

**Motion
VCM 17**

I move that the Commission adopt the following findings in response to Georgia Power Company's Seventeenth Semi-Annual Vogtle Construction Monitoring Report ("VCM 17 Report"), and the Company's requests as spelled out in their August 31, 2017 filing of that report (Docket 29849). Rather than read this motion verbatim before getting a second, I will go ahead and ask for a second so that I may give my rationale and allow for discussion as I read each element of the motion.

1. The \$542 million invested by Georgia Power during the VCM 17 reporting period should be verified and approved.

The main issue here is whether the amounts paid by the Owners to clear liens and to Westinghouse and Flour after the bankruptcy were reasonable to pay. The testimony was persuasive, particularly that of Professor Williams, that these payments were critical and necessary to keep this project moving forward. Without them, it is almost certain that the Project would have come to a stop and it would have been far more expensive to re start it now, if we could have even done so now. In my view, since these payments were necessary, they should be approved.

2. Vogtle Units 3 & 4 should be completed.

The Company and Owners analysis shows that continuing Units 3 & 4 is cost effective at its revised schedule and revised cost, which as I will explain, I will modify. Staff finds otherwise after its analysis. But everyone agrees that both analysis depend heavily on the forecast of future natural gas prices, and we all agree we have no crystal ball on that. I am not willing to trust anyone's snapshot forecast today of future gas prices as a basis for abandoning the nearly \$5 billion we already have invested in this 60 to 80-year asset.

In addition, we have a responsibility to look to the broad public interest in a matter of this importance. Beyond the pure numbers, we have an obligation to ensure safe, reliable and cost-effective electricity for

generations to come. During the construction of Vogtle 1 & 2 some studies showed and many opponents argued that those units be stopped. I firmly believe that in the future, Georgians will look back on this decision today and be as grateful for it as we are for the decisions to complete Units 1 & 2.

3. The Commission approves and finds reasonable the Company's revised schedule and cost forecast. The approved cost forecast, however, will be reduced by the actual amounts of the Toshiba Parent Guarantee applied to the project's construction work in progress ("CWIP") balance. This places the approved revised capital cost forecast at \$7.3 Billion.

The Company asked us to approve an \$8.9 billion capital forecast. The Toshiba parent guarantee has now been paid in full, and after netting out the costs to achieve that payment and the credits I will propose later in this motion, we should reduce the forecast to take into consideration the amounts that will go to reduce the capital costs of this project. The Owners deserve to have their efforts recognized. They achieved payment in full for that parent guarantee, but they achieved it for the customers' benefit and that's who should benefit. We should not approve the Company's higher forecast that was made before the payment of the parent guarantee. So, I prefer to only approve the forecast net of the payment amounts from Toshiba that will be used to reduce the capital costs.

4. The Commission will approve the revised project structure whereby Southern Nuclear will construct, test, and bring to commercial operation the Units as a self-build Project.

Company and Staff witnesses all agreed that production and productivity has markedly improved at the site since SNC and Bechtel have taken over. We should acknowledge that while at the same time challenging the project leadership and craft workers to maintain if not improve their productivity while ensuring safety and quality.

5. The Commission neither approves nor disapproves the revised Joint Owners Agreement.

There was a lot of discussion about this during the hearings, but the Company has said it isn't asking us to approve this agreement, so I see no reason to do so.

6. No directives or findings in any part of this motion suggest there is a cost cap or that the Commission has approved or disapproved the recovery of any costs from customers. All decisions regarding cost recovery from customers will be made later in a manner consistent with Georgia law and the Stipulation approved by the Commission on January 3, 2017 and this decision. Any costs spent up to the revised cost forecast will be deemed reasonable, but will be subject to the findings and presumptions as defined in the SIR Stipulation approved on January 3, 2017. This includes the Company retaining the burden of proof on prudence on all capital costs above \$5.680 billion.

My motion does not impose a cost cap on the project, and it doesn't disallow any costs at this time. But I want to be clear that it also doesn't guarantee the Company cost recovery of any costs. We will review all costs for recovery under the prudence standard when construction is complete. Any costs found to be imprudent will not be recovered from customers.

7. The Company's ROE used to determine the NCCR beginning January 1, 2020 will be reduced from 10% to 8.7%. This lower ROE will first be used when adjusting the NCCR rate effective January 1, 2020. The Company's ROE used to determine the NCCR beginning January 1, 2021 will be reduced further from 8.7% to 5.3% or the Company's average cost of long term debt, whichever is higher. This lower ROE will first be used when adjusting the NCCR rate effective January 1, 2021. The ROE used to calculate AFUDC for the Project beginning in 2018 will be the Company's average cost of long term debt.

Already programmed under the current stipulation is a cut to ROE beginning January 1, 2021. That existing reduction goes from 10% to 7% as an incentive to get the plants done sooner. As an added inducement to have the Company bring the units on line, my motion in this matter starts the cuts a year earlier and makes them deeper. Further, this motion proposes another round of deeper cuts to 5.3% starting 11-months before Unit 3 is to come on-line, and then again deeper cuts six months before the Units are to come on line.

Our Staff did a great job negotiating the last stipulation that we approved earlier this year. Unlike the Company, our Staff correctly anticipated a schedule delay and cost increase, and built into that earlier stipulation substantial penalties to the Company and protections for customers if that were to occur, as it has. While that has protected our customers, I don't think the Company should continue to profit at the same levels from this recent delay. My motion would reduce the Company's profits by about 20% from their normally authorized 10.95% ROE and would cut it by about half for the AFUDC calculations.

In doing this, I recognize that the Company still needs to attract the nearly \$1.4 billion in capital to complete the Units. About half of that is financed by debt, and half from the equity markets. If we tell investors they will get no return on their investment used to complete the Units, we may not be able to finish the Units, but I do expect them to share in a substantial portion of the cost in finishing them. This should also serve as a powerful incentive to the Company to work as fast and safely as they can to finish these units.

My motion, along with the original stipulation and impact of reducing the NCCR balance to absorb the parent guarantee, will result in appropriately \$700 million in reduced earnings and revenues to the company and nearly \$1.5 billion in customer benefits, more than \$1.1 billion of which will never be paid by customers, and \$525 million will be deferred to be collected over the 60 years of the life of the project.

We should recognize that this level of shareholder impact is already bigger than the impact to the Company of the Vogtle 1 & 2 disallowance and we have not even yet addressed the prudence questions.

And let's not forget that ratepayers have already received the benefit of approximately \$4 billion in cost overruns that were absorbed by Westinghouse and CBI thanks to the fixed and firm contract that was in place.

8. Upon reaching Commercial Operation of Unit 3, which is expected to be in November 2021, retail base rates will be adjusted to include the costs related to Unit 3 and common facilities deemed prudent in the January 3, 2017 Stipulation. This rate adjustment will be effective the first month after Unit 3 is in commercial operation.

Like the ROE reductions, I just talked about, this provision works as a carrot to the stick. I want to do everything we can to incent the Company to continue the pace they have shown over the past six or seven months to finish these Units and to bring them into service as safely and quickly as they can.

9. If Vogtle Unit 3 is not Commercially Operational by June 1, 2021, the Company's ROE used to determine the NCCR related to Unit 3 capital costs will be further reduced 10 basis points each month, but not lower than the long-term cost of debt, until Unit 3 reaches Commercial Operation. If Vogtle Unit 4 is not Commercially Operational by June 1, 2022, the Company's ROE used to determine the NCCR related to Unit 4 capital costs will be further reduced 10 basis points each month, but not lower than the long-term cost of debt, until Unit 4 reaches Commercial Operation.

This provision encourages the Company to finish sooner rather than later. It starts further reductions in the profits if they haven't finished by these dates, which are actually six months earlier than their currently proposed schedule. While I think their "plus 29 months" schedule is reasonable, the project is currently working at a "plus 23 months" schedule pace and I want them to try to make that.

10. Upon reaching fuel load of Unit 4, the Company may make a filing with the Commission to determine the adjustment to retail base rates necessary to include the remaining amounts of Units 3 and 4 into retail base rates. During this review, the Commission will determine the remaining issues pertaining to prudence of Unit 3 and 4 costs. Such rate adjustment will be effective the first month after Unit 4 is Commercially Operational.

This is where we provide for the prudence review making it clear that we will finally decide what costs are put into rates, and what costs might be disallowed.

11. The Company will take a portion of the amounts received from the Toshiba Parent Guaranty and credit each customer with three \$25 monthly credits to be received no later than the 3rd quarter of 2018. A line item on bills reading “Vogle Settlement Refund” will appear beside each refund. The balance of the proceeds received from Toshiba, net of the Company’s costs to obtain that payment and net of the costs of providing those customer credits, will be applied to the CWIP balance. This will have the effect of reducing the level of the NCCR and the Company’s earnings on the NCCR until the CWIP balance is built back up with actual investments to the original certified amount of \$4.418 billion. Before January 31, 2018, the Company will file a revised NCCR tariff based on the actual amount of the monetization proceeds.

This is the best way to give the immediate benefit of the parent guarantee to the customers who are, and have been paying the NCCR. We should recognize that not only did the Owners get Toshiba to agree to the full value of the parent guarantee that backed up WEC’s damages owed to the Owners, but the Owners also secured the immediate payment of 100% of that \$3.68 billion for the benefit their customers. I will note that the Summer owners were only able to get 91.5% of their lower parent guarantee. The difference between 100% and 91.5% means \$312 million additional benefit for Georgians.

12. It is unknown at this time if Congress will extend the production tax credits. While these tax credits do not affect the Project’s capital costs that we are dealing with here, they do impact the overall operating costs. My motion to go forward is based on the assumption that these PTC’s will, in fact, be extended. But, if they are not, or if other conditions change and assumptions upon which the Company’s VCM 17 are based are either proven or disproven, the Commission may reconsider the decision to go forward.

This provision simply recognizes that whatever decision we make today is based on our best projection of the future. Look at it this way. If we were to stop the project today because we think gas prices will always be as low

as they are today for the next 60 or 80 years, or if we were to stop today because we think PTCs will not be passed, and gas prices go up or PTCs are extended, we would have made an irreversible mistake. This provision lets us go forward with the opportunity to reconsider in the future if we choose to.

13. Except as otherwise clarified or modified in this motion, the Stipulation approved by the Commission on January 3, 2017 remains in full force and effect.

It is important to recognize that my motion today does not change the great work the Staff did last year on that stipulation. My motion just adds both carrots and sticks in light of the new circumstances of the Westinghouse bankruptcy that no one anticipated last year.

14. The Commission will continue to conduct semi-annual VCM reviews and, as appropriate, verify and approve all expenditures on a semi-annual basis regardless of whether they exceed the original certified amount.

The Commission should not stop exercising its responsibility to verify and approve future expenditures. This is an important customer protection we should not abandon. To be clear, however, we will not be judging prudence in those VCMs, nor be assuring cost recovery to the Company. All questions of cost recovery will be made after a prudence review at the end of construction.

15. Due to the Project changing from an EPC contract that was fixed and firm to a time-and-materials Company self-build configuration, the annual allowance for monitoring expenses will be increased by \$500,000 per annum.

16. Finally, my proposal also recognizes the need to continue to develop other carbon free sources of generation. I propose that we authorize 5 MW for additional community solar projects and that, to the extent allowed by other regulatory bodies, the Company will site all or part of the 5 MW community solar facility at the plant Vogtle site. Our future correctly includes both new nuclear as well as solar and other renewables.