

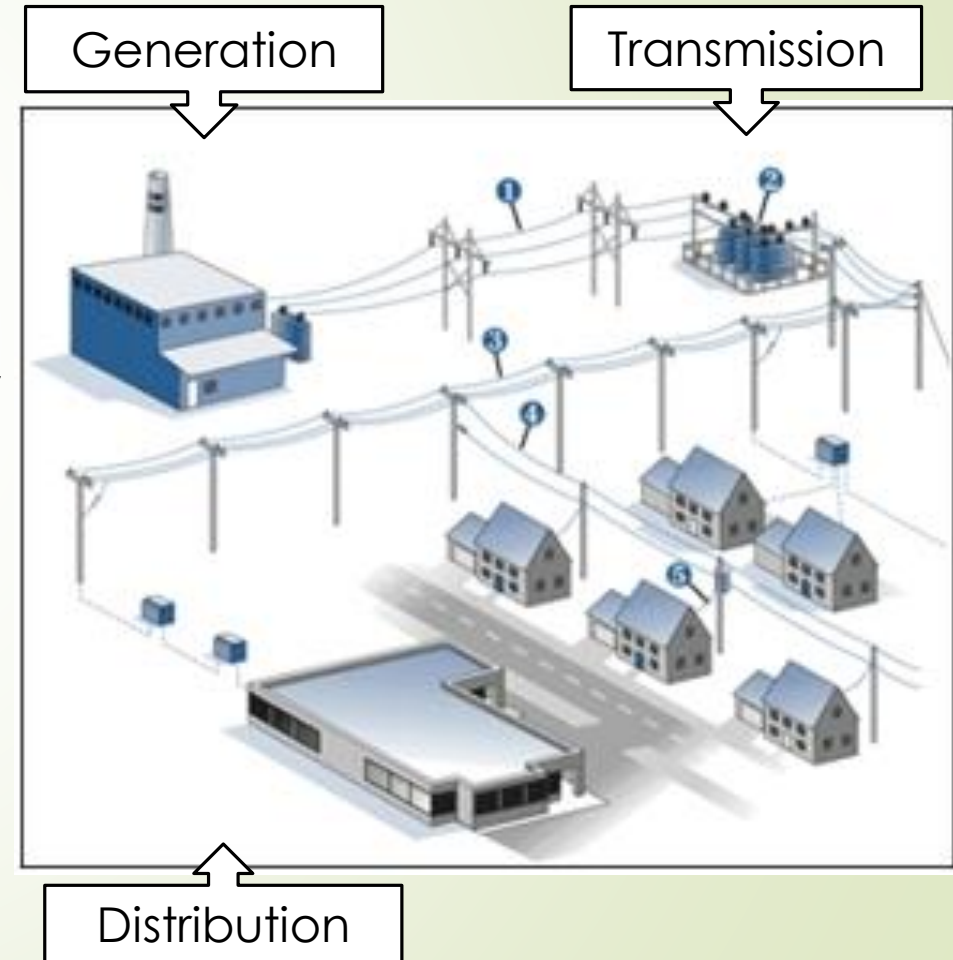
# The Basics on Georgia Electricity Markets and Regulatory Reform



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# How Electricity is Delivered to Consumers

- ▶ Generation: creating electric power from another source (Coal, Natural Gas, Nuclear, Hydro, Bio-mass, Solar or Wind)
- ▶ Transmission: high-voltage movement of power from generators to distributors, regulated by the Federal Energy Regulatory Commission
- ▶ Distribution: low-voltage movement of power from distributors to consumers, regulated by state Public Service Commission



# The Soft Drink Analogy

Coke is manufactured at a bottling facility, it is then sold in bulk to a warehouse where it is available along with; Pepsi, RC Cola, etc., it is then sold to the local grocer, who sells it to customers.

Coca-Cola Bottling Plant



Generation (Power Plant)

Warehouse



Transmission

Local Grocery



Distribution

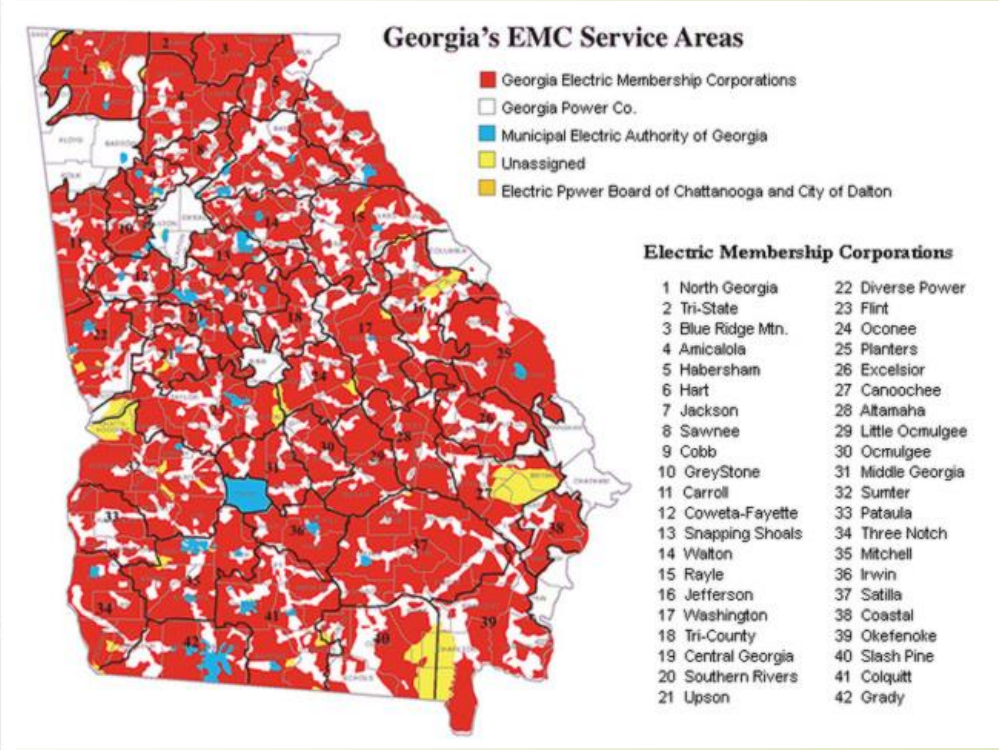


# The Current Model for Georgia

Generation

Transmission

Distribution



All generation in Georgia is co-owned by Georgia Power or another subsidiary of Southern Company.

By state law, Georgia Power is the only company that can transmit electricity.

Electricity is then sold to Electrical Municipal Cooperatives (EMC), this is your municipality which meters your power and maintains utility poles.


# Failure to Satisfy the Wholesale Market




Georgia Power is a wholly owned subsidiary of Southern Company. And has sole source contracts with other subsidiaries of Southern Company to manage the power plants, switchyards and transmission lines.



 **Southern Nuclear**  
Manages both Georgia Power nuclear facilities

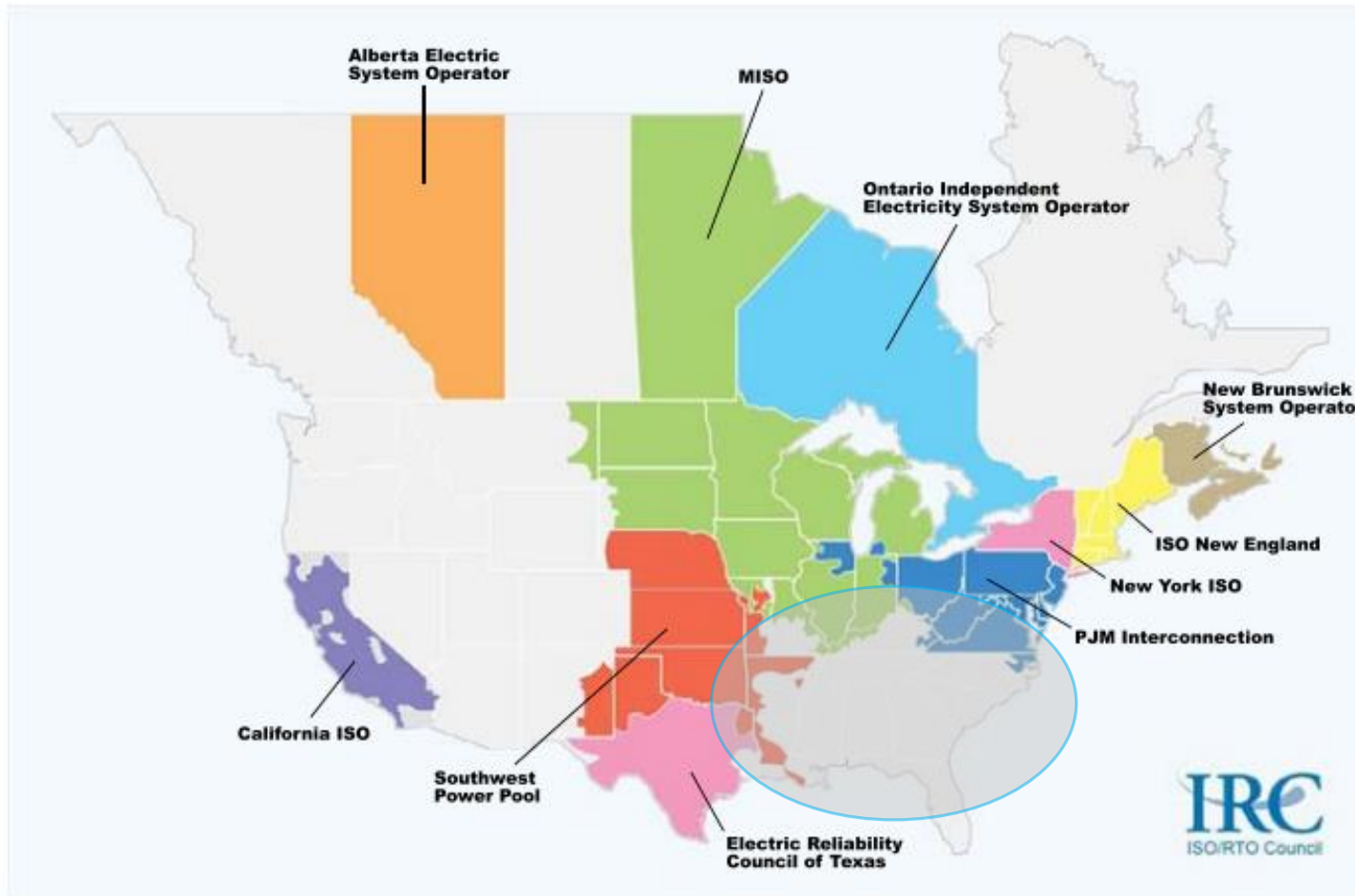
 **Southern Company Gas**  
Manages Georgia Power natural gas generating facilities

 **PowerSecure**  
Manages Georgia Power transmission and distribution infrastructure maintenance and construction services.

 **Southern Power**  
Owns and operates, Solar generating facilities in Georgia

# The Last Closed Markets in the U.S.

Figure 1.2 Regions with Organized Electricity Markets

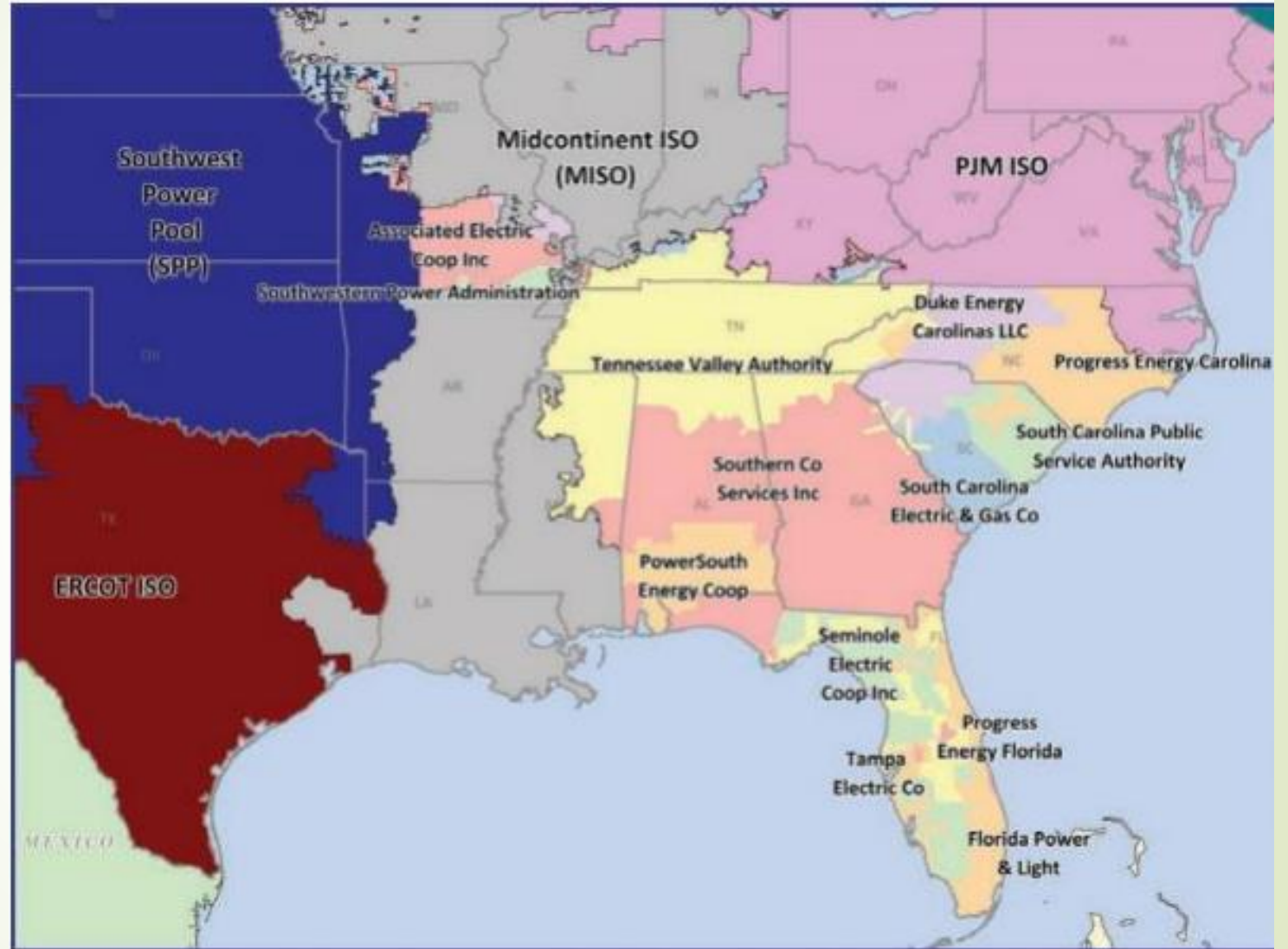


About 80% of the population of the United States, have organized Electricity Markets. Like stock markets, power is purchased from power plants by a “regulated transmitter” and sold to distributors. Southern Company owns, Georgia Power, Alabama Power, Mississippi Power and Gulf Power (Florida Panhandle). This means Southern Company holds the last monopoly on transmission in the country.

\*because of lower population density, many western states have Federally regulated power markets.

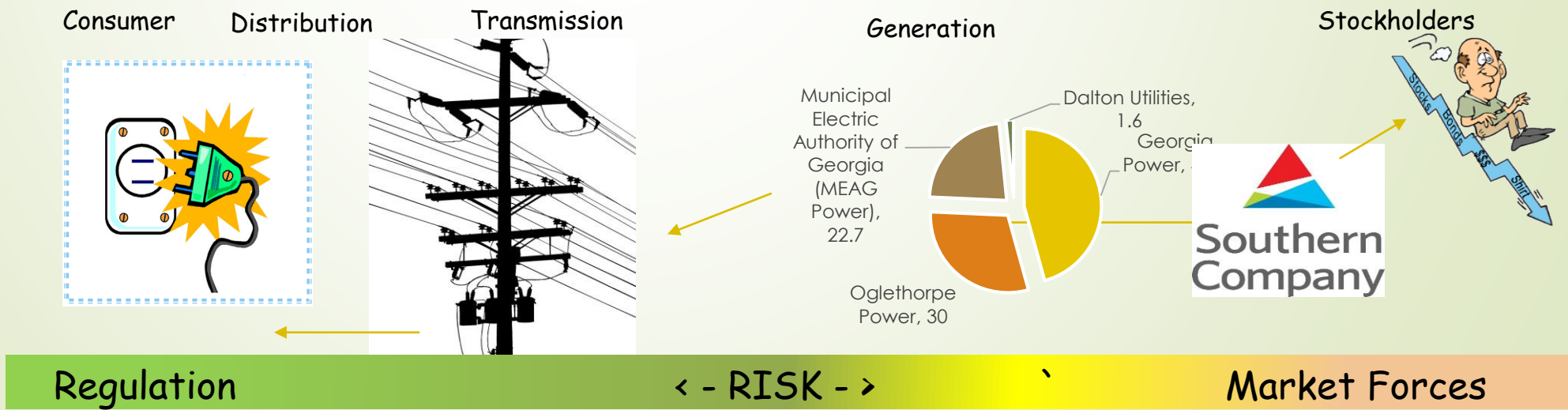
# Deregulation, Reregulation and Privatization

- ▶ In an organized electricity market, power plants are owned by energy companies not regulated utilities. Transmission and distribution remains regulated.
- ▶ **Georgia never deregulated so its electricity model has remained unchanged since the 1970s**
  - ▶ Forced deregulation led to utility bankruptcies in California and Texas.
  - ▶ When a new asset enters any market, the price inflates. This creates an “Asset Bubble”, a condition where low interest rates, cause over-expansion.
- ▶ Georgia can skip the chaos of deregulation by entering into a **privatization model**.



# How the Lack of a Privatization and an Organized Energy Market Led to the Vogtle Expansion Crisis

- ▶ The Vogtle Expansion project is owned by Georgia Power and three EMCs
- ▶ This puts all of the risk of project success on the ratepayers (people who get an electric bill)
- ▶ This means the Public Service Commission (government) decided what kind of power plant would be built not, not an energy company who's decision would be based on profit and desire of consumers.





# The Pontiac Analogy



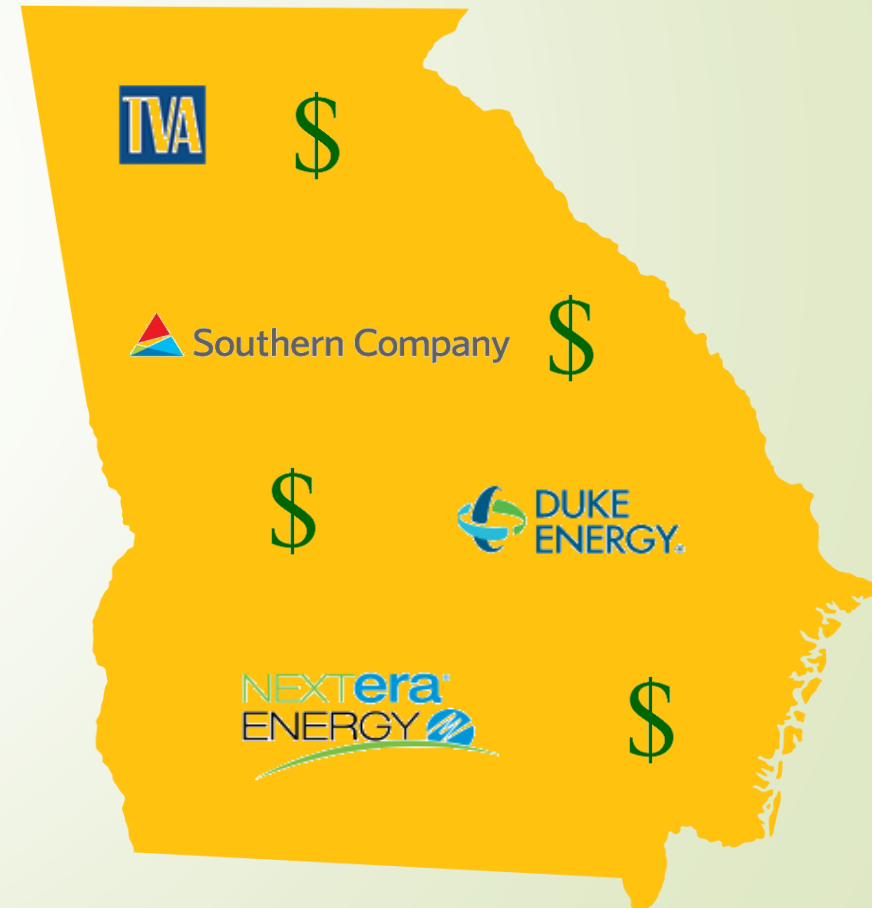
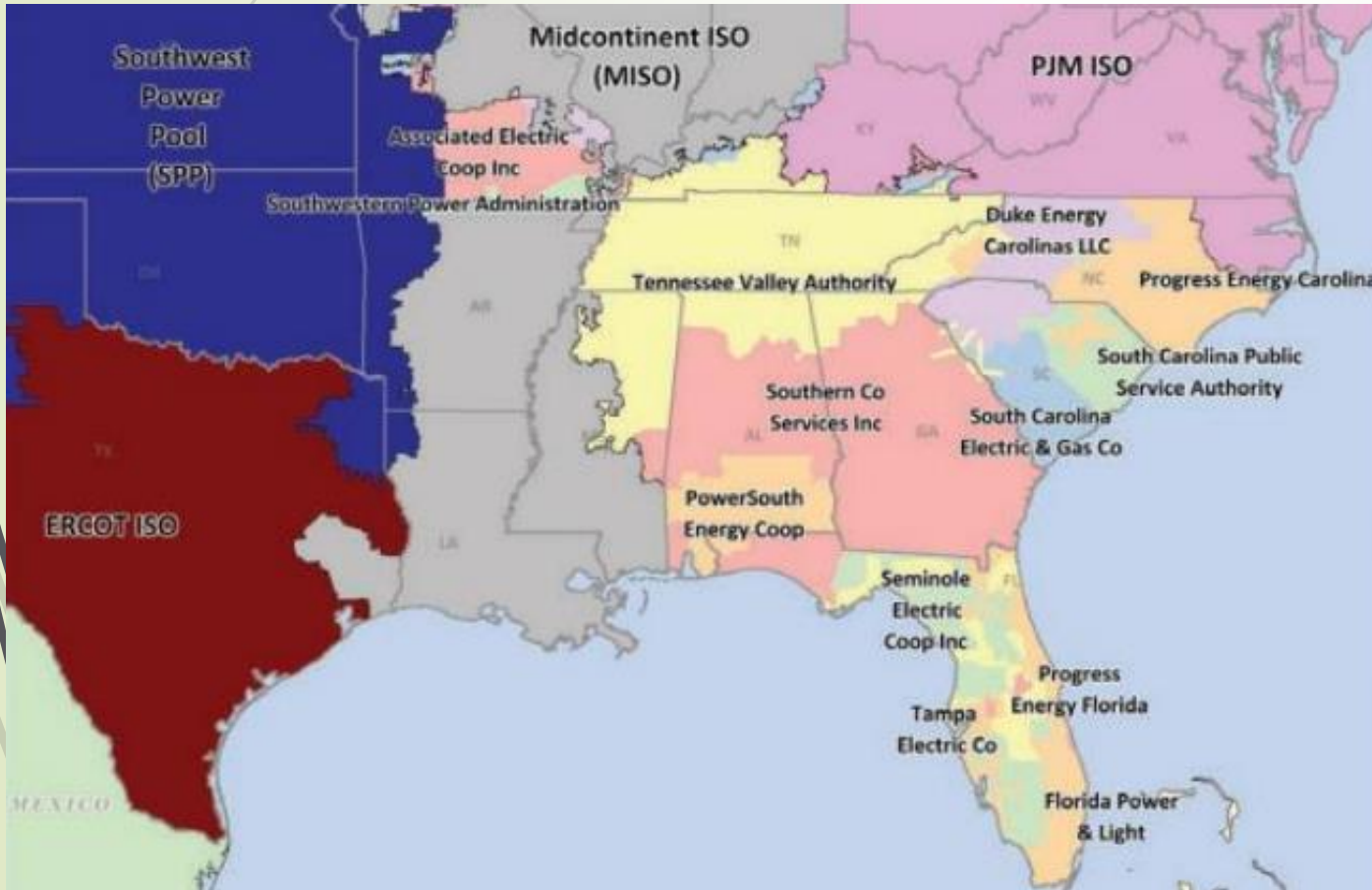
- ▶ In 2009, there was a so-called, “Wall St. Bail-Out”.
- ▶ General Motors received Federal money, as did Westinghouse
- ▶ With the best of intentions, Georgia state government purchased, two AP-1000 power plants from Westinghouse
- ▶ There was benefit in getting ahold of Federal money and supporting a U.S. manufacture.
- ▶ **Imagine if in 2009, the state of Georgia said, all cars registered in the state must a Pontiac.**
- ▶ Just like GM, Westinghouse has gone bankrupt, and no more Pontiacs are being manufactured, nor are any more AP-1000
- ▶ In 2018, every person in Georgia, has a Pontiac, except, its also not quite built yet.
- ▶ This is what an AP-1000 is, a brand of powerplant produced by a bankrupt manufacturer, and a vehicle we all had to buy

# Reform, Privatization & Repayment



- ▶ Plant Vogtle units 1-4 is a single power station.
- ▶ Based on previous sale prices of nuclear plants, Vogtle 1-2 have a value adjusted for inflation of about \$767M, add in value for repurposed, 3-4 structures, plus sale of AP-1000 parts, and the value should be over a Billion.
- ▶ There is a two billion dollar debt that must be paid by ratepayers.
- ▶ A very good percentage of Vogtle expansion costs could be recouped through, private ownership.
- ▶ Southern Company would be a very likely buyer, because it has the advantage of existing management contracts and the natural gas pipelines that run past the plant,
- ▶ This is simply a way, to force the burden of risk and debt on Southern Company, without devaluing their stock, (the PSC staffs recommendation) or effecting jobs
- ▶ This would be the first step in a private energy market for Georgia

# Open Markets & Competition Have Not Bankrupted Our Neighbors



# The Future for Georgia

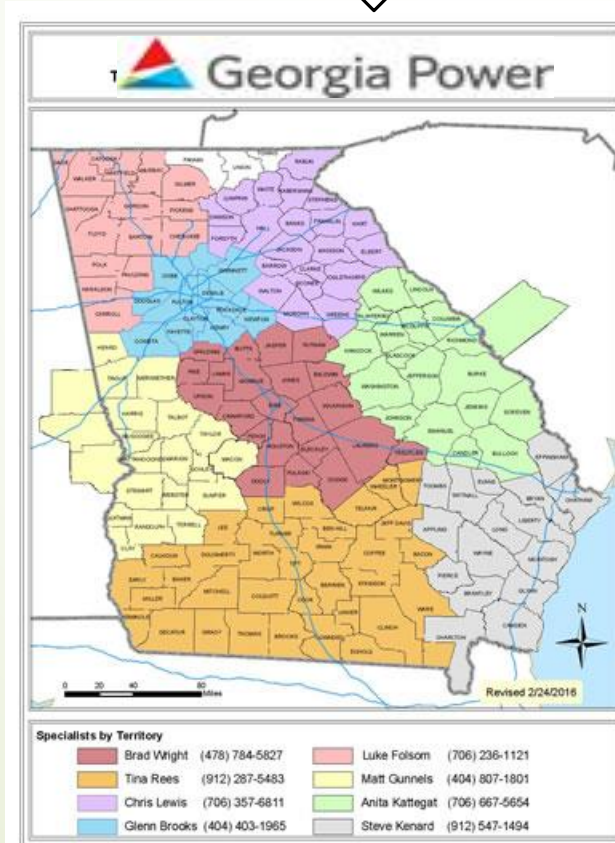
## Open energy markets

Consumers Choice - Lower Rates - Economic Development

Generation



Transmission



Distribution

