PSC will review all capital costs invested in Vogtle 3 and 4

Tuesday, Feb. 2, 2016 – The Georgia Public Service Commission (PSC) voted today to move forward with a review of all capital costs spent to date on the Vogtle expansion to determine if Georgia Power's investments in the project have been prudently made.

The commission's decision to review costs was driven by the company's Jan. 21 filing that detailed terms and conditions of the company's $350 million settlement agreement with Westinghouse, the contractor for the Vogtle 3 & 4 project.

The commission approved 4-1 a motion by Commissioner Stan Wise that calls for "Georgia Power to file within 60 days its justification for approval of the consortium settlement and the company's position that all costs to date have been prudently spent and the new cost and schedule is a reasonable re-forecast."

The PSC staff will review the company's filing over a six-month period, Wise said. If a settlement is reached during that time as to how to handle project costs, the commission will hold a hearing this fall to decide whether to approve the settlement.

Kevin Greene, an attorney with Troutman-Sanders representing Georgia Power, said the company was prepared for the review.

"We welcome the prudence review of all capital costs spent on the project to date," said Greene. "All costs have been reviewed through the rigorous and transparent Vogtle Construction Monitoring (VCM) process and we are confident that our investments have been made prudently."

The VCM was put in place at the beginning of construction to give the PSC an opportunity every six months to review and approve all Vogtle expenditures.

The $350 million is Georgia Power's share of the legal costs to resolve a dispute that began in 2012 over the delay in obtaining regulatory certification of Westinghouse's AP1000 design and issuance of the project's Combined Operating License from the Nuclear Regulatory Commission. It also covered design changes to the shield building and large structural modules.

In addition the PSC's decision to review costs, Commissioner Bubba McDonald said he plans to propose a motion at the next energy committee to initiate a proceeding to re-examine the commission's support of the Construction Work in Progress (CWIP) financing beyond the original approved schedule for Vogtle.

The Georgia Legislature approved CWIP in 2009 to allow the company to recover financing costs for Vogtle during the construction period and, therefore, avoid “interest on interest” expenses. Recovery of financing costs during the construction period can be allowed by including the on-going construction costs related to the new units in rate base. When financing costs are included in the rate base, customers avoid paying "interest on interest" and reduce the total return required over the life of the asset.

“This commission adopted CWIP prior to the governor signing State Bill 31 (the CWIP bill),” said McDonald. “While I understand the commission’s decision cannot undo SB 31, it could inform the legislature. I think now it’s time we go back to the original certification dates and then beyond that, I would hope that the general assembly would look at SB 31 again and that those costs would be consumed in the rate base once those plants come online.”

Greene said the recovery of financing costs during construction significantly reduces the overall impact on customer rates, which is currently projected to be 6 to 8 percent because of the financing and other benefits of the project that Georgia Power has proactively pursued, and the fuel savings of nuclear generation.

“The recovery of financing costs during construction is saving our customers money and helps us avoid “rate shock” at the end of the project,” Greene said. “We do not support a change in law, or any proposal or effort, which will unnecessarily raise rates for our customers. SB 31 recognizes the capital investment we are making in the Vogtle expansion and that customers today are benefitting from past investments, just as future customers will benefit from the investments we make today.