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TVA fund for cleanup takes a hit

Agency investments would pay for shutdown of nuclear plants

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TVA and other utilities have socked away money to shut down and clean up nuclear power plants once they're too old to function, but those trust funds are generally thick with stocks and other investments that have taken an economic beating.

TVA's stash has seesawed over the years, losing or gaining more than $100 million at times, with a 9.7 percent drop to $983 million in March from six months earlier.

TVA officials would not venture what the agency may have lost in the last several economically cataclysmic weeks, saying it would be reflected in the annual report due out in December or January.

And they don't intend — now or later — to disclose what's in the trust fund portfolio beyond the percentages in general investment categories.

One local investment counselor calculated from the information that the value could have dropped roughly 29 percent.

"In this case, every asset they own has declined," said Stephen Frohsin, principal at Woodmont Investment Counsel. "That's based on weighted, average returns."

He cautioned that dividends and any changing out of stocks or other items since March are among the wild cards in the estimate.

The Dow Jones industrial average, by comparison, has fallen almost 24 percent over the same span.

Gil Francis, a TVA spokesman, said the specific investments cannot be disclosed because they are "business sensitive."

"You could make the assumption that … anything invested in stocks and equities has gone down," he said. "The market is experiencing some volatility but the performance we're seeking is long term."

Critics say the funds, which are to ensure protection down the road, are one of nuclear power's risky aspects that could have serious safety, environmental and economic ramifications for electric ratepayers.

"We've got quite a mess brewing here," said Paul Gunter, director of the Reactor Oversight Project for the nonprofit Beyond Nuclear, "and we're only able to see the tip of the iceberg."

"Going into this financial crisis, the Nuclear Regulatory Commission did not have a handle on verifying the status and veracity of decommissioning funds for the nation's nuclear plants.

"That problem has only been exacerbated by the stock market diving."

Steve Kerekes, spokes man for the industry's Nuclear Energy Institute, said the funds are like a 401(k) and are a "pretty safe bet" to bounce back.

"The fact that there are folks out there who want to seize upon this to suddenly attack nuclear power plants when we're in the midst of the biggest financial crisis in 50 years is opportunistic," he said.

TVA, which gets 33 percent of the electricity it sells from nuclear plants and 63 percent from coal, has said in the past that it has adequate funds to deal with the plants. The agency operates six reactors at three plants and has one more reactor under construction.

The fund won't begin to be needed until at least 2020, when the first reactor could be scheduled for closure, Francis said.

"You've got 20 years more to accumulate funds. You've got time to adjust."

Audit listed problems

The NRC's inspector general released an audit report in 2006 that outlined problems with decommissioning funds and made recommendations, which critics say still have not been addressed.

The report listed NRC's lack of verification of trust fund balances, questions about estimating how much will eventually be needed and inadequate restrictions on types of investments.

The audit said the money in the trust funds was "at risk" for a "potential adverse impact."

The NRC staff has said it will rework by 2014 the formula that estimates how much money is needed to decommission a plant.

The staff did not agree with some other recommendations, including the inspector general's call for verification of trust fund balances. The NRC has chosen not to follow that one.

As it is, the nuclear oversight agency relies on TVA and other utilities to self-report the total in their funds along with an estimation of how much is needed for cleanup.

TVA put that amount at $753 million this year.

NRC spokesman Scott Burnell said that the agency requires reports on the funds every two years, and that most of that money won't be needed for decades. "In the case of decommissioning, the licensee must pay the costs regardless of whatever investments had been set up in the past," he said.

Plants can be set aside

Vermont, where a public service agency representing rate payers holds sway over utilities, has begun requiring monthly financial reports on the Yankee Nuclear Plant's decommissioning fund.

That happened after state officials learned, after repeated requests this year for information from its owner, Entergy, that the fund had dropped 10 percent.

The company's options, unless it can extend the plant's life, include mothballing it for up to 60 years while the fund grows and radioactivity subsides.

The NRC allows this process, which is called SAFESTOR, for old nuclear plants for up to 60 years before they must be cut up and removed.

Another option is "entombment" of radioactive components in concrete for the long term.

About 100 commercial nuclear reactors are producing electricity around the nation. Eleven outside of the Tennessee Valley region have been closed and taken apart, with the spent fuel stored usually on site.

Three reactors are undergoing decommissioning, while 11 are mothballed in SAFESTOR mode. Three others are entombed.

TVA would have all these options if needed someday to hold the plants in suspension while money accumulates.

Some observers worry that leaving defunct plants dotting the country for decades extends the potential hazards, and that the workers and engineers knowledgeable in these older components and fittings could be gone, making the activity of dismantling them later dicey.

"This is just another one of those legacy issues that nuclear power forces us to deal with," said Stephen Smith with Southern Alliance for Clean Energy and a TVA watchdog.

"There are a number of unresolved issues with this technology and a number of large price tags in dealing with it. Those price tags are hard to pin down."