

## Commissioner Stan Wise



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As we watch our nation mortgage our children's future with more and more debt, here in Georgia we have instead instituted a pay-as-you-go approach to finance the expansion of nuclear power.

The Georgia Nuclear Energy Financing Act, passed by the General Assembly and endorsed by the Public Service Commission (PSC), enables Georgia Power to use an accounting method called Construction Work In Progress (CWIP) to finance new nuclear reactors. The measure retains the PSC's authority to ensure only prudent costs are passed onto ratepayers.

Through CWIP, ratepayers avoid a future bill of \$300 million in additional financing costs that pay the financing costs in construction. And by paying the \$1.6 billion in ongoing finance costs during construction, the plant's mortgage will be \$2 billion less than it would be without CWIP; saving even more over time. Another benefit is that CWIP keeps rates low by insulating Georgia Power's A bond rating from downgrades that can lead to higher borrowing rates on all other projects.

The concept isn't new. It's saved money for the customers of utilities throughout the country and here in Georgia.

Under traditional ratemaking consumers would still pay for the cost of the plant and the accrued finance costs during construction. However, those costs, which include bondholder interest and shareholders returns, were deferred until the plants went into service. This meant consumers paid the tab on hundreds of millions in financing costs for financing costs, which CWIP now avoids.

That being so, why the opposition to CWIP? The staunchest opponents of Senate Bill 31 were the lobbyists of the consumer group *Georgia Watch*, which claims to be "neutral" on the issue of nuclear power. Their true interests are unknown because they do not disclose their donors or source of funding. However, the group's newest lobbyist, Angela Speir, is a former one-term PSC member whose voting record might shed light on their agenda. Speir was the only

Commissioner to vote against a 2006 Nuclear Accounting Order, which provided funding for Georgia Power to study the expansion of nuclear power.

*Georgia Watch's* position on financing nuclear plants would actually make them cost more and produce rate shock. It is remarkable that in about seven years, when the new nuclear units go into service, a consumer group would support two back-to-back increases that total 12 percent – 3 percent more than they will be with the use of CWIP, as opposed to phasing-in costs over seven years.

This group also claims CWIP produces pre-paid profits. What they don't acknowledge is that this is interest paid to bondholders and returns paid to investors – and it will be paid regardless of CWIP. In fact, without CWIP, an additional \$300 million would have to be raised from bondholders and shareholders, which would actually make more money for investors.

Finally, *Georgia Watch* says it is not fair to start charging for a service some may never use. Under that logic, we should not plan for the future. No more new roads, water systems, schools, bridges or anything that benefits our citizens in the near or long-term.

The General Assembly and the PSC took the responsible course to finance an asset that will serve our state for many years. In doing so, we will avoid rate shock, save hundreds of millions in financing costs during construction and over the life of the plant, provide jobs, reduce our dependency on fossil fuels, and meet our state's energy needs with a zero-emission technology.

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