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WALL STREET BRIEFING

Analysts hear overview of nuclear power's value

WITH FORECASTS SHOWING a need for 393 000 MWe of new electrical generating capacity in the United States by 2020, new nuclear plant orders are possible within the next five years, Wall Street analysts were told during a briefing by the Nuclear Energy Institute on February 2.

The message delivered by NEI stressed that market opportunities are being created for low-cost nuclear power because of the energy woes gripping California and other parts of the United States. Changing conditions are fostering such "a high level of confidence," according to one NEI executive, that construction of new nuclear power plants will begin later this decade.

"The Department of Energy's latest forecast shows a need for 393 000 megawatts of new capacity by 2020, assuming electricity demand grows by 1.8 percent a year—somewhat lower than 2.2 percent annual growth rate we experienced between 1990 and 1999," said Marvin Fertel, NEI senior vice president for business operations. "At a 2.5 percent growth rate, we would need an additional 564 000 megawatts. Given these numbers, and given the broad recognition that fuel diversity is one of the great strengths of our electricity supply system, new nuclear plants could easily represent a substantial share of new capacity by 2020."

Fertel commented that the industry started laying the foundation more than a decade ago for policy changes to set the stage for new nuclear plant construction. Three essential conditions have converged, he said, that establish

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a business case for construction of the next nuclear power plants in the United States:

- Growing electricity demand and the need for new generating capacity.
- Greater certainty in the Nuclear Regulatory Commission licensing process.
- Programs to reduce capital costs for new nuclear power plants.

And so, Fertel added, "New nuclear plant orders are possible in the next five years."

Christian Poindexter, chairman, president and chief executive officer of Constellation Energy Group, Inc. and chairman of NEI's board of directors, told the analysts that nuclear power plants continue to perform at record levels of safety and reliability. As a result, he said, "The value of nuclear power plants in today's market has increased significantly in the last year, and we see that value continuing to increase."

Nuclear power plants are the largest source of emission-free generation in the U.S., according to NEI. Joe Colvin, president and CEO of NEI, added that this attribute will become more important and valuable as Clean Air Act requirements limit companies' abilities to find sites for new coal-fired and gas-fired power plants and increase the cost of coal- and gas-fired generation.

Poindexter highlighted several achievements from the past year:

- The average nuclear plant capacity factor industrywide is at an all-time high. The industry averaged more than 86 percent in 1999, and estimates 90 percent for 2000. NEI estimates that year 2000 production will top 1999's production record of 728 billion kilowatt-hours by five percent.
- With nuclear production costs declining to 1.83 cents per kilowatt-hour, nuclear production costs are the lowest of all large, expandable fuel sources, and have dropped below average coal-fired production costs for the first time since 1987.
- Safety performance is at record levels.
- Constellation Energy Group was the first company in U.S. history to renew an operating license for a nuclear site. Additionally, owners of approximately one-third of U.S. nuclear plants have notified the Nuclear Regulatory Commission of their intention to apply for 20-year extensions of their licenses.
- The nuclear industry continues its trend of consolidation. This leads to ownership and operating responsibility concentrated in the hands of fewer, larger generating companies for which nuclear power is a core business.