

Duke faces challenges in getting nuke plans online

Environmental groups are wary and market demand is still unclear

DAVID MILDENBERG
STAFF WRITER

Within the next 45 days, Progress Energy Corp. and Duke Energy Corp. each plan to announce specific sites for potential \$2 billion-plus nuclear plants in the Carolinas.

But recent demand trends and the inaccuracy of past growth projections are already sparking questions about the wisdom of nuclear expansion.

Moreover, environmental experts contend North Carolina should aggressively promote conservation and renewable energy sources before committing to nukes.

"I think it's really healthy to have nuclear power on the discussion table," says William Schlesinger, dean of Duke's Nicholas School of the Environment and Earth Sciences. "But my suspicion personally is that when we evaluate and understand the full costs of nuclear power, including waste storage and adequate protection from terrorism, it's not going to be terribly competitive."

Utility officials stress no decision to build has been made. In a best-case scenario, pending a lengthy permit and approval process, the plants would not start operating until 2015.

But chief executives Paul Anderson of Duke and Bob McGehee of Progress have both emphasized their companies' need for additional capacity over the next five to 10 years.

Neither company has added a large base-load plant in more than 20 years, though both have built natural-gas fired facilities to meet peak summer and winter demand.

Both companies also want to be near the front of the line of companies seeking a license from the Nuclear Regulatory Commission, which permits new facilities. Entergy, Dominion Resources and Exelon have chosen sites in Mississippi, Virginia and Illinois, respectively, for possible future nuclear units.

Initial licensees stand to gain from billions of dollars in tax incentives and loan guarantees included in this year's federal energy bill. Absent those guarantees, Duke and Progress say they would still be pressing ahead.

Forecasting demand

Both Duke and Progress say they need 5,000 megawatts of added generation capacity by 2015 to meet demand growth and maintain 17% reserve margins. To put that in perspective, McGuire Nuclear Station at Lake Norman has capacity of 2,200 megawatts.

Duke has about 21,000 megawatts of total capacity.

Progress, which serves Asheville, eastern North Carolina and parts of central Florida, has about 24,000 megawatts of capacity.

Duke projects its Carolinas customers' demand for electricity will grow 1.6% over the next decade, while Progress is projecting slightly faster growth.

But forecasting energy demand is notoriously imprecise, particularly with energy prices so volatile, notes Jon Neufeld, a UNC Greensboro economist.

"You have to have forecasting, but I

think it's a shot in the dark," says Neufeld, who is on the N.C. State Energy Policy Council. "It's hard for me to believe that building these behemoth plants is the optimal thing to do."

In the 1970s and early 1980s, Duke and other utilities predicted long-term growth of 7%, sparking initial construction of dozens of nuclear facilities. When demand plummeted to less than 2%, many of those facilities were cancelled, causing billions of dollars of write-offs and some industry bankruptcies.

More recent forecasts have also proved iffy. In 1999, Duke projected annual growth of 1.9% over the coming decade. Instead, growth has averaged about 0.5%, largely because sales to textile mills plummeted as that industry declined.

Duke now says industrial demand is picking up again, with growth expected in the automotive, plastics and chemical sectors.

In a November 2004 report, the N.C. Public Staff, which represents ratepayers, stated, "Duke Power's load forecast has continued to exceed its actual loads by an average 1,472 megawatts, an 8% forecast error."

Cheap power

More than 90% of Duke's electricity comes from coal and nuclear facilities. Because of efficient operations, its customers' bills have risen less than 3% over the past year. By comparison, natural gas customers are facing 50% price hikes this winter because of surging prices, state utility regulators say.

Still, environmental leaders say policy makers rarely balance the cost benefits of new nuclear and coal facilities with the potential from promoting conservation and alternative sources of energy.

"The most important thing to me is for North Carolina to look at the big opportunities in energy efficiency before expanding these base-load plants," says Jane Preyer, director of Environmental Defense's Raleigh Office. "The Southeast uses more electricity per capita than anywhere else in the United States, and there is no reason we should be settling for that."

Duke and Progress officials say alternative sources, such as wind and solar power, aren't economically effective or reliable for base-load demand.

But the utilities have consistently stymied efforts to promote conservation and renewable forms of energy at the General Assembly, says Sharon Stroud, policy coordinator of the N.C. State Energy Office, a state agency.

Earlier this year, utility lobbyists helped block a bill that encouraged the companies to set a specific target for renewable energy sources. Nineteen states have instituted similar plans.

"Here they are announcing these big nuclear plans, while blocking every move that could truly benefit potential alternative sources of energy," Stroud says.

Traditional opponents of nuclear power are already moving to counteract the companies. In October, the Durham-based N.C. Waste Awareness and Reduction Network attracted 600 people to a forum in Chapel Hill in which famed environmentalist Amory Lovins blasted nuclear energy.

"We think it would be crazy and reckless to go down this path when we have safer technologies in place," says Jim Warren, executive director of N.C. WARN.

All financial temporaries are not created equal.

As the leader in specialized staffing, Accountemps hires only the most highly skilled financial professionals. From accounting clerks to payroll specialists to senior tax accountants, they will hit the ground running to augment your permanent workforce. So call us at one of our 330 offices worldwide today. And see why Accountemps equals less training and more productivity for you.

Charlotte Uptown • 704.339.0550
N. Charlotte University • 704.548.0656
Charlotte South • 704.341.1065

accountemps.com

accountemps®