2025 IRP Financial Review

# A. Cases Evaluated

The 2025 Integrated Resource Plan (“IRP”) development included a review of many different assumptions, including the following sensitivity cases:

## A.1. Sensitivity Cases

Table 1 provides a list of the sensitivities that are included in the Financial Review. Table 2 summarizes how the sensitivities satisfy the requirements of the Financial Review.

*Table 1: List of Sensitivities for Financial Review*

|  |  |
| --- | --- |
| Case # | Sensitivity Description |
| 0 | 111 GHG Rule / Moderate Gas / Lower Carbon |
| 1 | 111 GHG Rule / High Gas / Lower Carbon |
| 2 | 111 GHG Rule / Moderate Gas / Higher Carbon |
| 3 | Low Gas / Lower Carbon |
| 4 | Moderate Gas / Lower Carbon |
| 5 | Lower Load / High Gas / Lower Carbon |
| 6 | Moderate Gas / Moderate Carbon |
| 7 | Moderate Gas / Higher Carbon |
| 8 | Emissions Limit |
| 9 | High Load[[1]](#footnote-2) / Moderate Gas / Lower Carbon |
| 10 | No Non-Dispatchable DSM / Moderate Gas / Lower Carbon |
| 11 | Advocates[[2]](#footnote-3) / Moderate Gas / Lower Carbon |
| 12 | Economy Energy Purchase[[3]](#footnote-4) / Moderate Gas / Lower Carbon |

*Table 2: Sensitivity Summary[[4]](#footnote-5)*

|  |  |  |
| --- | --- | --- |
|  | **Required Analysis** | **Applicable Sensitivities** |
| **1** | Forecast of load | The Company considers a range of load forecasts in Sensitivities 0-10. |
| **2** | In-service dates of supply and demand resources | Sensitivities 0-9 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 10 and 11 evaluate differing levels of demand-side programs. |
| **3** | Unit availability | Sensitivities 0-11 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 0-8 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 | Sensitivities 0-11 evaluate higher and lower costs of carbon-free technologies by varying the phase out year for the IRA. These alternative costs could be representative of inflation in plant construction costs and cost of capital. |
| **6** | Availability and costs of purchased power | Sensitivity 12 evaluates the impacts of differing availability and cost of purchased power. |
| **7** | Pending federal or state legislation or regulation | Sensitivities 0-8 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. |
| **8** | Rate Impact Analysis | All of the sensitivities analyze the impacts on rates of the varying changes in assumptions. |

See the Resource Mix Study in Technical Appendix Volume 2 for more detailed descriptions of the sensitivities and planning scenarios performed.

# B. Assumptions and Results

## B.1. Inflation Assumptions

The overall level of inflation assumed in this analysis is **REDACTED**, based on the Gross Domestic Product Implicit Price Deflator (“GDP-IPD”) from the S&P Global June 2024 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:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Structure | Cost | After-Tax  Weighted Cost\* |
| Debt | 45% | **REDACTED** | **REDACTED** |
| Common Equity | 55% | **REDACTED** | **REDACTED** |
| **Discount Rate = Weighted After-Tax Cost of Capital (WACC) =** | | | **REDACTED** |

*(\*based on 25.4% composite tax rate)*

## B.3. Revenue Requirements and Annual Average Rates Results

For each of the sensitivities, worksheets “0” through “12” in “2025 IRP Financial Review TRADE SECRET.xlsx” show the annual revenue requirements, the annual cents/kWh, and the present value 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 10 and 11 also include DSM-related cost adjustments). For example, the **REDACTED**¢/kWh real levelized (in year 2025$) and the **REDACTED**¢/kWh nominal levelized from the IRP base case (Case 0) 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 in “2025 IRP Financial Review TRADE SECRET.xlsx” with the results of the detailed calculations contained in worksheets “0” through “12.” The summary table also provides a percentage comparison of each sensitivity case to the IRP base case.

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

Georgia Power Company (“Georgia Power” or the “Company”) 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 and can result in either power purchase agreements or Company-owned proposals being selected. This approach to generation procurement helps to mitigate the business and financial risks related to new generation.

1. See the high growth in large load customers sensitivity in the Budget 2025 (“B2025”) Load and Energy Forecast in Technical Appendix Volume 1 for details. [↑](#footnote-ref-2)
2. See Chapter 7 of the Main Document for a description of the DSM Working Group Advocacy (“DSMWG”) case. [↑](#footnote-ref-3)
3. The Economy Energy Purchase case considers the impact of an energy-only purchase. The purchase is represented as 5-day by 16-hour strips of must-take energy (1,000 MW in summer months (May - September) and 1,500 MW in non-summer months (October – April)) throughout the planning horizon. [↑](#footnote-ref-4)
4. See Georgia Public Service Commission Rule 515-3-4-.05(1)(d) for sensitivity requirements. [↑](#footnote-ref-5)