

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 819

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)
Application of Duke Power Company LLC)
for Approval of Decision to Incur Nuclear) NC WARN'S RESPONSE
Generation Project Development Costs)

NOW COMES the N.C. Waste Awareness and Reduction Network (“NC WARN”), an intervenor in this docket, with a response to Duke Energy Carolina’s (“DEC”) semiannual report to the Commission on preconstruction costs associated with the development of the Lee Nuclear Station, filed February 1, 2017.

As part of this response, NC WARN urges the Commission to issue a show cause order to DEC to provide an update on the financial status of Toshiba-Westinghouse and its potential impacts on DEC plans for the Lee Station, and further to require no additional cost increases will be passed along to ratepayers for this failed endeavor.

1. The semiannual report failed to comply with the Commission’s Order Approving Decision to Incur Limited Project Development Costs, August 5, 2011, at paragraph 4, in that there are two significant, and related events not disclosed – the issuance by the Nuclear Regulatory Commission of a license to construct and operate the plant, and the inability of Toshiba-Westinghouse to oversee the plant’s construction and provide technical support.

2. At this juncture, DEC does not have any reasonable and prudent path forward for the Lee Station, but keeps it in its IRP. See Docket E-100, Sub 147. DEC received its license to construct and operate the Lee Station on December 19, 2016, and the plans are for the reactors to use the Toshiba-Westinghouse AP1000 design.¹ However, Toshiba-Westinghouse announced earlier this year it was no longer going to provide support for those reactor designs because of the ongoing economic failures at nuclear plants presently under construction. The volume of press coverage of the company's precarious financial position has been growing for the past several months.² At present, Toshiba is preparing a writedown of more than \$6.2 billion in losses for Westinghouse's terminated nuclear programs.³

3. Cost estimates for nuclear units using the Toshiba-Westinghouse AP1000 design have increased significantly. Of particular interest to the Commission, problems with the proposed Vogtle reactors by the Southern Company in Georgia and the Summer reactors by SCANA et al. in South

¹ www.nrc.gov/reactors/new-reactors/col/lee.html

² Atlanta Business Journal, "Report: Toshiba to stop building nuclear reactors," www.bizjournals.com/atlanta/.../reporttoshiba-to-stop-building-nuclear-reactors.html (Feb 1, 2017); Reuters, "Toshiba prepares to unveil nuclear hole, other perils threaten," <https://finance.yahoo.com/news/toshiba-prepares-unveil-nuclear-hole-230001103.html> (February 17, 2017); Bloomberg, "How Toshiba lost \$6 billion," www.bloomberg.com/news/articles/2017-02-17/how-toshiba-lost-6-billion (February 17, 2017); Charlotte Observer, "Facing big losses, Toshiba contemplates Westinghouse bankruptcy," www.charlotteobserver.com/news/business/article134729884.html (February 24, 2017)

³ Forbes, "Toshiba announces \$6.3 B writedown on a \$229 M construction," <https://www.forbes.com/sites/rodadams/2017/02/14/toshiba-chairman-resigns-after-company-announces-6-3-billion-writedown/#1ac0ccf229fc> (Feb 14, 2017)

Carolina have continued to escalate.⁴ Both projects are now three years or more behind schedule and billions of dollars over budget.⁵ The costs associated with such delays and cost overruns are the direct cause of Toshiba-Westinghouse's economic failure and potential bankruptcy.

4. Additionally, the fabricators of major structural components for the proposed reactors, such as the Shaw Group and Chicago Bridge & Iron Company, are no longer capable of delivering the components – again, because of financial failures from nuclear cost overruns.⁶ Globally, there are no companies left with the engineering expertise, construction experience, or financial wherewithal to undertake nuclear plant construction, especially related to the Lee Station AP1000 design.

5. Up to this point, DEC has spent \$529 million for the Lee Station with absolutely nothing used or useful to show this Commission, the ratepayers, and DEC shareholders. DEC cannot meet its burden under G.S. 62-110.7 to show the development and construction costs for the Lee Nuclear Station are reasonable and prudent, or that they ever will be. If DEC continues to waste money on this project, additional costs will be stranded, and then either borne by shareholders or ratepayers. The Lee Station is simply not a viable project. As a result, the Commission is required to find that it is not prudent or reasonable to

⁴ E&E News, "Toshiba nuclear write-off spooks Southeast power companies," www.eenews.net/energywire/2017/02/03/stories/1060049501 (February 3, 2017)

⁵ The New York Times, "The murky future of nuclear power in the United States," <https://www.nytimes.com/2017/02/18/business/energy-environment/nuclear-power-westinghouse-toshiba.html> (February 18, 2017)

⁶ <http://fuelfix.com/blog/2015/10/28/cbi-sells-its-nuclear-construction-business-to-toshiba-subsidiary/>

expend any additional funds on development activities for the Lee Nuclear Station.

THEREFORE, NC WARN urges the Commission to issue a show cause order to DEC to provide an update on the financial status on Toshiba-Westinghouse and its impacts on DEC's plans for the Lee Nuclear Station, and further to require no additional cost increases will be passed along to ratepayers for this failed endeavor.

Respectfully submitted, this the 1st day of March 2017.

/s/ John D. Runkle

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing NC WARN'S RESPONSE (E-7, Sub 819) upon each of the parties of record in this proceeding or their attorneys of record by deposit in the U.S. Mail, postage prepaid, or by email transmission.

This is the 1st day of March 2017.

/s/ John D. Runkle
