DIRECT TESTIMONY OF W. PAUL BOWERS

**ON BEHALF OF**

**GEORGIA POWER COMPANY**

**DOCKET NO. 42516**

1. **INTRODUCTION**

**Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

A. W. Paul Bowers. I am the Chairman, President and Chief Executive Officer of Georgia Power Company (“Georgia Power” or the “Company”). My business address is 241 Ralph McGill Boulevard, Atlanta, Georgia, 30308.

**Q. MR. BOWERS, PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

A.I received my Bachelor of Science degree from the University of West Florida and a master’s degree from Troy University.  I am also a Harvard Business School AMP graduate. I joined the Southern Company system at Gulf Power Company in 1979 and have held executive leadership positions at multiple Southern Company subsidiaries. Over a 40-year career, I have held 14 different positions of increasing responsibility and have been in my current position since January 1, 2011. Prior to moving into this role, I held several senior officer positions within the Southern Company system, including: Chief Financial Officer of Southern Company; President of Southern Company Generation; Chief Executive Officer of Southern Power Company; and Chairman, President and CEO of South Western Electricity LLC (Southern Company’s former U.K. subsidiary), which later transformed into a distribution-only utility known as Western Power Distribution in Southwest England and Wales.

**Q. MR. BOWERS, HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION (“COMMISSION”)?**

A. Yes. I testified in the direct and rebuttal phases of the Company’s 1991 rate case (Docket No. 4007-U) as well as the 1992 Integrated Resource Plan (“IRP”) (Docket No. 4131) and the direct and rebuttal phases of the 1993 Certification of Commercial and Industrial Demand-Side Programs (Docket No. 4132). I also appeared before this Commission regarding the Seventeenth Semi-Annual Vogtle Construction Monitoring (“VCM”) Report (Docket No. 29849). Additionally, I have appeared before other state and federal regulatory bodies, as well as congressional committees, to provide testimony on various topics.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to give an overview and background of this rate filing. Georgia is well recognized as the best state in which to do business. There are a lot of factors that make that a reality but not the least of which is the constructive regulatory policies of this Commission over the past decades. Those policies have allowed Georgia Power to continue to deliver clean, safe, reliable and affordable energy, which is the backbone of Georgia’s economy and well-being. Electricity is an essential part of our daily lives. It is with this in mind that Georgia Power makes this filing.

We fully recognize that we are asking our customers to pay more for electricity, which is an essential service, and realize this can place a burden on our customers, especially those who are already financially challenged. While we strive to be efficient and minimize any cost increase for customers, it has been six years since our last rate case and our current base rates are no longer sufficient to allow the Company to recover the costs necessary to continue providing safe, reliable electric service to our customers while maintaining high levels of customer service.

For nearly 30 years, the Company’s rates have increased less than the rate of inflation. This means that on an inflation-adjusted basis, customers pay less today, and will pay less after the requested increase, than they paid in 1990. Georgia Power’s rates are 16% below the national average and residential customers are paying less than $1 more per month today than they were in 2011. I recognize those facts alone do not justify a rate increase, and we owe our customers an explanation of why Georgia Power is requesting this increase in rates. My testimony is intended to begin that explanation and to highlight what Georgia Power has done to operate more efficiently and minimize any impact on customers.

**Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

A. Since the last rate case six years ago, many factors affecting Georgia Power’s business have changed. Some of those factors have helped reduce long-term costs. Others have increased long-term costs. While factors reducing the Company’s costs are certainly welcome and have mitigated the size of the request in this case, they have not completely offset those factors that have increased our costs.

There are several important factors that have reduced our long-term costs. For instance, since Georgia Power’s last rate case in 2013, the Tax Cuts and Jobs Act (“Tax Reform Act”) has and will provide nearly $2.5 billion in benefits to customers. As a result of an agreement reached with this Commission and its Staff, much of the benefit from the Tax Reform Act has been directly refunded to customers through bill credits, while the rest has been included in the Company’s projections to mitigate the increase requested in this case. The Company has also proactively removed more than $126 million out of its operations and maintenance (“O&M”) budgets since the last rate case by leveraging technology in the way we do business and restructuring certain business units. This resulted in a net reduction in staffing levels by more than 1,000. In fact, O&M expenses are actually lower than the amount approved in the 2013 rate case despite inflationary pressures. Our purchase power capacity expenses are also lower by more than $130 million.

From 2014 through 2018, Georgia Power invested over $8.7 billion in assets and infrastructure to maintain a safe, reliable and resilient electrical system for our customers. As a result of several major storms, the Company’s storm damage account is under-recovered (not yet collected through rates) by approximately $450 million. At the same time, the Company has and must continue to make substantial investments to comply with ongoing state and federal environmental regulations. These investments and new costs are not yet fully reflected in our rates and are not completely offset by the substantial savings we have achieved since 2013.

Georgia Power’s request seeks to reset our rates to a level sufficient to allow us to provide our customers with clean, safe, reliable energy and the first-class customer service they expect, which we are committed to delivering. The Company proposes to continue the three-year alternate rate plan (“ARP”) structure that has served Georgia and our customers well since 1995. Not only have the three-year rate plans helped to keep rates stable and predictable, but the sharing mechanism has also allowed the Company to provide approximately $160 million in benefits to customers since 2013. The embedded performance sharing mechanism set in our rate plans for decades allows for customers to benefit. This structure also has led to stability in Georgia Power’s ability to attract the substantial capital investment needed from the financial markets at competitive rates. The stability and predictability for customers and investors created by a three-year ARP structure is a critical part of the constructive regulatory framework that has enabled Georgia Power to deliver safe, clean and reliable energy to our customers at rates 16% below the national average.

The Company does not propose any change in the allowed earnings band of 10% to 12% or the sharing mechanism. We propose that rates be set near the mid-point of the band (10.9% ROE), using an assumed capital structure with 56% equity. These slight modifications reflect current market conditions and the need to maintain current credit ratings, which allow the Company to achieve one of the lowest overall costs of investment compared to our peer companies. This, in turn, results in lower costs for customers than they otherwise would be.

We recognize that customers desire rate stability, therefore, we are proposing to levelize most of the requested rate increase over a three-year ARP. After the new rates go into effect on January 1, 2020, rates are only adjusted for the increasing cost of the Coal Combustion Residuals (“CCR”) compliance program, Demand Side Management (DSM) programs and Municipal Franchise Fees annually.

**Q.** **PLEASE SUMMARIZE THE COMPANY’S CAPITAL INVESTMENTS SINCE YOUR LAST BASE RATE INCREASE IN 2013.**

A. From 2014 through 2018, Georgia Power has invested more than $8.7 billion in assets and infrastructure to ensure that it maintains a safe, reliable and resilient electrical system to support the growing and changing energy needs of its customers. This investment is not yet fully reflected in our current rates. Working with the Commission, the Company has continued to invest in a diverse energy mix of nuclear, natural gas, hydro, renewables, coal and energy efficiency resources to maintain high levels of reliability for customers at rates 16% below the national average and increases well below the rate of inflation. In addition to new generation resources, Georgia Power has also invested in transmission and distribution systems and integrated enhanced environmental controls across the generation fleet.

The Company has continued to evolve the generation fleet while focusing on value for customers and maintaining diverse sources of energy for our state. Working within a constructive regulatory framework, and with the support and encouragement of this Commission, Georgia Power has continued to develop renewable resources in a way that allowed the Company to become a leader in solar and renewable energy growth. As a result, Georgia Power currently has one of the largest voluntary renewable portfolios in the country with more than 1,500 MW of renewable resources online and an additional 1,600 MW of renewable resources under development. Combined with the renewable programs requested through the 2019 IRP and subject to Commission approval, Georgia Power plans to have more than 4,750 MW of renewable resources online by the end of 2024. The Company has been recognized multiple times by the Smart Electric Power Alliance as a top 10 utility for the addition of solar megawatts, or watts per customer. All of this, in collaboration with the Commission, has positioned our fleet for the future.

We are also retiring coal-fired units based on their lower projected value for customers and increasing the performance of our nuclear units. Georgia Power has decertified 13 coal-fired units since 2013. The Company has safely retired or fuel-switched approximately 4,000 MW of coal and oil-fired generation since 2013 and has requested to retire another approximately 1,000 MW of coal-fired generation as part of the 2019 IRP, which is subject to approval by the Commission. Once these retirements are complete, the Company will have reduced its coal and oil-fired generation capacity to approximately half of what it was in 2005. With the additional renewables added to the system and the retirement of uneconomic thermal units, the Company’s fuel diversity continues to enable us to dispatch the generation fleet as effectively as possible while also optimizing operations to ensure reliable and affordable energy for customers every day.

From 2014 through 2018, the Company has also invested more than $4.1 billion in expanding Transmission and Distribution (“T&D”) infrastructure as well as strengthening the reliability and resiliency of our network. The Company has replaced aging transmission assets and deployed automation technologies across the grid to reduce outage and repair time. A few examples of this investment include:

* Rebuilt the eight-mile Jack McDonough to Peachtree to Boulevard line that is critical to the electrical system in Atlanta and vital to the operations of customers, such as the Centers for Disease Control and Prevention, Piedmont Hospital and the Atlanta Water Department.
* Invested in Self-Healing Distribution Networks, which minimize the number of customers impacted by outages and reduce restoration times via automated restoration schemes. More than half of customers are now served by these networks.

Georgia Power has and will continue to meet its environmental compliance obligations in a cost-effective manner. The Company installed environmental controls and made updates necessary to comply with state and federal environmental requirements, including the Mercury and Air Toxics Standards (“MATS”) Rule; the Clean Water Act (“CWA”); Section 316 requirements; CWA’s 1982 Steam Electric Power Plant Effluent Limitations Guidelines (“ELGs”); Resource Conservation and Recovery Act (“RCRA”); and Georgia Rules for Solid Waste Management, which includes the State CCR Rule. These investments along with this Commission’s approved programs include: baghouses, gas conversions, scrubbers, landfill construction, dry ash management systems, and wastewater treatment systems. These compliance efforts also include plans for closure of the Company’s 29 ash ponds across the state. The Company is removing the ash from 19 ponds located adjacent to lakes or rivers and closing the remaining 10 ponds in place using advanced engineering methods.

**Q. WHAT HAS THE COMPANY DONE TO MAINTAIN OR IMPROVE ITS EXCELLENT CUSTOMER SERVICE?**

A. Georgia Power currently serves more than 2.6 million customers in all but four counties throughout the state of Georgia. Since 2013, the Company’s customer base has grown by approximately 6%, adding more than 150,000 new customers. While the customer base continues growing, it is also changing in a number of ways. Customers expect and deserve the highest reliability at a reasonable cost, with more control, convenience and flexibility when it comes to managing their energy consumption. They also want more engagement via multiple communication channels, including social media. The Company has continuously evolved its programs and services to meet customers’ changing energy needs, including offering a wide variety of rate options that fit our customers’ lifestyles and help them use energy more efficiently.

Georgia Power launched new billing and payment platforms, giving consumers greater control over how and when they pay their electric bill. The Company introduced more than 4,000 Authorized Payment Locations (“APLs”), allowing customers to make in-person payments at retail and grocery stores across the state – even during evening and weekend hours. The Company launched Georgia Power CheckOut, a fast and convenient way for customers to pay their bills while checking out at participating retailers. We also launched PrePay, which gives residential consumers payment flexibility to make multiple smaller payments each month. More than 66,000 customers currently use this option. Further, the Company launched a Pay-by-Day pilot to study another option to help customers manage their account. We also have more than 485,000 customers enrolled in other bill management options, including budget billing. In total, more than 21% of customers are enrolled in one of our alternative rates or programs.

Georgia Power also added a set of digital tools that enable customers to more readily access and manage their account – adapting as our customers’ expectations have evolved. The Company rolled out a mobile app for easy account access and bill payment from a digital device and enhanced georgiapower.com by adding an outage map and service restoration information to the Company’s storm page. Georgia Power upgraded the online customer care (“OCC”) website to provide a more personalized experience for customers visiting the site. The OCC is the Company’s fastest growing customer service channel, and, over the past five years, OCC transaction volume has grown by an average of 15% per year. The Company also introduced chat support on georgiapower.com and has embraced social media as a critical channel for customer service – establishing the Company’s Social Media Command Center in 2016.

Since 2013, Georgia Power has been consistently recognized by J.D. Power for excellence in customer satisfaction. The Company was ranked No. 1 in the 2019 Electric Utilities Residential Customer Satisfaction study for large utilities in the South. (The Business Satisfaction rankings will be announced later this year.) In 2018, the Company was ranked No. 1 in both Electric Utility Business and Residential Customer Satisfaction studies for large utilities in the South. The Company has also consistently been recognized for both customer value and experience by the annual Customer Value Benchmark Survey, which compares customer value among peer utilities across the nation, and the Temkin Experience Ratings, an annual customer experience survey. Georgia Power has also been recognized as a Most Trusted Brand by Escalent (formerly Market Strategies International).

**Q. PLEASE SUMMARIZE THE COMPANY’S STORM RESPONSE OVER THE LAST SIX YEARS.**

A. Georgia Power’s teams have been tested and succeeded during multiple historic weather events throughout the last six years. More than 50 weather events have impacted our network and nearly all of our customers. The most significant include:

**Hurricane Michael (2018):** Hurricane Michael was the third-strongest hurricane to make landfall in the United States in modern recorded history. Entering Georgia as a Category 4 storm, it brought high winds, heavy rainfall, and fallen trees that caused extensive damage as it crossed through the state, especially in southwest Georgia near Bainbridge, Albany and Tifton. Crews restored power to more than 420,000 customers in four days. The system experienced 7,800 outage events and crews repaired 2,000 broken poles and 4,800 spans of wire.

**Hurricane Irma (2017):** One of the largest storms to strike Georgia in decades, every county in the state was impacted by Hurricane Irma. This strong storm brought high winds, heavy rain and flooding. Restoration crews were in every corner of the state restoring power to more than 1.6 million customers in only four and a half days. The system experienced 23,580 outage events and crews repaired 1,625 broken poles and 4,500 spans of wire.

**Hurricane Matthew (2016):** This was one of the strongest, most destructive hurricanes to hit the Georgia coast in more than a century. The path of the storm and the prevalence of large trees caused the most damage in and around Savannah, with coastal areas – such as Burnside, Dutch Island, Isle of Hope, White Bluff, Windsor Forest and surrounding communities – seeing the most severe damage. Crews restored power to more than 370,000 customers in six and a half days. The system experienced 7,900 outage events, and crews repaired 1,000 broken poles and 2,600 spans of wire.

**Ice Storm Pax (2014):** This was one of the most severe ice and snow storms to reach the state in the last decade with a thick sheet of ice coating roadways, cars, power lines and trees. The ice storm downed trees and power lines and virtually shut down transportation in parts of Georgia. Teams restored power to more than 700,000 customers in four days following the effects of Pax, repairing 375 broken poles and 2,800 spans of wire.

Georgia Power received the Edison Electric Institute (EEI) Emergency Recovery Award – given to select EEI member companies to recognize their efforts to restore power to customers after service interruptions caused by severe weather events or other natural disasters – in five of the last six years for these monumental restoration efforts. This honor and our remarkable performance responding to storms wouldn’t be possible without the hard work of the Company’s line crews. On a daily basis, Georgia Power line workers are dedicated to safely delivering reliable energy, innovative solutions and superior value for customers across the state.

**Q. WHAT HAS GEORGIA POWER DONE TO MANAGE ITS COSTS AND IMPROVE EFFICIENCY?**

A. While continuously evolving all areas of the business to meet the changing needs of customers, the Company has also focused on identifying efficiencies across the business. Over the last six years, Georgia Power has implemented several cost-saving initiatives, including the restructuring of certain organizations, to reduce expenses and operate more efficiently and effectively for the benefit of our customers. Despite inflation and increased labor and healthcare costs over the last six years, the Company has worked hard to hold O&M costs relatively flat, budgeting approximately $1.7 billion in 2020 compared to the approximately $2.0 billion O&M budget approved in the 2013 rate case. Additionally, the Company has reduced staffing levels by 1,000 since 2013 and currently has fewer employees performing more work than ever before.

The Company closed all 131 business offices across the state to better align with customer preferences. Over the past decade, payment transactions have shifted from traditional business offices and mail to electronic payments (online, mobile and auto-draft) and APLs. Electronic payments and payments at APLs now account for nearly 80% of all payments. There are now 4,000 APLs which give our customers more convenience in choosing where and when to do business with us.

At our Customer Care Center, we implemented new residential customer service hours, 7 a.m. to 9 p.m., Monday through Friday, aligning business hours with the industry standard and allowing the Company to more efficiently manage resources. This change has further facilitated customer migration to self-serve channels and reduced wait time/agent calls.

Georgia Power and Commission Staff also worked constructively together to pass on benefits from the Tax Reform Act – approximately $1.1 billion – to customers, while preserving the Company’s credit quality. The new tax law benefits were confirmed as part of an agreement with Commission Staff and helped offset costs previously passed on to the customer. In total, refunds to customers will be $330 million for 2018 and 2019. The first refund of $131 million was issued in October 2018, with the subsequent refunds in June 2019 and February 2020. The Company and Commission Staff also identified another nearly $670 million in benefits that will be addressed in this base rate case. Further, with the inclusion of lower federal and state tax rates into the Company’s cost of service, customers will save an additional $1.4 billion over the three-year ARP.

**Q. WHAT ARE SOME THINGS THE COMPANY HAS SPECIFICALLY DONE TO ENHANCE THE ECONOMY IN GEORGIA?**

A. Since 2013, Georgia Power has helped bring or retain more than 100,000 jobs to the state and supported the addition of nearly $22 billion in capital investment. In the last five years alone, the Company has assisted more than 600 companies. We have a team dedicated to not only facilitating a company’s expansion in Georgia or their move to the state but also assisting local communities with the expansion, retention and recruitment of jobs and investment. Of course, some of the primary drivers for businesses to relocate and stay in Georgia are the state’s business-friendly policies, including this Commission’s constructive regulatory policies, which have allowed Georgia Power to provide clean, safe, reliable and affordable energy to those businesses. In addition, Georgia Power works with state and local leadership to stimulate high-quality economic growth in Georgia’s communities and drive positive change for the state through:

* Expanding business retention efforts focused on the prevention of loss of community wealth;
* Helping address critical challenges, such as affordable housing, workforce development and education;
* Building coalitions with diverse influential leaders and diverse customer communities;
* Leveraging leadership alliances that support diverse, underserved and underrepresented customer communities (African American, Asian, Hispanic, seniors, women, LGBTQ, etc.);
* Educating and training community leadership;
* Providing subject-matter expertise on public policy boards, influencing Georgia’s competitiveness;
* Convening local alliances to prepare for new business, the expansion and retention of existing companies and addressing demographic and workforce challenges; and
* Providing strategic planning and community assessments.

Georgia Power offers world-class resources in site selection and economic development that have played an important role in Georgia’s distinction as the best state for business for six consecutive years by *Site Selection* magazine and five consecutive years by *Area Development* magazine. The Company is known for innovation, research, technology and engineering expertise in site selection: offering the online SelectGeorgia site tool – a comprehensive online site search tool available to our state partners and prospects around the world; designing more than 60 industrial parks in the last few years; providing hundreds of engineering designs for manufacturing and mixed-use developments; and hosting site selection projects at our state-of-the-art Georgia Experience Center.

Education is at the core of the Company’s workforce development strategy, not only focusing on education, energy pathways and career success but also on cultivating a trained, motivated workforce for the entire state of Georgia by:

* Promoting statewide workforce readiness through communities, businesses and schools;
* Sponsoring aptitude test YouScience in schools, career academies and Georgia FIRST Robotics;
* Focusing on enhancing teacher quality to motivate students to pursue science, technology, engineering and mathematics (“STEM”) careers;
* Delivering hands-on STEM-based, energy and energy-efficiency lessons in classrooms to thousands of pre-K through Grade 12 students each year that meet Georgia Standards of Excellence and make students, parents and teachers aware of energy and energy-efficiency opportunities and careers through our Learning Power program;
* Partnering with energy sector partners at the local, state and national level to raise awareness of energy to attract and prepare students for future opportunities in the energy industry; and
* Partnering with the construction industry to ensure a skilled labor workforce is available to build and maintain generation in Georgia.

These efforts and our commitment to the state of Georgia are, in part, what have earned us recognition from *Site Selection* magazine as one of the top 10 utilities for economic development for 20 consecutive years.

**Q.** **HOW ELSE IS THE COMPANY INVOLVED IN HELPING THE COMMUNITIES IT SERVES?**

A: The Company has continued its commitment to being a “Citizen Wherever We Serve,” and our employees and retirees have continued to cultivate change for local communities over the past six years. Employees and retirees volunteered nearly one million hours – an average of 150,000 service hours donated each year – valued at more than $21 million. Employees also raised $5 million through the Club of Hearts – Georgia Power’s employee giving campaign where the Company matches dollar-for-dollar (up to $10,000 per person) on charitable contributions to United Way and Club of Hearts agencies. The Citizens of Georgia Power and Ambassadors, the Company’s employee and retiree volunteer organizations, also raised $3.7 million benefitting community organizations throughout the state.

The Company not only encourages employees to give back but also provides opportunities for customers to give back as well. Georgia Power supports initiatives, such as the Salvation Army’s Project SHARE and Purposity, a new charitable giving digital platform, to offer easy ways for customers across the state to make an impact in their own community. Georgia Power and its customers have donated more than $13 million to Project SHARE alone since 2013. In 2018, the Company and its employees donated more than 2,500 backpacks to students across the state through the Purposity platform.

For Georgia Power, these efforts are a tangible way for employees to live out the Company’s nearly 100-year-old motto of being a “Citizen Wherever We Serve.” The Company aims to be judged not only by the service we provide but also what we do to improve the quality of life for all Georgians. Georgia Power has grown to be one of the most respected companies in the state, in no small part, because of its steadfast commitment to the communities it serves. That is a commitment that will continue for generations to come.

**Q. HOW IS THE REST OF THE COMPANY’S TESTIMONY STRUCTURED?**

A. First will be the panel of Mr. David Poroch, our EVP, CFO, and Comptroller; Ms. Sarah Adams, our Assistant Comptroller; and Mr. Michael Robinson, our Power Delivery General Manager. Their testimony will provide a detailed explanation of why the Company’s revenues under current rates are inadequate to cover the Company’s cost of service. They will set out in detail the modifications we propose for continuation of the existing ARPs. Their testimony will also discuss the Company’s grid investment plan for T&D projects over the next several years.

Following that panel, Dr. James Vander Weide will present his expert opinion as to the appropriate return on equity required by the financial markets.

Next, Mr. Steven Fetter will provide testimony from his perspective as a former state regulatory commissioner and former head of a major credit rating agency. He will focus on the importance of credit ratings for regulated utilities and their customers, the importance of constructive utility regulation as an underpinning of strong credit quality, how the Company is currently viewed by credit rating agencies, and how the financial community currently views the utility regulatory environment in Georgia.

Next, Mr. Larry Vogt will present the Company’s cost of service study, Dr. Ahmad Faruqui will discuss current rate design concepts and trends across the electric utility industry, and finally Mr. Larry Legg will present Georgia Power’s rate design proposal.

**Q. Does this conclude your testimony?**

A. Yes.