

Southern Company says it “does not need loan guarantees,” it has secured private financing



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In February 2010, the Department of Energy (DOE) conditionally offered Southern Company and its partners a total of \$8.33 billion in taxpayer-backed loan guarantees to build two reactors in Georgia. According to the DOE Loan Programs Office website, the Title XVII loan guarantee program, created under the Energy Policy Act of 2005, is intended to “support innovative clean energy technologies that are *typically unable to obtain conventional private financing* due to high technology risks” (emphasis added).¹ Yet, Southern Company, majority owner in the Plant Vogtle Reactors 3&4 project, has repeatedly stated publically it has secured private financing for Plant Vogtle Reactors 3&4 and does not require federal loan guarantees.

In February 2013, Joseph Miller, Executive Vice President of Nuclear Development at Georgia Power Company (subsidiary of Southern Company) stated that **private financing for the \$14 billion nuclear project has been secured at record-low rates.**²

According to documents obtained through the Freedom of Information Act, the years of negotiations between the Office of Management and Budget, Department of Treasury, and the Department of Energy have focused on the appropriate credit subsidy cost, the cost of the loan guarantee to the federal government. Taxpayers for Common Sense is concerned that these extended closed door negotiations have allowed project partners to craft a deal that heavily benefits them, making private financing a less attractive option. This type of deal would expose taxpayers to even greater risk.

Below is a list of select quotes by Southern Company stating it does not require federal loan guarantees to construct and operate Plant Vogtle Reactors 3&4, or deliver great benefits to its customers.

“In the event that the DOE does not issue a loan guarantee or Georgia Power determines that the final terms and conditions of the loan guarantee by the DOE are not in the best interest of its customers, Georgia Power expects to finance the construction of Plant Vogtle Units 3 and 4 through traditional capital markets financings.”

Southern Company 2013 Second Quarter Financial Report, August 2013.³

“We don't need them to complete the plant”

Southern Company's CEO Tom Fanning at the National Press Club in reference to the conditional loan guarantees in March 2013.⁴

“Even without these loan guarantees, we believe that we can still deliver up to the \$2 billion in potential benefit to Georgia Power's customers from this project.”

Southern Company CEO Tom Fanning during 2012 Second Quarter Financial Report Conference Call, July 2012.⁵

“I've got to be convinced that whatever terms and conditions we enter into ultimately work to the benefit of our customers. ... If they don't, we don't need the loan guarantees.”

Southern Company CEO Tom Fanning in an interview with Reuters in July 2012.⁶

“Q: Does it make sense to continue with the loan guarantee? A: “It may not, that is exactly what I have been saying publicly. It will be some benefit to have it, but it is not going to be enormous. I still think we will deliver up to \$2 billion, maybe more, of incremental benefits to the certification case, without loan guarantees. We never needed the loan guarantee to go forward.”

Southern Company CEO Tom Fanning during Q&A on SNL Energy in November 2012.⁷

¹ U.S. Department of Energy. "Loan Programs Office: Section 1703 Program." Accessed August 29, 2013.

<https://lpo.energy.gov/programs/1703-2/>

² William Freebairn. "Georgia Power could see loan guarantee for Vogtle units by midyear, executive says." *Platts Energy*. February 25, 2013.

³ *The Southern Company*. 2013 Second Quarter Financial Report. August 6, 2013.

<http://investor.southerncompany.com/secfiling.cfm?filingID=92122-13-50&CIK=092122>

⁴ Daniel Malloy. "Southern Co. CEO optimistic on Vogtle loan guarantees." *The Atlantic-Journal Constitution*. March 18, 2013.

<http://www.myajc.com/news/business/southern-co-ceo-optimistic-on-vogtle-loan-guarante/nWwmj/>

⁵ *The Southern Company*. 2012 Second Quarter Financial Report. June 30, 2012.

<http://investor.southerncompany.com/common/download/download.cfm?companyid=SO&fileid=585369&filekey=ac433d4f-41e5-429a-96c7-08d5e46260b7&filename=2Q12%20Earnings%20Package.pdf>

⁶ Eileen O'Grady. "Southern Co CEO says nuclear loan guarantee less enticing." *Reuters*. July 18, 2013.

<http://www.reuters.com/article/2012/07/19/us-utilities-southern-idUSBRE86I04420120719>

⁷ Abby Gruen. "Southern's Fanning on the economy, Kemper and Vogtle DOE loan." *SNL*. November 28, 2012.

<http://www.snl.com/InteractiveX/ArticleAbstract.aspx?id=16514039>