Nuclear firm Westinghouse files for Chapter 11 bankruptcy protection

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Dive Brief:
• Toshiba’s nuclear development subsidiary Westinghouse Electric filed for Chapter 11 bankruptcy court protection this morning, the New York Times reports.
• The company obtained $800 million in third-party financing to help protect its core businesses during its reorganization. Westinghouse has been hurt by cost overruns at two nuclear plants it is building in the United States, as well as challenging economics for new plants in organized power markets.
• It is unclear at this point if the bankruptcy would have an effect on Southern Company or SCANA, the utility companies for which Westinghouse is building the nuclear plants.

Dive Insight:
Westinghouse Electric's bankruptcy protection filing is another notch against an already struggling U.S. nuclear sector. Cost overruns have dogged the two nuclear facilities under construction in the nation — Southern’s Vogtle plant in Georgia and SCANA’s V.C. Summer project in South Carolina. Just this week, the Atlanta Journal Constitution reported Vogtle is likely to miss another deadline in the upcoming months.

Westinghouse took over as the contractor on the Vogtle project in January 2016 and since then delays at both projects have dogged its parent company, Toshiba.

Toshiba acquired a majority stake in Westinghouse in 2006, but last February was forced to take a $6 billion write off because of problems with the projects.

The direct effect on the Vogtle and Summer plants remains unclear, but the MIT Technology Review noted a bankruptcy could thwart new nuclear construction in the U.S., since the company is a chief builder of new plants.

Analysts doubt Toshiba will find a buyer for its stake in Westinghouse, and construction partners could be reluctant to move ahead with the nuclear plants it planned to build.

Toshiba said in a recent financial presentation it intends to "reduce risk at eight plants currently in progress by thoroughly implementing comprehensive cost reduction measures." Earlier this year, the company indicated regrets over purchasing Westinghouse.

Recommended Reading:
• Reuters: Toshiba's Westinghouse to file for bankruptcy today
• Business Insider: Toshiba wants its US nuclear unit to file for bankruptcy
• New York Times: Westinghouse files for bankruptcy, in blow to nuclear power
Nuclear generation of electricity continues to slide for multiple reasons. Aside from public unpopularity (fed partially by fear resulting from the Three Mile Island, Chernobyl, and Fukushima events) there are other reasons for the slip in this technology. Economics play the largest role.

Nukes are time consuming to permit, build, and commission. And once this large expense has been assessed to ratepayers and investors, such plants need to run at 100% of capacity to earn their keep. This is growing more difficult in a grid that is constantly changing. For example, a nuclear plant running full-bore for 50% of the time would produce power that’s twice as expensive per kilowatt-hour. While their large base-load output capacity is attractive and their carbon footprint is zero, their downtime for periodic maintenance raises costs.

Renewables are exploding in the U.S. market and though they are intermittent contributors to the grid (by their nature) they are easy to permit and build, and they are made up of multiple units—taking any one offline for maintenance or repair does not render the entire facility unable to capture and transmit electricity. With grid-scale electrical storage on the rise, renewables’ intermittent contribution is smoothed. They are dropping quickly in price per megawatt hour and the fuel will always be free, without having to safely store nuclear waste for 200,000 years—a cost component of nuclear generation that some say is entirely missing from the financial ledger.

In southern California, the retrofit failure of the 5,500 Megawatt San Onofre Nuclear Generating Station left a large gap in the California grid that was replaced by a combination of renewables and gas speaker plants. Additional future grid storage will also smooth grid management after this loss. California’s Pacific Gas and Electric (the nation’s largest utility) decided in 2016 to not pursue re-licensing for its two-unit Diablo Canyon nuclear plant (2,200 Megawatts) in 2024 and 2025. It calculated the costs as $5 billion cheaper to replace that lost capacity with energy efficiency, lots more renewable generation, and grid storage.

Public understanding of the term stranded assets and their financial effect is growing. That’s an investment whose return on investment cannot be realized. Those who have been financing large, centralized generation plants are taking notice, and money to build more nuclear facilities could be quickly drying up because the financial risks have increased. In the wider resource sector, the world’s divestment from fossil fuel stocks doubled in 2016. A good share of that has been shifted to renewables. Whether it turns out to be the “smart money,” time will tell.

—Bill Martin