State Defers Showdown on Ga. Nuclear Plant Costs

RAY HENRY, Associated Press

ATLANTA (AP) — A debate over the rising cost of building a first-of-its-kind nuclear plant in Georgia will be pushed far into the future.

Regulators at the Public Service Commission were facing a legal dilemma ever since Southern Co. subsidiary Georgia Power asked in February to raise its construction budget for building two more nuclear reactors at Plant Vogtle by $737 million to $6.85 billion.

That request raised expectations that PSC staffers would seek this month to block the utility from passing along some of its costs to customers, but that didn't happen. Instead, Southern Co. and Georgia utility officials recently reached a preliminary deal that would postpone a major budget debate until at least January 2018, when the first reactor is projected to come online.

A glimmer of the state's strategy emerged Friday in a report filed by nuclear engineer William Jacobs Jr. and PSC analyst Steven Roetger. Their report lays out the reasons why regulators could try to force the utility to absorb losses because of construction mishaps, but it stops short of recommending that regulators reject any spending now.

Georgia Power spokesman Mark Williams said all of the company's spending on the project has been in the best interests of its customers.

The utility's request to raise its budget triggered a quandary focused on the burden of proof.

If the utility exceeded its budget, then the burden was on Georgia Power to persuade regulators that the excess spending should be passed along to its customers. But if the PSC voted to raise the project budget, then the law would assume Georgia Power was entitled to collect all of its budgeted costs from customers, so long as regulators couldn't prove the spending was imprudent, reckless or somehow criminal.

As a result, PSC staffers had an incentive to raise any objections quickly, before the commission voted on whether to raise the project budget.

But under a preliminary agreement reached July 30, Georgia Power agreed to withdraw its request for a budget increase. Instead, it will ask utility regulators to approve its project spending at regular intervals. And regulators reserved the right to raise their objections in the future.

There were several motivations for the agreement, which is still subject to approval by the elected members of the PSC.

In the agreement, PSC staffers said forcing Georgia Power to publicly discuss its budget issues right now could force the utility to tip its hand as it simultaneously negotiates a business dispute worth an estimated $930 million to Georgia customers.

The plant's designer, Westinghouse Electric Co., and the building contractor, CB&I, say that Georgia Power and other owners are responsible for an extra $930 million in charges mostly incurred when a federal licensing process ran late. Georgia Power, which owns a 46 percent stake in the new reactors, denies it and the other owners are responsible for those costs.

"Staff also recognizes the possibility that discussion of these issues in this proceeding may adversely impact the Company's prosecution of the litigation," Jacobs and Roetger said in their written testimony. "In such an event, additional costs could potentially be borne by either the Company's ratepayers or shareholders."

In the agreement, the company and regulators also said the debate over cost should be delayed because the financial impact of company decisions may only become clear after several future events unfold.

Former Commissioner Robert Baker, who has represented a consumer watchdog group critical of the utility's spending, said regulators should object to spending now, not wait years into the future. Baker said he believes the preliminary agreement might delay a major review until 2020.

"The new commission in 2020 that looks at this is not going to have the institutional memory, have gone through the entire process up to that time," he said. "They're not going to want to second guess what happened seven years ago or eight years ago."

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