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**EXECUTIVE SECRETARY
G.P.S.C.**

**BEFORE THE
GEORGIA PUBLIC SERVICE COMMISSION**

**In Re:
Construction Monitoring Proceeding for
Georgia Power Company's Plant Vogtle
Units 3 and 4; Supplemental Information,
Staff Review, and Opportunity for
Settlement**

Docket No. 29849

BRIEF OF GEORGIA WATCH

I. INTRODUCTION

In response to the Commission's Order Regarding Supplemental Information, Staff Review, and Opportunity for Settlement filed in this docket on February 5, 2016, and subsequent proposed Stipulation entered into between Georgia Power Company ("Georgia Power" or "The Company") and Commission Staff ("Staff") on October 20, 2016, Georgia Watch submits this Post-Hearing Brief ("Brief") to recommend the following:

1. The Commission should find that the proposed Stipulation does not adequately balance the interests of Georgia Power's ratepayers and Georgia Power's shareholders.
2. The Commission should limit the scope of the Stipulation to the Company's Definitive Settlement Agreement (DSA) with Contractors resolving the Major Claims Litigation.
3. The Commission should amend the Stipulation to specifically address the Commission's authority to disallow cost overruns tied to imprudent decisions that led to delays and increased financing costs.

4. The Commission should find that their Order in the Eighth VCM stands, that the certified capital cost remains \$4.418 billion, and that prudency determinations shall be made once the units are in service.

5. The Commission should order the Risk Sharing Mechanism (RSM) proposed by Staff in its testimony filed on December 10, 2010, in this docket.

II. ARGUMENT

1. **The Commission should find that the proposed Stipulation does not adequately balance the interests of Georgia Power's ratepayers and Georgia Power's shareholders.** Under the proposed Stipulation, ratepayers rather than Company shareholders would absorb nearly all the impact of delays and cost overruns. According to Staff witness testimony in the fifteenth VCM (Direct testimony of Philip Hayet, Table 2), the total project cost in the 39-month delay scenario will increase from \$6.1 billion to \$8.3 billion – a difference of \$2.2 billion. The total shareholder contribution to reach this settlement agreement is \$115 million. If approved, ratepayers would be forced to pay the additional \$2.2 billion. This is neither just, nor reasonable. Low income ratepayers in particular will feel an undue burden from these higher costs. During the 39-month delay, ratepayers will continue to pay the NCCR tariff with higher fuel costs added on top of that. If further delays occur, which construction monitors have testified is likely, current customers will pay even more. If the units are not operational by December 2020, the project could lose up to \$800 million in production tax credits and an additional \$900 million in bonus depreciation subsidies. The reduction in the Company's Return on Equity (ROE) after 2020 is insufficient to balance the increased costs to ratepayers of further delays.

2. **The Commission should limit the scope of the Stipulation to the Company's Definitive Settlement Agreement (DSA) with Contractors resolving the Major Claims Litigation.** In April 2016, Georgia Power filed with the Commission an Application for Review and Approval of the Definitive Settlement Agreement for Plant Vogtle Units 3 and 4. The Commission should only be addressing at this time whether any or all of the \$350 million Georgia Power paid contractors to settle the dispute should be passed along to ratepayers.

3. **The Commission should find that their Order in the Eighth VCM stands, that the certified capital cost remains \$4.418 billion, and that prudence determinations shall be made once the units are in service.** Given that testimony provided in fifteen VCM proceedings shows that delays and cost increases are the result of ineffective Project management, it is inappropriate to now find no costs incurred by December 30, 2015 were imprudent. Prudence determinations should be made at such time as the Company seeks to add the Unit costs to its rate base when the Plant is operational (O.C.G.A. 46-3A-7a).

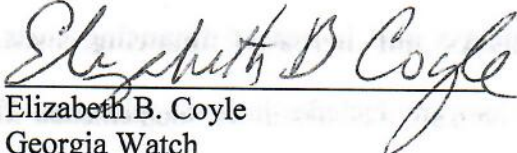
4. **The Commission should amend the Stipulation to specifically address the Commission's authority to disallow cost overruns tied to imprudent decisions that led to delays and increased financing costs.** In particular, Georgia Watch is concerned that the Company includes in its Supplemental filing (see Fletcher Report, page 15) the assertion that financing costs are "beyond the scope of prudence reviews" and therefore, not subject to disallowance by this Commission. The Stipulation does not address and leaves in question whether delay-related cost increases can or should be disallowed. This omission from the Stipulation creates further risk, significant for ratepayers.

5. **The Commission should order the Risk Sharing Mechanism (RSM) proposed by Staff in its testimony filed on December 10, 2010, in this docket.** The Commission has always had the authority and, in fact, has been asked by the Staff and Intervenors including Georgia Watch since the third VCM to implement a risk sharing mechanism containing the types of ROE reductions contained in this Stipulation. Requiring staff to concede on imprudent costs in order to attain Company agreement on reduced ROE is not in the best interest of ratepayers. The RSM proposed by Staff in its December 2010 testimony filed in this docket provides for a much better alignment of the risks and rewards of the costs of Vogtle Units 3 and 4 between Georgia Power's ratepayers and Georgia Power's shareholders.

III. CONCLUSION

For the reasons set forth above, the Commission should reject the Stipulation as proposed, direct the Company and Staff to amend the agreement to better balance the interests of shareholders and ratepayers, and order a Risk Sharing Mechanism to incentivize the Company to avoid further schedule delays.

Respectfully submitted this 13th day of December, 2016.


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CERTIFICATE OF SERVICE

I certify that I have this day served via hand-delivery or electronic mail a copy of the foregoing "Brief of Georgia Watch" in Docket Number 29849 to the parties of record as follows:

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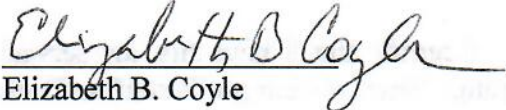
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This 13th day of December, 2016.


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