

NUKE QUESTIONS STILL SIMMER

Paul Johnson of the People's Energy Project recently spoke with Bill Ward, attorney for the Mid-America Coalition for Energy Alternatives (MACEA.) MACEA has been instrumental in the struggle against Wolf Creek, the nuclear generator planned for construction near Burlington. (See Story on page one.) Here are some excerpts from their conversation.

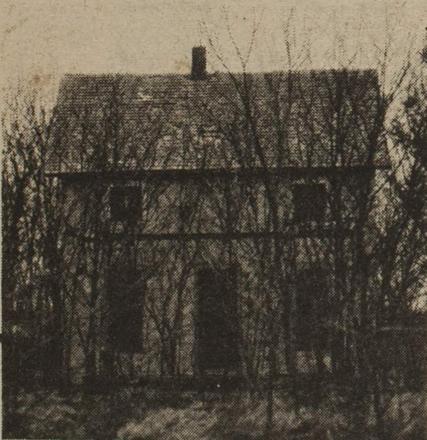
P: Could you briefly tell me how long the hearings on Wolf Creek have been going on, and your opinion of the outcome so far?

B: We've been at it since August 1975. Recently a partial decision was issued which permits the utilities to begin construction at the site to at least clear the land and build some structures. At this point the utilities are not being hampered by the failure of the Nuclear Regulatory Commission (NRC) to issue a complete construction license because they can go ahead and build in accordance with the limited work authorization. They still have a long way to go before finishing up the limited work.

Maybe our biggest accomplishment to date has been postponing the issuance of the complete construction license. It would have issued at least a year ago, maybe a year and a half ago, if we hadn't been there. Every day that the license is not issued and the hearings are still open, there is a



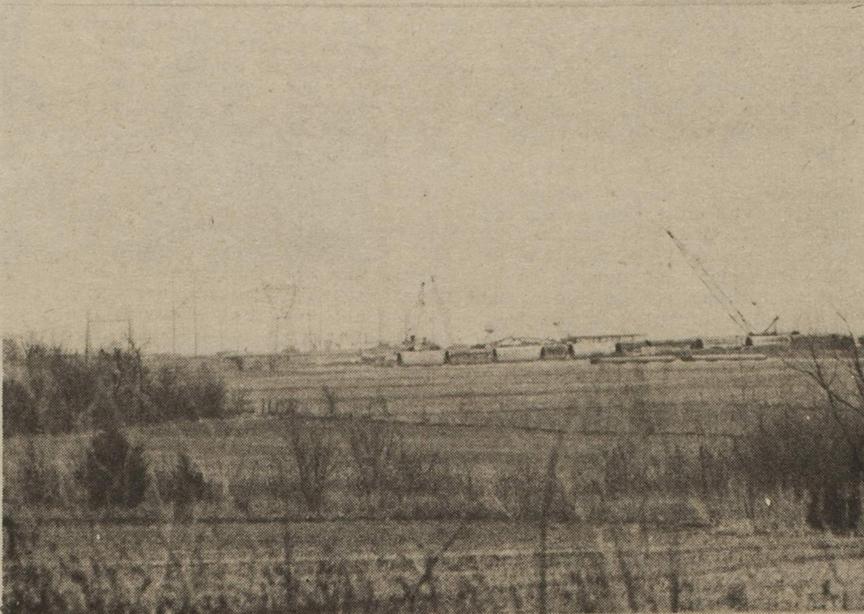
remote possibility that the NRC will agree with everyone else that coal is a cheaper alternative than nuclear power, and that energy conservation is even a better alternative than coal. But I guess that I've never been particularly op-



timistic about getting a favorable decision from the NRC. Still I was surprised to see that on the issuance of the partial decision, the vote was two to one, with the chairman voting against it.

P: What are the financial problems that the utilities are running into?

B: Basically, if you are comparing coal to nuclear, a coal-powered plant is cheaper to build than a nuclear plant, in spite of the fact that nuclear fuel is allegedly cheaper than coal. So, to the extent that the utilities have difficulty raising capital, it penalizes their nuclear plans and favors coal. Now, the amount that utilities are having to pay to the owners of their common stock to persuade people to purchase stock and thereby finance



construction projects is growing at a rapid rate. The utilities are having to request something in the order of an 18% return on common stock. Whether they will be granted that or not is quite an open question.

Today utilities are facing large construction programs and are not receiving a return on their investments until the projects are terminated. For this reason the banks are charging more for loans since they know that payments are not guaranteed until the plants begin producing power. All of this means that the cost of money is rising and nuclear plants are penalized. The hearings were quite revealing about a month ago when we reopened them with respect to the ability of the applicants to finance the plant. One day there was testimony from two witnesses, who were vice-presidents of large brokerage firms, to the effect that Kansas City Power and Light's bond rating was solid. Then, the next day, the chief financial officer of KCP&L testified that if the utility went to the bond market it was likely that their rating would fall and the amount they would have to pay to sell bonds would increase. This totally destroyed the credibility of the two previous witnesses. Then, at the beginning of our cross-examination of the two witnesses, we discovered that their two companies would stand to make a lot of money if KCP&L sold those bonds. We knew it from the start but the testimony enabled the NRC to understand why the two witnesses were really there. They will probably be able to weasel around it some way and come up with a decision against us. But it was pretty clear that the testimony of the two was self-serving and that the utilities are indeed going to have a rough time financing Wolf Creek.

P: Where do you think the power will come from to force the utilities into conservation measures? Will they be forced off natural gas?

B: Well, in general, I would have to say I'm hopeful that the Carter administration will pursue the appropriate policies. As for natural gas, let's look at KG&E's situation. They now produce the majority of their electricity with two gas-fired power plants. The plants are relatively new and are

in quite good shape. In 1975, the Federal Power Commission ordered about 22 utilities to convert from burning gas to coal. A couple of KP&L plants were hit by the order, but KG&E was totally bypassed. Personally, I suspect that they were not required to convert to coal because they had plans to build Wolf Creek, which would essentially replace the gas plants and permit them to be used only for the summer peaks. To me, that's a very inefficient way to use the two gas plants. Nonetheless, it's what the utilities would like to do, because in spending more money for new facilities they are able to make



more money. That's the way the utility business works - the more you spend, the more you make.

To me, it is simply incredible that KG&E has not done a feasibility study on converting the two gas plants to coal. Instead they are spending their time trying to convince us that they need the nuclear plant. We are now trying to decide whether the NRC has violated the National Environmental Policy Act by not insisting on an analysis of the applicants' ability to convert the gas plants to coal as an alternative to building Wolf Creek. We may decide to take action on this in the courts.

P: Do you think that the utilities' future growth rates are realistic?

B: Their growth projections are getting more realistic. Our economists have testified that the utilities should not need the Wolf Creek facility until approximately 1990. The applicants brought in an expert witness from New York who disagreed and said that no credibility should be attached to our witnesses. However even their expert later predicted a 4.25% growth rate as compared to the 7% rate promoted by the utilities. I am convinced that any kind of a reasonable conservation program will reduce the need for the plant, especially in this part of the country where our buildings leak energy by the bush-elful.

You have got to realize that the utilities decided to build this plant back in 1968, when growth had been steadily progressing at an annual rate of about 7% for at least 20 years. The utilities just put the ruler down and drew a line and decided that they would need a new plant by 1981. Then of course, the oil embargo occurred and we all cut back on our use of energy. But the utilities had locked themselves into this position already and had begun to pour money into Wolf Creek. If they had it to do over again, they probably would decide not to do it. They've had too many problems and realize that they're not going to need the plant. But if they are going to have to eat all of the money that they've spent on the plant, it may mean that KG&E would have to forego divi-

dends for a year or so, and top management would certainly be questioned by the stockholders if that happened. So, it's full speed ahead.

P: Is there any possibility that Wolf Creek will be converted to coal?

B: We have heard rumors both directly and indirectly that the utilities were considering converting to coal. I really don't know what to think of those rumors. If they decided to build coal plants instead of nuclear, they should not put a plant at Wolf Creek. Prudence dictates that they ought to back up, convert what they have to coal, build some intermediate peaking units, and then watch to see how the American people, the people of Kansas, and the people of Missouri are going to respond to the new phenomenon of higher energy prices. Then, if they need new units in the future, make them coal. But we must get behind the notion of energy conservation and solar energy development. Technologies are viable and economic--utilities can make money on it. I don't object to that. They can borrow money a lot easier than individual homeowners can, and if they were to finance the construction of solar energy units, insulation programs, and so forth, I wouldn't object to that.

photos paul johnson

People's Energy Project
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