

Commissioner Chuck Eaton
“Commission Retains Ability to Contain Cost Over runs at Plant Vogtle”
August 4, 2011

Judging by recent headlines, some news organizations would like you to believe that the Georgia Public Service Commission has given immunity to Southern Company shareholders for any risk of overruns in the construction of the third and fourth nuclear reactors at Georgia Power’s Plant Vogtle. The truth is more complex than that, but newspaper headlines aren’t the best medium for conveying complex propositions.

Let me be clear. Your Public Service Commissioners maintain the right to review construction costs incurred by the Company to date and, more importantly, disallow at any time any imprudent or wasteful expenses. Every six months, the Commission holds hearings to review construction costs incurred to date by the company. We also review cost reports monthly and have a full time independent monitor that oversees all aspects of the plant construction. Any costs not approved by the Commission will be borne by Southern Company’s shareholders or contractors. Now that the Company has agreed with the PSC’s legal position, the approval and review process has a higher level of certainty. The Commission retains the right, if a problem becomes apparent beyond the six-month review window, to disallow costs without Georgia Power challenging our legal authority.

Rather than simply adopting a fixed formula to determine whether the right financial decisions are made, we will continue to have semi-annual construction hearings and we will be able, at any time, to disallow imprudent or wasteful expenditures. This gives us the flexibility to approve unanticipated nuclear safety measures, future operational savings, and Federal regulatory changes, without running the risk of punishing prudent management decisions. Our current statutory mandate gives us the ability, if needed, to penalize imprudent decisions, by passing on 100% of these costs to shareholders, not just a portion of the profits. It acts as a strong incentive to align the Company’s interest with that of its customers.

Another reason for this approach has to do with the legality of a current Public Service Commission binding a future commission to decisions made today. If the Advocacy staff’s original recommendation had been adopted, future members of the Commission might ignore it completely.

The construction of two new reactors at Plant Vogtle is extremely important to our state. There is not a day that goes by that I don’t think about the progress of the project and its benefit to all Georgians. It will allow Georgia to be attractive to job-providers through competitive and reliable energy. Our system reliability is equal to none around the country as shown by this current national heat wave. Georgians have not suffered from the blackouts and brownouts occurring in other parts of the country, serving as a testament to our willingness to invest in projects like Plant

Vogle. I have voted for a diversity of projects here in Georgia, from solar and efficiency measures to nuclear and natural gas, to ensure our grid remains reliable.

As a Georgia Power customer myself, I will insist on the strictest scrutiny of expenses in this project before they are passed on to consumers.

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