

Plant Vogtle critics want more state oversight

Premium content from Atlanta Business Chronicle by Dave Williams, Staff Writer

Date: Friday, August 3, 2012, 6:00am EDT - Last Modified: Thursday, August 2, 2012, 4:03pm EDT

Georgia Power Co. should stop slapping ratepayers with the rising costs of expanding nuclear Plant Vogtle, according to advocates for electric customers ranging from giant manufacturers to individual homeowners.

In written arguments expected to be filed Aug. 3, lawyers for Resource Supply Management and Georgia Watch call on the state Public Service Commission to act now before construction delays and cost overruns forecast by an independent monitor get worse.

“The wheels are coming off the bus,” said Helen O’Leary, director of consumer energy for Georgia Watch. “[But] Georgia Power has no skin in the game. ... Every day this project is late and costs more is a day they’re making money.”

But Georgia Power officials say the addition of two nuclear **reactors at the** plant near Augusta is about one-third completed and remains on target. “This project is progressing well,” utility spokesman Mark Williams said. “There’s no reason not to go forward.”

When the PSC approved the \$14.4 billion project in 2009, Georgia Power agreed to file reports every **six months** explaining any *proposed revisions to the* cost estimates or construction schedule. The semi-annual review includes public hearings and written testimony from the utility’s lawyers, advocates for ratepayers and independent monitors hired by the PSC.

The commission then decides whether the expenses incurred during the last six months were prudent or whether Georgia Power should be held accountable for any cost overruns or construction delays. The next PSC vote is set for Aug. 21.

The commission has signed off on the project five times since putting the semi-annual monitoring process in place.

But in May, monitor William Jacobs alerted the PSC in written testimony that the project completion schedule had slipped by seven months, from April 2016 to November 2016 for the first of the two new nuclear units, and from April 2017 to November 2017 for the second.

More importantly, Jacobs pointed to the potential for Georgia Power and several utility partners on the project to face up to \$900 million in cost overruns, including a \$400 million dispute between Georgia Power and the construction team headed by The Shaw Group Inc.

In the latest twist, Westinghouse Electric Co. LLC and Stone & Webster Inc. – two members of the construction team – filed suit in federal court July 25 seeking \$28.7 million from Georgia Power and its partners for site preparation work. “It’s pretty clear from the testimony that the project is going to be delayed, and it’s going to be looking at some serious cost increases,” said Bobby Baker, an energy lawyer with Freeman Mathis & Gary LLP. Baker represents Resource Supply Management, an energy consultant that works with large commercial, institutional and industrial electric customers.

“The commission needs to stop rubber-stamping these reviews ... and find out what the company is doing to address this.” Sara Barczak, high energy risk director for the Knoxville, Tenn.-based Southern Alliance for Clean Energy, said delays and cost overruns at Plant Vogtle were bound to happen because it’s the first nuclear expansion being undertaken in this country in decades. “Being first, there are going to be bumps in the road,” she said. “We don’t want Georgia Power to be guinea pigs.”

Barczak said Plant Vogtle’s path to completion is further complicated by uncertainty surrounding how the U.S. Nuclear Regulatory Commission will respond to last year’s disaster at a nuclear plant in Japan.

“There are going to be changes because of Fukushima that are going to affect new and existing plants,” she said. “We’re building a project [when] we aren’t sure what those changes are going to be.” While the Southern Alliance for Clean Energy is calling on the PSC to cancel the Vogtle expansion, Baker and O’Leary are asking the commission to reconsider its vote a year ago rejecting a “risk-sharing” plan that would have required Georgia Power shareholders to absorb a portion of any cost overruns associated with the project.

The proposal called for reducing the utility’s profits if the cost of expanding Plant Vogtle exceeds Georgia Power’s \$6.1 billion investment in the project by \$300 million or more. “A risk-sharing mechanism … would place some financial responsibility on the company rather than placing the entire financial risk on ratepayers,” Baker wrote in a letter to the PSC expected to be filed Aug. 3.

But Paul Patterson, an energy analyst with New York-based Glenrock Associates LLC, said any move by the PSC to revisit an issue that it already has decided would be counterproductive in that it could drive up the project’s cost. “From an investment perspective, there is a concern if you effectively have the commission saying, ‘We want to change the rules of the game,’ ” he said. “Your cost of capital will go up if people think it’s a risk.” Williams, the Georgia Power spokesman, said economic factors that promise to keep the project within budget include loan guarantees, lower-than-forecast interest rates and lower-than-forecast commodity costs.

He said expanding the utility’s nuclear-generating capacity will provide customers at least \$2.2 billion more value than natural gas, the next-best available technology. “The PSC looked at every alternative out there,” he said. “The PSC agreed this was the right decision.”