

Tom Crawford's GEORGIA REPORT

Ga. Power will reduce fuel costs it charges customers

By Tom Crawford | Published: April 2, 2012

<http://gareport.com/story/2012/04/02/ga-power-will-reduce-fuel-costs-it-charges-customers/>

The Georgia Power Co. plans to reduce the fuel costs it passes along to its customers by about \$567 million a year, according to the utility's filing with the Public Service Commission last week.

Georgia Power officials estimated there would be a 6 percent decrease – about \$8 per month – in the electricity bills paid by residential customers.

The utility giant is allowed to pass along to customers the costs of fuel it purchases for generation facilities that operate on coal, natural gas and fuel oil. In 2011, Georgia Power collected about \$3.6 billion from its customers to recover these fuel costs.

Officials of the consumer advocacy organization Georgia Watch welcomed the reduction in fuel costs, but noted that the decrease was dwarfed by rate increases that the Public Service Commission approved for Georgia Power that took effect last year.

The commissioners approved a \$2.1 billion rate increase for Georgia Power as well as a customer surcharge for the planned construction of nuclear generation units at Plant Vogtle that will bring the utility an estimated \$1.6 billion in revenues over a six-year period.

“This is a drop in the bucket,” said former PSC member Angela Speir, who's the executive director of Georgia Watch. “In the big picture of massive, consistent rate increases – including the \$2.1 billion rate increase the commission approved in 2010 – those increases have resulted in Georgia Power ratepayers paying hundreds of dollars more per year than they did just five years ago.”

Public Service Commissioners Stan Wise and Chuck Eaton, who are both running for reelection this year, released a statement Friday taking credit for the reduction in Georgia Power's fuel cost recovery rates.

They attributed the drop in fuel recovery costs to actions taken by the commission that resulted in Georgia Power reducing the balance of its unrecovered fuel costs, which at one point was close to \$1 billion.

“Since my service began in 2007, my priority has been to pay down this balance,” Eaton said. “I am proud to say we didn’t kick the can down the road and push our burdens onto future generations.”

“Paying down the fuel balance not only saves interest costs for consumers, it also helps maintain the utility’s credit rating, which avoids higher borrowing costs for consumers in the future,” Wise contended.

Energy experts said the drop in fuel recovery rates was primarily caused by the fact that the economic downturn of the past four years has reduced the demand for electricity. The cost of natural gas has also been declining sharply during a time when Georgia Power is closing down some of its coal-fired plants and turning more to generation facilities that operate on natural gas.

“Unless Chuck wants to step up and take credit for the recession, he had nothing to do with this,” former PSC member Bobby Baker said. “All they did was rubber-stamp what Georgia Power put before them.”

“This fuel cost decrease is a small reprieve and one that has everything to do with the decrease in wholesale natural gas costs and nearly nothing to do with ‘fiscal planning’ by the commission,” Speir said.

Energy consultant Jim Clarkson noted that the fuel cost rate decrease is partly offset by the impact of the PSC’s vote on March 20 approving Georgia Power’s plans to close down three coal- or oil-fired power plants.

“The commission is allowing the company to recover as expenses the remaining book value of closed-down power plants plus obsolete spare parts,” Clarkson pointed out. “In addition, the company will collect a hefty rate of return on these ‘assets’ over the amortization period.”