

CWIP Fact Sheet

What is CWIP?

CWIP (Construction Work in Progress) is an electric surcharge that raises the rates of current ratepayers' bills allowing utility companies to finance the future construction of multi-billion dollar coal and nuclear power plants.

In 1976, Missourians voted 2 to 1 to ban CWIP surcharges. Today, AmerenUE is pressuring the Missouri Legislature to overturn the 1976 surcharge ban, thereby ignoring the will of the people. Reinstating CWIP would allow Ameren to build a second nuclear reactor at the Callaway 1 nuclear plant in mid-Missouri – or construct new coal plants. CWIP forces ratepayers to subsidize the construction of Ameren's plant before it provides any electric service for its customers.

For the past 35 years, Missouri utilities have financed new power plants without CWIP surcharges. As a monopoly and regulated utility, Ameren is already guaranteed a fair rate of return on investments through the current rate structure.

Why should the No CWIP Law be preserved?

- 1) **CWIP would dramatically raise current power rates**, a fiscally irresponsible decision during this recession. St. Louis alone has 162,000 low-income families who pay as much as 40% of their income for utilities – rate hikes will be unbearable for this population. People at the median income level pay only 6% of their income for utilities. Estimates of rate increases with CWIP range from 10% to 40 % and will be financially devastating to low income Missourians and businesses with narrow profit margins. Businesses are concerned that they will be forced to cut jobs or leave the state if the rate hikes are approved.
- 2) **It is imprudent to overturn a law without knowing the impact it will have on ratepayers.** The Public Service Commission has not required AmerenUE to perform a study on the rate impact of CWIP charges for its proposed nuclear reactor, Callaway 2. However, the Office of Public Counsel reports the CWIP charges resulting from the new plant could increase our electric bills between 30%-40%.
- 3) **CWIP is unfair to consumers.** CWIP allows a for-profit, monopoly utility like AmerenUE to transfer risk from investors to captive ratepayers. AmerenUE executives want to shift the risk because Wall Street investors, aware of the incredible cost and risk associated with Callaway 2, refuse to finance it. These investors know that investing in new, unproven nuclear technology is imprudent from a financial perspective because the history of nuclear plant construction is one of failed projects, cost overruns, and critical shortages. Forcing ratepayers, who receive no benefit during the construction of the plant, to subsidize the cost but receive none of the benefits, is unfair.
- 4) **CWIP charges are unnecessary** for renewable projects and are only beneficial for large, capital intensive projects like coal and nuclear projects. Before allowing CWIP to build Callaway 2, a determination must first be made that there is a real need for 1600 additional MW of new generating capacity. Many argue 1600 MW is an inflated projection of Missouri's demand.

After determining Missouri's projected demand, we should then identify the most cost effective way to meet that demand. States like Vermont solicited proposals to reduce demand or

identify new generation capacities and found the program to be a successful way to meet energy needs. California has achieved demand reductions equivalent to several power plants through efficiency over the years. AmerenUE should not be allowed to build a nuclear reactor with ratepayer money before more cost effective options have been identified.

- 5) **Efficiency and renewables are lowest cost solutions.** Nuclear energy costs 30 cents per kW/hr, wind costs 7 cents a kW/hr, and efficiency costs only 3 cents per kW/hr. Efficiency is, by all accounts, the most cost-effective way to meet our energy needs but is least utilized in Missouri. The Department of Energy (DOE) studies show that 80% of projected growth in electric demand could be offset by efficiency improvements alone.

Missouri ranks 45th in energy efficiency policy. Rather than overturning CWIP which will result in higher rates and reduced consumer protections, but continue inefficient energy usage, Missouri needs efficiency legislation like a statewide energy code and incentives that will encourage utilities to invest in efficiency. Both bills are introduced and ready to be passed this session (see efficiency fact sheet).

- 6) **Missouri needs new job creation now.** The jobs promised by the construction of Callaway 2 will not be created for at least four years. Efficiency and renewable projects create jobs immediately. In addition, investments into renewable energy and efficiency generate jobs in every county in the state, not just in mid-Missouri.

Beyond the delay in job creation, out-of-state workers fill many of the jobs at Callaway 2. Callaway 2 plant is a "cookie-cutter" design that proponents hope will use the same teams of engineers and craft workers who build the same facility in several locations in order to keep costs low. This approach may mean that Callaway 2 is not built by Missourians.

CWIP Bills

SB 228 and HB 554 – OPPOSE

SB 228 and HB 554 overturn the ban on CWIP and remove a wide array of critical consumer protections. They give utilities increased control thereby leaving consumers exposed to unsubstantiated, *quarterly* rate increases and reduce regulatory and judicial review.



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