Nuclear plant closures show industry's struggles

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By RAY HENRY and MICHAEL R. BLOOD

LOS ANGELES (AP) - The decision to close California's San Onofre nuclear plant is the latest setback for an industry that seemed poised for growth not long ago.

(AP) Lyn Harris Hicks, a longtime opponent of the San Onofre nuclear power plant and a nearby resident,...
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In Wisconsin, a utility shuttered its plant last month after it couldn't find a buyer. In Florida - and now California - utilities decided it was cheaper to close plants rather than spend big money fixing them and risk the uncertainty of safety reviews.

Meanwhile, the low cost of natural gas is discouraging utilizes from spending billions of dollars and lots of time to build nuclear reactors.

New technology allows drillers to extract more gas within the U.S., increasing the supply and pushing down prices. In states were utilities operate as monopolies, they are reluctant to ask their regulators for permission to build enormously expensive nuclear plants - or even fix old ones - when it so cheap to build gas-fired plants.

In places where utilities sell power into the open market, the low prices don't offset the financial risk of building expensive and time-consuming nuclear plants.

"The world has changed with natural gas prices being so low and so much gas being available for so long," said Mike Haggarty, a senior utility analyst for Moody's Investor Service.

Industry supporters acknowledge the challenging economics but say nuclear power still has long-term possibilities. While the costs to build plants are enormous, once online, the fuel and operating costs are relatively low. And reactors can reliably produce power with little or no carbon emissions, said Steve Kerekes, a spokesman for the Nuclear Energy Institute, an industry lobbying group.

Plants fired by gas cost much more to run when prices surge.

"When gas prices are low, that's great," Kerekes said. "But a lot of people don't like to put all their energy eggs in one basket."

On Friday, Southern California Edison announced it would close its San Onofre plant between San Diego and Los Angeles rather than fix damaged equipment that critics said could never be safely replaced. The twin reactors were idled in January 2012 when a small radiation leak led to the discovery of unusual damage to hundreds of new tubes that carry radioactive water.

(AP) Gary Headrick, right, hugs Steve Netherby, center, and his wife Laurie Headrick, left, before a...
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Despite spending more than $500 million on repairs and replacement power, the utility, owned by Edison International (EIX), decided to call it quits. It faced safety investigations and regulatory hurdles to restart the plant.

In February, North Carolina-based Duke Energy Corp. decided to close the Crystal River nuclear plant in Florida after workers cracked a concrete containment building during an attempt to upgrade the plant in 2009. The containment building is supposed to prevent a release of radiation in case of an accident. An attempt to fix the problem in 2011 resulted in more cracks.

Despite the shutdown, Duke still wants its customers to reimburse the company for $1.65 billion in plant investments. The utility will use $835 million from an insurance settlement to refund customers who had to pay for backup power.

Even working plants are being scuttled. Dominion Resources Inc. (D) announced in October it would close the Kewaunee Power Station in Wisconsin because it couldn't find a buyer. Dominion CEO Thomas F. Farrell II said the plant's contracts to sell its electricity were ending while wholesale electricity prices are expected to remain low. The company is keeping reactors elsewhere in the country.

"This decision was based purely on economics," Farrell said at the time. "Dominion was not able to move forward with our plan to grow our nuclear fleet in the Midwest to take advantage of economies of scale."

Just a few years back, nuclear industry officials said the time was right for expanding. A more

(AP) Lyn Harris Hicks, a longtime opponent of the San Onofre nuclear power plant and a nearby resident,...
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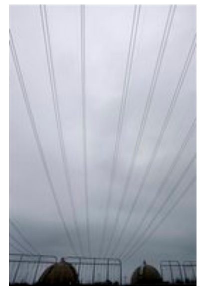
robust economy boosted demand for electricity, natural gas prices were higher, and it seemed Congress might pass legislation restricting the greenhouse gas emissions, a rule that could hurt fossil fuel plants and increase the demand for nuclear power. To further sweeten the pot, the U.S. government adopted tax credits and offered low-cost loans to subsidize construction.

The industry called it a "nuclear renaissance." It was short-lived.

The Great Recession trimmed the demand for electricity as business and consumers cut back, and natural gas prices fell. Several utilities have scrubbed their plans for new plants or delayed them far into the future.

Paul Patterson, a utility analyst for Glenrock Associates LLC, said the idea of a renaissance was "exaggerated to begin with," and low-cost natural gas ended such talk.



(AP) Power lines cross a freeway as they make their way to the San Onofre nuclear power plant Friday,...
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Only three nuclear construction projects have moved forward, and they are all under financial pressure.

The Tennessee Valley Authority is finishing a long-mothballed reactor at its Watts Bar plant. Initially budgeted at $2.5 billion, the utility has said finishing the project could cost up to $2 billion more.

Atlanta-based Southern Co. (SO) owns a 46 percent share of two new reactors being constructed at Plant Vogtle in eastern Georgia, a project originally estimated at $14 billion. Southern Co. subsidiary Georgia Power recently asked regulators to raise its share of the construction budget by $737 million to roughly $6.85 billion.

It may cost more. Georgia Power and the companies designing and building the plant are in a legal fight that may cost the utility more money. Separately, an independent monitor hired by Georgia regulators has warned of additional potential costs.

SCANA Corp. (SCG) announced this week that it expects its costs to rise by around $200 million and the construction schedule to slip while building two reactors at the V.C. Summer Nuclear Station in South Carolina.

Henry reported from Atlanta and can be reached at . AP Energy Writer Jonathan Fahey also contributed to this report from New York.http://twitter.com/rhenryAP

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