BEFORE THE
GEORGIA PUBLIC SERVICE COMMISSION
STATE OF GEORGIA

In the Matter of Georgia Power Company's Nineteenth Semi-annual Vogtle Construction Monitoring Report	]]]]	Docket No. 29849

POST-HEARING BRIEF OF SOUTHERN ALLIANCE FOR CLEAN ENERGY

Southern Alliance for Clean Energy ("SACE") respectfully submits its Post-Hearing Brief, offering the following response to the Stipulation filed by the Commission Staff on January 28, 2019 ("the Stipulation"), along with SACE's comments and recommendations in response to the evidence before the Commission in this proceeding ("the 19th VCM").

I. The Stipulation

SACE is very disappointed that the Commission Staff found it appropriate to enter into a compromised Stipulation with Georgia Power Company ("the Company") without any participation by the majority of the participants to the proceedings and before viewing final briefs from the parties. While supporting portions of the Stipulation (as set forth in Section II below), SACE strongly urges the Commission not to accept the proposed Section 4 of the Stipulation.

Commission Staff's consent to an extended period in which this Commission, the other parties and the public will not have access to the status of the Project is completely contrary to the testimony presented by the Staff in this 19th VCM. Staff described the current status of the Project as "entering a critical phase", with "steadily declining" benefits; Staff's witnesses testified that their concerns over the Project were "increasing"; and Staff declared its fear that a delay of only 8 months could result in the Project becoming uneconomical.[1] Even the Company's witnesses agreed with the Staff that performance during the 20th VCM period (the remainder of 2018) and early 2019 was "critical to completing the Project by the target in-service dates." (McKinney, Haswell Filed Testimony, p. 14, lines 16-19).

One would not reasonably expect these circumstances – also described as "uncertain" in the words of the Commission Staff – to result in less scrutiny of the Company's decisions and operations and complete lack of public awareness of the Project for up to a year.[2] It would be reasonable to expect just the opposite. In fact, a significant increase in funding - $3.6 million up from just over $1 million - was requested by the Staff in order to more closely scrutinize the Project. Despite this, the Staff now agrees that we can all take a 6-month break in such scrutiny – which results in a year before further decisions can be made related to the Project. The testimony of the Company and the Commission Staff in the 19th VCM simply did not paint a picture that should instill confidence that the Project will proceed over the next year on the timeline and the cost projections currently approved by the Commission.

The significant surprise of the $2.2 billion increase in the capital budget of the Project immediately following the 18th VCM hearings should have been enough to create sufficient concern for the stability of the Project. The testimony of the Commission Staff and its new expert, Don Grace, however increased that concern. The following are just a few of the incidents and issues that the Staff testified could result in changes in the schedule and the cost in the near future – specifically during the next 6 - 12 months.

---

[1] Roetgers, Jacobs Filed Testimony, p. 8, line 1 and p. 14, lines 1-4; Newsome, Hayet, Wellborn Filed Testimony, p. 10, lines 1-10; Roetgers, Jacobs Filed Testimony, p. 17, lines 16-17; Newsome, Hayet, Wellborn Filed Testimony, p. 4, lines 10-13 and p. 14, lines 16-19.
[2] Roetgers, Jacobs Filed Testimony, p. 20, line 9.

- Results from first system turnovers have not demonstrated the Company's ability to meet the very challenging turnover schedule that will need to be addressed in the upcoming year. (Roetgers, Jacobs Filed testimony, p. 14, lines 2-4.)

- Staff believes that the upcoming transfer from construction to Operations requires a level of productivity and production that "could easily deteriorate in 2019" – the period for which review is being suspended. (Roetgers, Jacobs Filed testimony, p. 16, lines 17-20).

- The Staff's concern over SNC's ability to meet required construction completion per month is increasing. (Roetger, Jacobs Filed testimony, p. 17, lines 16-17.)

- The transition from bulk construction to system completion and turnover, that is ahead for the Project, "typically is a difficult time". (Roetger, Jacobs Filed testimony, p. 20, lines 18-19.)

- Staff believes it is unlikely the proposed schedule of system turnovers (waterfall) can be achieved on the Project. (Roetgers, Jacobs Filed testimony, p. 21, lines 8-13.)

- The Project was reported as behind schedule as of November 2018. "It will be challenging to maintain the schedule in an efficient and cost-effective way." (Don Grace Filed testimony, p. 14, lines 14-24.)

- Of 24 commodities being monitored, "thirteen are behind plan and fourteen are spending more than what was earned." (Don Grace Filed testimony, p. 16, lines 10-13.)

The Commission Staff expressed its concern as to the "high costs" being incurred each month on the Project. (Newsome, Hayet, Wellborn Filed testimony, p. 4, footnote 3; p. 22, lines 22-23.) Stipulating to a delay in required reporting by the Company is not compatible with such a concern, or any of the concerns quoted above from the Staff's testimony. At a rate of spending on the Project of $125 million per month at the time the Staff's testimony was filed in the 19th VCM, and with the additional increases in costs required to address better productivity pointed out throughout the testimony, the Project will have incurred a minimum additional expense of $1.5 billion during the one-year delay of review resulting from skipping one VCM period. The Company and the Project do not deserve this break in scrutiny at this critical time; the ratepayers do not deserve this extended period of a lack of protection and transparency as their exposure potentially increases by more than a billion dollars.

Even the provisions of Section 4 of the Stipulation that do produce some level of reporting to the Commission on the new "baselining" process by SNC and the Company totally exclude the ability of the other parties to these proceedings to effectively review the results or participate in making recommendations. While the reports could be made part of the 21st VCM (combined with the 20th VCM) (Section 4 (c) of the Stipulation), the Project will then be so far beyond where we are currently that any ability of the Commission to react in ways to provide necessary ratepayer protections will likely have been lost. Further, the Stipulation allows the Company the option to exclude the reports and the comments from being included in the 21st VCM. This should not be an option. The ratepayers must have the right to review these reports that presumably will reflect the schedule and costs that the Project will require to continue. To the extent the reports do not validly include the Company's Trade Secret information, the public should be entitled to such information. If the Commission should accept the proposed 6-month gap of its oversight of this Project, the Commission, at the very least, should revise Sections 4 (b) and (c) to reflect that any such filings of reports and comments will be made as public records and <u>will be</u> (instead of "<u>may be</u>") included in the next VCM filing.

One of the reasons given by the Commission Staff and the Company in support of the recommendation to not file a separate 20th VCM Report is the Commission's 2019 hearing schedule. Looking ahead, the schedule for 2019 is quite busy. However, if the schedule released by the Commission's January 28, 2019 News Release[3] is accurate, the schedule would seem to actually support a separate filing of the 20th VCM. While it is true that the 20th VCM hearings would follow very closely after the hearings on the Company's IRP, they at least would not occur at the same time. However, if the 20th VCM and the 21st VCM are considered together, the parties would then have two VCM reports and the Company's Rate Case occurring at exactly the same time in the Fall of 2019. This does not appear to be a valid reason to change the schedule and create this void in the Commission's proper scrutiny of this Project.

For the reasons stated, SACE asks the Commission to rule against the provisions of Section 4 of the Stipulation as it relates to the rescheduling of the 20th VCM. In the event the Commission does accept the delay of the 20th VCM, the combination of the 20th VCM and the 21st VCM, and the alternate reporting required in Section 4 of the Stipulation, SACE asks the Commission to revise Sections 4 (b) and (c) to require that any such filings of reports and comments be made as public records and be included in the following VCM filing so that Intervenors will have access to the documents with the opportunity to comment.

II. Issues Supported by SACE – In the Stipulation and Beyond the Stipulation

1. **SACE does support the increase in funding for the Commission Staff to contract for enhanced monitoring of the Project.** Although not supportive of the way in which the Stipulation was brokered, SACE does support the Commission Staff's request for additional funding for enhanced monitoring – whether in the amount of $3.6 million per year as requested in

[3] Available at http://www.psc.state.ga.us/GetNewsRecordAttachment.aspx?ID=853.

the proceeding, or the $3.8 million per year set forth in the Stipulation. SACE has witnessed through many of the VCM proceedings that the Staff's testimony has often been much closer to projecting what actually happens with this Project than the Company's unrealistic projections. The results following the 18th VCM are just one example. While the Company's announcement on August 8, 2018 of the $2.2 billion budget increase took everyone by surprise, including the Commission Staff, the Staff had cautioned in the 18th VCM that some concerns could result in changes to the then forecasted budget and schedule of the Company. In contrast, the Company witnesses in the 18th VCM testified over and over again that the budget and schedule approved by the 17th VCM Order, with its contingency, was sufficient to address any stated concerns.[4]

Since the Company basically changed its story to the tune of an additional $2.2 billion within three months, it would seem the concerns raised by the Commission Staff were much closer to reality than the consistently confident but ultimately inaccurate statements by the Company's witnesses. SACE submits that it is important that the Commission Staff be able to increase its monitoring ability considering the never-ending expansions of the Project. The interests of the ratepayers must be protected.

2. **SACE does support the Staff's recommendation to approve only $526.4 million of the expenses incurred during the 19th VCM period.** SACE agrees that the Company should not be allowed to obtain verification and approval for expenditures that it cannot show were actually spent on the Project – no matter the reason for that inability.

[4] As to the Bechtel costs, both Mr. Kuczynski and Mr. Haswell assured us that any changes Bechtel and the Company were looking at "would not change [the Company's] $7.3 B estimate. …If there were higher Bechtel costs, then [the Company] would allocate contingency to cover those." (18th VCM Transcript, pages 68, 121, 155, 157). As to higher labor costs, Mr. Kuczynski further assured us that the contingency that was already in place as a result of the 17th VCM Order was sufficient to handle any increases. (18th VCM Transcript, pages 124, 167).

3. **The Company should be required to report Peak Rate Impacts on each Customer Class and include additional NCCR funds in those calculations.** Staff has pointed out in its testimony that the rate impact of the additional costs and schedule increases will significantly increase rates for all classes of ratepayers, to at least double what the Company projected at the time of certification. (Newsome, Hayet, Wellborn Filed testimony, p. 24, lines 20-22). Not all classes of ratepayers will be impacted the same. SACE submits that ratepayers are entitled to full and transparent information as to how each class will be affected. In future reports, the Company should revise its Figure A – "Projected Cumulative Rate Impacts" to show the impact by customer class. SACE made a hearing request for such information during the 19th VCM hearing but did not receive a response from the Company. The Staff testified that they did not have the information to provide this breakdown. SACE submits that this information is essential to understanding how each and every ratepayer will be impacted by the decisions being made by the Commission and the Company in proceeding with this Project. This information needs to be made available to the public.

4. **The next VCM proceeding – whether the 20th or the 21st – should include reporting based on the +29-month[5] schedule.** The Company should be required to report the status of the Project in relation to in-service dates consistent with the 17th VCM Order. There were several instances during the 18th VCM hearings in which the parties expressed confusion as to whether reports were based on the +21 or +29 schedule. In this 19th VCM, the prefiled testimony of the Staff pointed out that when the Company only files its reports based on the +21-month schedule, "it is not possible for Staff to accurately determine the status of the Project with respect

[5] The +29-month schedule equates to commercial operation dates of November 2021 for Unit 3 and November 2022 for Unit 4. Original completion dates when the project was certified in 2009 were April 2016 and April 2017 respectively, which reflects a 68-month delay.

to the +29-month schedule". (Roetger, Jacobs Filed testimony, p. 13, lines 8-10.) During the 19th VCM we learned from the Commission Staff that the Company is performing yet another re-baselining exercise that the Staff expects will result in some additional months to complete the Project, such that the +21-month schedule will not be met. Whatever the results of that baselining (unless it exceeds the +29-months), the Company should also be required to file reports based on the +29-month schedule so the Staff can perform its responsibility to show the actual work compared to the schedule approved by the Commission in the 17th VCM.

5. **SACE supports the additional recommendations made by the Staff in their prefiled testimony and as requested in prior proceedings.**

(1) **The Staff has clearly stated why incremental income tax benefits of abandonment loss must be included in any economic analysis of this project, and how the absence makes a substantial difference in the results of any analysis.** (Newsome, Hayet, Wellborn Filed testimony, p. 13, lines 1-5). The Commission should require that future filings be consistent with that analysis and include a calculation in the Company's Table 2 – "Cost to Complete Economic Analysis" that includes the income tax benefits of abandonment loss.

(2) **The Staff has recommended that the Company provide an updated cancellation cost assessment in its next VCM filing.** (Newsome, Hayet, Wellborn Filed testimony, p. 20, lines 7-17). SACE supports this recommendation.

III. Conclusion

SACE submits the following recommendations in conclusion:

1. The Commission should allow the VCM proceedings to continue as originally scheduled and ordered, with the 20th VCM Report to be filed by the Company on February 28, 2019, with hearings to follow consistent with the planned schedule.
2. In the event the Commission should order that the 20th VCM Report will not be filed as scheduled, and that hearings will not be held in the Spring of 2019 as planned, and if the Commission should require the Company instead to file the reports presented in Section 4 of the Stipulation, the Commission should revise that Section 4 so that all filings should be made as public filings and required to be filed as part of the 21st VCM so that the other parties to this proceeding will have the right to review and comment.
3. The Commission should approve the Staff's request for additional funding for enhanced monitoring – either in the amount of $3.6 million per year as requested in the proceeding, or the $3.8 million per year set forth in the Stipulation.
4. The Commission should accept the recommendation of the Staff to only verify and approve $526.4 million of the expenses incurred during the 19th VCM period.
5. In future VCM Reports, the Company should be required to report on the projected cumulative rate impact from the Project by customer class, including the impact of all NCCR payments.

6. The Company should be required to report the status of the Project in relation to the +29 month (or a total of +68 months) in-service dates in future VCM Reports, so as to be consistent with the 17th VCM Order.
7. The Company should be required to include an analysis of the cost to complete the Project that includes the income tax benefits of abandonment loss in future VCM Reports.
8. The Company should be required to provide an updated cancellation cost assessment in its next VCM filing.

Respectfully submitted,

This 1st day of February, 2019.

____

J. Reneé Kastanakis
Attorney for Southern Alliance for Clean Energy

Kastanakis Law LLC
1350 Avalon Place NE
Atlanta, GA 30306
404-314-0073

Certificate of Service

I hereby certify that the foregoing **Post-Hearing Brief of the Southern Alliance for Clean Energy** in Docket No. 29849 was filed with the Public Service Commission's Executive Secretary by hand delivery on this 1st day of February 2019. An electronic copy of same was served upon all parties listed below by electronic mail, unless otherwise indicated, as follows:

Reece McAlister
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, Georgia 30334
Hand Delivery

Jeffrey Stair, Esq.
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, Georgia 30334
jeffreys@psc.state.ga.us

Kevin Greene, Esq.
Brandon F. Marzo, Esq.
Troutman Sanders, LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216
Kevin.Greene@troutmansanders.com
Brandon.Marzo@troutmansanders.com

Liz Coyle
Georgia Watch
55 Marietta Street, N.W.
Suite 903
Atlanta, Georgia 30303
lcoyle@georgiawatch.org

Randall D. Quintrell, Esq.
999 Peachtree Street, N.E.
Suite 2300
Atlanta, Georgia 30309-3996
Randy.Quintrell@sutherland.com

Charles B. Jones III, Esq.
Georgia Traditional Manufacturers Assoc.
50 Hurt Plaza, Suite 985
Atlanta, Georgia 30303
cjones@gtma.org

Jim Clarkson
Resource Supply Management
1370 Walcora Drive
Sumter, South Carolina 29150
jclarkson@rsmenergy.com

Glenn Carroll
Nuclear Watch South
P.O. Box 8574
Atlanta, Georgia 31106
atom.girl@nonukesyall.org

Ben J Stockton, PE, MBA
Executive Director
Concerned Ratepayers of Georgia
2305 Global Forum Blvd, Suite 912
Atlanta, GA 30340
404-924-5336
encomanager13@gmail.com

Steven C Prenovitz, MBA
Consultant
Concerned Ratepayers of Georgia
4295 Amberglade Ct
Norcross, GA 30092
770-448-8978
scprenovitz@gmail.com

Kurt Ebersbach
Jillian Kysor
Southern Environmental Law Center
Ten 10th St. NW
Suite 1050
Atlanta, GA 30309
404-521-9900
kebersbach@selcga.org
jkysor@selcga.org

____
J. Reneé Kastanakis
Attorney for Southern Alliance for Clean Energy