

Vogtle nuke project harmful to consumers, PSC filing warns

By Tom Crawford | Published: August 5, 2012

The Public Service Commission has been warned that consumers will end up being stuck with the bill for huge cost overruns on the Plant Vogtle nuclear reactors unless commissioners take steps to hold Georgia Power more accountable for its management of the \$14.5 billion project.

In separate briefs filed last week, two attorneys with years of regulatory experience at the PSC told the commissioners they should implement a risk sharing mechanism that would shift some of the financial risks for the Vogtle project to the shareholders of Georgia Power's parent, the Southern Co.

Without such a risk sharing mechanism, they said, consumers will have to pay all of the cost overruns that are already starting to occur in the Vogtle nuclear project, which is about one-third finished.

"Consumers are being harmed by the Commission's decision last year to decline the adoption of a risk-sharing mechanism, thereby making all cost overruns in the project theirs exclusively," said a brief filed Friday afternoon by Helen O'Leary on behalf of the consumer advocacy organization, Georgia Watch.

"Such inaction sends a very clear and loud message that the interests of the company's shareholders are paramount to those of consumers taking electric service from Georgia Power," said O'Leary, who was formerly a staff attorney at the PSC.

Similar sentiments were expressed in a brief filed earlier in the week by Bobby Baker, an attorney who served on the PSC for 18 years before deciding not to run for reelection in 2010.

Baker, who now represents an energy consulting firm, said in his filing that the PSC "should create a Risk Sharing Mechanism which would place some financial accountability on the Company rather than placing the entire financial risk on ratepayers."

The cost overrun issue is significant because of Georgia Power's history with the first two nuclear plants built at Vogtle during the 1980s. Those nuclear reactors were originally projected to cost \$660 million, but cost overruns drove up the final tab to nearly \$9 billion.

Georgia Power is managing the construction of the two new reactors as part of a consortium that includes Oglethorpe Power Corp., the Municipal Electric Authority of Georgia (MEAG) and Dalton Utilities.

The PSC is responsible for overseeing and regulating Georgia Power's 45.7 percent interest in the project, which currently has a certified cost of \$6.1 billion.

If Georgia Power's share of the total project cost exceeds \$6.1 billion, those additional costs will be paid entirely by the utility's customers because the PSC has declined to adopt a procedure that would shift part of the financial risk to the Southern Co. shareholders.

Georgia Power has already conceded in regulatory filings that it is involved in disputes with its contractors over Vogtle cost increases that amount to \$400 million for its share of the project. Baker said the cost overruns for the entire project, based on that \$400 million, probably amount to \$875 million.

William R. Jacobs, the engineering consultant hired by the PSC to monitor the Vogtle project, has testified that he expects Georgia Power to exceed that \$6.1 billion certified cost by the time the project is completed (that's now scheduled to happen around 2017).

Georgia Watch recommended in its filing that the PSC direct Georgia Power to obtain cost information for all pending change orders and known schedule delays and turn it over to the commission staff.

Georgia Power and the PSC staff should use the data to run a new set of analyses and determine whether it still makes economic sense to finish the nuclear project – or whether customers would be better served if the utility built a generation facility powered by natural gas instead, Georgia Watch said.

"In terms of costs, it is unknown at this time how many more change orders, cost increase disputes, and schedule delays may materialize," Georgia Watch said. "In light of these eventualities, the project could very easily prove to have been an uneconomic decision for consumers."

"Vogtle 3 and 4 are not poised to benefit ratepayers in terms of being an economic resource decision," Georgia Watch said in its filing.