



MEDIA RELEASE

April 5, 2011

For more information:
Jonathan Shapiro (404) 525-1085 ext. 15

Ratepayers Remain In Limbo On Cost Control Protection for Vogtle Construction *Commissioners Delay Action on Risk Sharing Mechanism*

ATLANTA – The Public Service Commission voted today to delay action on the adoption of a cost control plan for two new reactors at Plant Vogtle.

The five commissioners decided unanimously that a further hearing was necessary to explore accounting issues raised last week by Georgia Power's attorney in a letter to the Commission.

PSC Staff will make a recommendation regarding dates for the filing of testimony and a hearing date at the PSC's regularly scheduled Energy Committee meeting next Thursday, April 14th.

"This second round of hearings is simply a second chance for Georgia Power to raise new arguments. We hope this new hearing will result in fairness to all parties and a decision that protects ratepayers," said Georgia Watch Executive Director Angela Speir Phelps, herself a former Public Service Commissioner.

PSC Staff has urged commissioners to adopt a risk sharing mechanism (RSM) that encourages Georgia Power to finish the new units on time and under budget. The Staff RSM calls for a slightly lower profit margin for Georgia Power if construction costs rise above \$6.4 billion, or \$300 million over budget. It also calls for a slightly higher profit margin if construction is completed on time and under budget.

Georgia Watch supports the adoption of Staff's RSM as a way to better align the financial interests of ratepayers and Georgia Power shareholders.

Georgia Power has come out strongly against the plan, saying it should be judged on its conduct during the construction process, not the project's final cost.

"I think if we can find an incentive mechanism that incented us to control things we can control, we'd be much closer to resolving this. But we can't live with a results-oriented process here," said Georgia Power attorney Kevin Greene at the PSC's March 31st Energy Committee meeting last week.

Plant Vogtle's first two units, which came online in the late 1980s, were originally budgeted at about \$1 billion. But regulatory hold-ups caused project costs to soar. The final bill ultimately clocked in at \$9 billion.

Georgia Power is now asking ratepayers to bear the entire financial burden of cost overruns at the same level of profit as if the project were coming in at budget. Currently, Georgia Power's allowed profit margin is 11.15 percent.



“Without a risk sharing mechanism, customers would be unfairly exposed to potentially ballooning costs. Ratepayers should not be solely responsible for cost overruns,” said Georgia Watch Consumer Energy Program Director Clare McGuire.

Under Staff’s RSM proposal, Georgia Power would still recover from ratepayers all cost overruns deemed prudent by the Commission. The only difference is how much profit Georgia Power would be allowed to collect on these overruns. Under Staff’s proposal, if total construction costs for the two new reactors falls between \$5.8 billion and \$6.4 billion, Georgia Power would collect its normal allowed profit margin: 11.15 percent. If total construction costs increase to \$7 billion – \$900 million over projected cost – then Georgia Power’s allowed profit margin would decrease from 11.15 percent to 9.3 percent. On the other hand, if Georgia Power finishes construction at a final cost below \$5.8 billion, its allowed profit margin would jump to more than 12 percent.

The two new units – Vogtle units 3 and 4 – are scheduled for completion in 2016-17.

Founded in 2002, Georgia Watch is a nonprofit, nonpartisan 501-(c)(3) watchdog group focusing on consumer education and research in the areas of health care, insurance, identity theft, consumer energy issues and personal finance. For more information, call Georgia Watch at 404-525-1085, or visit us at www.georgiawatch.org.