**Memorandum**

To: All Commissioners; Deborah Flannagan; Tom Bond

From: Commissioner Advisory Staff (Dennis Sewell, Pandora Epps, Nancy Gibson, Allison Morris, Blair Fink, and George Brown)

Date: August 7, 2020

Subject: Docket No. 29849 Georgia Power Company’s Twenty-Second Semi-Annual Vogtle Construction Monitoring Report – **Advisory Staff’s Recommendations**

Georgia Power Company (“Georgia Power” or “Company”) filed its Twenty-Second Semi-Annual Vogtle Construction Monitoring (“VCM”) Report pursuant to its Certificate of Public Convenience and Necessity for Plant Vogtle Units 3 and 4 in Docket No. 27800 and in accordance with the Procedural and Scheduling Order (“PSO”) of Docket No. 29849. O.C.G.A. § 46-3A-7(b) states that the Commission shall verify and approve or disapprove expenditures made pursuant to the certificate and shall approve, disapprove, or modify any proposed revisions.

The PSO identified one issue to be resolved during this Twenty-Second (“22nd”) VCM proceeding:

Whether the Commission should verify and approve or disapprove the expenditures as made pursuant to the certificate issued by the Commission.

Any potential COVID-19 impacts on schedule or costs are not being considered at this time in this docket.

The Company’s request in this 22nd VCM Report, which covers the period of July 1, 2019 through December 31, 2019, along with the Commissioner Advisory Staff’s (“CAS”) recommendations are outlined below.

**VERIFICATION AND APPROVAL OF EXPENDITURES**

The Company requested verification and approval of actual expenditures incurred during this reporting period of $674 million. (22nd VCM Report at p. 3). (McKinney-Haswell’s Testimony at p. 13). (Company’s Brief at p. 4).

The Public Interest Advocacy (“PIA”) Staff recommended “that the expenditures of $674 million incurred during the Twenty-Second VCM period be verified and approved.” (Roetger-Jacobs’ Testimony at p. 38). (PIA’s Brief at pp. 1, 3 & 8). As PIA Staff has previously stated “verification and approval of costs means a determination that such costs have actually been spent on the Project and does not preclude a subsequent disallowance by the Commission.” (Roetger-Jacobs’ Testimony at p. 39). (PIA’s Brief at pp. 1, 3 & 8).

Concerned Ratepayers of Georgia (“CRG”) stated that they “strongly disagree with [PIA Staff] current recommendation” of approving Georgia Power’s expenditures for the 22nd VCM Reporting period of $674 million dollar but provides no evidence to the contrary. (CRG’s Brief at p. 14). CRG outlines four options for the Commission to consider; maintain the status quo and approve the Company’s request, discontinue hearings and give the Company any amount requested, reject the Company’s request and PIA Staff’s recommendation and instead implement the proposed recommendation of Jacob-Roetger’s in the 17th VCM or cap Vogtle’s cost. (CRG’s Brief at p. 21)

Advisory Staff notes the record reflects that no evidence was presented by CRG in this 22nd VCM to support disallowance of the actual expenditures occurred during this Reporting period.

Georgia Interfaith Power & Light (“GIPL”) and the Partnership for Southern Equity (“PSE”) requested that the Commission consider the following recommendations for action as the Project moves forward to completion.

1. The Commission should require the Company to produce a realistic, achievable, and fully integrated project schedule. In addition, rather than simply accept the Company’s assertions that the November 2021/2022 dates will be met, the Commission should consider instituting new penalties, such as additional return on equity reductions, to take effect in the event the November dates are not met. These matters should be addressed in the forthcoming 23rd VCM.
2. The Commission should direct the Company to cease measuring and reporting “progress” based on the “start” of testing milestones. The Commission should also direct the Company to limit its reliance on partial system tests and to present a realistic plan for working off the electrical commodity backlogs, considering recent workforce reductions.
3. The Commission should require the Company in the 23rd VCM to formally address and respond to Mr. Grace’s analysis of SPI and CPI trends and to present a realistic and achievable plan for reducing those metrics to as close to 1.0 as possible. The Company should be required to demonstrate how the November dates remain achievable given the growing construction backlog and recent workforce reduction. In addition, the Company should be required to respond to Mr. Grace’s conclusion that completing the units on time will require another $1 billion in capital expenditures. If the Company disagrees with Mr. Grace’s assessment, it should be prepared to provide its own cost estimate.
4. The Commission should begin performing the analysis necessary to attach dollar figures to potentially imprudent management decisions, such as premature construction of the site’s cooling towers.
5. The Commission should resolve the dispute between PIA Staff and the Company over Unit 3 costs as soon as possible so that the projected 2022 rate shock to customers is well understood. The Commission should also begin planning now to lessen that shock through such means as assigning imprudently incurred costs to Company shareholders, increasing solar and solar plus storage investments, enlarging cost-saving demand-side management programs, and empowering customers with access to their usage data.

(GIPL’s Brief at pp. 5, 7, 10, 11 & 13 respectively).

Advisory Staff notes that, although the recommendations regarding the use of a realistic IPS and the use and trend of the Company’s SPI and CPI have merit they are tools used to report the health and progress of the Project. These very same tools are used by the PIA Staff, the Commission Independent Monitor and the Vogtle Monitoring Group to show the Company may not make its Commercial Operation Dates or its approved or forecasted budget. The PIA Staff has not requested any formal treatment of those tools. However, Advisory Staff recommends that the Commission add a provision in the next PSO for the Company to address how it reports system testing (as discussed in issue #2 above) and the methodology to be used for how cost is included in rates once Unit 3 reaches its COD (as discussed in the first sentence of issue #5 above). Advisory Staff further notes that GIPL/PSE other concerns and/or recommendations regarding rates and prudency will be addressed in the forthcoming Prudency hearing as stated in the 17th VCM order.

Southern Alliance for Clean Energy (“SACE”) submitted three recommendations for consideration.

1. The Commission should disallow the cost of the various “rebaselining” or “schedule refinement” efforts that do not provide value to this process.
2. In all future VCM Reports, the Company should be required to report on the projected Peak Rate Impacts from the Project for each customer class.

1. The Company should be required to assess the cost-to-complete Unit 4 (independently) so the Commission can gauge the cost effectiveness of additional investment in completion of that unit.

(SACE’s Brief at p. 4).

Advisory Staff recommends that a provision be added to the next PSO to address customer class Peak Rate Impacts from the Project. Advisory Staff, once again, notes that costs and rates as stated by SACE will be handled and decided in the Prudency hearing in accordance with the 17th VCM Order.

A**dvisory Staff recommends that the Commission verify and approve the expenditures made by the Company during this reporting period of July 1, 2019 to December 31, 2019 of $674 million pursuant to the Company’s Certificate of Public Convenience and Necessity for Plant Vogtle Units 3 and 4.**

*The Commission is only confirming the expenditures made in association with the Vogtle Project during this reporting period and approval does not preclude the Commission from subsequently excluding those expenditures from rate base upon a finding of fraud, concealment, failure to disclose a material fact, imprudence, or criminal misconduct.*

**As for the remaining recommendations and/or requests made by the parties, of which some fall outside the necessary proper and legal notice requirements of the 22nd PSO, Advisory Staff recommends that the Commission take no action on those recommendations.**

This concludes Advisory Staff’s recommendations. This matter will be discussed at the August 13, 2020 Energy Committee meeting and decided at the August 18, 2020 Administrative Session. The statutory deadline is August 26, 2020. If you have any questions, please let us know.