

Cost to Complete Vogtle AP1000 Nuclear Units Could Balloon to \$20B

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Costs to build the two Vogtle AP1000 units under construction in Georgia could range between \$18.3 billion and \$19.8 billion—and for now, Southern Co. is pinning its hopes to complete the project on approval from the Georgia Public Service Commission (PSC).

Southern Co. CEO Tom Fanning told investors in a second-quarter earnings call on August 2 that its subsidiary Georgia Power is in the final stages of forming its recommendation to the PSC, and it expects to file its final recommendation in late August.

Georgia Power owns 45.7% of the project, with the remainder owned by Municipal Electric Authority of Georgia (MEAG Power), Oglethorpe Power, and the City of Dalton. Southern Co. [in June finalized an agreement with Toshiba](#), the parent company of the project's former engineering, procurement, and construction (EPC) contractor [Westinghouse, which filed for bankruptcy in March owing to delays and resulting cost increases at the Vogtle and V.C. Summer projects](#). The agreement requires [Toshiba to pay the project owners \\$3.68 billion](#) (\$1.7 billion to Georgia Power) between August 2017 and July 2021, whether or not the project is completed.

“Ultimately, while Toshiba’s financial condition is uncertain, the Toshiba Guarantee agreement puts the Vogtle owners in a better position,” Fanning said.

Fanning also noted that [Southern reached a services agreement with Westinghouse on July 27](#) that will allow the beleaguered company to provide engineering, licensing, support, procurement services as well as give Southern Co. access to intellectual property. The agreement also means Southern Nuclear, the company that operates all of Southern Co.’s nuclear plants and holds the licenses for Vogtle 3 and 4, will take over construction at the project site.

A Wide Schedule and Cost Expectations

According to Southern Co., current assessments—outlined “in a range of potential schedules”—suggest Unit 3 will be placed in service between February 2021 and March 2022, and Unit 4, between February 2022 and March 2023.

Net of the Toshiba guarantee obligation, this schedule will result in \$1 billion to \$1.7 billion above previous cost estimates of \$5.68 billion for Georgia Power’s share alone.

“Based on the preliminary spending curbs, Georgia Power is not projected to exceed \$5.68 billion until 2019,” Fanning said. “Assuming proceeds for claims in the Westinghouse bankruptcy proceeding are received by 2019, this crossover point could extend into 2020.”