Natural gas gains interest as prices fall, but Duke says Oconee has long future



Duke Energy announced earlier this month that it will permanently close its Crystal River Nuclear Plant north of Tampa. AP

NUCLEAR POWER CONFRONTS ENERGY CHALLENGE

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Duke Energy's decision to retire one of its nuclear plants for fear of the price tag to repair it comes as plunging natural gas costs offer a cheaper alternative — but the future of the Upstate's Oconee Nuclear Station, the company and nuclear analysts say, likely won't rest on the historically volatile fluctuations in natural gas prices.

Oconee's future boils down largely to its output and massive, three-reactor size, unlike Duke's single-reactor Crystal River plant in Florida, which officials announced this week would be permanently shuttered after determining that repair costs could reach $3 billion.

"Oconee does have to compete some with natural gas, but there's the economy of scale with the larger reactors," said Dave Lochbaum, nuclear safety project director of the Union of Concerned Scientists nuclear watchdog group. "It's got more margin against natural gas prices than the single-unit sites."

Oconee is a base-load plant, Duke spokesman Ryan Mosier said, responsible for providing the large minimum amount of power the Upstate needs.

"Oconee is going to be with us for a long time to come," Mosier said. "It is a prime energy-producer here in the Carolinas."

Duke, the largest electricity provider in the nation, recently earned clearance from federal nuclear regulators to extend the life of the 40-year-old Oconee plant another 20 years.

Unlike Oconee, Crystal River's license — granted in the plant's opening in 1977 — was set to expire in three years and faced a daunting challenge in convincing regulators to approve its operation beyond then.



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RYAN MOSIER, Duke spokesman

OUR NATURAL BEAUTY

Costly repair estimates led to Duke's decision to close its Crystal River, Fla., nuclear plant and explore cheaper natural gas options. MAURICE RIVENBARK/AP

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The Crystal River plant has been offline since the reactor's containment building cracked in the fall of 2009. While trying to fix the crack, the company further damaged the building in 2011, according to The Associated Press.

The cost to repair the building was estimated at $1.3 billion at a minimum, but company officials feared that unforeseen problems could swell the cost to $3.4 billion and extend the scheduled completion dramatically, AP reported.

Duke took ownership of the plant in last summer's merger with Progress Energy.

To make up for Crystal River's lost production, Duke said it is considering lower-cost natural gas facilities.

In Wisconsin, the Kewaunee Power Station nuclear reactor will be shut down in May after new discoveries of natural gas in the U.S. and advanced techniques in mining it have pushed prices near rock bottom, Bloomberg News reported.

Oconee, however, puts out more energy and is able to control costs associated with its output with consolidated reactors, Lochbaum said.

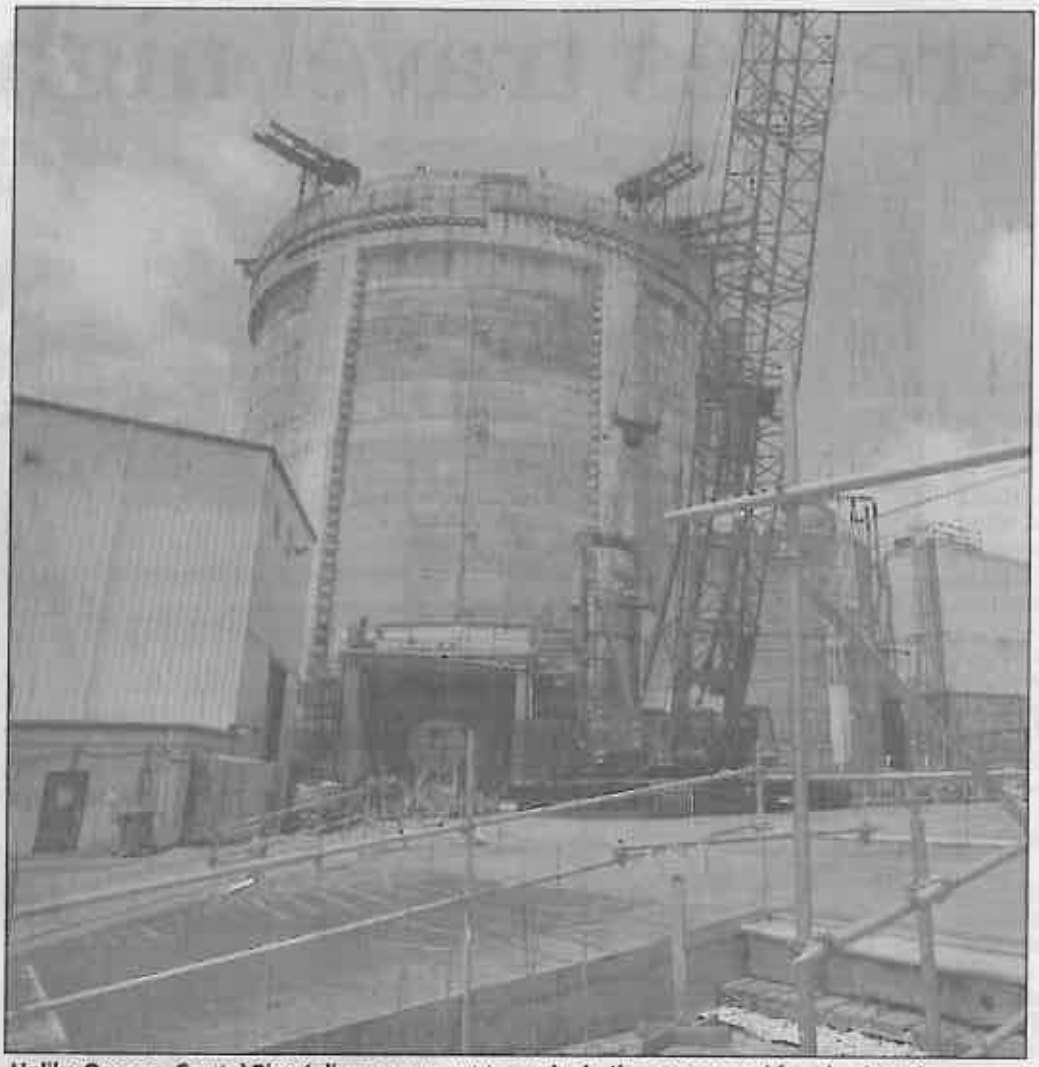
Beyond Oconee, he said, the low cost of natural gas, added with its cleaner carbon footprint compared to sources such as coal, doesn't spell the end of nuclear energy.

"Natural gas is more volatile than nuclear power is, so if you can survive the period where you're relatively unattractive until it turns around, then you look good when natural gas prices go up," Lochbaum said.

"If you're among the survivors, you somewhat fare a better future if you make it through the round of people who retire. Assuming Oconee makes it through that, they will be stronger competitively five years from now than they are at the moment."

Natural gas is a "game-changer," Mosier said, but not a replacement for nuclear energy at this point. Duke must maintain a variety of sources to protect against fluctuations.

"There's no guarantee that the price today is the price we'll have tomorrow, on any fuel sources," he said. "We have to balance our fuel mix to make sure we serve our customers the best we can. Oconee is a separate issue from natural gas."



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Duke is pressing forward with its request for a license to build two reactors in Cherokee County, Mosier said. Duke's plans proceed along with South Carolina Electric & Gas Co. plans for an additional two new reactors at the V.C. Summer plant in Fairfield County.

In the Upstate, natural gas is expected to play a larger role as Duke moves from older coal-fired plants that have become less desirable because of increased costs to control pollution and a rise in coal prices.

Duke's W.S. Lee Steam Station in Anderson County will cease coal-fired production in 2015 after more than 60 years of operation. One of the three retired units will be converted to a natural-gas boiler, Mosier said. At the same time, Duke has built a new coal station in North Carolina with new environmental technology.

Last summer, the National Resources Defense Council ranked South Carolina as the 13th worst air polluter from coal-fired emissions. The state had ranked 11th the year before, improving because of the new EPA regulations and the cost of coal compared with natural gas, the council said.