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PUBLIC DISCLOSURE

June 15, 2021

Mr. Reece McAlister
Executive Secretary
Georgia Public Service Commission
244 Washington Street, SW
Atlanta, GA 30334-5701

**Re: Georgia Power Company's Plant Vogtle Unit 3 and Common Rate
Adjustment Application; Docket No. 43838**

Dear Mr. McAlister:

Enclosed for filing in this Docket is Georgia Power Company's Plant Vogtle Unit 3 and Common Rate Adjustment Application and associated Minimum Filing Requirements.

Please call me at (404) 506-3044 should you have any questions regarding this filing.

Sincerely,

/s/ Kelley M. Balkcom

Kelley M. Balkcom
Director, Regulatory Affairs
mmcclosk@southernco.com

STATE OF GEORGIA
BEFORE THE
GEORGIA PUBLIC SERVICE COMMISSION

In Re: Georgia Power Company's Application
to Adjust Rates to Include Certain Plant Vogtle
Unit 3 and Common Costs

Docket No. 43838

**GEORGIA POWER COMPANY'S APPLICATION TO ADJUST RATES
TO INCLUDE CERTAIN PLANT VOGTLE UNIT 3 AND COMMON COSTS**

Georgia Power Company ("Georgia Power" or the "Company") hereby files its Application to Adjust Rates to Include Certain Plant Vogtle Unit 3 and Common Costs ("Application"). As provided in the Georgia Public Service Commission's ("Commission") January 11, 2018 Order on the 17th Vogtle Construction Monitoring ("VCM") Report in Docket No. 29849 ("VCM 17 Order"), "retail base rates shall be adjusted to include the costs related to Unit 3 and common facilities deemed prudent in the January 3, 2017 Stipulation," effective the first month after Unit 3 is in Commercial Operation. (VCM 17 Order at 18.) The Company's Application is consistent with the Commission's intent and directives as stated in the VCM 17 Order, the Commission's January 3, 2017 Supplemental Information Review ("SIR") Order Adopting Stipulation in Docket No. 29849 ("SIR Order"), and the Procedural and Scheduling Order dated May 20, 2021 ("PSO") in this docket.

This Application responds to each of the six issues identified by the Commission in the PSO. In addition, Georgia Power is filing the Minimum Filing Requirements ("MFRs") as set forth in Attachment A to the PSO. The purpose of this Application, along with the MFRs, is to present the costs related to the Unit 3 and Common facilities deemed prudent in the January 3, 2017 SIR Stipulation ("Unit 3 and Common Costs") that will go into rates the month after Unit 3 achieves Commercial Operation and the mechanics of how rates will be adjusted to account for the already deemed prudent costs.

I. BACKGROUND

The SIR Stipulation, adopted by the Commission in the SIR Order, provided that none of the costs that were incurred, verified, and approved through the 14th VCM, and none of the amounts paid, or to be paid, pursuant to the settlement between the Owners and Westinghouse and CB&I / Stone & Webster (collectively, "Westinghouse"), should be disallowed from rate base on the basis of imprudence as specified in O.C.G.A. § 46-3A-7. (SIR Stipulation at ¶¶ 1-2.) The SIR Stipulation also provided that financing costs on capital dollars that have been verified and approved will be deemed prudent provided they are incurred pursuant to O.C.G.A. § 46-2-25 and the SIR Stipulation, and provided that they are incurred prior to December 31, 2019 for Unit 3. (SIR Stipulation at ¶ 8.)

At the time the SIR Stipulation was adopted, the Commission assumed that Units 3 and 4 would go into rates together at the later of Commercial Operation or December 31, 2020. (SIR Stipulation at ¶ 12.) The SIR Stipulation also defined “Commercial Operation” to mean “the unit being fully dispatchable on demand at the stated Net Electrical output of 1,102 MWe.” (SIR Stipulation at ¶ 13.) The SIR Stipulation specified that the original Certificate of Convenience and Necessity for Vogtle Units 3 and 4 (“Certificate”) would not be amended, that the Nuclear Construction Cost Recovery (“NCCR”) tariff would be applied only to collect the financing costs on the \$4.418 billion originally certified, and that Allowance for Funds Used During Construction (“AFUDC”) accounting treatment would be used for financing costs on capital investment above \$4.418 billion. (SIR Stipulation at ¶¶ 6-7.)

In the VCM 17 Order, the Commission approved a revised capital and construction cost forecast of \$7.3 billion, net of the Toshiba Parent Guaranty payments, and a revised schedule that established the regulatory-approved in-service dates as November 2021 and November 2022 for Units 3 and 4, respectively. (VCM 17 Order at 17.) The VCM 17 Order also provided that effective the first month after Unit 3 is in Commercial Operation, retail base rates shall be adjusted to include the costs related to Unit 3 and Common facilities deemed prudent in the SIR Stipulation. (VCM 17 Order at 18.) With Unit 3 anticipated to achieve Commercial Operation in the first quarter of 2022, Georgia Power files this Application to adjust rates as directed by the VCM 17 Order.

II. ISSUES TO BE RESOLVED

A. Costs Related to Unit 3 and Common Facilities Deemed Prudent in the SIR Stipulation.

In adopting the SIR Stipulation, the Commission deemed prudent three categories of costs:

- (1) the capital construction costs incurred, verified, and approved through the 14th VCM (SIR Stipulation at ¶ 1);
- (2) the amounts paid, or to be paid, pursuant to the Westinghouse settlement (SIR Stipulation at ¶ 2); and
- (3) the financing costs on the capital dollars verified and approved that were incurred pursuant to O.C.G.A. § 46-2-25 and the SIR Stipulation, and incurred prior to December 31, 2019 (SIR Stipulation at ¶ 8).

These deemed prudent costs were incurred for the Project as a whole—Unit 3, Unit 4, and Common facilities. In addition, the construction costs verified and approved through the 14th VCM included construction monitoring costs. As a result, the total construction capital costs deemed prudent in the SIR Stipulation is \$3.569 billion. Figure 1 below demonstrates the category of non-financing costs, and the corresponding amounts, deemed prudent in the SIR Stipulation:

Figure 1. Non-Financing Costs Deemed Prudent in the SIR Stipulation

Cost Category	Amount
Capital construction costs incurred, verified, and approved through VCM 14 (12/31/15)	\$3,509M*
Construction Monitoring Costs	\$5.8M
Westinghouse Settlement Costs paid after 12/31/15	\$54.4M
TOTAL CAPITAL DEEMED PRUDENT	\$3,569M

*Includes Westinghouse Settlement costs paid through 12/31/15

As approved in the VCM 17 Order, retail base rates will be adjusted to include the Unit 3 and Common Costs when Unit 3 achieves Commercial Operation. Therefore, the portion of the deemed prudent costs from the SIR Stipulation that are related to Unit 3 and Common are to be included in rates when Unit 3 achieves Commercial Operation. Approximately two-thirds of the construction capital costs of \$3.569 billion, or \$2.380 billion, is attributable to Unit 3 and Common facilities.

The \$2.380 billion portion of the Construction Work In Progress (“CWIP”) balance that will be closed into service when Unit 3 achieves Commercial Operation will be moved out of the NCCR balance and placed into base rates. Because the financing costs on these capital dollars prior to in-service are recovered through the NCCR tariff, there are no AFUDC financing costs incurred on this amount to be recovered through this rate adjustment filing. Therefore, when Unit 3 achieves Commercial Operation, the Company seeks to place \$2.380 billion in capital construction costs in retail rate base. See below for discussion of other financing costs.

B. Retail Base Rate Adjustment to Recover the Costs Related to Unit 3 and Common Facilities Deemed Prudent in the SIR Stipulation.

1. *Revenue Requirement to be Recovered from Customers.*

In order to recover the capital construction costs as well as the costs of operating Unit 3 when it achieves Commercial Operation, the Company proposes to increase base rates \$369.058 million on an annual basis. This increase would be partially offset by a corresponding decrease in the NCCR tariff of approximately \$134 million yielding a net increase of approximately \$235 million. In addition, this increase does not include an estimated \$44 million of fuel cost savings attributed to Vogtle Unit 3 already incorporated in the current Fuel Cost Recovery (FCR-25) rates effective in June 2020. (See Schedule 1 of Exhibit 1.) The components of the 13-month average rate base amount are presented on Schedule 2, pages 2 and 4 of Exhibit 1. The Company’s projected weighted-average cost of capital applied to this 13-month average rate base amount is calculated on Schedule 2, page 5 of Exhibit 1.

When Unit 3 achieves Commercial Operation, it will be an operating facility producing baseload, carbon-free electricity to Georgia Power's customers. Customers will be receiving the benefits of such generation from the Company's entire share of Unit 3 and Common facilities placed into Commercial Operation, not just the portion of the capital investment recovered in base rates. Therefore, the Company also proposes to recover the following costs related to its full operation and commensurate output of Unit 3 and Common facilities upon Commercial Operation: (1) depreciation expense; (2) O&M expenses; (3) property taxes; (4) nuclear decommissioning costs; (5) nuclear fuel; (6) spare parts inventory; and (7) related deferred taxes. Likewise, because Unit 3 will be generating electricity, it will be awarded federal production tax credits ("PTCs"). The Company will significantly reduce these operating costs by providing customers the benefit of the PTCs for all of its share of Vogtle Unit 3's generation output. These projected operating costs and production tax credit amounts are presented on Schedule 2, page 4 of Exhibit 1.

2. Rate Design.

The Company will adjust base rates to recover the Unit 3 and Common revenue requirements beginning in the month after Unit 3 achieves Commercial Operation. The proposed increase will be allocated equally across all base tariffs. The Company will design the Unit 3 price changes after completing the rate design for the October 1, 2021 rate case compliance filing as specified in the Commission's Order in Docket No. 42516.

In conjunction with the upcoming rate case compliance filing, the Company will provide two separate groups of tariffs – (1) one set specifically to account for the adjustments to base rates and recovery riders for the compliance filing, and (2) a second set of tariffs that includes the combined effect of the compliance filing and the Unit 3 and Common revenue requirements. The tariffs reflecting only the revenue requirements for the compliance filing will take effect January 1, 2022. If Unit 3 achieves Commercial Operation in January 2022, the tariffs reflecting the combined effects of the compliance filing and Unit 3 and Common revenue requirements will go into effect on February 1, 2022. However, if Unit 3 achieves Commercial Operation sometime after January 2022, the Company will provide a revised set of tariffs to account for any necessary changes to the Unit 3 and Common revenue requirements and schedule, and these tariffs will go into effect the month following Commercial Operation. All noted changes to the Company's revenue requirements and tariffs are subject to Commission review and approval.

C. Remaining Costs Eligible for Recovery through the Nuclear Construction Cost Recovery Tariff.

Pursuant to O.C.G.A. § 46-2-25, Georgia Power recovers the cost of financing the construction of Units 3 and 4 during construction through a separate rider on customer bills, the NCCR tariff. The SIR Stipulation provided that, consistent with O.C.G.A. § 46-2-25, the NCCR tariff will continue until the units are in base rates, but the NCCR will only be collected on the certified capital cost of \$4.418 billion. The SIR Stipulation also directed the Company to use AFUDC accounting treatment on the CWIP balance above the \$4.418 billion certified capital cost amount. As provided by law, the NCCR will remain in effect until new rates are set. Therefore, once Unit 3 capital costs are in base rates, the Company will file adjustments to the NCCR tariff

consistent with, and subsequent to, the final order in this proceeding to reflect the portion of the NCCR related to Unit 3 and Common facilities removed from the NCCR rate base.

For the portion of Unit 3 and Common facilities costs not placed in base rates at Unit 3 Commercial Operation that remain in NCCR, the financing costs will continue to be collected through the NCCR tariff. For the portion of Unit 3 and Common facilities costs placed in service but neither included in base rates nor the NCCR tariff, the Company is not allowed under GAAP and FERC Electric Plant Instruction 3 (17) to capitalize AFUDC on the incurred costs of the plant once construction of that plant is complete and it is placed in operation or ready for service. However, GAAP does allow for deferred recovery of financing costs between Commercial Operation and completion of the Commission's prudency review. Therefore, the Company proposes financing costs, of approximately \$51 million, related to Unit 3 and Common facilities neither collected through base rates nor the NCCR tariff be deferred at the Company's long-term debt rate until Unit 4 Commercial Operation and collected over a 5-year period to begin when the remainder of Unit 3 and Common facilities costs and Unit 4 costs are placed in base rates.

D. Costs Reflected in Fuel Cost Recovery Tariff.

The Company's current Fuel Cost Recovery tariff (FCR-25) rates, effective beginning June 2020, contemplated Vogtle Unit 3 achieving Commercial Operation in November 2021. This means that customers are already receiving the benefit of an estimated \$44 million of fuel cost savings attributed to Unit 3. Per the FCR-25 Order, the Company is required to file its next fuel case on or before February 28, 2023—unless the Company's 2022 Integrated Resource Plan or next base rate case is not filed in 2022, in which case the fuel case would be filed in 2022. Therefore, no adjustment to the FCR tariff will be necessary once Unit 3 is placed in service. Any impact on fuel cost resulting from a change in Unit 3's actual Commercial Operation date will be captured in the fuel cost over/under-recovery balance. Prior to the Commercial Operation date, the FCR-25 tariff reflects all of the Vogtle Unit 3 test energy generation kilowatt-hours, but the test energy generation fuel costs, net of sales, are capitalized as part of the construction cost and will be recovered in base rates.

E. Costs Eligible for Deferral and Consideration for Recovery in Future Ratemaking Proceedings.

Pursuant to the VCM 17 Order, any Unit 3 and Common facilities costs not addressed in this proceeding, together with the Unit 4 costs, will be addressed in a rate adjustment proceeding to be filed by the Company once Unit 4 reaches fuel load.

As stated in Section B above, the Company proposes to recover all of the prudently incurred capital and operating costs (net of PTCs) related to all of the Unit 3 and Common facilities beginning when these investments are placed into service and providing 100% of their generation to the benefit of all customers. Should the Commission not accept the Company's proposal for current recovery of any of these cost components, such costs are eligible for deferral and consideration for recovery in a future ratemaking proceeding consistent with prior Commission practice and in accordance with GAAP. If the Commission determines deferred recovery of any

Unit 3 and Common facilities costs to be in the best interest of customers, the Company requests that the Commission issue an order allowing deferred recovery of such costs until the rate adjustment proceeding to be filed once Unit 4 reaches fuel load. Further, in Section C above, the Company proposes that the debt and equity financing cost on the amount of capital investment not collected through base rates or the NCCR tariff be deferred until Unit 4 Commercial Operation. The Company would propose that these financing costs and any capital and operating costs stated in Section B not approved for current recovery be deferred and then collected over a 5-year period to begin when the remainder of Unit 3 and Common costs and Unit 4 costs are placed in base rates.

F. Process to Determine that Unit 3 is “Fully Dispatchable at the Stated Net Electrical Output of 1,102 MWe” as that Term is Used in the SIR Stipulation.

A simple notification process should be all that is necessary for the Commission to determine that Unit 3 has achieved Commercial Operation. At the conclusion of its testing and start-up procedures, Southern Nuclear will determine when Unit 3 is “fully dispatchable on demand at the stated Net Electrical Output of 1,102 MWe” as that phrase is used in the SIR Stipulation. Once this determination is made, the Company, along with the other Vogtle Co-owners, will declare that Unit 3 has achieved Commercial Operation, will turn over Unit 3 to Fleet Operations, Transmission, and Bulk Power Operations, and notify the Commission of that declaration. At that time, the Commission then has sole discretion to determine whether the Company’s declaration meets the Commission’s criteria for the purpose of placing Unit 3 and Common facilities in rates.

III. EXHIBIT 1 AND THE MFRs

Exhibit 1 to this Application includes the MFR Schedules, as identified in Attachment A to the PSO, detailing the Company’s revenue requirements to support its request to adjust rates for costs related to Unit 3 and Common facilities. The MFRs, as filed, assume a Unit 3 Commercial Operation date in January 2022. If Unit 3 does not achieve Commercial Operation in January 2022 or should there be changes to the tax code that impact the federal income tax rate or availability of PTCs, the Company will revise the MFRs and schedules in Exhibit 1 to reflect such changes.

IV. CONCLUSION

The Company’s Application is consistent with the Commission’s intent and directives as stated in the VCM 17 Order, the SIR Order, and the PSO. The Company proposes to recover the Unit 3 and Common facilities portion of costs deemed prudent by the Commission in its SIR Order, which include the capital construction costs incurred, verified, and approved through the 14th VCM, the corresponding financing costs, and the amounts paid pursuant to the Westinghouse Settlement. In addition, the Company proposes to recover the following costs related to its full ownership in the Unit 3 and Common facilities upon Commercial Operation: (1) depreciation expense; (2) O&M expenses; (3) property taxes; (4) nuclear decommissioning costs; (5) nuclear fuel; (6) spare parts inventory; and (7) related deferred taxes, as well as to provide customers with the full benefit of the PTCs.

The Company's Application presents how the Company plans to recover \$2.380 billion in Unit 3 and Common Costs previously deemed prudent by the Commission in the SIR Stipulation as well as the related and prudently incurred capital and operating costs. Beginning in the month after Unit 3 achieves Commercial Operation, the Company proposes to increase base rates by \$369.058 million on an annual basis. The proposed increase will be allocated equally across all base tariffs. Georgia Power will prepare revised tariffs as described above and will provide those to the Commission alongside the Company's planned rate case compliance filing as specified in Docket No. 42516. The Company's requests are reasonable and consistent with the Commission's VCM 17 Order and SIR Order. As such, the Commission should approve Georgia Power's plan for the Unit 3 and Common Costs rate adjustment as presented herein.