Miss. Deal May Figure into Ga. Nuclear Plant

RAY HENRY, Associated Press

ATLANTA (AP) — In Mississippi, the Southern Co. utility took financial losses when the cost of building a new power plant went over budget. In Georgia, another of the company's projects is going over budget, but it has not yet taken a financial hit.

Southern Company subsidiary Mississippi Power promised utility regulators that it would charge its customers only for $2.4 billion in costs for building a coal-fired power plant in Kemper Country. Those customers will also have to pay off another $1 billion in bonds for the project, though the utility cannot make a profit off that borrowed money.

The utility's deal in Mississippi has become a point of debate as Georgia regulators consider who should pay for the increased cost of building two more nuclear reactors at Plant Vogtle (VOH'-gohl), southeast of Augusta. Public Service Commissioner Tim Echols said he wants Southern Co. subsidiary Georgia Power to consider a Mississippi-style deal here, and Georgia regulators are carefully tracking financial developments in Mississippi.

Echols said he was interested in the idea of a project spending cap.

"I'm sure when they made that deal they didn't think they were going to over the cap, but they did," Echols said.

Georgia Gov. Nathan Deal said this week that it would be a "good solution" if Southern Co. could absorb more of the costs.

Opponents of both Southern Co. projects say the settlement agreement in Mississippi increases the political pressure on Georgia Power to accept losses rather than pass all extra costs onto customers. Though the projects are not perfectly comparable because of differences in technology and customer rates, the Mississippi agreement created a political precedent, said Jenna Garland, a spokeswoman for the Sierra Club's Beyond Coal Campaign.

"I think a lot of people here in Georgia say, 'Oh, that's terrible. What a tragedy,'" she said, describing reaction to the Mississippi project costs. "And then they look in Georgia and say, 'Hey, we're paying through the nose, too.'"

Southern Co. CEO Tom Fanning has flatly rejected any notion that the agreement limiting costs in Mississippi is relevant to the utility's ongoing project in Georgia, citing differences in the review process, project structure and financial effect on customers.

"It's a completely different deal," Fanning said in a May interview.

Plant Ratcliffe in Mississippi's Kemper County is a showcase project meant to capture much of the carbon dioxide produced while burning coal. The carbon dioxide will then be sold to companies that use it to extract oil buried deep underground. Supporters say the plant will demonstrate that the United States can still burn coal to produce energy even as President Barack Obama's administration moves to reduction emissions of carbon dioxide.

But it's been expensive. The latest project estimates show Plant Ratcliffe will cost roughly $4.45 billion, more than $1.1 billion over original estimates. Under a settlement agreement, Mississippi Power customers will have to shoulder $2.4 billion in construction costs and repay an additional $1 billion in bonds. The utility will not make a profit off the borrowed money.

As a result of the spending cap, Southern Co. was forced to absorb $540 million in losses, and recently announced it could be on the hook for around $160 million or more in additional costs.

Fanning said the precedent set in Mississippi should not apply in Georgia. Customers in Georgia will face smaller net rate increases than in Mississippi, he said. Southern Co. also is using its own engineering and technology on the Mississippi plant.

"It is absolutely clear that we're on the hook for delivery of that plant within cost parameters," he said.

But in Georgia, Southern Co. has purchased a nuclear reactor design from Westinghouse Electric Co. and hired CB&I as its builder. Those companies are suing each other over who is responsible for more than $900 million in unanticipated costs, an issue that remains unresolved.

For now, Southern Co. is separately seeking a $737 million budget increase, which is separate from the ongoing lawsuit. Of that sum, $356 million is for finance, or borrowing, costs. The remaining spending would mostly fund increased oversight to make sure contractors are meeting quality control rules and production targets, not bricks-and-mortar building costs.

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