

FILED

AUG 30 2023

DOCKET # 29849
DOCUMENT # 205571

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August 29, 2023

Ms. Sallie Tanner
Executive Secretary
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, GA 30334-5701

RE: Proposed Stipulated Agreement in Georgia Power Company's Application to Adjust Rates to Include Reasonable and Prudent Plant Vogtle Units 3 and 4 Costs; Docket No. 29849

Attached please find a stipulated agreement in the above-named matter between the Public Service Commission Public Interest Advocacy Staff, Georgia Power, Georgia Watch, Georgia Interfaith Power and Light (GPPL), Partnership for Southern Equity (PSE), and the Georgia Association of Manufacturers (GAM). This Stipulation represents major concessions by Georgia Power and will result in significant savings for ratepayers. Staff recommends that it be adopted after notice and hearing.

Under this Stipulation, the capital cost to be placed in rate base would be limited to \$7.562 billion, which is a significant reduction from the \$10.188 billion¹ that the Company is forecast to spend by commercial operation. This \$7.562 billion is an affirmative limit on the amount of capital cost placed in rate base incurred prior to commercial operation. Any additional capital cost incurred prior to commercial operation will be the responsibility of the Company and not the ratepayers.

¹ \$10.188 billion is the total forecasted plant expenditures of \$11.646 billion, plus construction monitoring fees of \$33 million, less the Toshiba refund of \$1.492 billion.

From Staff's perspective, the \$7.562 billion can be viewed as the \$7.293 billion approved as reasonable in VCM 17 plus \$200 million for unanticipated COVID related costs, \$36 million for ad valorem taxes, and \$33 million for construction monitoring costs. The monitoring costs were deemed prudent by the Commission in Docket 27800.

The rigorous oversight of the construction of Vogtle Units 3 and 4 by Staff and the Commission has already resulted in billions of dollars in savings to ratepayers. This stipulated agreement, if adopted by the Commission, would result in billions of additional savings. Combined, these actions will result in savings of \$5.049 billion in net present value (NPV) revenue requirement and \$12.978 billion in nominal revenue requirement.²

In addition to providing an affirmative limit on construction and capital costs, the stipulated agreement provides that if Vogtle Unit 4 has not reached Commercial Operation by March 31, 2024, the Company's Return on Equity used to determine the NCCR and calculate AFUDC will be reduced to zero until Unit 4 reaches Commercial Operation.

The stipulated agreement also provides protections to ratepayers on the performance of Vogtle Units 3 and 4 after Commercial Operation. As of the first refueling outage for each Unit, if the Unit's performance has materially deviated from expected performance, Georgia Power shall have the burden to prove that any outage or derating that resulted in lower than anticipated electricity production by either Unit was not the result of unreasonable or imprudent engineering, construction, procurement, testing, or startup activities. If the Company does not meet this burden, the Commission shall be authorized to order the Company to credit an amount of the O&M costs determined to be appropriate by the Commission back to the benefit of customers and shall have the authority to disallow the cost of the repair or replacement of the associated system, structure, or component which caused the material deviation.

In addition, the stipulated agreement expands the current Income Qualified Senior Discount.

Please see the attached stipulation.

Sincerely,



Preston Thomas
Attorney

Enclosures

² The reductions to the return on equity that the Commission previously ordered in the Supplemental Information Review (SIR) and in VCM 17 combined with the \$700 million in capital costs that the Company agreed to absorb in VCM 19, are saving ratepayers \$2.719 billion in NPV revenue requirement and \$6.222 billion in nominal revenue requirement. This stipulated agreement would save an additional \$2.330 billion in NPV and \$6.756 billion in nominal dollars.

STIPULATION

Georgia Power Company (“Georgia Power” or “Company”) has constructed and plans to operate Plant Vogtle Units 3 and 4 (the “Project”) pursuant to the Certificate of Public Convenience and Necessity issued by the Georgia Public Service Commission (“Commission”) in Docket No. 27800. The Commission’s Public Interest Advocacy Staff (“PIA Staff”) and several intervening parties have participated in the Commission’s Vogtle Construction Monitoring (“VCM”) proceeding, Docket No. 29849, through which the Commission has conducted semi-annual construction monitoring proceedings.

Through the most recently filed VCM 28 report, Georgia Power’s forecasted total construction and capital cost for the Project is \$10,188 million, including \$33 million allocated for PIA Staff’s construction monitoring fees and after accounting for the Toshiba Parent Guarantee funds, net of customer refunds, applied to reduce the capital cost. By order dated January 3, 2017, in Docket No. 29849, the Commission determined that none of the \$3,569 million of capital construction costs incurred by Georgia Power on the Project through the VCM 14 reporting period ending December 31, 2015, should be disallowed from rate base on the basis of imprudence. Of this amount, pursuant to the Commission’s November 15, 2021, Order in Docket No. 43838, \$2,100 million was placed in rate base after Unit 3 reached Commercial Operation.

As of December 31, 2022, and as detailed in the most recently filed VCM 28 report, Georgia Power’s total Project construction and capital cost incurred is \$9,429 million, including \$21 million expended for PIA Staff’s construction monitoring fees and after accounting for the Toshiba Parent Guarantee funds, net of customer refunds, applied to reduce the capital cost. Through the VCM process, the Commission has verified and approved all expenditures up to the revised approved construction and capital cost of \$7,300 million and has reviewed, but not verified and approved, all expenditures above that amount.

Based on the record established in the VCM proceedings, and to resolve all remaining issues for determination by the Commission, the undersigned parties stipulate and agree to the following:

1. The parties agree that \$7,562 million is a reasonable and prudent total construction and capital cost for the Project to be included in rate base. Any additional Project construction capital cost above \$7,562 million incurred or to be incurred prior to commercial operation is the responsibility of the Company and not the ratepayers.¹ This reduction in the construction and capital cost to be placed into rate base takes into consideration the length of time to construct the Project, replacement energy costs incurred during the extended construction time, and other issues of concern raised by the Commission, PIA Staff, and intervening parties throughout the course of the Project, including, but not limited to the amount of rework required, scheduling of activities, testing, and productivity. As described below, upon reaching commercial operation of Unit 4, Georgia Power will include in rate base the remaining \$5,462 million of Project construction and capital costs, less the deferred accumulated depreciation on the remaining balance of Unit 3 (for which there is an equal

¹ This Stipulation does not address nor is it intended to limit capital incurred in the normal operation and maintenance of the Units after Commercial Operation is reached. Such costs will be reviewed through the normal ratemaking process.

and offsetting regulatory asset for the deferred depreciation). The month after Unit 4 achieves Commercial Operation, Georgia Power shall include in retail base rates the revenue requirement associated with the remaining balance of \$5,462 million of Project construction and capital costs in addition to any amounts already transferred from CWIP to plant in service. The rate adjustment will be implemented in the same manner as the Unit 3 and Common rate adjustment.

2. The parties agree that, in addition to the construction and capital costs to be included in rate base for the Project, it is reasonable and prudent to include in rate base the associated Allowance for Funds Used During Construction ("AFUDC") financing costs on the capital cost above \$4,418 million up to \$7,562 million.
3. The parties agree that depreciation expense shall be calculated using the depreciation rate of 1.677%, proposed by PIA Staff and approved in Docket No. 43838, until the next base rate case. The Company shall calculate depreciation based on the allowed capital cost of \$7,562 million and associated AFUDC for the Project. The depreciation rate for Vogtle Units 3 and 4 will be reevaluated in the Company's depreciation study in the next base rate case. The parties further agree that Georgia Power will include in retail base rates the revenue requirement related to any deferred depreciation related to Unit 3 and Common facilities since Unit 3 was placed in service. The deferred depreciation will be included in rate base and amortized starting the month after Unit 4 achieves Commercial Operation over the period of 10 years.
4. The parties agree that the construction and capital costs deemed reasonable and prudent for ratemaking purposes in this instance shall not govern the amount the Company may collect for property tax purposes and that the amount to be collected for property tax purposes shall be based on the state-required method of valuation for public utilities.
5. The parties agree that the projected Operation and Maintenance (O&M)² expenses, nuclear decommissioning accrual, and property taxes, net of projected production tax credits earned, as reflected in the Company's Minimum Filing Requirements ("MFRs") submitted to PIA Staff in this proceeding, shall be included in retail base rates. The annual nuclear decommissioning accrual shall be based on the current 40-year operating license of Vogtle Units 3 and 4.
6. The parties agree that the projected nuclear fuel plant and materials and supplies inventory as reflected in the Company's MFRs submitted to PIA Staff in this proceeding shall be included in rate base. The parties further agree that the deferred interest on nuclear fuel has been accrued in accordance with prior Commission treatment (Docket No. 3397) and shall be included in rate base as reflected in the Company's MFRs submitted to PIA Staff in this proceeding. The deferred interest on nuclear fuel will be amortized through fuel expense over the respective fuel cycles of Vogtle Units 3 and 4.

² O&M includes all costs (expense and capital), both Unit-specific and allocated from SNC or any Southern Company subsidiary.

7. The parties agree that the regulatory assets related to the deferred financing of Unit 3 and Common facilities accrued since Unit 3 was placed in service and the deficient accumulated deferred income taxes resulting from the Tax Cuts and Jobs Act shall be included in rate base as reflected in the Company's MFRs submitted to PIA Staff in this proceeding. The revenue requirement related to these regulatory assets will be included in base rates and amortized starting the month after Unit 4 achieves Commercial Operation over a period of 10 years.
8. Pursuant to O.C.G.A. § 46-2-25(c.1)(5), Georgia Power shall continue to recover the allowed financing costs pursuant to the Nuclear Construction Cost Recovery ("NCCR") tariff until the effective date of the rate adjustment described in Paragraph 1. If Vogtle Unit 4 has not reached Commercial Operation by March 31, 2024, the Company's Return on Equity ("ROE") used to determine the NCCR and calculate AFUDC will be reduced to zero, until Unit 4 reaches Commercial Operation. Upon the effective date of the rate adjustment described in Paragraph 1, the financing costs shall be included in Georgia Power's general revenue requirements and collected through retail base rates. Any over or under-recovered balance resulting from the NCCR tariff at its termination date will be included in rate base and addressed in the next base rate case.
9. The parties agree that, if Georgia Power acquires additional ownership interest in Vogtle Units 3 and 4 pursuant to operation of the co-owner agreements, no construction and capital costs associated with such acquisition or prospective construction and capital cost associated with this capacity shall be included in rate base. However, to the extent such additional ownership interest in Vogtle Units 3 or 4 is used to serve Georgia Power's retail customers, the just and reasonable incremental O&M expenses as described in Paragraph 5 (excluding depreciation on the construction and capital costs associated with such acquisition) associated with such additional ownership interest shall be included in retail base rates and fuel rates.
10. The parties agree that any construction and capital costs that Georgia Power may recover through a dispute with any contractor(s) on the Project relate to costs not herein deemed reasonable and prudent. Accordingly, any such recovery may be retained by Georgia Power. To the extent Georgia Power is obligated to pay additional funds to any contractor(s) on the Project not already contemplated herein, Georgia Power shall not seek to include such funds in retail base rates.
11. To address Staff's concerns regarding performance of Vogtle Units 3 and 4 after Commercial Operation, Georgia Power agrees that, as of the first refueling outage for each Unit, if the respective Unit's performance has materially deviated from expected performance, the Commission has the right to review the O&M expenses, and any associated system, structure, and component which may have caused the material deviation from expected Unit(s) performance, for Units 3 and 4 embedded in retail base rates and Georgia Power shall have the burden to prove that any outage or derating that resulted in lower than anticipated electricity production by the Unit was not the result of unreasonable or imprudent engineering, construction, procurement, testing, or startup activities. If the Company does not meet this burden, the Commission shall be authorized to order the


Company to credit an amount of the O&M costs determined to be appropriate by the Commission back to the benefit of customers in a manner to be determined by the Commission and shall have the authority to disallow the cost of the repair or replacement of the associated system, structure, or component which caused the material deviation. This review shall take place contemporaneously with the Annual Surveillance Review ("ASR") process for the year during which each Unit undergoes its first refueling outage.

12. To review and analyze filings made under and to ensure compliance with this Stipulation, including but not limited to Paragraph 11 above, PIA Staff may utilize any remaining unspent Vogtle construction monitoring fees up to the \$33 million to pay for any reasonably necessary specialized assistance to PIA Staff.
13. Georgia Power has provided to PIA Staff for review the MFRs to be used for the rate adjustment following Unit 4 reaching Commercial Operation, using the current expected Commercial Operation date of March 2024. Subject to Staff review, Georgia Power will update the MFRs and the corresponding revenue requirement for known and measurable changes based on the terms of this Stipulation and, if necessary, will update the MFRs for any different Commercial Operation date or a change in federal or state income tax rates prior to implementing the rate adjustment; provided, however, that the total construction and capital cost for the Project approved in Paragraph 1 shall not be increased.
14. The parties agree that the process for declaring Commercial Operation for Unit 4 shall be the same as that used for Unit 3. Commercial Operation for Unit 4 shall not be declared for rate recovery purposes unless and until Unit 4 successfully completes all appropriate pre-operational tests and power ascension testing and any necessary remediation required for safe and reliable operation. Once Georgia Power notifies the Commission that Unit 4 has successfully completed all such testing and is fully dispatchable at the stated net electrical output of 1,102MWe, no further action or proceeding shall be required for Georgia Power to adjust retail base rates pursuant to the final order in this proceeding.
15. As a condition of this Stipulation, Georgia Power agrees to propose and support in the 2025 Integrated Resource Plan ("IRP") and Demand Side Management ("DSM") Certification dockets a base case of DSM performance savings targets of at least .75% of annual retail sales. PIA Staff and the other intervenor signatories to this Stipulation reserve the right to advocate for different (higher or lower) savings targets in the 2025 IRP/DSM Certification dockets.

16. As a condition of this Stipulation, Georgia Power agrees to expand the current Income Qualified Senior Discount to: (a) all seniors who live in a household with a combined income that is 200% or less of the federal poverty level, adjusted for household size; (b) individuals who receive Social Security Disability Income assistance or Supplemental Security Income; and (c) customers who participate in the federal Housing Choice Voucher Program (HUD Section 8). The provisions of this Paragraph 16 will take effect when rates are adjusted the month after Commercial Operation of Unit 4. This will be paid for by residential customers and will be limited to approximately \$1 per month per residential customer, which equates to approximately \$28 million annually. The parties agree that Georgia Power plans to implement this change by adding up to 96,000 participants over the next three years (approximately 32,000 per year).
17. As a condition of this Stipulation, Georgia Power agrees to continue to evaluate the expansion of renewable resources for the benefit of customers, and to expand renewable programs in the 2025 IRP to the extent they are beneficial to customers. Further, Georgia Power agrees to support any applications by the appropriate state agency to the Inflation Reduction Act's "Solar for All" program and, to the extent the state of Georgia is selected, Georgia Power will support the use of these funds through Commission-approved Georgia Power solar programs for the benefit of customers.
18. The parties agree that Georgia Power shall continue to file semi-annual VCM Reports until Unit 4 reaches Commercial Operation, but that no testimony or hearings related to the semi-annual reports shall be required.

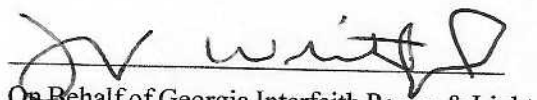
Agreed to this 29th day of August 2023.


On Behalf of PIA Staff


On Behalf of Georgia Power Company

Charles B. Jones, III
On Behalf of Georgia Association of
Manufacturers

Elizabeth B Coyle
On Behalf of Georgia Watch


On Behalf of Georgia Interfaith Power & Light
and the Partnership for Southern Equity