



## **A course change for utilities**

BY JOHN BLACKBURN AND JIM WARREN

Electricity rates for most North Carolina customers will increase dramatically if new coal-fired and nuclear power plants are successfully completed by Duke Energy and Progress Energy. Fortunately, analysis of the companies' latest filings shows that instead of risking \$35 billion to \$40 billion on new plants, there is a better, cheaper and more secure way to accommodate population growth. In particular, Duke's arguments for building the \$2.4 billion Cliffside coal-burning plant near Charlotte are no longer valid.

Avoiding new plants can be accomplished through modest increases in energy efficiency, cogeneration and renewable power sources and, if necessary, by tapping a large prospective oversupply of electricity in the Southeast. This approach would generate thousands of jobs statewide, plus allow retirement of seven to nine existing coal-burning plants -- a boost for the critical task of reducing greenhouse gas emissions.

National trends are moving rapidly toward energy efficiency and renewable power, a belated response to accelerating climate change and rising energy prices. Over 90 construction projects for coal-fired plants have been shelved, including one of the units proposed for Cliffside. Lawsuits, carbon regulation and pressure to stop mountaintop-removal mining will keep driving up coal power's costs, further bolstering the transition to renewables.

Recently the U.S. State Department's climate envoy, Todd Stern, questioned the business judgment of companies making high-carbon choices such as coal-fired plants "when it becomes clear that heavily polluting infrastructure has become deadly and must be phased out before the end of its useful life."

Jon Wellenhoff, the top U.S. energy regulator, dismisses the need for new coal and nuclear plants. He says that the nation's tremendous renewable resources can meet future needs and that new technologies such as the smart grid will accommodate intermittency and distance issues associated with wind and solar.

Interior Secretary Ken Salazar says wind energy alone might replace most of the nation's existing coal-power capacity.

Local developments add to the case against continuing construction at Cliffside:

- A recent state Utilities Commission ruling stifles Duke's efforts to sell electricity to cities outside its service area. Duke is seeking outside customers whose total demand far exceeds the capacity being built at Cliffside, so this ruling alone eliminates the need for the increasingly controversial coal-burning generator.
- Duke's service area sales growth has been low throughout this decade, and the utility expects it to remain so through 2023.
- Duke maintains extraordinarily large reserve margins; reducing them to the level used by Progress Energy more than offsets the need for Cliffside.

Industry data show that Southeastern utilities seek to build the equivalent of 50 large power plants in excess of regional needs so they can increase sales of power outside the area.

Practical steps can help North Carolina avoid risky new power plants and retire existing coal units:

1 Increase energy efficiency 1 percent annually through proven programs growing at a modest pace. Twenty other utilities and municipalities have achieved this, and an independently administered program such as NC SAVE\$ ENERGY (state House Bill 1050) is positioned to bring real efficiency to this state. By contrast, Duke and Progress Energy each forecast only small efficiency gains over the next 15 years; they seemingly prefer to build expensive power plants.

2 Bring on renewable power as required by the state's 2007 Energy Bill. This is well within reach, especially as solar prices continue declining and as North Carolina joins other mid-Atlantic states that are rapidly developing their large offshore wind energy potential.

3 Make modest increases in load control programs to soften demand peaks and further develop cogeneration (combined heat and power), a proven resource with much potential in North Carolina.

So why the push to build huge plants? Largely because our rate system rewards high-priced construction projects and maximum electricity sales. And because the utilities exercise extensive influence over state governments and Congress.

North Carolina law clearly protects customers against the overbuilding of power plants. Based on the arguments above, the Utilities Commission is considering NC WARN's motion to revoke permission to construct the Cliffside unit.

Construction problems have already delayed Cliffside's scheduled opening by a year, until 2012. If the project is halted by additional problems -- or by the commission, the EPA or a federal or state judge, or by loss of financing, along with public pressure -- several hundred million dollars could be stranded unless Duke chooses to use the facility for gas-fired peak demand units. However, the amount lost could be many times higher if the project, now estimated at \$2.4 billion, moves forward.

It's time for elected officials and the Utilities Commission to connect the dots. The Cliffside project should be canceled before it becomes a multibillion-dollar albatross for ratepayers.

The public is gradually realizing we must use energy wisely and require leadership by public officials. Building enormous power plants is too financially risky and the wrong direction for tackling climate change, especially when there are economically superior alternatives.

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