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Toshiba's possible Westinghouse sale throws regulators

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Toshiba Corp. is considering selling its troubled nuclear subsidiary, Westinghouse Electric Co., ratcheting up concerns among utility regulators in Georgia and South Carolina that nuclear projects could see further delays.

That the company again failed to report quarterly financial earnings and again asked for a one-month delay only made matters worse, they said yesterday.

Georgia Public Service Commission Chairman Stan Wise said he's experiencing some "trepidation" over the uncertainty swirling around Westinghouse, the major contractor at Southern Co.'s Vogtle nuclear expansion. "With the delay, with not really anything being spoken to, it's hard to be optimistic," he said.

Westinghouse is building nuclear plants using its AP1000 design for Southern's Georgia Power unit and Scana Corp.'s South Carolina Electric & Gas Co. The company bought the nuclear construction business of Chicago Bridge & Iron Co. and became the main contractor for both projects as part of a wide-ranging legal settlement in 2015.

The move was to solve major productivity issues at the construction sites. When they switched contractors, both projects were roughly three years behind schedule and costing billions of dollars more than their originally forecast budgets.

Now they are closer to four years behind because workflow and efficiency have not increased under Westinghouse and Fluor Corp., which the company brought in to help with the schedules.

Dukes Scott, executive director of South Carolina's Office of Regulatory Staff, wrote to SCE&G's chief executive officer requesting that someone from his office be present during a meeting this Monday between the utility and Westinghouse. That request was denied, Scott told E&E News yesterday.

"All we wanted to do was be in the meeting to listen, and Scana said it would be inappropriate," Scott said. "We're the only body in South Carolina with the right and obligation to monitor that construction and report it to the public."

Scott said he's waiting to hear a report from the meeting. One of the main concerns is the lack of information about a construction schedule. What's more, media reports about a possible bankruptcy filing for Westinghouse have heightened his office's concerns.

"We've been waiting on that [construction] schedule for months and months," he said. "It's hard for us to monitor the construction if we don't have the construction schedule."

Productivity and construction schedules are just some of the challenges. Chief among the problems are financial troubles that Toshiba did not reveal until late last year. They are significant enough that Toshiba said on Feb. 14 it would book a \$6.3 billion write-down from its nuclear construction business. The company was scheduled to report its fiscal third-quarter earnings on that day but said it needed another month.

The company and independent auditors said they were investigating whether Westinghouse managers acted inappropriately when trying to buy CB&I Stone & Webster Inc.

Executives held a news conference with media and analysts in a presentation that the company will make available today.

Toshiba posted a [PowerPoint presentation](#) and several news releases.

The company said it will ask to report earnings on April 11, saying it needs more time to further investigate issues with Westinghouse's purchase of CBI Stone & Webster. The audit committee has hired law firms Nishimura & Asahi and K&L Gates to investigate "the alleged occurrence of inappropriate pressures by certain senior managers, and any impact on the financial statement in the event that such pressure was actually exerted."

Using information from the law firms, Toshiba's audit committee now wants to investigate whether such inappropriate actions took

place outside the third-quarter accounting period.

For their part, the utilities said little publicly yesterday. The issue is for Toshiba and Westinghouse to resolve, the companies said.

"While Toshiba and Westinghouse take the time needed to work through this complicated situation with many factors that can change quickly, we won't provide any speculation," said Rhonda O'Banion, a Scana spokeswoman.

There are roughly 5,700 contractors and subcontractors at SCE&G's V.C. Summer site, and the company continues to make progress on finishing the units, she said. Scana will update investors and others during its next earnings report in April.

Georgia Power spokesman Jacob Hawkins said work continues at Vogtle.

"We are monitoring the Toshiba situation and are prepared for any potential outcome," he said. The company also is keeping the PSC informed, he said.

The PSC's regularly scheduled committee meetings are Thursday. Wise, the chairman, said it makes little sense right now to have the company discuss a wide range of hypothetical situations with so little information from Toshiba.

"You could go down so many avenues, saying 'what if' and 'what if' and 'what happens if,' and I don't know if that serves any purpose," he said.

The Vogtle and Summer projects are the first nuclear reactors to be built in the United States in roughly 30 years. They were to kick off a new wave of nuclear projects, but low natural gas prices, among other things, have put that on hold.

Utilities still wanting to build nuclear are watching these projects closely, noting that they have been unable to stick to earlier promises of being finished on time and to a forecast budget.

Wise said the problems with Toshiba and Westinghouse were far beyond anyone's predictions.

"Nobody, nobody anticipated this," he said. "Even if you are anti-nuclear, you couldn't have anticipated a problem of this magnitude. It's one of those things, you hurry up and wait."

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