

## **AARP Georgia Opposes Senate Bill 31**

SB 31 would allow Georgia Power Company to begin raising electric rates to pay for the financing costs of a multi-billion dollar expansion of the Plant Vogtle nuclear power facility well before it is finished or ever produces electricity. This type of financing is known as “construction work in progress” or “CWIP”.

- **SB 31 is a bad idea in a bad economy.** As Georgians face lay-offs, wage cuts and high cost mortgages, SB 31 asks them to pay higher electric bills. Suggestions that SB 31 may allow customers to pay less over the 60 year life of a nuclear plant are cold comfort to the family struggling to make ends meet today.
- **SB 31 is unnecessary.** The Georgia Public Service Commission (PSC), with an expert staff and mission to balance the interests of regulated utilities and utility ratepayers, is best-equipped to handle this issue and is currently doing so. The PSC is able to assess the entire fiscal position of Georgia Power to determine the most appropriate way to finance the expansion of Plant Vogtle. Pre-payment of financing for Plant Vogtle does not have to be an all or nothing proposition, but SB 31 makes it just that - taking away the PSC’s ability to arrive at a balanced outcome for all interests.
- **SB 31 will raise rates by more than \$2 billion during the construction period.** The PSC estimates that SB 31 will require consumers to pay \$1.6 billion in financing, \$400 million in prepaid taxes, plus sales taxes, before receiving any power from the plant.
- **The little guys take the hit while the biggest electric users take a walk.** Although they will benefit from the new Vogtle plant, SB 31 largely exempts many of the state’s biggest industrial customers from paying the new surcharges. That means more costs are shifted to residential and small business customers.
- **SB 31 shifts more risk to consumers, but lets Georgia Power continue to earn high returns on investment.** That pre-payment schemes such as this shift risk to customers is not an opinion; it is an established utility ratemaking principle. A recent report by the National Regulatory Research Institute (NRRI) states that CWIP and similar advanced payments, “involves some upfront shifting, from regulated utilities to ratepayers, of the economic and timing risks associated with implementing a major capital project.” Meanwhile, Georgia Power would continue to earn returns that assumed its shareholders, not its customers, are financing the plant.

- **SB 31 ties the hands of the PSC, reducing accountability and oversight.** 20-20 hindsight tells us that much of the blame for the financial market meltdown falls on regulators who did not have the authority or the tools to address problems as they arose last year. Yet SB 31 follows the same failed approach by tying the hands of the PSC, regardless of what the future holds.
- **According to the PSC, Georgia Power is not in danger of having its bond rating downgraded.** The threat of a downgrade is not real, and therefore not a basis for passing SB 31. Moreover, the PSC has sufficient authority under current law to make adjustments to address such a situation should it arise.
- **The estimated savings through CWIP are overstated.** Georgia Power's estimated savings to ratepayers through CWIP of \$300 million over 60 years fails to take into account that consumers are also impacted by the cost of money. If ratepayers are forced to finance this expansion, they will incur financing costs also through lost investment opportunities and debt. Many small business and residential customers will pay higher rates, but never receive any benefit for the expanded Plant Vogtle.
- **SB 31 removes GPC's incentive to finish the plant on time.** Because the utility will receive financing payments upfront, it reduces the pressure to put the plant in service on schedule. The longer the delay, the higher the costs of construction that are borne by ratepayers.
- **Florida already regrets passing similar legislation.** Bills for customers of Progress Energy in Florida will increase 11% due to upfront payments for two proposed nuclear power plants. Several lawmakers are asking for suspension of these customer surcharges because they would further burden financially strapped customers in the middle of a deep recession.

**AARP Georgia represents nearly 1.1 million Georgians.**

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