DIRECT TESTIMONY OF

DAVID L. MCKINNEY AND JEREMIAH C. HASWELL

IN SUPPORT OF GEORGIA POWER COMPANY’S TWENTIETH/TWENTY-FIRST SEMI-ANNUAL VOGTLE CONSTRUCTION MONITORING REPORT

DOCKET NO. 29849

I. INTRODUCTION

Q. PLEASE STATE YOUR NAMES, TITLES, AND BUSINESS ADDRESSES.

A. My name is David L. McKinney. I am the Senior Vice President of Nuclear Development at Georgia Power Company (“Georgia Power” or the “Company”). My business address is 241 Ralph McGill Boulevard, N.E., Atlanta, Georgia 30308.

My name is Jeremiah C. Haswell. I am the Project Oversight Director for Georgia Power. My business address is 241 Ralph McGill Boulevard, N.E., Atlanta, Georgia 30308.

Q. MR. MCKINNEY, PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I graduated from Auburn University with a Bachelor of Science degree in Civil Engineering. I joined Southern Company Services as a co-op in the Hydro Engineering department and moved from there into a Project Engineer role in Southern Company Generation. I then served as a Civil Engineering Manager in the Technical Services Department before taking an assignment as Project Manager of Combined Cycle Construction. After that, I served as General Manager of New Generation Construction. I have served in various leadership roles on Plant Vogtle Units 3 and 4 (the “Project”) since 2009, with my current role being the Senior Vice President of Nuclear Development for Georgia Power. In this role, I have responsibility for Commercial and Cost Management, Project oversight, regulatory relationships with the Georgia Public Service Commission (the “Commission”) and their staff (“Commission Staff”) as well as the U.S. Department of Energy (“DOE”).

Q. MR. MCKINNEY, HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes. I testified in this docket regarding the Sixth, Seventh, Eighth, Ninth/Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth, Fifteenth, Sixteenth, Seventeenth, Eighteenth, and Nineteenth Semi-annual Reports.

Q. Mr. Haswell, please summarize your education and professional experience.

A. I graduated from the University of Alabama at Birmingham with a Bachelor of Science degree in Mechanical Engineering and a Master of Science degree in Civil Engineering (Construction Management focus). I completed a Master of Business Administration at Augusta State University and am a licensed Professional Engineer. I joined Southern Company as an Engineer in Southern Company Services Research and Technology Management focusing on new technology deployment in the existing operating fleet. I held multiple Team Leader roles in the areas of Maintenance, Engineering and Compliance at Alabama Power Company’s Plant Gorgas. In 2012, I moved to Plant Vogtle Units 3 and 4 in the Construction Compliance organization and later accepted the role of Construction Compliance Supervisor for the Turbine Island and Balance of Plant. I am currently the Project Oversight Director with responsibility for regulatory filings for the Project, compliance with Georgia Power’s loan guarantee with the DOE, Project oversight, risk management, and lead interface with the Commission Staff, Construction Monitor and the other Project Owners (Oglethorpe Power Corporation, the Municipal Electric Authority of Georgia, and Dalton Utilities, through the Board of Water, Light and Sinking Fund Commissioners of the City of Dalton) (collectively, the “Owners”).

Q. Mr. Haswell, have you previously testified before the commission?

A. Yes. I testified in this docket regarding the Thirteenth, Fourteenth, Fifteenth, Seventeenth, Eighteenth, and Nineteenth Semi-annual Reports.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. Two witness panels will appear on behalf of Georgia Power. One will be our panel, which will set forth our testimony on behalf of Georgia Power. The second panel consists of Stephen Kuczynski and Aaron Abramovitz, representing Southern Nuclear Operating Company (“Southern Nuclear”), who will set forth the testimony of Southern Nuclear, which is the Project manager at the site. Georgia Power continues to exercise its oversight role on behalf of itself and as agent for the other Owners. Southern Nuclear continues to have primary responsibility for cost and schedule performance as well as safety and quality in all aspects of the Project.

q. What is the purpose of your testimony?

A. The purpose of our testimony is to support the Twentieth/Twenty-First Semi-annual Vogtle Construction Monitoring (“VCM 20/21”) Report and to provide justification for the verification and approval of Georgia Power’s actual expenditures invested in the Project between July 1, 2018, and June 30, 2019 (the “Reporting Period”), as made pursuant to the Certificate of Public Convenience and Necessity (the “Certificate”). We also request verification and approval of the remaining amounts associated with the Owners’ administrative claim against Westinghouse, which were deferred for consideration in the Commission’s order on the VCM 19 Report.

Q. What period does the Twentieth/Twenty-first VCM report cover?

A. The VCM 20/21 Report, incorporated herein by reference, covers the period between July 1, 2018, and June 30, 2019. Pursuant to the VCM 19 Stipulation, adopted as an Order by the Commission on February 26, 2019, the Twentieth and Twenty-First VCM Reporting Periods were combined in one filing. As required by that Order and the underlying Certificate, Georgia Power filed the VCM 20/21 Report on August 30, 2019.

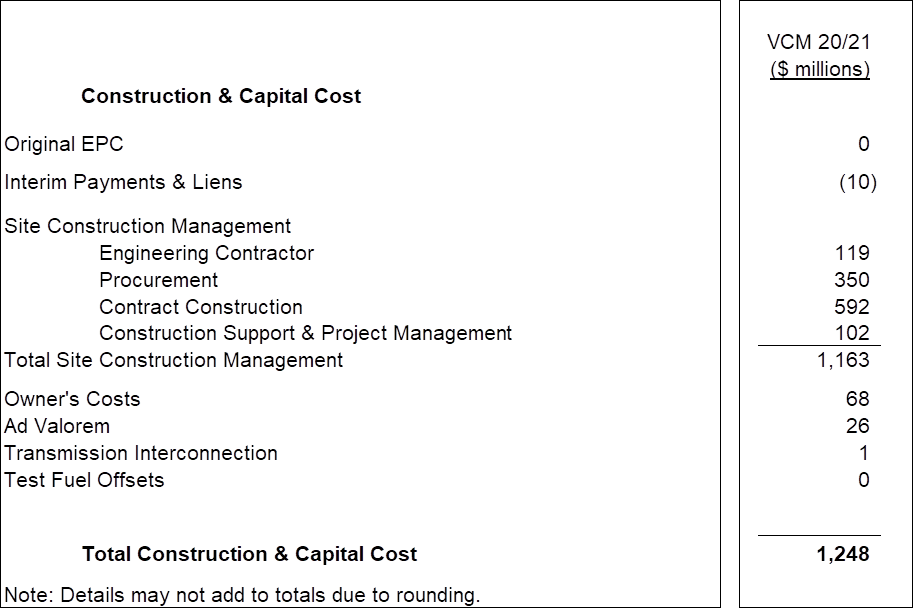
Q. Briefly, what is the current status of the Project?

A. Georgia Power invested $1.248 billion of capital investment during the Reporting Period, and Georgia Power’s cumulative capital investment in the Project through the close of the Reporting Period is approximately $5.189 billion, after accounting for Georgia Power’s portion of the Toshiba Parent Guaranty (less the costs associated with securing the Parent Guaranty payment and the customer refunds totaling approximately $188 million). Georgia Power’s investment in the Project has been prudently incurred and is in compliance with the Certificate. The Project continues to plan for completing construction on an aggressive site working schedule, ahead of the regulatory-approved in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4.

II. GEORGIA POWER’S INVESTMENT

Q. Please elaborate on Georgia Power’s actual expenditures during the Reporting Period.

A. The following table identifies the allocation of Georgia Power’s $1.248 billion of actual expenditures during the Reporting Period:



The expenditure category definitions are unchanged from the Company’s Nineteenth Vogtle Construction Monitoring Report.

Q. Please provide an update on the administrative claim filed by Georgia Power against Westinghouse.

**A.** On August 30, 2018, Georgia Power filed a motion with the bankruptcy court for payment of Georgia Power’s administrative expense claim against Westinghouse under the Interim Assessment Agreement (“IAA”) in the amount of $112.9 million (“Administrative Claim”), of which $51.6 million is Georgia Power’s share.  The Administrative Claim sought recovery of $56.4 million (or $25.8 million in Georgia Power’s share) in estimated payments made by Georgia Power to Westinghouse pursuant to the IAA that exceeded the actual costs incurred by Westinghouse during the IAA period and $56.5 million (or $25.8 million) of payments made by Westinghouse with IAA funds that Georgia Power considered to be improper or subject to ongoing reconciliation and validation. 

As discussed in the VCM 20/21 Report, the Company, on behalf of itself and the other Owners, completed a settlement agreement with the Westinghouse estate regarding the administrative claim. The settlement agreement was approved pursuant to the authority of the bankruptcy court.

Q. How was the administrative claim with westinghouse resolved?

**A.** During the second quarter of 2019, the Westinghouse estate refunded $12.3 million to Georgia Power. Then, in June 2019, the Company, on behalf of itself and the other Owners, resolved the August 2018 administrative claim filed against the Westinghouse estate.  Pursuant to this agreement, Georgia Power received an additional $17.8 million. In total, Georgia Power received $30.1 million from the Westinghouse estate, which represents the $25.8 million of the payments exceeding actual costs portion of the Administrative Claim and $4.3 million of the payments considered improper or subject to ongoing reconciliation portion of the Administrative Claim. Through ongoing discussions with Westinghouse leading up to the agreement, Georgia Power had determined that at least $21.5 million worth of invoices had enough evidence to support payment with IAA funds.

Q. How did Georgia Power Account for the funds received from Westinghouse?

The $30.1 million in funds received from Westinghouse were applied to the Project’s CWIP balance. Accordingly, the Company is not seeking recovery of the $30.1 million. The remaining amount of the Company’s portion of the claim, approximately $21.5 million, is now being presented for verification and approval in accordance with the Commission’s VCM 19 Order. The Company has made available to Commission Staff the invoices supporting verification and approval of $21.5 million.

Q. Please explain any updates to the Company’s total capital forecast.

A. The Company’s total capital forecast remains unchanged. As discussed in the VCM 20/21 Report and in the testimony of Mr. Kuczynski and Mr. Abramovitz, the Company and Southern Nuclear have continued to monitor and evaluate costs associated with completion of the Project. The Company’s projected share of the total Project cost remains at $8.4 billion. In this VCM 20/21 Report, the Company is not seeking approval of costs above the previously approved $7.3 billion.

Q. Please provide an update on Project Cost contingency.

A. As discussed in the VCM 20/21 Report, the Company’s portion of the cost contingency estimate of $366 million established in the VCM 19 Report is unchanged, and there have been no allocations of this contingency to date. It is the Company’s expectation that some portion of the cost contingency will be allocated in the near future. Georgia Power may request the Commission to evaluate such costs for rate recovery as and when appropriate.

III. FEDERAL INCENTIVES

Q. What is the current status of the conditional commitment provided by DOE for additional loan guarantee capacity?

A. On September 28, 2017, the DOE issued a conditional commitment to Georgia Power for up to approximately $1.67 billion in additional loan guarantees. On March 22, 2019, Georgia Power and DOE closed the additional loan guarantee, increasing the total DOE loan guarantee to $5.13 billion. Georgia Power customers are expected to save approximately $550 million due to the benefits of the DOE loan guarantees, of which approximately $400 million has already been secured from draws against the credit facility.

IV. Project REbaseline

Q. What were the results of the Plant Vogtle 3 and 4 schedule and cost re-baseline Effort?

A. As reported in the Plant Vogtle Units 3 and 4 Schedule and Cost Update that was filed with the Commission on April 30, 2019, the schedule re-baseline effort affirmed the regulatory-approved schedule with expected in-service dates of November 2021 and November 2022 for Units 3 and 4, respectively. The testimony of Mr. Kuczynski and Mr. Abramovitz provides additional detail regarding the re-baseline effort.

v. PROJECT STATUS

Q. What significant milestones were Reached during this Reporting Period?

A. As reported in the VCM 20/21 Report, major milestones reached include setting the Unit 4 Reactor Vessel, setting both Unit 4 Steam Generators, the last reinforced concrete wall placement for the Unit 3 Shield Building, setting the Main Control Room roof for Unit 3, setting the Unit 4 Pressurizer, setting Unit 3 Containment Top Head, Unit 3 Initial Energization, and the concrete placement for the Unit 4 maintenance deck inside Containment.

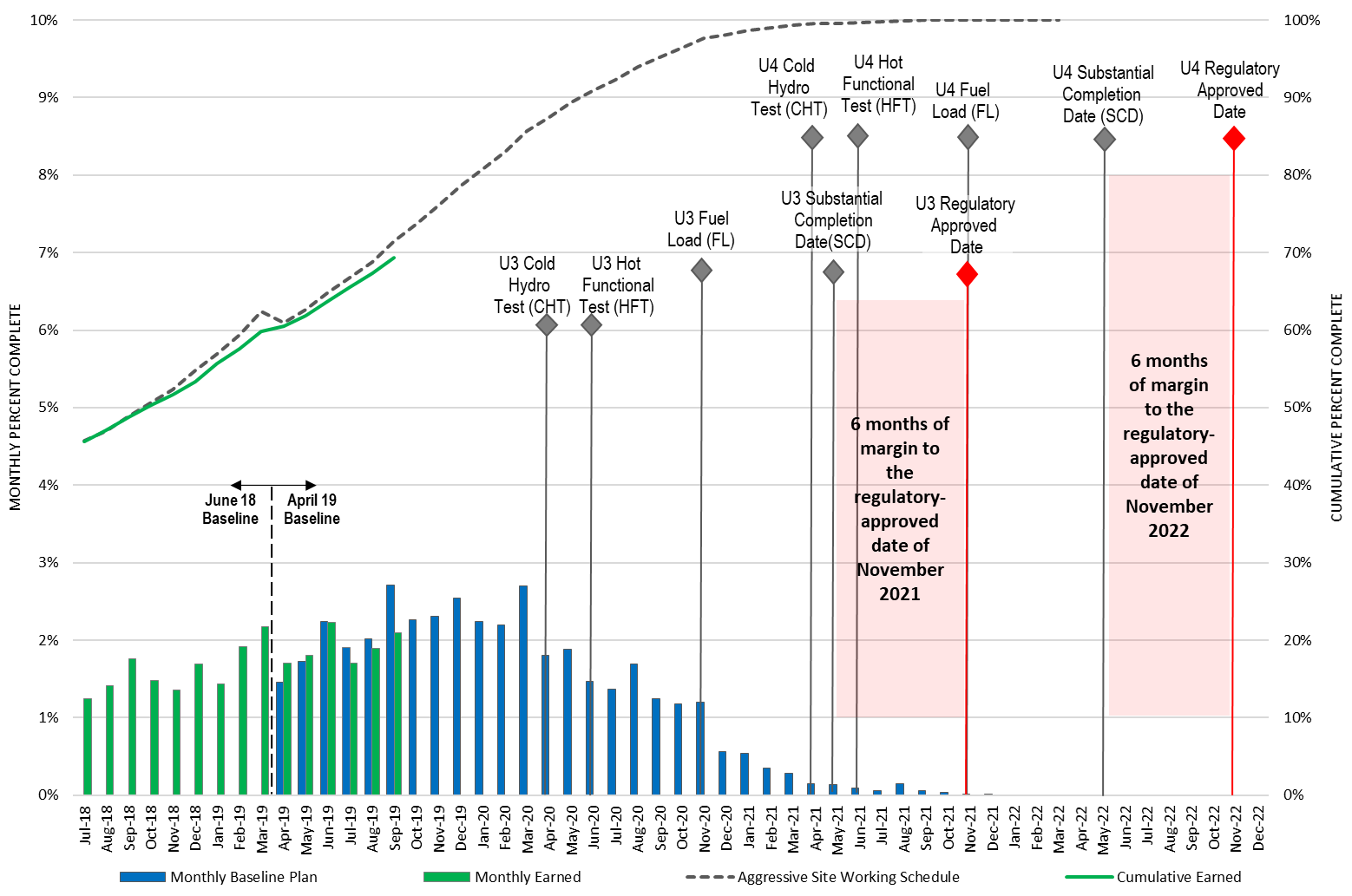
Since the filing of the VCM 20/21 Report, the Project continues to turn systems over to the SNC Testing Organization, increasing the total number of systems or partial systems turned over to 16. In August 2019, Unit 3 began flushing activities with the start of Integrated System Flushing. Flushing will continue as the start of Open Vessel Testing approaches by the end of 2019. Additionally, the first and second insertions of the Reactor Vessel Internals have been completed inside Unit 3 Containment, the middle ring of Unit 4 Containment has been set, the Integrated Head Package has been set inside Unit 4 Containment, all Air Inlet Panels have been set on Unit 3 Shield Building, all Unit 3 Shield Building Tension Ring panels have been set, and all major modules have been delivered to the site. Testing of systems within the power block continues as the Project transitions to start-up operations.

Q. What is georgia power’s assessment of Project performance relative to the regulatory-approved in-service dates?

A. Project performance has continued to be stronger under Southern Nuclear than under previous Project structures. As discussed in the VCM 20/21 Report, Project performance moved in a positive direction during the Reporting Period, with earned hours hitting highs not yet seen on the Project to date while significant testing activities have started. Current Project performance and the Company’s analysis of that performance continues to provide confidence in completion by the regulatory-approved in-service dates.

Q. WHAT IS GEORGIA POWER’S ASSESSMENT OF PROJECT PERFORMANCE RELATIVE TO THE AGGRESSIVE SITE WORKING SCHEDULE?

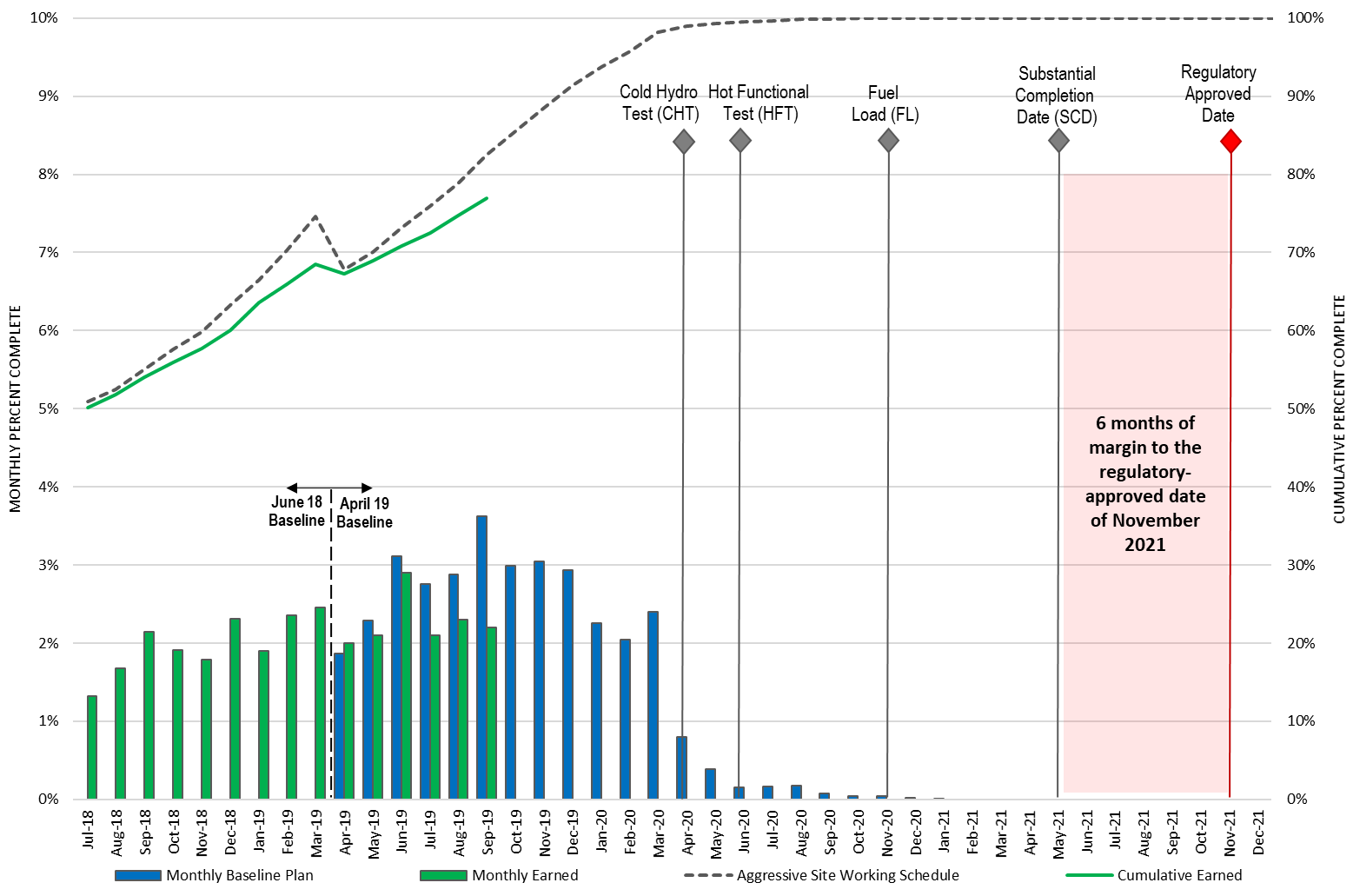
1. Following the April 2019 schedule and cost re-baseline, the Project has continued to meet its major milestones. However, the Company has observed a negative trend relative to the aggressive site working schedule. As shown in the chart below, the Project’s Total Project Direct Construction Percent complete is behind the aggressive site work schedule. The Company’s assessment of Project performance has found that Unit 4 and Balance of Plant (“BOP”) have consistently met or slightly overperformed against the planned site working schedule earnings, while Unit 3’s earnings have underperformed. Southern Nuclear and Bechtel are working to mitigate the lower than planned earnings in Unit 3, and the Company will continue to monitor the impacts of those mitigations.



Total Project Direct Construction Percent Complete

Q. Focusing on Unit 3, specifically, What is georgia power’s assessment of performance against the Aggressive Site working Plan?

A. As discussed in the VCM 20/21 Report, the Project has achieved the highest levels of direct construction earned hours yet to be seen on the Project. While Southern Nuclear has continued to progress through its system testing and turnover plan as evidenced by the start of Integrated Flushing activities and continued planning for the start of Open Vessel Testing, and as seen in the chart below, Unit 3 has a backlog of construction hours to the aggressive construction earnings targets and is currently behind the aggressive site working schedule. The main driver for the negative trend in Unit 3 productivity is earnings related to installation of electrical commodities. To support timely turnover of systems for testing, the Project has re-sequenced some activities and associated hours to occur later in the aggressive site working schedule. Any resulting backlog of construction activities and associated hours relative to the aggressive site working schedule must be addressed prior to the completion of the Project. As system turnover and testing activities increase, the Company expects Southern Nuclear to effectively manage and sequence electrical commodity installation to support those activities. Southern Nuclear and Bechtel are working to mitigate the negative trend in electrical commodity earned hours.



Unit 3 Direct Construction Percent Complete

VI. CONCLUSION

Q. What is Georgia Power requesting at this time?

A. The Company requests that the Commission verify and approve the actual expenditures invested in the construction of the Project through June 30, 2019, as made pursuant to the Certificate, including the approximately $21.5 million associated with Georgia Power’s share of the administrative claim against Westinghouse.

Q. Does this conclude your testimony?

A. Yes.