

Financial Review

A. Cases Evaluated

The Integrated Resource Plan development included a review of many different assumptions, including the following Reference Case sensitivity cases:

	Sensitivity	Study
1	Forecast of load	The Company considers a range of load forecasts in Sensitivities 1-7. Sensitivities 8-9 specifically assume higher and lower load forecasts.
2	In-service dates of supply and demand resources	Sensitivities 1-11 evaluate the impacts of varying in-service dates and amounts of supply and demand resources through the scenario planning cases. These sensitivities produce separate evaluations of the impacts on the load and energy forecasts, which include effects from demand-side programs and new supply-side resources. Sensitivities 12 and 13 evaluate differing levels of demand-side programs.
3	Unit availability	Sensitivities 1-11 evaluate the impacts of varying in-service dates and amounts of supply and demand resources through the scenario planning cases. Additionally, the Reserve Margin Study evaluates unit outages.
4	Fuel prices	Sensitivities 1-7 evaluate the impacts of fuel prices through the scenario planning cases which have three separate fuel price environments and resulting forecasts combined with varying estimates of carbon prices.
5	Inflation in plant construction costs and costs of capital	Sensitivity 10 evaluates lower cost of carbon free technologies as compared to the other scenarios. These alternative costs could be driven by numerous factors, including inflation in plant construction costs and cost of capital.
6	Availability and costs of purchased power	Sensitivity 14 evaluates the impacts of differing availability and cost of purchased power.
7	Pending federal or state legislation or regulation	Sensitivities 1-7 and Sensitivity 11 evaluate the impact of pending legislation or regulation through the scenario planning cases. The impacts of pending legislation or regulation can be analyzed by varying estimates of carbon and fuel prices.

See the Resource Mix Study in Technical Appendix Volume 1 for more detailed descriptions of the sensitivities and planning scenarios performed and the resulting changes in the amounts and timing of new unit additions.

B. Assumptions and Results

B.1. Inflation Assumptions

The overall level of inflation assumed in this analysis is REDACTED, based on the NIPA: Implicit Price Deflator – GDP index contained in the June 2021 economic forecast from IHS Markit. Escalation of O&M and capital expenditures is REDACTED based on the Producer Price Index (PPI), All Commodities from the June 2021 IHS Markit forecast.

B.2. Cost of Capital, Capital Structure, AFUDC and Tax Rate Assumptions

The costs of each of the IRP sensitivities were evaluated using a regulated electric utility discount rate based on the following financial assumptions:

	<u>Structure</u>	<u>Cost</u>	<u>After-Tax Weighted Cost*</u>
Debt	45%	REDACTED	REDACTED
Common Equity	55%	REDACTED	REDACTED
Discount Rate = Weighted After-Tax Cost of Capital (WACC) =			REDACTED

(*based on 25.5% composite tax rate)

B.3. Revenue Requirements and Annual Average Rates Results

For each of the IRP cases and sensitivities, Exhibits 1 through 14 show the annual revenue requirements, the annual cents/kWh, and the present worth of revenue requirements. The revenue requirements for each case consist of total production costs plus fixed costs associated with system expansion and environmental compliance for the existing fleet (cases 12 and 13 also include DSM related cost adjustments). For example, the REDACTED ¢/kWh real levelized (in year 2022\$) and the REDACTED ¢/kWh nominal levelized from the IRP reference case (scenario 1) are calculated using the total system production costs plus system expansion and environmental fixed costs, all divided by total system kWh and then levelized. These values are provided for each sensitivity case. A summary table is provided with the results of the detailed calculations contained in Exhibits 1 through 14. This table also provides a percentage comparison of each sensitivity case to the reference case.

B.4. Overall Assessment of the Business and Financial Risks

Georgia Power and its customers face risks related to loads (and resulting generation requirements), fuel and technology prices and availability, and environmental laws and regulations. The previously described analysis presents an assessment of the resulting cost uncertainty.

Additionally, new generation resources to serve Georgia Power's regulated customers are generally being acquired through a competitive bidding process at market prices. This approach to generation procurement helps to mitigate the business and financial risks related to new generation.