

## **Junior Seminar on Energy and Its Impacts**

### **Security for Nuclear Waste**

Suppose a core for a nuclear power plant is installed in year 0 and used for the next five years (years 1-5). After that it is removed from the plant and stored indefinitely. Beginning in year 6, security for the stored core would cost \$200,000 per year. A regulator requires that the plant make a lump sum payment for all future security in year 0 when the core is installed.

Please draw an appropriate cash flow diagram and calculate the amount the firm would have to pay. The regulator uses a 10% interest rate in present value calculations.