

Nuclear Power Flops

Buzz Miller, executive vice president for nuclear development at Georgia Power writing in the Atlanta Journal Constitution September 16, 2010, had this to say about the company's nuclear expansion at its Plant Vogtle.

“The lessons learned at home and abroad have paved the way for a new generation of U.S. nuclear power plants that feature advanced designs, refined construction techniques, early engagement by state public service commissions, and licensing process geared to a mature technology.”

And:

“Our goal is to set the standard for excellence and execution by which all other new nuclear plants will be measured.”

The renaissance has gone bad. Nuclear power is repeating the construction cost disaster of the previous round of such building in the 1970s and 1980s. The rosy estimates about nuclear power costs are wrong and alternatives look better and less costly each day. The extra costs being imposed on utility customers will be in the billions of dollars. All the current nuclear under construction and proposed projects by regulated utilities include collecting certain costs and profits while the reactors are under construction. This pre-collection is a key reason the current nuclear projects are underway. Such provisions shift sizable construction cost risk from the utility to its customers. Nuclear power, for all its technical benefits, has never passed a market test and likely cannot.

Special regulatory treatment for nuclear construction causes utilities to invest in risky high capital cost projects at the expense of better investments where the utility would bear more of the risk. Utility managers evaluated gas and coal projects with risk to the utility verses nuclear projects with risk placed on electricity customers and chose the path of guaranteed cost recovery with advance collection of profits over tradition generating sources.

State regulators approve construction costs piece-meal. This process weakens broad oversight and drags the regulators into the nuclear projects as partners in incremental decisions. Secrecy surrounds the total cost projections. As sunk costs increase, the utilities slowly reveal costs beyond the initial estimates. In this way the cost to complete can seem better than the alternative of abandoning the project in favor of other generation facilities.

Utilities seek the same substantial return on equity for nuclear projects as the rest of the Company investments even though there is virtually no risk for stockholders on these projects.

Buzz Miller of Georgia Power could not have been more wrong about the company's Vogtle nuclear project. The advanced designs and refined techniques resulted in a mess of continuing cost overruns and schedule delays. Now the Company says all the problems are to be expected in a first-of-kind project.

In early October Georgia Power filed testimony supporting their six-month report on Vogtle cost and construction progress. Like the current report itself the testimony does not mention the old discredited rationalizations used in twelve previous such reports. There is one glaring exception. The Company continues to make a comparison between finishing the half-built plant

and building anew. Then they declare the facility is still economical despite cost overruns and delays. By their analysis the project can endure more cost overruns and still be viable. As more sunk cost is made (and therefore not counted in the cost to complete) while the project nears completion there will be more room for additional cost and still have the project called a savings for ratepayers.

One thing the Company's filed testimony on Vogtle was conspicuously silent about was the then pending over \$900 million litigation with the contractor. Until then the Company's standard line was they hoped to prevail and were working with the contractor to reach a settlement. This contingent cost was not being recognized by the Company in its analysis justifying the project.

The liability in late October became known, and the Company's share (45.7%) is \$350 million. This increase in capital cost will be recovered over the sixty-year life of the plant with an additional profit of about 8% on the book value starting when paid. As a sunk cost, this expenditure doesn't count toward whether the project should be continued.

Georgia Power and the Utility Commission in February 2016 will likely confess to yet another delay and cost overrun for the Vogtle project. This makes them very sensitive to criticism and the exposure of the truth surrounding their conniving to make the project sound good.

Along comes Nuclear Watch South and files testimony using publically available numbers to update previously filed testimony showing Vogtle is not needed and the Company is making huge profits on the project.

Egged on by the Public Service Commissioners, Georgia Power filed a motion to strike the testimony of NWS's Glenn Carroll on the grounds that the testimony did not address the specific question concerning approval of six months' worth of construction cost. The Commission, embarrassed and ashamed of their part in creating this disaster, granted the motion they put the Company up to making.

This was one of the silliest things done by the clownish Commission in a long time. However, La Carroll did not take the action meekly and shouted out her displeasure. Of course she can make a few modifications to the testimony and submit it in the next round of six-month reviews of Vogtle cost.

The sad saga of Georgia Power's Plant Vogtle continues.

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