



MEDIA RELEASE

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PSC Rejects Cost Control Plan on Vogtle Nuclear Construction

Ratepayers in Precarious Position If Construction Is Delayed or Over-Budget

ATLANTA – By a vote of four to one, the Public Service Commission has rejected an arrangement to place basic cost control measures into the construction plan for Georgia Power's two new nuclear reactors at Plant Vogtle.

PSC Staff had urged commissioners to adopt an incentive package that encouraged Georgia Power to finish the new units on time and under budget. Georgia Watch Consumer Energy Program Director Clare McGuire supported the proposal, saying it was the best way to align the financial interests of ratepayers and Georgia Power shareholders.

"We're obviously disappointed that Commissioners didn't adopt the incentive package," said McGuire. "Customers now find themselves in a precarious position if this project is faced with delays and ballooning costs."

The risk sharing mechanism (RSM) proposed by PSC Staff would have spread the financial burden of cost overruns if construction costs exceeded the project's \$6.1 billion price tag originally approved by the Commission. The RSM called for a slightly lower profit margin for Georgia Power if construction costs rose above \$6.4 billion, or \$300 million over budget. It also called for a slightly higher profit margin if construction was completed on time and under budget.

"A risk-sharing mechanism was absolutely in the public interest and necessary to protect ratepayers interests," said McGuire.

But Georgia Power attorney Kevin Greene argued last week that the Company's shareholders shouldn't be punished for construction costs that are outside its control.

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.

"It's ironic that Georgia Power says it shouldn't have to share the financial burden for delays and ballooning costs because it has no way of predicting what those will be. If Georgia Power doesn't know, ratepayers certainly don't know. Yet ratepayers should be solely responsible for cost overruns? It's just a raw deal for customers," said McGuire.



Under Staff's RSM proposal, Georgia Power would have still recovered from ratepayers all cost overruns deemed prudent by the Commission. The only difference was how much Georgia Power would be allowed to collect in profits. If total construction costs for the two new reactors fell between 5.8 billion and 6.4 billion, Georgia Power would collect its normal allowed profit margin: 11.15 percent. If total construction costs increased to \$7 billion – \$900 million over projected cost – then Georgia Power's allowed profit margin would have decreased from 11.15 percent to 9.3 percent. On the other hand, if Georgia Power finished construction at a final cost below 5.8 billion, its allowed profit margin would have jumped to more than 12 percent.

"We are deeply concerned that ratepayers are unfairly exposed to cost overruns. The current arrangement offers little in the way of customer safeguards in the event of delays."

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.