

## **Eaton response to AJC editorial 2/7/07**

First of all, I'd like to remind the public and ratepayers that under Georgia law, Georgia Power is allowed to recover actual fuel expenses, absent illegal or imprudent conduct. (O.C.G.A 46-2-26)

My decision (along with two of my colleagues) to turn down the Speir amendment in Tuesday's Georgia Power fuel cost recovery case is based on several factors.

Prior Commission orders have already stated that carrying costs (interest) associated with fuel expenses are recoverable and there was no valid evidence presented suggesting the spinning reserves under-recovery was imprudent. Had the costs not been under-forecasted, Georgia Power ratepayers would have paid higher rates last year. No Commissioner disputed the underlying money is owed to Georgia Power. Keep in mind the underlying costs were deferred at a very low interest rate that would have been unavailable to the majority of Georgians (the rate moves very slightly around 5%). Georgia Power isn't "making" any money off of the interest rate and if it did, along with any other money made off of fuel, it would be recovered back to the ratepayers when the next forecast is reconciled.

I feel the PSC would have had trouble justifying the additional \$4 million (making it \$8 million) in court if Georgia Power filed an appeal. Our staff did a tremendous job in negotiating a stipulation, unanimously passed with a 5-0 vote, which kept the best interest of Georgia ratepayers in mind while ensuring we didn't enter an unpredictable court battle.

I'm not sure if the public is fully aware of the total amount of under-collection that exists from past years. This amount is over \$900 million and it's an undisputable debt owed by the ratepayers to Georgia Power. This almost \$1 billion debt is the largest under-collection we've ever had in Georgia. Wall Street has started to take note of this debt and my conservative nature tells me it's time to pay down the credit card balance.

During the stipulation negotiations, in my discussions with Staff and my fellow Commissioners, I made it very clear that the interests of the Georgia ratepayers should be protected. As a result of those negotiations the following occurred:

1. The \$4 million settlement was the largest ever and was met with great resistance.
2. The average utility bill will go up \$5 instead of the original \$5.50. I would have liked to have fought for a lower increase, but the \$900 million interest accruing debt we owe Georgia Power causes me great concern. It is irresponsible to "mortgage" our future rates.

Georgia Power runs their nuclear power fleet well above the national average, a fact no party disputed during our recent hearings on the fuel cost increase. Georgia Power now receives no benefit, other than company pride, in running these plants far more efficiently than its peers. In the future, I propose to develop a performance based rate-making plan

that would reward Georgia Power for continuing to run its nuclear fleet above the national average, penalize them for dropping in efficiency and subtracting future disallowances from rewards. I feel that concept would have adequate risk / reward for Georgia Power to continue to pursue new efficiencies.