

DOE federal loan guarantee improvements needed, Government Accountability Office report says

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The U.S. Department of Energy's federal loan guarantee program – of which Plant Vogtle is the largest proposed beneficiary – is not following its own rules for evaluating applications and maintaining records, the Government Accountability Office said this week.

Auditors said a lack of accessible, consolidated data makes it difficult to manage the program and provide competent oversight on applications for funding assistance designed to stimulate commercial energy projects, including construction of nuclear reactors.

Under a 2005 Congressional edict, the department is authorized to award up to \$34 billion in loan guarantees, of which Georgia Power Co. and nuclear partners Oglethorpe Power and MEAG are conditionally approved to receive up to \$8.326 billion for the Vogtle expansion.

That sum includes \$3.460 billion for Georgia Power, \$3.057 billion for Oglethorpe and \$1.809 billion for MEAG.

Auditors reported difficulties getting documents needed for their review, noting that program officials “did not have consolidated data readily available and had to assemble these data over several months from various sources.”

On a positive note, the GAO also interviewed private lenders who finance large-scale energy projects. Those sources concluded the Energy Department program's review process “was generally as stringent as or more stringent than their own.”

However, the government's reviews sometimes differed from its established process in that some steps were skipped, not properly documented or omitted entirely. Such deficiencies make it difficult to treat all applicants consistently and could affect the ability to identify and mitigate project risks, the 58-page report said.

Poor documentation could also make it harder for the Department of Energy to defend itself should the fairness or justifications for its loan guarantee decisions be called into question, auditors said.

The GAO recommended that Energy Secretary Steven Chu establish a timetable for, and fully implement, a consolidated system to provide complete information on all loan guarantee projects, and that the department regularly update the program's policies and procedures.

The \$14 billion project to add two reactors to Plant Vogtle was given final approval Feb. 9, when the Nuclear Regulatory Commission issued a combined operating license for the project.

The loan guarantee has not yet been finalized, as the financial terms of the agreement remain under negotiation, said Jeff Wilson, a Southern Company spokesman.

The agreement, he said, is expected to become final in the second quarter of 2012. He would not elaborate on the specifics of those negotiations.
