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Beware the bill for nuclear plants

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Recent news of a merger between Duke Energy and Progress Energy sets the stage for North Carolina to become home to the nation's largest electric utility. They say the merger will save customers money by eliminating redundancy, but what appears to be a key driver behind the merger - building two nuclear reactors in South Carolina - would cost customers much more.

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Duke and Progress might also try to build two units at the Shearon Harris plant near Raleigh.

The key questions are, who would pay for those multi-billion dollar projects during construction? And should the utilities or North Carolina families and businesses take the major risks of cost overruns and project failure?

Due to controversial state legislation in 2007, the utilities can already force consumers to pre-pay for new plants. But Duke and Progress executives have signaled to key lawmakers and reporters that they still cannot attempt nuclear projects without additional legislation. It appears they want an automatic pass-through of rate increases without having to justify them in traditional legal proceedings before the state Utilities Commission.

Such a plan would allow annual rate hikes beginning years before electricity could be generated.

The utilities admit they need such "restructuring" because they cannot get traditional financing for nuclear plants from Wall Street or banks. Why? Because these projects are too risky. During the nuclear boom of the 1970s and '80s, construction started on 90 U.S. reactors that never reached production. Plants that did limp to completion were plagued by massive cost overruns and years of delay. The Shearon Harris plant was budgeted at $1.1 billion for four reactors, but only one was completed. It cost over $4 billion. Similarly, Duke abandoned construction of six reactors in the Carolinas.

Families, businesses and entire towns were stuck with large rate hikes to pay for these mistakes. That's why our legislature outlawed pre-charging of customers in the 1980s. Now Duke and Progress want North Carolina families and businesses to shoulder even greater risks.

The issue isn't whether nuclear power is safe enough, or that it's now more expensive than solar or wind energy, but whether public or private money should be at stake with the highest-risk construction ventures of our time.

New nuclear projects are being abandoned in several states and foreign countries - after millions were invested - due to technical complexities and soaring cost estimates. Every project still under way is over budget and behind schedule, most notably those being attempted by the highly touted French nuclear industry.

Financial analysts at Moody's call U.S. nuclear construction a "bet the farm" risk for utilities. Even Progress CEO Bill Johnson admitted last month that a merger with Duke would still leave nuclear construction "a risky proposition."

The initial Duke-Progress attempt apparently would be in Gaffney, S.C., where two Westinghouse reactors are projected to cost $20 billion. Cost estimates for that model of reactor, which has never been built and has suffered years of design problems, keep rising.

Pass-through legislation could result in annual rate increases on customers for plants that wouldn't generate power for 10 years, if ever. Rates could easily rise by 50 percent.

Where is capitalism when we need it?

Duke and Progress say such legislation would save financing costs during construction. Sure. It might save the utilities money, but it would come out of customers' pockets up front. Especially for those living on low or fixed incomes, rising power bills could come at the expense of food, medicine or rent.

For businesses struggling with an uncertain economic future, annual rate hikes could drive them out of state or into bankruptcy. Even if the plants are completed, seniors would pay years in advance for power they might never benefit from. With our unemployment rate near 10 percent, North Carolina consumers would be subsidizing construction jobs in South Carolina for years.

Many experts argue that more nuclear plants aren't needed, that proven energy-saving programs, cogeneration and renewable energy can allow North Carolina to add thousands of jobs by joining the growing, global clean-energy revolution. This transition can also allow for quicker phase-out of coal-power plants - much-needed due to climate change - since energy-saving technologies can be ramped up immediately.

Odds are that Duke and Progress will push for fast-track legislation in North Carolina - before lawmakers and consumers figure out the details - as they did in South Carolina. In Missouri, however, a broad coalition of businesses, environmental and consumer groups banded together to stop the pay-as-you-go scheme.

Rate hikes on families and businesses have exactly the same impact that tax hikes do, especially during a recession. As this historic new legislature convenes, with promises of open government, leaders must ensure that such sweeping policy changes gain a careful, open debate.

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