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Estimate soars to build nuclear fuel conversion plant  
*MOX project costs increase \$2.5 billion, audit finds*

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A proposed Savannah River Site plant that would turn weapons-grade plutonium into fuel for nuclear power reactors will cost \$2.5 billion more than expected due to "weakness in project management" and problems with contract administration, the U.S. Energy Department Inspector General's Office says.

As recently as 2002, the National Nuclear Security Administration told Congress the project would cost about \$1 billion, but expected costs rose 250 percent to \$3.5 billion by July 2005, according to a new audit.

Michael C. Kane, the associate administrator for management and administration at NNSA, says in a memo attached to the audit that rising project costs may be misleading and result from circumstances "that cannot be fairly attributed to project management." In the same memo, he said he agreed with some recommendations "to further improve project oversight."

The plant would convert 34 metric tons of plutonium to "mixed oxide" fuel, as part of nuclear disarmament deal with Russia. Trees and power lines have been cleared to make room for the plant, but building hasn't begun, said Jim Giusti, an Energy Department spokesman at SRS.

**Advertisement**      The project forms the cornerstone of Savannah River Site's future. In the 1950s, the 310-square-mile site near Aiken made nuclear bomb parts, employing about 35,000 at its peak. Employment at the Energy Department site now stands at about 12,000 and focuses on cleaning up highly radioactive and dangerous nuclear waste.

Construction of the fuel plant would create about 1,000 jobs, Giusti said. According to the audit, "Only about \$206 million remains available to actually support construction activities based on current estimates."

NNSA spokesman Bryan Wilkes disputed the finding, saying the administration has \$550 million set aside for construction, thanks to a series of annual congressional appropriations it has saved up.

"We definitely have enough money to begin construction in 2006," he said.

U.S. Rep. Bob Inglis, R-Travelers Rest, said the expected overruns trouble him. He said they could discourage Congress from further investment in the plant or any other project involving new technology.

"I want an explanation for why it is the management seems to have been so poor on this project," Inglis said.

The audit blamed the overruns on a contract with "inherent limitations in controlling costs;" a lack of reporting mechanisms to track costs and monitor progress; and a lack of oversight to ensure problems were identified and corrected in a timely manner.

Kane's memo to assistant inspector general George W. Collard attributed the rise in costs to significant increases in labor and construction costs; additions that will give the facility the capability to handle impure plutonium; and work that was originally planned for the construction phase shifting to the design phase.

U.S. Sen. Lindsey Graham, R-S.C., remains committed to the program and plans to review the audit when he returns from his holiday break, said spokesman Kevin Bishop.

Congress set aside \$950 million for the plant through 2005, the audit says.

The NNSA originally said it had a "high degree of confidence" in its 2002 cost estimate because the technology was well established and based on proven processes in Europe, according to the audit. The administration reported that 60 percent of the design was complete, the audit says.

But by July 2005, the design was just 70 percent complete, although the administration had spent nearly half its budget, \$453 million, on design alone, according to the audit.

A contract to design the facility was awarded in March 1999 to a private consortium, the audit says.

The United States and Russia pledged to disarm at the same time, but the program was delayed in the wake of disagreements over liability protection for U.S. companies working in Russia, the audit says.

The disagreement was resolved in July, the audit says, and the NNSA plans to begin construction in May 2006.

In his response to the audit, Kane says a more credible cost comparison would take into account the 21/2-year delay. He also noted that the current estimate is in "future year dollars," while the various options outlined in the report are in 2001 dollars.

"While project costs have risen, comparing the current MOX cost estimate to that which appeared in a 2002 report to Congress overstates the cost difference," he says in the memo.

The plant that would make mixed-oxide fuel, or MOX, would be the first of its kind in the United States. European countries have been using it for years.

A load of French mixed-oxide fuel passed through Charleston's port in April, en route to Duke Power's Catawba Nuclear Station on Lake Wylie. The company's aim was to test and demonstrate the safe use of the fuel.

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