



Focus on Finance

By Linda C. Byus

The Georgia PSC: A positive decision

As 2017 was winding down, the attention of the U.S. nuclear industry remained focused on the construction project under way at Southern Company's Vogtle site in Georgia. With the abandonment of the construction of South Carolina Electric & Gas Company's Summer-2 and -3 in mid-2017, Vogtle-3 and -4 are the only nuclear power plants under construction in the United States. On December 21, the Georgia Public Service Commission (PSC) decided that Georgia Power could move forward with the construction of the two reactors. In its decision, the PSC addressed Georgia Power's recovery of expenditures in the second half of 2017, as well as the viability and cost recovery of the construction of the plants to completion.

Even with the decision to allow work to continue on the Vogtle project, the bigger question remains: Will nuclear power continue to be part of the energy mix in the United States, or will it simply disappear as operating plants are retired and projects are canceled?

If completed, Vogtle-3 and -4 will be the first new nuclear units built in the United States in three decades. Georgia Power, a subsidiary of Southern Company, is the 45.7 percent owner of the two units, along with Oglethorpe Power (30 percent), MEAG Power (22.7 percent), and Dalton Utilities (1.6 percent). While Georgia Pow-

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er is not the majority owner, it is the largest and the only one that is not a municipal utility. The licensee/operator for the owners is Southern Nuclear, also a subsidiary of Southern Company. With municipal utilities owning 54.3 percent of the two units, the future of the project becomes broader politically and economically. It is not simply a question of investor versus ratepayer interests. The participation of municipal utilities means that the economic and philosophical interests of the broader population are a consideration.

Proponents of finishing the Vogtle units argued that the project is vital to the United States in terms of the production of carbon-free energy, as the units will produce reliable, clean energy for the next 60 years. While the up-front construction costs are high—more than double the original cost estimate—that cost will be spread over a large customer base for those 60 years. In addition, there are immediate economic benefits, including construction employment and future operating staff employment. The three municipal utility co-owners will benefit from the economic stability and tax contributions provided by operating nuclear plants.

Those who opposed the completion of the two units focused on immediate costs, both the magnitude and the uncertainty. Can the units actually be completed at the current estimated costs, or will costs continue to go up? Should customers pay up front for nuclear plants that may have a 60-year lifespan but currently produce no electricity? Even with the decision to continue construction, these questions remain.

Vogtle-3 and -4 are 1,100-MWe Westinghouse AP1000 reactors. Georgia Pow-

er filed an application for certification of Vogtle-3 and -4 with the Georgia PSC in August 2008. The PSC gave its approval to proceed with the proposed units in March 2009. The NRC issued the construction and operating licenses for Vogtle-3 and -4 in February 2012. The original total cost estimate for the two units was just over \$14 billion, with target commercial operating dates of 2016 and 2017. Georgia Power's original capital budget for its share of the project was \$4.4 billion. Currently, the projected in-service dates for Units 3 and 4 are 2021 and 2022, respectively. Georgia Power's total estimated cost, including financing, is \$10.4 billion. The other partners have not publicly reported their share of the cost, but the total for the project is estimated to be over \$25 billion.

Throughout the construction project, Georgia Power has worked in cooperation with the Georgia PSC, filing an ongoing series of construction monitoring reports detailing construction problems and delays. Almost from the beginning, Westinghouse, the construction and project manager, failed to meet its construction targets and budgets. Finally, in March 2017, Westinghouse filed for Chapter 11 bankruptcy, and Southern Nuclear assumed control of Vogtle-3 and -4.

In August 2017, Georgia Power filed a recommendation with the Georgia PSC to continue construction of the Vogtle units. The project's co-owners supported the recommendation. The PSC reviewed the recommendation and held a number of hearings on the issue prior to reaching its decision. Georgia Power continued to reach construction milestones while the proceedings were being conducted, including a concrete pour at Unit 4 that is crucial to the eventual placement of the reactor vessel and the lift of the in-containment refueling water storage tank column into Unit 3.

Had the PSC decided to halt this project, it would be difficult to imagine another nuclear plant ever being built in the United States by a private corporation. The PSC's approval to complete Vogtle-3 and -4 bodes well for this particular project and provides a sense of hope for the future of the domestic nuclear power industry. The burden of proof, however, rests heavily on the Vogtle project owners and the Georgia PSC. **FoF**