

Nuclear plant change put off for now

BY JOHN MURAWSKI - Staff Writer

PUBLISHED IN: BUSINESS

Japan's nuclear crisis has derailed an effort in this state to make it easier for Duke Energy and Progress Energy to raise rates to pay for new nuclear reactors.

That means it will be next year - at the earliest - before the state legislature would even consider the legal change sought by electric utilities, Duke Energy CEO Jim Rogers said during a conference call with Wall Street analysts Tuesday.

Duke and Progress have said they need to be able to pass along nuclear costs to customers without extensive rate hearings. They want a streamlined regulatory proceeding focusing on nuclear expenses only - not one that requires an audit of all company operations.

Such streamlined cost recovery would take several weeks to process, as opposed to the several months that would be needed for full rate hearings.

The two politically influential power companies had lobbied to line up political support and, with business-friendly Republicans in control of the General Assembly, had a good chance of getting the legislation passed this year.

Related Stories

Related Images



2008 CHARLOTTE OBSERVER FILE PHOTO - DAVIE HINSHAW

Despite problems that have arisen in Japan's nuclear plants after the earthquake and tsunami, Duke Energy remains committed to expanding its nuclear power plants, like the McGuire Nuclear Station on Lake Norman in northern Mecklenburg County.

Mike Hager, vice chairman of the House Public Utilities Committee, said Wednesday that state officials should hold off on the nuclear proposal until the root causes of the Japanese crisis are analyzed.

Hager, a mechanical engineer who worked 16 years for Duke, said also that he has misgivings about advancing legislation that could add between \$20 and \$40 to a monthly household power bill at a time that many North Carolina counties are still racked by double-digit unemployment rates.

"It may not be a lot to me and you but it makes a world of difference for those folks," said Hager, a Republican who represents economically distressed Cleveland and Rutherford counties. "It was going to be a bill that we would have to explain -- why it was important for the energy future of North Carolina."

The nuclear legislation may also have gotten short-shrift in the legislature because of more pressing priorities. State government is contending with a massive shortfall and partisan budget battle.

But Rogers pinned the blame on the crisis that's been unfolding in Japan for the past two months, making the bill a political non-starter in this state.

"The events in Japan have affected concerns of the appropriate timing of the legislation," Rogers told analysts.

Nuclear critics have said such a law would shift the risk of building nuclear plants from shareholders to customers, raising monthly bills years before the customers saw any benefit from the rate increases.

But the nuclear industry says the change would allow power companies to recover their financing costs early and make interest payments on an annual basis, shaving hundreds of millions of dollars from the total cost of a nuclear project and reducing the overall impact of the rate increases necessary to pay for new reactors.

Duke and Progress officials have said in the past that Wall Street won't front the money for new nuclear construction without a streamlined law for quick cost recovery. On Tuesday Rogers said that without a new law, annual rate hearings would be the only alternative, albeit a time-consuming and costly option.

Safety concerns

Duke expects to receive a federal license for a pair of new reactors in 2013, giving state lawmakers sufficient time to take up the issue next year, Rogers said. The twin reactors, to

be built in South Carolina, have a projected cost of \$11 billion. The reason North Carolina lawmakers would vote on legislation to pay for a nuclear plant in a neighboring state is because that plant would generate electricity for Duke's customers in both states.

In the wake of the Japanese crisis, one of the lingering questions is the total cost of a nuclear plant.

The U.S. Nuclear Regulatory Commission has said it will review the Japanese incident in order to determine what safety upgrades might be needed at U.S. nuclear facilities. Changes in federal safety rules would likely increase the cost of operating a nuclear plant.

One likely issue of concern is the amount of radioactive nuclear waste stored at spent fuel pools. As the superheated waste becomes concentrated, the likelihood of a fire and a radioactive leak becomes greater in the event of an accident that causes a drop in water levels in the pools.

john.murawski@newsobserver.com or 919-829-8932