

Client Alert

February 2015

DOE Announces New Loan Guarantee Program for “Advanced Nuclear Energy Projects”

On December 10, 2014, the Department of Energy released a loan guarantee solicitation (the Solicitation) for advanced nuclear energy projects. The Solicitation describes a new loan guarantee program (the Program) authorized under Section 1703 of the Energy Policy Act of 2005. Under the Program, the Department of Energy would provide up to \$12.5 billion in loan guarantee authority for facilities that employ “innovative advanced nuclear energy technologies.” Of that amount, \$2.0 billion is available exclusively for advanced nuclear facilities for the “front-end” of the nuclear fuel cycle and the remaining \$10.5 billion is available for nuclear power facilities.

Eligible Projects

The Solicitation includes the following illustrative list of eligible projects, based on the “advanced nuclear energy technology” areas:

1. “Front-end” Nuclear Facilities:
 - (a) Uranium Conversion: Projects that economically convert U3O8 powder into a gaseous form of uranium hexafluoride;
 - (b) Uranium Enrichment: Projects or facilities that transform natural uranium or uranium tails to a higher isotopic content of U235, including by (1) gas centrifuge or (2) laser isotope separation; and
 - (c) Nuclear Fuel Fabrication: Projects that fabricate nuclear fuel, including (1) production of UO2 powder that is “reconverted” from enriched UF6 gas from enrichment plants; (2) formation of UO2 pellets from UO2 powder through compaction and sintering; and (3) fuel assembly (i.e., insertion of pellets into zircaloy tubes and formation of a fuel assembly using fasteners).
2. Nuclear Power Facilities:
 - (a) Nuclear Reactors: Projects with state-of-the-art design improvements. These improvements are in the areas of fuel technology, thermal efficiency, modularized construction, safety systems and standardized design;
 - (b) Small Modular Reactors: Projects with state-of-the-art design improvements. These improvements are in the areas of fuel technology, thermal efficiency, modularized construction, safety systems and standardized design and are nominally 300 Mwe or smaller in size;
 - (c) Upgrades: Projects consisting of improvements and/or modifications to an existing reactor that is operating but that due to such improvements and/or modifications will operate more efficiently; and

- (d) Upgrades: Projects consisting of improvements and/or modifications to an existing reactor that is not operating and cannot operate without such improvements and/or modifications of an existing reactor that is operating but would be required to cease operating unless such improvements and/or modifications are made.

Nuclear power facilities include nuclear power projects and the associated nuclear reactor designs currently under NRC licensing review, as well as nuclear reactor designs that are under the NRC pre-application phase for certification, construction permit, or combined construction and operating license review.

Applications

The application fee is \$400,000 (or \$200,000 for loan amounts below a certain threshold), to be paid in two installments over the course of the application process (\$50,000 as of the filing of Part I of the application and \$350,000 as of the filing of Part II of the application). Other fees and expenses — including, among other things, a facility fee, loan maintenance fee and 100 percent of the “Credit Subsidiary Cost” (i.e., the net present value of the estimated long-term cost to the government of the loan guarantee) — become payable for a facility that receives a conditional commitment for a loan guarantee and at financial closing of the DOE loan guarantee.

The Solicitation can be accessed here: <http://energy.gov/lpo/advanced-nuclear-energy-projects-solicitation>

Hunton & Williams LLP

Hunton & Williams attorneys have extensive experience representing nuclear companies through the DOE loan guarantee process, having represented both a new nuclear project developer and a front-end nuclear technology company in the DOE’s 2008 loan guarantee solicitations related to new nuclear projects. In connection with this representation, Hunton’s clients received a conditional commitment for a DOE loan guarantee and successfully closed one of the world’s largest export credit agency financings of a nuclear project. Hunton’s team includes attorneys who have worked at NRC and UniStar Nuclear Energy, allowing them to draw upon a broad base of experience to assist clients unique among law firms. Should you have any questions about the Solicitation, please contact one of the attorneys below.

Contacts

Jeffrey P. Schroeder
jschroeder@hunton.com

Eric R. Pogue
epogue@hunton.com

John R. R. Tormey
jtormey@hunton.com

Laurence E. Skinner
lskinner@hunton.com