

The politics of Davis-Besse:

Have the White House and the Nuclear Energy Institute cut FirstEnergy loose?

It sure looks like it.

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December 17, 2003

The White House commitment to the nuclear power industry is solid, cemented by ideology, campaign contributions, and personnel.

Accordingly, FirstEnergy probably expected help from the White House on two occasions this fall. It got nothing.

The blackout report

On August 15, the day after the northeast blackout, Brian Ross at *ABC News* blamed FirstEnergy; by the end of the weekend, it became the world-wide consensus.

At the top of FirstEnergy's damage-control agenda was winning a more balanced, complicated assessment from the official inquiry, headed by U.S. Energy Secretary Spencer Abraham and Herbert Dhaliwal, Canadian minister of natural resources. FirstEnergy could use such a report to salvage something with shareholders and rating agencies, and to fend off blackout lawsuits.

With friends in the White House, FirstEnergy may have thought that Spencer Abraham would pull his punches. Certainly, Abraham could have easily concealed FirstEnergy's role beneath a pile of jargon, acronyms, and technical ambiguities.

The Energy Secretary did no such thing:

"The joint U.S.-Canadian government interim report on the causes of the massive blackout last August, as expected, points a finger right at Akron-based FirstEnergy Corp. The company's malfunctioning computers and downed transmission lines were 'the most important causes of the blackout,' which left 50 million people in the dark. . . Energy Secretary Spencer Abraham was blunt. "This blackout was largely preventable," he said," (*Cleveland Plain Dealer*, November 23, 2003).

Why?

The grand jury

After the hole in the Davis-Besse reactor lid was discovered in 2002, the NRC Office of Investigations began gathering evidence on whether FirstEnergy managers falsified inspection reports to the NRC.

In September 2003, the NRC, having found 'substantiated' criminal violations, referred the matter to the U.S. Department of Justice.

Justice had the discretion to pursue it or not. "Typically, less than a tenth of all NRC Office of Investigations reports that are referred to the Justice Department are pursued further," according to David Lochbaum, nuclear safety engineer at the Union of Concerned Scientists in Washington, DC (Jim Mackinnon, *Akron Beacon Journal*, November 22, 2003).

Here was the second opportunity for the Bush Administration to help FirstEnergy. Attorney General John Ashcroft could have easily passed, and just let the NRC impose civil penalties on FirstEnergy.

Instead, Bush's Justice Department took the harshest step possible against FirstEnergy: it convened a federal grand jury in Cleveland to consider possible indictments.

Why?

Nuclear Energy Institute

The voice of the nuclear power industry is the Nuclear Energy Institute in Washington, DC. Voice or not, NEI spokespeople are loath to discuss FirstEnergy and Davis-Besse. And when they do, it is not the voice of solidarity: "Alex Marion, engineering director of the Nuclear Energy Institute, told reporters at the national Society of Environmental Journalists conference [in New Orleans] that Davis-Besse's badly corroded reactor head and associated problems have been a huge public relations blow for the industry. Many of the plant's woes could have been avoided with competent management, he said," (Tom Henry, *Toledo Blade*, September 13, 2003).

FirstEnergy sits on the Board of Directors of the Nuclear Energy Institute, and the speaker, Mr. Marion, is an employee of that organization. His license to talk this way

suggests how far things have gone.

Why risk fifty new reactors for the sake of one old one?

There's a good reason why this may be happening: *Vision 2020* is the top item on the nuclear power industry's agenda. Its goal is to add 50,000 megawatts of atomic power generation -- 50 new nuclear reactors -- by the year 2020. The Bush Administration's policy counterpart is the *Nuclear Power 2010* program, promoted by Energy Secretary Spencer Abraham.

To this end, the nuclear lobby understands their biggest challenge: convincing the public that nuclear power is clean and safe.

And their biggest obstacle, perched on the southern shore of Lake Erie, is an example of a nuclear plant that is manifestly *notsafe*: Davis-Besse.

Other factors isolating FirstEnergy

a. Management reputation

The electric utility industry has not been impressed with FirstEnergy for awhile. A 2002 survey of U.S. electric power industry executives found the following: "FirstEnergy Corp. ranks last in Reputation Strength among the 21 companies in the executive study. Industry executives perceive it as having weak management, poor regulatory relationships and an inability to adapt to changing markets appropriately. . . .Key Vulnerabilities: (1) Poor perception of the management team, (2) Comparatively little product innovation and poor marketing effectiveness, especially in an increasingly competitive energy market, (3) Worst environmental consciousness in the industry," (*Rating Research*, July 2002).

b. Lack of imagination

There are a number of ways FirstEnergy could both extricate itself from this fiasco and remove Davis-Besse as an obstacle to the Nuclear Energy Institute's *Vision 2020*.

They could close Davis-Besse permanently, sell Davis-Besse to a company that knows how to operate it safely, convert Davis-Besse to gas or coal, or build a new gas or coal plant. A recent news story suggested another alternative:

"Rather than the outright sale of Davis-Besse, a joint venture might make more sense. [James Halloran, energy and utility analyst for National City Wealth Management] said a partnership to run the plant with Exelon, for example, whose service areas in

Pennsylvania and New Jersey adjoin FirstEnergy's, would be a 'win' for both utilities and a reassurance for the NRC," John Mangels, *Cleveland Plain Dealer*, November 29, 2003.

It would be more in line with industry thinking for FirstEnergy to unload all three of its nuclear plants -- Davis-Besse, Perry, and Beaver Valley. This is because of the growing consensus that companies need to decide whether to have a large fleet of nuclear plants, or none. It is too specialized and difficult to try to run a few nuclear plants on the side.

By refusing to consider these alternatives, FirstEnergy is inviting consternation and isolation from the rest of the industry.

### c. Political weight

FirstEnergy's political contributions to the Bush Administration and Congress have been generous, but nothing like those of other nuclear industry players.

A [study released last week](#) by the Center for Public Integrity included a list of the top ten nuclear lobby political contributors: General Electric, Southern Company, Florida Power & Light Co., Entergy Corp., Exelon Corp., Dominion Resources, Southern California Edison Co., Bechtel Group Inc., Science Applications International Corp., and General Atomics.

FirstEnergy didn't make the list.

In terms of political influence, this means FirstEnergy can get phone calls returned, can get meetings, and can get high officials, such as Senator George Voinovich or White House officials, to make "inquiries" on their behalf. When FirstEnergy's interests conflict with much more influential players in the nuclear power industry, however, those inquiries tend to be more perfunctory. FirstEnergy's political friends will call them back and say, "I gave it my best shot," when it would be closer to the truth to say, "I went through the motions."

What does this mean for the Davis-Besse decision?

This means it is much more likely that NRC Region III Administrator James Caldwell will be able to make the restart decision on the merits, without a lot of heat from the White House and the Nuclear Energy Institute.