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Nuclear Output at 17-Year High During Refueling: Energy Markets

(Click BMAP NEWS 6485 <G0> to locate U.S. nuclear plants.)

By Kenneth Christensen

March 27 (Bloomberg) -- Nuclear power plants in the U.S. are poised to operate at the highest rates for any second quarter in 17 years as fewer reactors are scheduled to shut during the traditional maintenance season, squeezing demand for natural gas.

Generation during the quarter will average about 8 percent more than a year earlier, according to data compiled by Bloomberg. Above-normal nuclear production will displace about 850 million cubic feet a day of gas demand, or 3.2 percent, compared with the same period in 2012, according to Barclays Plc. The maintenance comes as a 21 percent rally in gas this year threatens to divert what demand growth there is to coal, which has dropped 1.6 percent since December.

Operators of the nation's 104 nuclear plants typically shut reactors for maintenance as heating demand ebbs and before air-conditioner use picks up. Reduced maintenance this year, with seven plants in the Southeast scheduled to shut compared with 13 last year, means opportunities for gas and coal are limited.

"If nuclear power is going to be higher than normal in April, that means there's less electricity demand for the rest of the fuels," said Aaron Calder, a senior market analyst at Gelber & Associates in Houston. "That would be bearish for natural gas prices."

Natural gas rose 7.7 cents, or 1.9 percent, to \$4.068 per million British thermal units on the New York Mercantile Exchange, the highest settlement price since Aug. 11, 2011. Gas has climbed 84 percent from a year ago and has been the best performer on the Standard & Poor's GSCI spot index of 24 commodities this year.

Coal Switch

Consumption of gas by power plants was already expected to drop below year-earlier levels as higher prices prompt some utilities to burn coal during the maintenance period.

Higher nuclear production in April and May will depend on the return of reactors that shut in March for unplanned work, the data show.

Nationwide nuclear output dropped to the lowest seasonal level in 10 years on March 25, according to U.S. Nuclear

Regulatory Commission data compiled by Bloomberg. NextEra Energy Inc.'s St. Lucie 1 in Florida tripped offline March 12 and Tennessee Valley Authority's Browns Ferry 1 in Alabama shut March 19 for repairs. The two reactors can produce 2,047 megawatts combined.

Scana Corp. closed the 966-megawatt Summer 1 reactor in South Carolina March 22 for two weeks of planned mid-cycle work.

Gas Prices

"You bring back some more of this cheap baseload nuclear generation and \$4 gas will begin to bring coal into a gas market that is extremely long right now," Stephen Schork, president of Schork Group Inc., a consulting group in Villanova, Pennsylvania, said in a March 26 interview. "We set the stage for a significant correction in gas prices."

Hedge funds boosted bullish bets on U.S. natural gas to a record in the week ended March 19, pushing the fuel above \$4 for the first time since September 2011, according to the Commodity Futures Trading Commission's March 22 Commitments of Traders report.

Nuclear generation will average about 90,086 megawatts a day in the second quarter, assuming no additional unplanned work, the highest for the period in government data going back to 1996, the Bloomberg data show. Output in April will average 83,977 megawatts a day, up from 77,152 megawatts a year earlier, data compiled by Bloomberg show. Production will be about 90,142 megawatts a day in May, compared with 82,426 megawatts a year earlier.

Spring Shutdowns

Losses from refueling in April, when spring shutdowns usually peak, may average about 14,000 megawatts a day, down from about 17,000 megawatts a year earlier, the data show. Total losses may be about 8,500 megawatts a day in May, down from about 12,000 megawatts during the period last year.

The turnaround season is expected to be lightest in the Southeast, where seven reactors are slated for planned work, compared with 11 last spring. Duke Energy Corp.'s 846-megawatt Oconee 2 unit in South Carolina, which would have been due for refueling this season, shifted to a 24-month fuel cycle from 18 months.

"This will be the first spring we don't have an outage since the plant's been operating," Sandra Magee, a company spokeswoman based at the three-reactor site, said in a March 26 interview.

Two of Duke's 12 reactors will be refueled this season, down from five a year ago.

U.S. Southeast

Declines in the Southeast might average 1,222 megawatts a day in May, compared with 4,163 megawatts a year earlier, Bloomberg data show. Projections for reactor shutdowns this spring were compiled based on plants' 18- or 24-month fuel cycles and previous refueling schedules.

Available nuclear power displaces other electricity sources because fuel costs are a smaller component of operating costs, Marie Rinkoski-Spangler, an analyst for the Energy Information Administration in Washington, said in a March 12 telephone interview.

"For a fossil-fired plant, fuel costs pretty much make or break it," Rinkoski-Spangler said.

Coal is expected to grow to 39.5 percent of the power market in 2013, up from 37.4 percent in 2012, as natural prices rise, according to the EIA's March 12 Short-Term Energy Outlook. Demand growth from seasonal nuclear outages will be partially diverted to coal, Charles Blanchard, a New York-based power analyst for Bloomberg New Energy Finance, said March 7.

"While gas is still cheap enough where many efficient combined-cycle gas generators run more cheaply than coal, you aren't seeing the inefficient plants running as we did last year," Blanchard said.

Midwest Shutdowns

Planned shutdowns may cut Midwestern output by 3,423 megawatts a day in April, compared with almost 5,000 megawatts last April, the data show. Exelon Corp., the nation's largest nuclear-plant operator, is projected to shut two units in Illinois during the quarter.

In the Northeast, eight reactors are due for seasonal work, the highest total of any region. Refueling is scheduled for Dominion Resources Inc.'s 1,227-megawatt Millstone 3 in Connecticut, the second-largest Northeastern reactor. Entergy Corp. may shut Pilgrim 1, a 685-megawatt unit 35 miles southeast of Boston, later this season. Carol Wightman, a spokeswoman based at the plant, declined to comment on refueling plans.

Reactor Outlook

In the West, reactors including Wolf Creek 1 in Kansas, Diablo Canyon 2 in California and River Bend 1 in Louisiana are

all slated to return to full power before April's peak.

Others units expected to restore output include the Omaha Public Power District's Fort Calhoun in Nebraska, a 500-megawatt plant, and Turkey Point 4, a 720-megawatt reactor near Miami.

A turnaround will begin May 9 at the Columbia Generating Station in Washington and last 40 days, said Angela Smith, a spokeswoman based at the plant.

Power prices in California jumped 14 percent on Feb. 7, 2012, after Edison International idled the San Onofre plant, 45 miles southeast of Long Beach, a week earlier. Two gas-fired units at a Huntington Beach power plant were restarted to make up for the losses.

The reactors, which were shut because of steam generator tube damage, equate to about 500 million cubic feet a day in natural gas demand, Kyle Cooper, director of research at IAF Advisors in Houston, said March 11.

California Independent System Operator Corp., the state's grid manager, doesn't expect the plant to return to service before peak cooling demand this summer, Steve Berberich, the grid's chief executive officer, said at a Feb. 7 board meeting.

Below is a list of nuclear plants that may be scheduled for refueling shutdowns during the second quarter. All previous refueling dates were confirmed by the companies.

PLANT	COMPANY	CAPACITY MW
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REGION 1		
Indian Point 3	Entergy Corp.	1,025
Limerick 2	Exelon Corp.	1,134
Millstone 3	Dominion Resources Inc.	1,227
Nine Mile Point 1	Constellation Energy Group Inc.	621
Pilgrim 1	Entergy Corp.	685
Salem 1	Public Service Enterprise Group Inc.	1,174
Susquehanna 2	PPL Corp.	1,140
Vermont Yankee 1	Entergy Corp.	651
(7,657)		
=====		
REGION 2		
Browns Ferry 2	Tennessee Valley Authority	1,104
Brunswick 2	Duke Energy Corp.	937
Farley 2	Southern Co.	860
Hatch 2	Southern Co.	883
McGuire 1	Duke Energy Corp.	1,100
North Anna 2	Dominion Resources Inc.	973

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