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DTE ponders new nuclear plant

By: Charles Slat story updated June 11, 2006 9:06AM

DTE Energy is studying the prospects of building or buying a nuclear power plant, encouraged by new federal laws and shifting public opinion.

In the years ahead, the utility might construct a new plant, possibly next to its existing Fermi 2 nuclear power plant near Newport.

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"We're looking at it. We clearly need new baseload generation in Michigan," said Anthony Earley, DTE chairman. "I think as a practical matter the next plant in Michigan will be a coal-fired plant, just because of the time it takes to license and build a nuclear plant. But we think the second plant built in Michigan ought to be a nuclear plant."

If the company moves forward, the Fermi 2 plant site near Newport could accommodate it, he said.

"It is designed for a second big nuclear plant," Mr. Earley said.

He said large transmission towers leading from Fermi 2 carry wires only on one side and only one more cooling tower would be needed to serve a second plant.

"The site was designed to have three cooling towers for two plants. There's a lot of infrastructure already there. It is the No. 1 spot we'd be looking at."

He said it's conceivable that the DTE board would commit to the idea within five years.

"That's probably a realistic time frame," he said. "We have met with major reactor vendors. We've looked at their new technology and we have an internal study group looking at generation issues because there are lots of technology issues involved," Mr. Earley said.

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DTE Energy officials say the Fermi 2 nuclear power plant the company operates on Lake Erie could accommodate a third nuclear plant.

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"We're looking at clean coal technologies, traditional coal technologies and we're looking at all the nuclear technologies, getting a feel for the challenges and costs associated with each of them."

The company also is considering bidding on CMS Energy's up-for-sale Palisades nuclear plant near Covert, in western Michigan's Van Buren County.

Continued growth in electrical demand, operating reliability, streamlined federal licensing, improved construction techniques, and environmental concerns about coal-burning power plants are among the reasons utilities across the country now are reviewing new nuclear options, said Mr. Earley, who also is chairman of the Nuclear Energy Institute, an industry group.

During an address to the group in San Francisco last month, he acknowledged that a decade ago he and other utility executives interested in the financial health of their companies "sensed that the risks associated with nuclear power plants were overwhelming and insurmountable.

"In speeches, I frequently said that I did not think I would see a new nuclear plant ordered in my working lifetime. It's now clear that the prevailing wisdom was dead wrong."

New reactor designs and modular construction techniques mean plants can be built faster and cheaper than two decades ago, Mr. Earley said, and various federal financial incentives in the federal Energy Policy Act of 2005 make nuclear more attractive than it was 20 years ago.

But he said questions remain about how the NRC's new licensing process will work - no one's tried it yet - as well as about the future of the planned Yucca Mountain, Nev., nuclear waste repository, though legislation has been proposed that could move the project along.

"No one is actually going to stick a shovel in the ground until there's some path of dealing with nuclear fuel," he said. But he added that spent fuel storage "is not a safety issue, it's a political issue."

He noted that DTE soon will pursue on-site cask storage for used nuclear fuel at Fermi because space is dwindling in a spent-fuel pool inside the plant where it now is stored.

Mr. Earley said several utilities have been planning and designing new nuclear plants, and he predicted some utility, possibly one in the Southeast, would apply for a federal plant license within the next two years.

Meanwhile, he said DTE is reviewing the prospects of acquiring Palisades.

"We're seriously considering that and we believe we will submit a bid," he said.

CMS Energy spokesman Jeff Holyfield said bids are due at the end of the month. He said there's strong interest in the plant, which has a book value of about \$300 million, but he declined to say who the bidders might be.

Purchasing Palisades wouldn't preclude DTE from building a new plant because a purchase agreement would include a provision that CMS buy all the power Palisades produces.

Mr. Earley also noted that public opinion about nuclear power has shifted, with 86 percent of the public agreeing that nuclear power will play an important role in the

nation's energy future, according to a recent survey.

But Michael Keegan of Monroe, a strident nuclear critic, member of the Coalition for a Nuclear Free Great Lakes, and a DTE stockholder, hasn't changed his opinion.

"I thought he was brighter than that," he said of Mr. Earley. "The industry cannot stand on its own feet. The first new nukes are going to be heavily subsidized. The first ones will have an advantage economically, but after that the spigot dries up."

"The cost of nuclear power is exorbitant, but the cost is absorbed by the public, not by the industry. They are subsidized every which way. It's a bad deal."

He also said buying the aged Palisades plant would be a blunder. "It's not going to perform. They're really twisting the tiger by the tale," he said. "If there's a poster child for disaster, it's Palisades."

"Nothing could be further from the truth," said CMS' Mr. Holyfield. "Palisades has an excellent safety record."

Regardless, Mr. Keegan said DTE needs to manage electric demand through energy conservation and invest in renewable and alternative energy, not nuclear.

"It's going to be a big money pit and it's going to drive that utility down," he said. "I am a stockholder in that utility and I'm not going to tolerate it."

DTE became involved in nuclear power with a consortium of companies that built the Fermi 1 experimental breeder-reactor plant near Newport in the mid-1950s. It was shut down in 1972. Fermi 2, a 1,130-megawatt boiling water reactor, has been operating since 1988.

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