

SOUTHERN ENVIRONMENTAL LAW CENTER

Telephone 404-521-9900

TEN 10TH STREET NW, SUITE 1050
ATLANTA, GA 30309-3848

Facsimile 404-521-9909

FILED

AUG 15 2018

EXECUTIVE SECRETARY
G.P.S.C.

August 15, 2018

VIA HAND DELIVERY

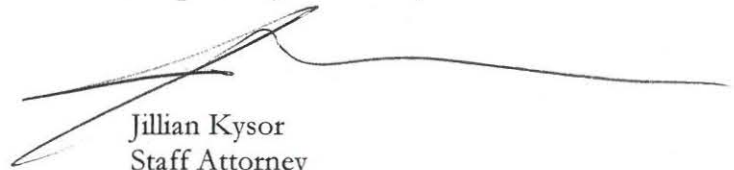
Mr. Reece McAlister
Executive Secretary
Georgia Public Service Commission
244 Washington Street, SW
Atlanta, Georgia 30334

RE: Response to \$2.3 Billion Price Increase for Plant Vogtle Units 3 and 4

Dear Mr. McAlister:

Please find enclosed an original, 15 copies, and an electronic version of a Letter to Commissioners addressing the \$2.3 billion price increase for Plant Vogtle Units 3 and 4 to be filed in Docket 29849 on behalf of Georgia Interfaith Power & Light and Partnership for Southern Equity.

Respectfully submitted,



Jillian Kysor
Staff Attorney
Southern Environmental Law Center
Ten 10th St., NW, Suite 1050
Atlanta, Georgia 30309
404-521-9900
sshelton@selcga.org

SOUTHERN ENVIRONMENTAL LAW CENTER

Telephone 404-521-9900

TEN 10TH STREET NW, SUITE 1050
ATLANTA, GA 30309-3848

Facsimile 404-521-9909

August 15, 2018

VIA HAND DELIVERY

Georgia Public Service Commission
244 Washington Street, SW
Atlanta, Georgia 30334

Re: Response to \$2.3 Billion Price Increase for Plant Vogtle Units 3 and 4; Docket 29849

Dear Commissioners:

We are writing in light of Southern Company's recent announcement that the cost of the Vogtle expansion project has risen by another \$2.3 billion. While the announcement was made after the conclusion of evidence and testimony in this 18th VCM, we believe it has clear relevance to one of the issues now before the Commission. Specifically, the announcement illustrates why the Commission should adopt Staff's recommendation to require Georgia Power to include in future VCM filings more detailed information on project risks, including an up-to-date contingency analysis.

On one level, the Company's announcement was not surprising in light of the project's dismal track record, with ten-figure price increases practically becoming the norm. On another level, however, the announcement is wholly unexpected and alarming. It comes just months after this Commission approved, as "reasonable," a several billion dollar budget increase. And it comes after testimony in this proceeding that gave no hint that another major price increase was in the offing. Instead, the testimony conveyed the exact opposite impression. Reporting on the results of a months-long "re-baselining effort" with the new contractor, Bechtel, Georgia Power witness Stephen Kuczynski, the chairman, president and chief executive officer of Southern Nuclear Operating Company, testified that "we don't see anything of any significance out of that process that would change kind of Bechtel's target cost and schedule." (Tr. at 68). Similarly, when asked about the risk of cost increases under the cost-plus agreement with Bechtel, witness Jeremiah Haswell, project oversight director for Georgia Power, stated that "what we're looking at so far would not change our 7.3 billion estimate." (Tr. at 121).

Nearly two months later, Staff gave similar testimony based on its ongoing discussions with Georgia Power – discussions which, according to Staff, had reached new levels of transparency. (Tr. at 363). In response to questioning from Georgia Power's counsel, Staff testified that the depth and detail of project information made available to Staff had "definitely increased" since Southern Nuclear took direct control of the project. (*Id.*). Regarding the Bechtel review process, Staff testified that the review was now complete and that Staff's understanding was that there were "maybe a few very minor items but nothing material, nothing significant." (Tr. at 253). Although Staff expressed concerns about the achievability of the +21 schedule and the near total allocation of the \$1.1 billion contingency, Staff clearly had no reason to believe that an increase of more than \$2 billion lurked right around the corner.

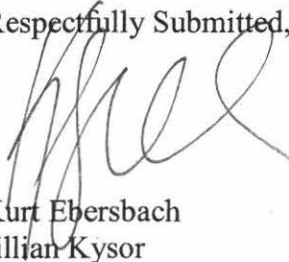
Something is clearly amiss here. The VCM process can hardly be considered transparent when surprises of this magnitude can surface within weeks of testimony suggesting that things are going well under the new arrangement. It's worth noting that Staff made its recommendation for greater transparency of risks and contingency prior to this latest bombshell. Even while agreeing that transparency had improved under the new management structure, Staff saw the need for even greater transparency. Staff has (again) been proved correct. If adopted, Staff's recommendation should make it less likely that additional eye-popping increases arrive without warning.

We're aware that Southern Company has pledged to absorb the \$1.1 billion in added costs that represent Georgia Power's share of the total increase. That customers are not being asked to fund this additional increase is certainly a welcome development. Customers would be advised not to put too much stock in this pledge, however, as the Company's actual position appears to be that the increased "contingency" totaling \$400 million, "may be presented to the Georgia PSC for evaluation as and when appropriate in the future."¹ Moreover, nothing prevents Georgia Power from ultimately seeking to recover the entire sum. As long as there is no cap on project costs, Georgia Power retains that right.

The Company's press statements seem designed to obscure pain to customers associated with this new cost increase. Even if Georgia Power never seeks to recover the \$1.1 billion in new capital costs from customers, \$350 million in increased financing costs will go on customers' tabs.² And then there is the pain that will be felt by non-Georgia Power customers. The overall project increase of \$2.3 billion includes a \$1.2 billion increase for the other project owners who, as the Commission is well aware, have no shareholders to absorb the loss. Hence, customers of those participating utilities will bear the full brunt of the new cost increases incurred by Georgia Power as their agent. While this Commission does not regulate the other project participants, the project would not have gone forward past late last year without the Commission's blessing.

In short, there is simply no sugar-coating this latest development. Unbelievably, after nearly a decade of construction monitoring proceedings, there is still no safeguard against billion-dollar surprises. The Commission can take necessary steps toward providing one by adopting Staff's recommendation to increase transparency in all future VCM filings.

Respectfully Submitted,



Kurt Ebersbach
Jillian Kysor

¹ Press Release, Georgia Power, Significant progress made on Vogtle 3 & 4 (Aug. 8, 2018), available at <https://www.georgiapower.com/company/news-center/press-releases.html>.

² According to Southern Company's recent announcement, \$350 million in financing costs associated with the \$1.1 billion budget increase will be shifted to AFUDC - an account that customers pay. Second Quarter 2018 Earnings Conference Call presentation, slide 4, n. 1 (Aug. 8, 2018), available at https://s2.q4cdn.com/471677839/files/doc_financials/2018/SO-2018-Q2-Earnings-Call-FINAL.pdf.

Southern Environmental Law Center
Ten 10th St., NW, Suite 1050
Atlanta, Georgia 30309
kebersbach@selcga.org
jkysor@selcga.org

cc: All parties of record

CERTIFICATE OF SERVICE

I certify that the foregoing **Letter to Commissioners on behalf of Georgia Interfaith Power & Light and Partnership for Southern Equity** in Docket No. 29849 was filed with the Public Service Commission by hand delivery on the 15th of August, 2018. An electronic copy of same was served upon all parties listed below by electronic mail as follows:



Jillian Kysor

Reece McAlister
Executive Secretary
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, Georgia 30334
reecem@psc.state.ga.us

Jeffrey Stair, Esq.
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, Georgia 30334
jeffreys@psc.state.ga.us

Kevin Greene, Esq.
Brandon F. Marzo, Esq.
Steve J. Hewitson, Esq.
Troutman Sanders LLP
Nations Bank Plaza
600 Peachtree St., NE, Suite 5200
Atlanta, Georgia 30308
kevin.greene@troutmansanders.com
brandon.marzo@troutmansanders.com
steven.hewitson@troutmansanders.com

Randall D. Quintrell
Randall D. Quintrell, P.C.
999 Peachtree Street, N.E., 23rd Floor
Atlanta, Georgia 30309-3996
randyquintrell@eversheds-sutherland.com

Jeffrey Pollock
J. Pollock Incorporated
12647 Olive Blvd., Suite 585
St. Louis, Missouri 63141
jcp@jpollockinc.com

Jim Clarkson
Resource Supply Management
1370 Walcora Dr.
Sumter, SC 29150
jclarkson@rsmenergy.com

Ben J Stockton, PE, MBA
Executive Director
Concerned Ratepayers of Georgia
2305 Global Forum Blvd, Suite 912
Atlanta, GA 30340
encomanager13@gmail.com

Steven C Prenovitz, MBA
Consultant
Concerned Ratepayers of Georgia
4295 Amberglade Ct
Norcross, GA 30092
scprenovitz@gmail.com

Mr. G. L. Bowen, III
Charles B. Jones, III
Georgia Association of Manufacturers
The Hurt Building
50 Hurt Plaza, Suite 985
Atlanta, Georgia 30303
rbowen@gamfg.org
cjones@gamfg.org

J. Renée Kastanakis
Sara Barczak
Kastanakis Law, LLC
Southern Alliance for Clean Energy
1350 Avalon Place, N.E.
Atlanta, Georgia 30306
rkastanakis@aol.com
sara@cleanenergy.org

Liz Coyle
Georgia Watch
55 Marietta Street N.W.
Suite 903
Atlanta, GA 30303
lcoyle@georgiawatch.org