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[Indian Point Is A Cash Cow](#)

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[Jonathan Fahey Bio](#) | [Email](#)

Jonathan Fahey writes about energy, technology and science for Forbes

It may cost \$1 billion to change the way the two nuclear reactors at Indian Point on New York's Hudson River keep themselves cool [in order to satisfy environmental protection regulators](#). Sounds like a bundle of money, and it is.

But don't shed too many tears for the plants' owner, Entergy. The plants are cash cows. According to an analysis done by longtime utility consultant and analyst Robert McCullough, in 2009 the two reactors brought in \$982 million in sales and \$436 million in profit before income taxes.

The book value of the two plants is \$1.6 billion, making for a return on investment for Entergy of 28%, a wonderful rate for a utility. (Regulated utilities, for example, are typically allowed to earn 10% to 12% on capital investments.) Even when the estimated \$1 billion cost of the cooling towers is added to the book value, the plants would still earn 17%. And that assumes power prices stay at 2009 levels, an unlikely scenario. In 2009 wholesale [power prices in New York fell 49%](#).

Indian Point is a lot like many of the nation's old nuclear plants. Building them was a major headache at the time, and utilities and ratepayers paid dearly to cover construction cost overruns throughout the 1970s and 1980s. But, long after the dust settled, companies like Entergy and Exelon were able to snap up old plants for cheap in the 1990s when power prices were projected to go down and nukes were out of favor.

The companies learned to get more consistent production out of their nukes (see our recent profile of Exelon [here](#)), and power prices rose. The way wholesale electricity prices work, all producers get the same rate for power at any given time, and that rate is set by the most expensive power source on line at the time. Nukes have low operating costs, and therefore rake it in when power prices are high.

And Indian Point happens to sell into one of the most expensive power markets in the country. It supplies New York City with 30% of the city's power, and New Yorkers pay more than anyone but Hawaiians for power. (See "[America's Highest Power Bills](#).") Hey, New York is an expensive place to do business. Entergy's going to have to deal with it.

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