

## VOGTLE

# Toshiba fulfills \$3.68-billion parent guarantee obligation

*Georgia Power received Toshiba's payment one day prior to the deadline set in a December 5 agreement.*

**G**eorgia Power announced on December 14 that Toshiba Corporation has fulfilled its \$3.68-billion parent guarantee obligation, put in place to protect Georgia electric customers as part of the original contract for the Vogtle nuclear expansion near Waynesboro, Ga. The utility, a subsidiary of Southern Company, announced on December 5 that it had reached a new agreement with Toshiba, the parent company of Westinghouse Electric Company, the former pri-

mary contractor for the Vogtle project, to receive all remaining liability payments for Vogtle-3 and -4 by December 15. The Department of Energy approved the new agreement on December 8, allowing the companies to move forward. The limit of Toshiba's guarantee obligation was set at \$3.68 billion on June 9 (*NN*, July 2017, p. 15), with the first installment of \$300 million paid in October (*NN*, Nov. 2017, p. 13).

"We are pleased to have reached this constructive agreement with Toshiba

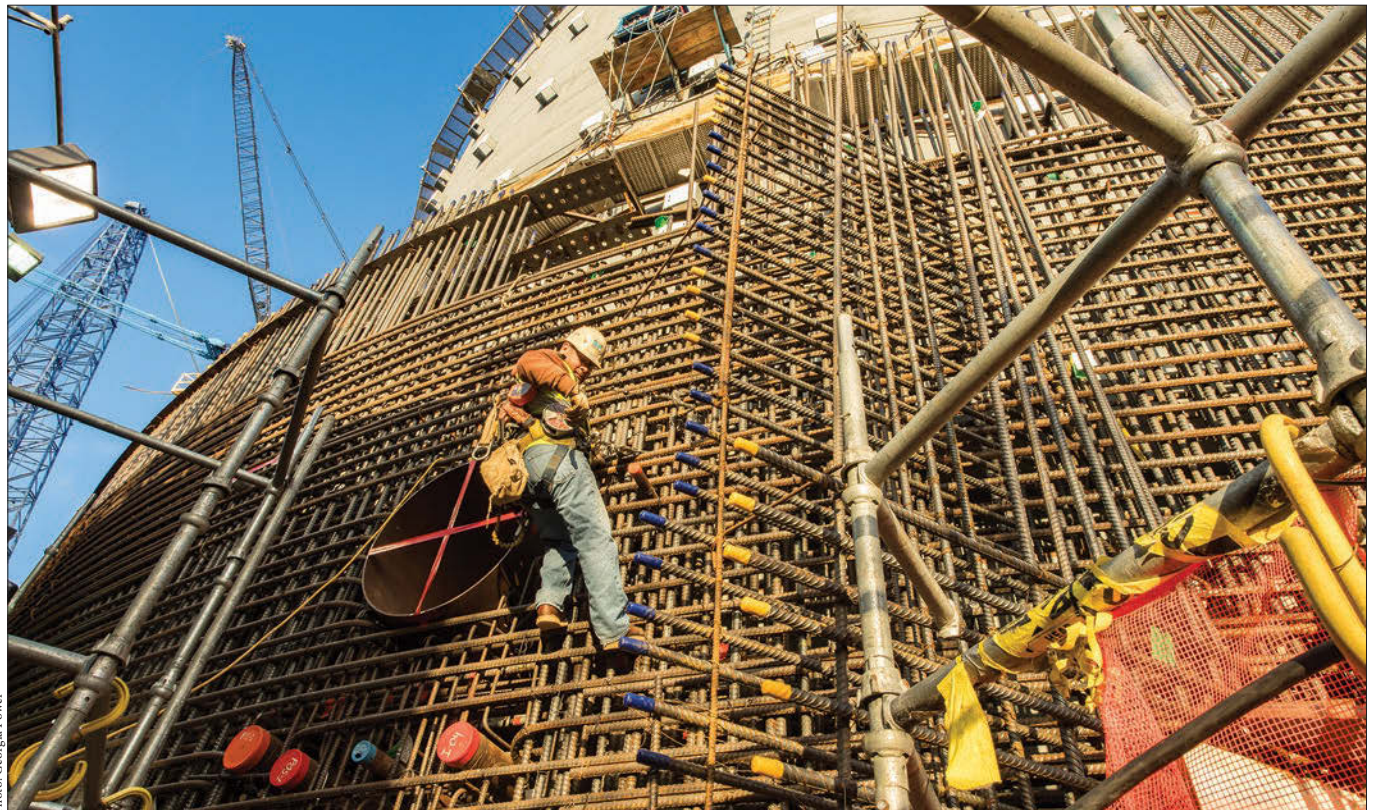


Photo: Georgia Power

Progress continues on the Unit 3 shield building wall, with nearly 80 shield building panels now in place at Vogtle-3 and -4.

regarding the parent guarantees for the Vogtle project and every dollar will be used to benefit our customers,” said Paul Bowers, chairman, president, and chief executive officer of Georgia Power, in a press release. “We remain committed to making the right decisions for our state’s energy future and continue to believe that completing both Vogtle units represents the best economic choice for customers and preserves the benefits of carbon-free baseload generation for Georgia electric customers.”

Georgia Power’s proportionate share of the total payment is approximately \$1.47 billion. According to a Georgia Power press release, the payments will reduce the total cost of the plant for the company by approximately \$1.7 billion. Progress is continuing on the two AP1000 reactors under construction at the Vogtle site with the placement of additional shield building panels for Unit 3 on December 4. The shield building provides structural support to the containment cooling water supply and protects the containment vessel, which houses the reactor vessel and associated equipment. With the latest placement, nearly 80 of the 336 total shield building panels have been placed for Vogtle-3 and -4.

### Next hearings to begin

The Georgia Public Service Commission (PSC) was set to begin the next stage of hearings to determine the future of the Vogtle project on December 11. In this stage, the PSC was to hear from public witnesses and conduct a hearing on the testimony of its public interest advocacy staff, who on December 1 recommended that the project should proceed only if Georgia Power, rather than its customers, bears the risk for costs that the PSC deems to be unreasonable. The public interest advocacy staff conducted its own economic evaluation of the Vogtle project and concluded that “completion of the project is no longer economic on a to-go [forward looking] basis, given the additional costs and schedule delays, even without considering the conditions requested by [Georgia Power].” The staff opposed several conditions requested by Georgia Power, saying that these would effectively shift most of the financial risk of the project to customers.

The staff recommended that the Vogtle project be allowed to continue only if the PSC modifies the proposed conditions to ensure that the completion of the units is economical compared to cancellation, to provide an appropriate allocation of costs and risks between the owners and their customers, and to determine that costs deemed unreasonable by the public interest advocacy staff be the responsibility of stockholders or be subjected to an

in-depth review of the prudence and reasonableness of actual costs after they are incurred. The staff also recommended that the reasonable total project cost be set at no more than \$8.3 billion, with \$5.2 billion for capital and construction costs and \$3.1 billion for financing costs, and noted that if the PSC declined to adopt these recommendations, the staff would recommend that the project be canceled.

The PSC expects to issue a decision on the future of the project on February 6, according to a revised schedule approved in September (*NN*, Oct. 2017, p. 17). A series of letters filed with the PSC on December 1 and 6, however, indicate that a decision may be reached by the end of 2017 (see *Late News*, page 17). PSC Chairman Stan Wise penned a letter to Georgia Power’s Bowers on December 1, inquiring what impact the pending federal tax reform might have on the Vogtle project. In his December 6 response, Bowers wrote that a preliminary analysis indicated that a lower federal tax rate would have a positive impact on customers. He noted that “if the decision were to be made that it is in the best interest of customers to cease the construction” of Units 3 and 4, making that determination before the end of the year would allow Georgia Power to realize an approximately \$150 million larger tax benefit under the current 35 percent tax rate. The larger benefit, according to Bowers, would “offset project costs and be passed along to customers through the traditional rate-making process.” Wise’s response, also written on December 6, requested that the PSC staff and Georgia Power consider revisions to the remaining schedule in order to have a decision on Vogtle’s future by the end of the year. “These changes would allow the company to make any necessary abandonment declarations this year if the decision warrants, or otherwise know the conditions for proceeding with construction,” Wise wrote.