Duke Energy to Close Troubled Nuclear Plant

EMERY P. DALESIO,Associated Press

RALEIGH, N.C. (AP) — The largest U.S. electricity company said Tuesday it will permanently close a Florida nuclear power plant after botched repairs and use $835 million from an insurance settlement to refund consumers forced to pay for higher-cost replacement power.

But Charlotte, N.C.-based Duke Energy also said it will seek to recoup from customers its $1.65 billion investment in the Crystal River Nuclear Plant, about 70 miles north of Tampa. The company said it is starting a closing process that may take 60 years before the nuclear site is decontaminated and dismantled and considering whether to build a new, natural-gas-fueled power plant to replace the power lost.

The nuclear plant operated by Duke Energy subsidiary Progress Energy Florida has been shut down since 2009, when its concrete containment building cracked during a maintenance and upgrade project. A 2011 repair attempt resulted in new cracks in other parts of the containment structure. Estimates put repair costs at between $1.3 billion and $3.4 billion.

The federal operating license for the nuclear plant, which began operating in 1977,

was due to expire at the end of 2016, meaning Duke Energy would have had to wage a regulatory fight to extend its authority to operate.

"We believe the decision to retire the nuclear plant is in the best overall interests of our customers, investors, the state of Florida and our company," Duke Energy Chairman and Chief Executive Jim Rogers said in a statement.

Rogers' expected successor following Duke Energy's merger last July with Raleigh-based Progress Energy, which owned Crystal River, was unexpectedly fired within hours after the combination was completed. DukeEnergy board members said they dumped former Progress Energy CEO Bill Johnson in part because of dissatisfaction over his handling of the Crystal River closing.

Duke said in a filing with the Securities and Exchange Commission that it would seek to recover its investment in Crystal River over a 20-year period beginning in 2017, an amount that spokesman Mike Hughes said was $1.65 billion.

Progress Energy Florida provides electricity to more than 1.6 million Florida customers, including the cities of St. Petersburg and Clearwater and the area surrounding Orlando.

Florida Public Counsel J.R. Kelly called the company's decision a bad one for consumers, who face the potential of higher rates to pay for more expensive alternate power sources. The settlement of Duke Energy's dispute with Nuclear Electric Insurance Ltd. shortchanged ratepayers because the additional $530 million

the insurer agreed to pay was less than half the lowest projected repair cost, said Jon Moyle Jr., a lawyer for the Florida Industrial Power Users Group, which advocates for manufacturers.

Florida utilities regulators will decide when customers see refunds to compensate for higher bills Progress Energy passed along because it had to replace electricity not produced by the nuclear plant with higher-pricedpower.

Florida's Public Service Commission last February allowed a $150 million increase in base rates but directed Progress Energy Florida to refund customers $288 million over two years for costs related to the nuclear plant shutdown. That money started to be included last month, Mike Hughes said. Another $100 million is due to customers in 2015 and 2016 because repairs on Crystal River had not begun by the end of 2012.

Duke Energy spent $338 million through the end of 2012 to repair the nuclear plant, $143 million of which was covered by payments by insurance. How much of the cost to close the plant will be covered by customers or absorbed by shareholders will be decided by Florida regulators, Hughes said.

"The ultimate allocation of those costs will be determined in the future, so I don't have any specific percentage that we anticipate that customers might pay, a specific percentage that we anticipate shareholders might pay. That will be determined by the proceedings" convened by state regulators, Hughes said.

The Knoxville, Tenn.-based Southern Alliance for Clean Energy said it applauded Duke Energy for its decisive decision to close Crystal River.

"Crystal River clearly demonstrates the vulnerabilities of being overly dependent on a high-risk energy source like nuclear power, which exposes ratepayers to high financial risks and residents to unnecessary health and environmental risks," executive director Stephen Smith said.

Duke Energy has 7.1 million customers in Florida, North Carolina, South Carolina, Ohio, Kentucky and Indiana.

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Associated Press writer Bill Kaczor in Tallahassee, Fla., contributed to this report.

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