused this event.

ECA has been informed that it seems that WIPP will have to work under filtration when it reopens which will mean new HEPA-filter banks and fans will have to be installed in order to get the necessary air flow. Everything is still in flux as to a resolution, but DOE is in the process of developing a viable plan. The next step is to retrieve the drum(s) and determine why an issue occurred. Activities and plans are occurring in parallel, albeit, agonizingly slow. In the past there have been clear responses stating what financial and other resources are needed to address the issues at the site where an issue occurs. The 2015 appropriations process is moving forward - what is the plan and how will it be funded?

NEW LEADERSHIP AT EM

We learned officially that Dave Huizenga plans to move back to NNSA "soon." Dave has done a great job and has been in everyone's mind and in reality the Assistant Secretary. From the day he started, he changed the culture to one where people start to work more closely together and support each other in the work. The staff moving forward have clearer direction in the program. We wish Dave well and thank him for his hard work and dedication - EM is a tough place to manage.

The EM interim manager will be Mark Whitney from Oak Ridge. He comes to DC with a strong reputation and the communities around Oak Ridge says he "gets it" and understands the cleanup program and setting goals and implementing them at EM. However, Mark - we hope your job does not last for two years.

Monica Regalbuto had her confirmation hearing in the Senate and it was a relatively "nice" event. The hearing was so without news that the headline came out from one news source that the top priorities included WIPP and Hanford (I hope you are shocked). She has a big job to fill and we look forward to working with her.

Also in this update:

Hanford cleanup will need \$3.6 billion in 2016

Tri-City Herald

Senators: Nuclear decommissioning process is flawed

The Hill

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Hanford cleanup will need \$3.6 billion in 2016

Tri-City Herald

May 18, 2014

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Hanford will need about \$3.6 billion in fiscal 2016 to meet its legal obligations for environmental cleanup, officials said Wednesday at the annual Hanford budget meeting in Richland.

That's \$1.5 billion more than the Obama administration has proposed for fiscal 2015 and still might not be enough to meet legal obligations.

Department of Energy Hanford officials based their projection for fiscal 2016 on DOE's proposal to amend the court-enforced consent decree that sets some deadlines for retrieving radioactive waste from leak-prone underground tanks and treating the waste for disposal at the vitrification plant.

The state's proposal to amend the consent decree is more aggressive and could add \$300 million more to annual budgets, according to an early estimate by the Tri-City Development Council. That increase does not include the state's request for eight new double-shell waste storage tanks to securely hold high-level radioactive waste, which could add hundreds of millions more.

Ten deadlines under the legally binding Tri-Party Agreement already are projected to be missed elsewhere at Hanford by the end of fiscal 2015, according to DOE.

Most of those deadlines will be missed because work fell behind when Congress failed to pass an annual budget and because of sequestration, or forced federal budget cuts, said Jon Peschong, deputy assistant manager for cleanup at the DOE Hanford Richland Operations Office.

Hanford is not going to get \$3.6 billion in fiscal 2016, said Dave Einan of the Environmental Protection Agency, a Hanford regulator.

"We're going to have to prioritize," he said.

However, the state will not accept lack of money as a reason for not doing required work, said John Price of the Washington State Department of Ecology, also a Hanford regulator. The Tri-Party Agreement requires DOE to request enough money to do legally required work.

About 40 percent of the DOE environmental cleanup budget already goes to Hanford, pointed out Roy Gephart, a retired scientist.

The Western Governors' Association has recognized that issue and has asked that enough money be budgeted to meet cleanup obligations at all major DOE sites, Price said. Not only would the Hanford budget increase to meet obligations, but other cleanup sites also would receive more federal money under the association's request.

The fiscal 2016 budget proposal includes an increase in spending from the \$545 million in the administration's budget request for Hanford tank farms in fiscal 2015 to \$961.3 million. Money for the Hanford vitrification plant would increase from \$690 million to \$970.6 million.

That would bring the total budget request for those projects to almost \$2 billion. In recent years the total budget for all Hanford work has been a little more than \$2 billion.

DOE plans to complete emptying all 16 tanks in the C Tank Farm in fiscal 2015 and prepare to start retrieving waste from the single-shell tanks in the A and AX Tank Farms, said JD Dowell, deputy manager of the DOE Hanford Office of River Protection.

Senators: Nuclear decommissioning process is flawed

The Hill

May 14, 2014

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Senators sharply criticized the federal government's oversight of decommissioning nuclear power plants, saying it does not ensure a safe process or adequate local involvement.

Three Senators in the Environment and Public Works Committee aired their grievances at a Wednesday morning hearing the day after they introduced three bills to change how the Nuclear Regulatory Commission (NRC) oversees decommissioning.

"I am concerned that the Nuclear Regulatory Commission is not doing everything it can to keep these communities safe during the decommissioning process, including maintaining all emergency response capabilities at the sites," said Sen. Barbara Boxer (D-Calif.), the committee's chairwoman.

Boxer targeted the commission's decisions to exempt reactors in the decommissioning process from federal requirements to maintain emergency response mechanisms at plants. The NRC has never denied an application for exemption from those rules, Boxer said.

"That means no more evacuation zones or planning, no more warning sirens and no more emergency relocation centers," she said.

Sen. Bernie Sanders (I-Vt.) criticized the NRC's handling of the ongoing decommissioning of the Vermont Yankee Nuclear Power Plant, saying the local community has not been allowed sufficient involvement.

"People want to know what is happening ... and the nature of the decommissioning," he said. "There have been some suggestions that the

decommissioning of Vermont Yankee could take up to 60 years. And frankly, that is not acceptable to the people of the state of Vermont."

Sanders said the commission does not allow states any kind of "meaningful" role in the planning process.

Boxer, Sanders and Sen. Ed Markey (D-Mass.) introduced three bills Tuesday to reform the decommissioning process. They would end exemptions to safety and security requirements until all fuel stored is transferred into dry casks, require fuel to be moved to dry tasks within seven years of the time the decommissioning plan is submitted and guarantee involvement of states and local communities in the planning process.

Markey spoke specifically about the dry cask storage bill, which would reduce the amount of time that spent fuel rods are stored in water tanks, where they are dangerous.

"If an accident or terrorist attack were to occur, it could lead to radiation releases far greater than at Chernobyl or Fukushima," Markey said.

Republicans at the hearing cautioned against the changes and said there is no reason to criticize the Nuclear Regulatory Commission's actions.

"I'm concerned about some push for changes to this process that are actually opposed by the commission," said Sen. David Vitter (La.), the committee's top Republican. "Throughout this 50-plus-year period, there has not been any mishap in the process that's resulted in harm to public safety."

Sen. Jeff Sessions (R-Ala.) said giving generating companies more regulatory hoops to jump through would harm the nuclear power industry.

"I think there are real problems arising if you give legal power to states to alter reactor decommissioning or other changes to reactors after it's been established clearly in the beginning," he said.

Sen. James Inhofe (R-Okla.) said he has "full confidence" in the NRC's ability to handle decommissioning.

Michael Weber, Nuclear Regulatory Commission's deputy executive director in charge of the decommissioning rules, defended his agency's actions and said they take local concerns seriously.

"We listen, we welcome and we consider the comments that are provided. And they often influence how we review the decommissioning projects," he said.

Nuke waste site fee to end

Milwaukee Journal Sentinel

May 15, 2014

[LINK](#)

New York -- A fee that electric customers have been paying for 31 years to fund a federal nuclear waste site that doesn't exist is going away.

The Energy Department will stop charging the fee by court order on Friday. The amount is only a small percentage of most customers' bills, but it adds up to \$750 million a year. The fund now holds \$37 billion.

Wisconsin electric customers won't really notice any change in their utility bills from elimination of the nuclear waste fund fee.

Over the years, utility customers across the country, including in Wisconsin, have paid a small surcharge on their monthly bills to help pay for that site -- long planned for Yucca Mountain in Nevada until the Obama administration canceled the project.

Wisconsin utility customers stopped paying into the fund after the state's utilities sold off the Kewaunee and Point Beach nuclear plants, both located southeast of Green Bay on Lake Michigan.

Customers of We Energies have paid \$215.2 million into the fund.

Customers of utilities based in Green Bay and Madison paid more than \$103 million into the fund, including \$44.7 million for Wisconsin Public Service Corp., \$42.2 million for Wisconsin Power and Light Co. and \$16.3 million for Madison Gas & Electric Co.

The money was collected to build a long-term disposal site for the radioactive nuclear waste generated by the nation's nuclear power plants that is, by law, the federal government's responsibility.

The site was supposed to have opened in 1998, but there is no such site nor even any tangible plans for one.

Utility customers should not expect a refund of the fees. The latest Energy Department strategy is to have a site designed by 2042 and built by 2048 using the money in the fund.

The fee, a penny for every 10 kilowatt-hours of electricity, is charged to nuclear operators and then passed on to customers. Based on the average amount of nuclear power produced across the U.S., a typical residential customer pays \$2 a year into the fund.

This has long bothered state regulators. The National Association of Regulatory Utility Commissioners began suing the Department of Energy in 2010 to force DOE to stop collecting the fee.

"We never objected to paying the fee when there was a program," said Michigan utility commissioner Greg White, who has been fighting the fee for years. "But people shouldn't be paying for something that doesn't exist."

In a sharply worded opinion last fall, the U.S. Court of Appeals for the District of Columbia agreed, calling the DOE analysis of the fee collection "absolutely useless." The court also noted that there may be enough money in the fund to build a dump already: "The government apparently has no idea."

In 2002, Congress approved Nevada's Yucca Mountain as a site for a

national nuclear waste dump and \$9.5 billion was withdrawn from the fund to develop the project, according to the Government Accountability Office. But the project has been criticized as inadequate and flawed and is fiercely opposed by Nevadans. President Barack Obama, fulfilling a campaign promise, cut funding for the program, withdrew its license application and dismantled the office that was working on it.

Nuclear Weapons Complex Reform Could Mean Pay Cut For Contractors

Global Security Newswire

May 15, 2014

[LINK](#)

The for-profit companies that run the U.S. nuclear weapons complex might have a pay cut in their future, though by how much and exactly when is still unclear.

For decades the complex -- which includes the national laboratories and other facilities responsible for developing and maintaining the nation's atomic arsenal -- operated on a non-profit basis. Taxpayer dollars sunk into it went directly toward scientific work related to weapons development and nonproliferation efforts.

Since the early 2000s, however, the sites have been run by for-profit, limited liability companies. A portion of the annual budget for each facility is set aside as an "incentive fee." The better the job a contractor does managing a facility's work in a given year, the larger the percentage of the total available incentive fee the company gets to take home.

Lately these contracts have been under increased scrutiny due to repeated cost overruns, delays and security failures across the nuclear weapons complex. In one of the most dramatic examples, an 82-year-old nun and two other peace activists in 2012 were able to infiltrate the Y-12 National Security Complex in Oak Ridge, Tenn., where bomb-grade uranium is stored.

Associate Deputy Energy Secretary Bruce Held has been questioning whether what he describes as "large fees" currently paid to manage the weapons sites are the best way to motivate all players involved.

Performance at the national labs might actually improve, the former CIA officer says, if less money went toward the fees meant to motivate the management companies that run the sites, and if more funds went directly to the scientific work that the facilities conduct.

"What motivates the people at the national laboratories is excellence in science and bringing excellence in science to the interest of the nation ... They're not motivated by profit incentives," Held told Global Security Newswire in a recent interview. "They're human beings, they need a salary -- you can motivate them at the margins by giving them a pay raise or a pay decrease or something like that -- but their core motivation and what makes them tick is scientific excellence.

"So if I have a choice between a dollar of fee for the ... contractor that

runs it, or a dollar in lab-directed research and development and I want to motivate scientific excellence, I'd go with" the dollar in lab-directed research and development, Held continued.

It is not completely clear, however, how Held, who says he was coaxed out of retirement from federal service specifically to work on the contracts question, would reconfigure the current for-profit approach.

Held, who completed a 10-month stint as acting head of the Energy Department's semiautonomous National Nuclear Security Administration last month, advocates for moving toward a "public interest model." He suggests, however, that he and other officials working for Energy Secretary Ernest Moniz are still wrestling with exactly what that means.

One significant change that appears to be in the works is an effort to make the maximum fee potentially available to the contractor smaller, and to have much of that fee be based on a fixed amount.

For example, in fiscal 2012, Los Alamos National Security, a limited liability company formed by Bechtel, Babcock & Wilcox and the University of California, had the potential to earn up to \$74.5 million for its management of the Los Alamos National Laboratory in New Mexico, roughly 3 percent of the facility's \$2 billion budget for that year.

Based on an annual performance evaluation, the government ultimately paid the company \$59.7 million, 80 percent of what it could have earned with a perfect performance rating.

In the future, however, a facility like Los Alamos might be paid a fee that is only 1 percent of the site's budget, or closer to \$20 million, an NNSA official explains. Most of that fee -- say, \$18 million -- would be a fixed, guaranteed payment, meaning only a \$2 million portion could be reduced due to less-than-stellar performance.

Another change Energy Department officials are pursuing is one where the fee amount would be fixed over the life of a multiyear contract, rather than having it renegotiated annually, said the NNSA official, who was not authorized to discuss the issue publicly and asked not to be named.

When fees are renegotiated annually "there's not an incentive to reduce your budget because the [larger the] budget, the more fee you get when you're basing your fee on the budget," the NNSA official said. "We're trying to incentivize them to find efficiencies and have a more efficient mission that drives savings."

Under this model, fees paid to the contractor would only be renegotiated on an annual basis if a facility's costs deviated from the president's budget request by more than 10 percent, according to the NNSA official. The semiautonomous Energy Department agency already implemented this change at its Kansas City Plant in Missouri in 2010 when it extended the contract with the Honeywell Corp. to run the facility, the official says.

Held hinted at some of these changes during his brief interview with GSN.

"Sandia [National Laboratories in New Mexico and California -- now run by Lockheed Martin] used to be a dollar a year," Held noted, referring to a

prior arrangement in which the University of California and other organizations managed the national labs for a nominal fee.

"We're not going to get back to a dollar a year, but I think maybe we should do a fixed fee, not a percent of turnover. If you have percent of turnover, then you have an incentive to drive up your overall turnover rate."

When, and to what extent, these changes are to occur, is yet to be determined. Current contracts for Los Alamos and Lawrence Livermore National Laboratory in California are in place until at least 2018, and they include options that could extend them as far out as 2026. The current contract for Sandia, the third major lab, is set to expire this year.

"Typically the best time to [make a change] is when you're awarding a new contract," the NNSA official says. "Once you're in a contract, it's a negotiation with the contractor you have in place, so it would have to be a bilateral agreement ... It's easier in a competition, of course."

How the contractors might react to any changes is still unclear, according to Held.

"We're already engaging" with industry, he said. "We're starting to talk to people but we're not quite there yet."

Los Alamos Laboratory Director Charles McMillan, who also serves as president of the Los Alamos National Security LLC, declined to say much about the issue after a Senate hearing last month, during which he raised concerns about laboratory budget cuts generally.

"I'm not really in a position to comment right now," McMillan told GSN. "I know Bruce [Held] is thinking a lot about those issues, and at some level this is an issue that the government is the one that has to make the decision."

Meanwhile, failures across the nuclear weapons complex -- which, in addition to the Y-12 break-in also include numerous delays and cost overruns to various projects -- have rekindled a long-simmering debate in Congress over how the facilities should be managed.

The Republican leadership of the House Armed Services Committee in recent years has favored legislation that would further limit the Energy Department's oversight of the facilities. Oversight by the department, which owns the sites, was previously scaled back by the creation of the semiautonomous National Nuclear Security Administration in the early 2000s. That move followed a prior string of scandals across the complex.

Republicans on other House committees, along with senators from both parties, largely scuttled major legislative reforms in favor of creating a new congressional advisory panel to first study a broad array of governance issues facing the weapons complex. How to best structure the management contracts is on the agenda of the panel, whose final report is expected this year.

So far, the leaders of the so-called "Congressional Advisory Panel on the Governance of the Nuclear Security Enterprise" have said it is clear that

the "NNSA experiment,' involving creation of the semiautonomous organization, has failed," in a general sense, but they have yet to offer any specific fixes.

Panel Co-Chairman Richard Mies, a retired Navy admiral, said, however, that the group has observed inconsistencies in how contracts are structured across Energy Department laboratories, including those that work under its Office of Science and the NNSA sites.

"When you compare all the laboratories across the Energy Department there isn't a kind of standard template for how they're awarded -- what percentage is fixed fee, what percentage is award fee, how much of the fee is a percentage of their budget -- those kind of issues," Mies told GSN. "I think there needs to be some standardization."

Mies said that, in his view, the fee NNSA lab management contractors receive currently "is not exorbitant," however.

"The fee is three percent of the total budget," Mies said. "A standard utility makes a 10 percent profit ...

"But there is this inequity where some labs are getting one percent of the budget -- other labs are getting a three percent fee," Mies added. "So, why the difference? Shouldn't there be more consistency and balance? Clearly the difference between fixed fee and award fee makes a difference, as well. We're looking at all of those issues to try to find some reasonable balance."

Panel Co-Chairman Norman Augustine said there are pros and cons to having for-profit companies involved in the management of the NNSA labs.

"With [a DOE Office of Science] lab, they can get a university, which is basically a not-for-profit institution," Augustine told GSN. "But when you're doing manufacturing and managing huge programs -- [those are] not things that universities are very good at.

"So that means you have to get the corporate world involved, and when you bring the corporate world in, they have shareholders they have to accommodate," Augustine added. "They also care about the national interest ... but there has to be some reasonable balance and we hope we can strike that."

GAO Report: NNSA Report to Congress on Potential Efficiencies Does Not Include Key Information

Government Accountability Office

May 15, 2014

[LINK](#)

The National Nuclear Security Administration's (NNSA) report to congressional defense committees describes, but does not assess, the role of the nuclear security complex sites. The act required that NNSA's report include an assessment of the role of the nuclear security complex sites in supporting a safe, secure, and reliable nuclear deterrent;

reductions in the nuclear stockpile; and the nuclear nonproliferation efforts of the nation--which GAO refers to in this report as key NNSA activities. NNSA's report does not include such an assessment. Instead, the report describes activities such as certifying annually that the nuclear weapons stockpile is safe, secure, and reliable. NNSA officials told GAO that a prior 2008 report that assessed the role of the nuclear security complex is still valid and said that they did not think the act required them to update it. GAO notes, however, that NNSA's report to Congress does not cite the 2008 report as support for its assessment and provides no other information that would constitute an assessment. NNSA officials said that a new analysis of the role of the nuclear security complex sites may be warranted in the future if circumstances change. Officials acknowledged that characteristics of some major projects--such as the Chemistry and Metallurgical Research Replacement Nuclear Facility in New Mexico--have changed recently due to technical and fiscal challenges, but that such changes do not alter the fundamental role each site plays.

NNSA's report to congressional defense committees identified seven opportunities for efficiency, but it did not, as required by the act, provide an assessment of how these efficiencies could contribute to cost savings or strengthening safety and security. For example, NNSA's report cites the establishment of two new offices--the Office of Acquisition and Project Management in 2011 and the Office of Infrastructure and Operations in 2013--as efficiency opportunities but does not provide an assessment of how these offices have contributed or will contribute to cost savings or improved safety and security. In addition, some efficiency opportunities noted in NNSA's report--such as the capabilities provided by the new Uranium Processing Facility at the Y-12 National Security Complex--involve projects or strategies that GAO has previously reported face challenges, which, if not addressed, may impact NNSA's ability both to achieve cost savings and strengthen safety and security. Key principles for preparing savings estimates include a methodology that identifies the basis of any assumptions included in the savings estimates and a process for tracking actual savings. Such a methodology could help ensure that savings from proposed efficiencies can be achieved. Because NNSA did not assess how these efficiencies would lead to savings, however, it is not clear whether any cost savings will result.

Budget experts: Feds should brace for more continuing resolutions

Federal Times

May 14, 2014

[LINK](#)

Federal employees should expect another continuing resolution as Congress struggles to pass traditional spending bills, according to budget experts.

The House has already passed spending bills for military construction, the Veterans Affairs Department and the legislative branch. The House Appropriations Committee has voted on the Commerce Department, Justice Department and science legislation.

The House must pass 12 bills to cover all of government by the end of

September in order to avoid another continuing resolution.

Rep. Hal Rogers, R-Ky., chairman of the House Appropriations Committee, fully intends to introduce and vote on all 12 bills on time, according to committee spokeswoman Jennifer Hing.

But budget experts disagree and predict another run of continuing resolutions as Congress avoids making tough spending decisions.

"There is no chance of getting a budget done this year," budget expert and former House and Senate staffer Stan Collender said.

Collender, executive vice president at communications firm Qorvis, said it is getting increasingly difficult for Congress to pass individual appropriations bills -- Veterans Affairs and legislative branch funding are the easiest -- and the most likely scenario is the passage of a short-term continuing resolution.

He said Congress will most likely make a continuing resolution to last until after the November elections and into December. If Democrats lose the Senate, then Republicans will want to wait until next year to pass another budget, according to Collender.

He said another problem is that lawmakers are at odds over how much to cut and where, which means it's hard to get agreement on specific spending items.

"On one hand the spending cuts are too deep for most members of Congress, but on the other hand there are some members who think they should be cutting more," Collender said. "It's hard to get anything done under the circumstances."

Former House lawmaker Tom Davis, director of government affairs at consulting firm Deloitte, said the House will vote all the bills out but that they will be caught in the Senate -- which probably won't pass them all in time.

He said Congress might pass Defense Department spending legislation along with a few others and then pass a continuing resolution for whatever they don't finish.

"You will probably get something done before October," he said.

Maya MacGuineas, president of the Committee for a Responsible Federal Budget, said the odds of passing all of the appropriations bills before the end of the fiscal year are slim.

She said it was discouraging to see lawmakers give up so quickly on the budgeting process and instead focus on continuing resolutions, which keeps the status quo and doesn't force hard choices on spending programs.

"I think that not going through the normal budget process is an excuse to not making any decisions about the budget," she said. "It becomes budgeting by abdication of responsibility."

Exelon Pins Nuclear Hopes On Small Modular Reactors

Forbes

May 13, 2014

[LINK](#)

Fracking gas and carbon politics have driven the world's largest nuclear utility to the same conclusion the Obama Administration came in with--the future of nuclear power is in small modular reactors.

Former Exelon CEO John Rowe declared new-build nuclear dead two years ago. Holding to Rowe's vision of the economics, current Exelon CEO Chris Crane sees the only hope for nuclear power in SMRs, which can be made in a factory, delivered, and operated underground to maximize efficiency, safety and security.

"New nuclear plants being built in a competitive market is not in our future, unfortunately," Crane said Tuesday at a Washington D.C. lunch sponsored by Resources for the Future. "The future as we look at it for new nuclear, a decade-plus out, would be on efficient modular reactor designs."

For traditional nuclear plants to be viable, Exelon determined some years, natural gas has to cost at least \$8 per MMBTU with a price on carbon of at least \$25 per ton, Crane said. Without the carbon tax, it needs natural gas prices to rise to \$13.

Gas is currently trading between \$4.50 and \$5, and Exelon, like other observers, expects the price to remain between \$4 and \$6 for the foreseeable future.

Crane, who previously served as Exelon's chief nuclear officer, sees possibility for small modular reactors because they can be built at a much lower capital cost. Traditional reactors require a \$12 billion capital investment over 8 years, he said, before they begin making money.

"If you're building a dual unit nuke today it about \$16 billion that's spent over 8 years, an incredibly dilutive period of time for a competitive generator to tell their shareholders, 'Wait, you're going to see something good in 8 years.' They work to the quarter not to the decade, for sure."

Modular reactors have the potential to see a return on investment in two years, he said, and since they can be installed underground, they could have lower operating costs, especially in safety and security. (In a report last year, the Union of Concerned Scientists doubted SMRs can be made both more cheaply and more safely.)

If Exelon were to build new plants today, Crane said, they would be gas plants.

"If we were to build something--as we are looking at a couple projects right now in a few of our marketplaces--we would definitely build natural gas," Crane said.

"The benefit: cheap, reliable natural gas that could be plentiful. The problem is, one more time as an industry we're all going to the same fuel

source."

