

Southern Nuclear Operating Company
Vogtle Electric Generating Plant, Units 3 & 4
COL Application

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LIST OF ACRONYMS

AFUDC	Allowance Funds Used During Construction
BLS	Bureau of Labor Statistics
COL	Combined License
DCD	Design Control Document
DOE	U.S. Department of Energy
EMC	Electric Membership Corporation
EPC	Engineering, Procurement and Construction
EPZ	Emergency Planning Zone
ESP	Early Site Permit
ESPA	Early Site Permit Application
FNP	Joseph M. Farley Nuclear Plant
GDC	General Design Criteria
GPC	Georgia Power Company
HNP	Edwin I. Hatch Nuclear Plant
IBR	Incorporation By Reference
LLC	Limited Liability Corporation
LWA	Limited Work Authorization
MEAG	Municipal Electric Authority of Georgia
MW _e	Megawatt electric
MW _t	Megawatt thermal
ODCM	Offsite Dose Calculation Manual
OPC	Oglethorpe Power Corporation
PSC	Public Service Commission
PWR	Pressurized Water Reactor
ROC	Retail Operating Company
RUS	Rural Utilities Service
SEC	Securities and Exchange Commission
SNC	Southern Nuclear Operating Company
VEGP	Vogtle Electric Generating Plant

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1.0 GENERAL INFORMATION

This part of the Combined License (COL) Application for the Vogtle Electric Generating Plant, Units 3 and 4 (VEGP), addresses the requirements of 10 CFR 50.33, “Content of applications; general information,” and provides details of the applicant’s corporate identity and location; applicant’s ownership organization; the types of licenses being applied for; the applicant’s financial qualifications; decommissioning funding assurance; foreign ownership, control, or domination information; and agreement limiting access to classified information.

1.1 APPLICANT’S AND OWNERS’ CORPORATE INFORMATION

1.1.1 APPLICANT AND OWNERS

Southern Nuclear Operating Company, Inc. (SNC) has been authorized by VEGP Owner Georgia Power Company (who acts as agent for the other VEGP Owners) to apply for COLs for VEGP Units 3 and 4. SNC submits this application individually, and for the Owner licensees to be named on the VEGP Units 3 and 4 COLs. The names of the Owner licensees are as follows:

- Georgia Power Company;
- Oglethorpe Power Corporation (An Electric Membership Corporation);
- Municipal Electric Authority of Georgia; and
- The City of Dalton, Georgia, an incorporated municipality in the State of Georgia acting by and through its Board of Water, Light and Sinking Fund Commissioners (Dalton Utilities).

SNC is the Applicant for Combined Licenses for VEGP Units 3 and 4, and will construct and operate these new units on behalf of the VEGP Owners. However, SNC will not have any ownership interest in VEGP Units 3 and 4. Georgia Power Company (GPC), as an Owner of VEGP Units 3 and 4, has entered into an agreement with the other Owners concerning ownership of VEGP Units 3 and 4. Each Owner’s percentage ownership of VEGP Units 3 and 4 is as follows:

<u>Owner</u>	<u>Percent Ownership (%)</u>
Georgia Power Company	45.7
Oglethorpe Power Corporation	30.0
Municipal Electric Authority of Georgia	22.7
The City of Dalton	1.6

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Thus, the Owners of the existing VEGP units (i.e., Units 1 and 2), are also the Owners of VEGP Units 3 and 4, and will be licensees of these new units in addition to SNC.

The addresses of SNC and Owner licensees are as follows:

- Southern Nuclear Operating Company, Inc.
P.O. Box 1295
Birmingham, AL 35201-1295

- Georgia Power Company
241 Ralph McGill Boulevard, NE
Atlanta, GA 30308

- Oglethorpe Power Corporation (An Electric Membership Corporation)
2100 East Exchange Place
Tucker, GA 30084-5336

- Municipal Electric Authority of Georgia
1470 Riveredge Parkway, NW
Atlanta, GA 30328

- Dalton Utilities
1200 V. D. Parrott, Jr. Parkway
Dalton, GA 30720

SNC requests that the NRC issue the VEGP Units 3 and 4 combined licenses with SNC as the operator and constructor, licensed to “construct, possess, manage, use, operate, and maintain” the facilities. SNC further requests that the NRC issue the VEGP Units 3 and 4 combined licenses with Georgia Power Company (GPC), Oglethorpe Power Corporation (OPC), Municipal Electric Authority of Georgia (MEAG), and the City of Dalton (Dalton) as the Owners of VEGP Units 3 and 4, licensed to “possess but not operate” the facilities.

SNC has entered into agreements with GPC (and GPC with the other owners) to provide SNC the authority to apply for and hold a COL, and to operate the facilities on the owners’ behalf. SNC has entered into similar agreements to construct the facilities. As such, SNC is granted the authority, on behalf of the Owners, to manage all aspects of plant construction and operation including but not limited to management of the construction of the units, control of the exclusion area, security, and emergency planning. Additionally, SNC has implemented a 10 CFR 50 Appendix B quality assurance program applicable to both construction and operation as

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part of its obligations. Finally, SNC has entered into agreements with GPC specifying: (1) the arrangements for provision of a continued source of off-site power; (2) the arrangements for controlling operation, maintenance, repair, and other activities with respect to the transmission lines and switchyard in the Exclusion Area; and (3) a requirement that GPC obtain approval from SNC prior to implementing any changes to equipment located in the Exclusion Area. These elements are discussed in Section 8.2 of Part 2 of this application.

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1.1.2 DESCRIPTION OF BUSINESS OR OCCUPATION

- SOUTHERN NUCLEAR OPERATING COMPANY, INC. (NON-OWNER APPLICANT)

SNC is a wholly owned subsidiary of Southern Company and is engaged in the operation of nuclear power plants on behalf of the Southern Electric System. SNC is a corporation organized and existing under the laws of the State of Delaware. SNC was formed for the purpose of operating nuclear facilities owned by other subsidiaries of Southern Company. Traditional electrical operating companies that are subsidiaries of Southern Company are Georgia Power Company, Alabama Power Company, Gulf Power Company, and Mississippi Power Company. SNC currently operates the Edwin I. Hatch Nuclear Plant (HNP), Units 1 and 2; and the Vogtle Electric Generating Plant (VEGP), Units 1 and 2, for Georgia Power Company, Oglethorpe Power Corporation, Municipal Electric Authority of Georgia, and the City of Dalton (i.e., Dalton Utilities) (the owners). SNC also operates the Joseph M. Farley Nuclear Plant (FNP), Units 1 and 2, for Alabama Power Company. The combined electric generation of the three plants is in excess of 6000 megawatts (MW_e's).

The traditional service area of Southern Company includes Alabama, Georgia, and portions of Mississippi and Florida. Southern Company's composite power plants have a total installed generating capacity of over 42,000 MW_e's as of January 1, 2008.

- GEORGIA POWER COMPANY (OWNER)

Georgia Power Company (GPC) is engaged in the generation and transmission of electricity and the distribution and sale of such electricity within the State of Georgia and at wholesale within the southeastern United States. GPC serves more than two million retail customers in a service area of approximately 57,000 square miles of the State of Georgia's land area. With a rated capability of approximately 20,000 MW_e's, GPC currently provides retail electric service in all but four (4) of Georgia's 159 counties.

- OGLETHORPE POWER CORPORATION (OWNER)

Oglethorpe Power Corporation (An Electric Membership Corporation) (OPC) supplies electricity at wholesale to 38 Electric Membership Corporations (EMCs) in the State of Georgia, which in turn distribute this electricity at retail to their residential, commercial and industrial customers. The EMCs serve approximately 1.7 million electric consumers (meters) representing approximately 4.1 million people.

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- MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA (OWNER)

Municipal Electric Authority of Georgia (MEAG) is an electric generation and transmission public corporation, which provides wholesale power to 49 communities in the State of Georgia and other wholesale customers. These communities, in turn, supply electricity to approximately 308,000 retail accounts, representing a total population of approximately 614,000, in their respective service areas across the state.

- CITY OF DALTON (OWNER)

The City of Dalton (Dalton) is a municipality within the State of Georgia. Acting by and through its Board of Water, Light and Sinking Fund Commissioners, doing business as Dalton Utilities, Dalton owns electric generation capacity, transmission capacity and a distribution system. Dalton is a duly incorporated municipality under the laws of the State of Georgia.

1.1.3 ORGANIZATION AND MANAGEMENT

- SOUTHERN NUCLEAR OPERATING COMPANY, INC. (NON-OWNER APPLICANT)

SNC is a Delaware corporation that is headquartered in Birmingham, Alabama. SNC is a wholly-owned subsidiary of Southern Company, a Delaware corporation with its principal office in Atlanta, Georgia. Neither SNC, nor its parent, Southern Company, is owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government.

The names and business addresses of SNC's directors and principal officers, all of whom are citizens of the U.S., are as follows (Reference 1.7-1):

SNC Directors		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
D. M. Ratcliffe	Chairman, Southern Company - President and Chief Operating Officer	30 Ivan Allen Jr. Blvd NW Atlanta, GA 30308
M. D. Garrett	Georgia Power Company - President and Chief Executive Officer	241 Ralph McGill Blvd, NE Atlanta, GA 30308
C. D. McCrary	Alabama Power Company - President and Chief Executive Officer	600 N 18 th St Birmingham, AL 35202
J. H. Miller, III	Southern Nuclear Operating Company, Inc - President and Chief Executive Officer	P.O. Box 1295 Birmingham, AL 35201

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SNC Principal Officers		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
J. H. Miller, III	SNC Director, Southern Nuclear Operating Company, Inc – President and Chief Executive Officer	P.O. Box 1295 Birmingham, AL 35201
J. T. Gasser	Southern Nuclear Operating Company, Inc – Executive Vice President	P.O. Box 1295 Birmingham, AL 35201
J. A. Miller	Southern Nuclear Operating Company, Inc – Executive Vice President, Nuclear Development	P.O. Box 1295 Birmingham, AL 35201
L. M. Stinson	Southern Nuclear Operating Company, Inc – Vice President, Fleet Operations Support	P.O. Box 1295 Birmingham, AL 35201
M. M. Caston	Southern Nuclear Operating Company, Inc – Vice President and Corporate Counsel	P.O. Box 1295 Birmingham, AL 35201
C. W. Brakefield	Southern Nuclear Operating Company, Inc – Comptroller and Treasurer	P.O. Box 1295 Birmingham, AL 35201
D. H. Jones	Southern Nuclear Operating Company, Inc – Site Vice President - Vogtle 3 & 4	Plant Vogtle Units 3 & 4 7825 River Rd.Waynesboro, GA 30830
P. M. Marino	Southern Nuclear Operating Company, Inc – Vice President, Engineering	P.O. Box 1295 Birmingham, AL 35201
T. E. Tynan	Southern Nuclear Operating Company, Inc – Site Vice President – Vogtle	7821 River Rd Waynesboro, GA 30830
J. R. Johnson	Southern Nuclear Operating Company, Inc – Site Vice President – Farley	P.O. Drawer 470 Ashford, AL 36312
D. R. Madison	Southern Nuclear Operating Company, Inc – Site Vice President – Hatch	11028 Hatch Pkwy, North Baxley, GA 31513

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- GEORGIA POWER COMPANY (OWNER)

GPC is a Georgia corporation with its principal office in Atlanta, Georgia. GPC is a wholly owned subsidiary of Southern Company, a Delaware corporation with its principal office also in Atlanta, Georgia.

Neither GPC nor its corporate parent, Southern Company, is owned, controlled, or dominated by an alien, foreign corporation, or foreign government.

The names and business addresses of GPC's directors and principal officers, all of whom are citizens of the U.S., are as follows:

GPC Directors		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
R. L. Brown, Jr	GPC Director	250 E Ponce De Leon Ave, 8 th Fl Decatur, GA 30030
A. R. Cablik	GPC Director	1513 Johnson Ferry Rd Suite T-20 Marietta, GA 30062
M. D. Garrett	GPC Director	241 Ralph McGill Blvd, NE Atlanta, GA 30308
S. S. Green	GPC Director	P.O. Box 10143 Savannah, GA 31412
D. M. Ratcliffe	GPC Director	30 Ivan Allen Jr. Blvd NW Atlanta, GA 30308
J. C. Tallent	GPC Director	63 Hwy 515 Blairsville, GA 30512
B. D. Tatum	GPC Director	350 Spelman Lane SW Atlanta, GA 30314
D. G. Thompson	GPC Director	4020 Powers Ferry Rd Atlanta, GA 30342
R. W. Ussery	GPC Director	P.O. Box 1360 Fortson, GA 31808
W. Jerry Vereen	GPC Director	301 Riverside Dr Moultrie, GA 31768-8603
E. J. Wood, III	GPC Director	P.O. Box 4418, MC0103 Atlanta, GA 30302-4418

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GPC Principal Officers		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
M. D. Garrett	President and Chief Executive Officer	241 Ralph McGill Blvd, NE Atlanta, GA 30308
C. S. Thrasher	Executive Vice President, Treasurer and Chief Financial Officer	241 Ralph McGill Blvd, NE Atlanta, GA 30308
A. P. Daiss	Vice President, Comptroller and Chief Accounting Officer	241 Ralph McGill Blvd, NE Atlanta, GA 30308
C. C. Womack	Executive Vice President, External Affairs	241 Ralph McGill Blvd, NE Atlanta, GA 30308
M. A. Brown	Executive Vice President, Customer Service Organization	241 Ralph McGill Blvd, NE Atlanta, GA 30308
T. P. Bishop	Senior Vice President and General Counsel	241 Ralph McGill Blvd, NE Atlanta, GA 30308
J. M. Anderson	Senior Vice President, Charitable Giving	241 Ralph McGill Blvd, NE Atlanta, GA 30308
D. E. Jones	Senior Vice President, Fossil & Hydro Generation	241 Ralph McGill Blvd, NE Atlanta, GA 30308
O. C. Harper, IV	Vice President, Resource Planning and Nuclear Development	241 Ralph McGill Blvd, NE Atlanta, GA 30308

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- OGLETHORPE POWER CORPORATION (OWNER)

Oglethorpe Power Corporation (An Electric Membership Corporation) (OPC) was organized under the Georgia Electric Membership Corporation Act (Official Code of Georgia Annotated, Title 46, Chapter 3, Article 4) and operates on a not-for-profit basis.

OPC is neither owned, controlled nor dominated by an alien, foreign corporation or foreign government.

The names and business addresses of OPC's principal officers and the members of its governing body, all of whom are citizens of the U.S., are as follows:

OPC Directors		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
Benny W. Denham	Chairman	2100 East Exchange PI Tucker, GA 30084-5336
Sam Rabun	Vice Chairman	2100 East Exchange PI Tucker, GA 30084-5336
Marshall S. Millwood	Director	2100 East Exchange PI Tucker, GA 30084-5336
Larry N. Chadwick	Director	2100 East Exchange PI Tucker, GA 30084-5336
M. Anthony Ham	Director	2100 East Exchange PI Tucker, GA 30084-5336
H. B. "Bud" Wiley, Jr.	Director	2100 East Exchange PI Tucker, GA 30084-5336
Gary A. Miller	Director	2100 East Exchange PI Tucker, GA 30084-5336
Jeffrey W. Murphy	Director	2100 East Exchange PI Tucker, GA 30084-5336
C. Hill Bentley	Director	2100 East Exchange PI Tucker, GA 30084-5336

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OPC Directors (cont'd.)		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
Gary W. Wyatt	Director	2100 East Exchange PI Tucker, GA 30084-5336
Wm. Ronald Duffey	Director	2100 East Exchange PI Tucker, GA 30084-5336
Bobby C. Smith, Jr.	Director	2100 East Exchange PI Tucker, GA 30084-5336
Rick L. Gaston	Director	2100 East Exchange PI Tucker, GA 30084-5336
Randall Pugh	Director	2100 East Exchange PI Tucker, GA 30084-5336

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OPC Principal Officers		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
Thomas A. Smith	President and CEO	2100 East Exchange PI Tucker, GA 30084-5336
Michael W. Price	Executive Vice President and Chief Operating Officer	2100 East Exchange PI Tucker, GA 30084-5336
Elizabeth B. Higgins	Executive Vice President and Chief Financial Officer	2100 East Exchange PI Tucker, GA 30084-5336
W. Clayton Robbins	Senior Vice President - Government Affairs	2100 East Exchange PI Tucker, GA 30084-5336
William F. Ussery	Executive Vice President, Member and External Relations	2100 East Exchange PI Tucker, GA 30084-5336
Jami G. Reusch	Vice President, Human Resources	2100 East Exchange PI Tucker, GA 30084-5336

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- MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA (OWNER)

MEAG is a public corporation and an instrumentality of the State of Georgia, a body corporate and politic, created by the General Assembly of the State of Georgia in its 1975 Session (Official Code of Georgia Annotated, Title 46, Chapter 3, Article 3).

MEAG is neither owned, controlled nor dominated by an alien, foreign corporation or foreign government.

The names and business addresses of MEAG’s principal officers and the members of its governing body, all of whom are citizens of the U.S., are as follows:

MEAG Directors		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
L. Keith Brady	Chairman	25 LaGrange St Newnan, GA 30263
Roland C. Stubbs, Jr.	Vice-Chairman	115 Mims Rd Sylvania, GA 30467
Kerry S. Waldron	Secretary-Treasurer	106 S. Hutchinson Ave Adel, GA 31620
Patrick C. Bowie, Jr.,	Board Member	200 Ridley Ave LaGrange, GA 30241
Kelly E. Cornwell	Board Member	P.O. Box 248 Calhoun, GA 30703-0248
John H. Flythe	Board Member	P.O. Box 218 Fitzgerald, GA 31750
Robert. W. Lewis	Board Member	675 N. Marietta Pkwy Marietta, GA 30060-1528
Steve A. Rentfrow	Board Member	P.O. Box 1218 Cordele, GA 31010-1218
Robert C. Sosebee	Board Member	1953 Homer Rd Commerce, GA 30529

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MEAG Principal Officers		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
Robert P. Johnston	President and Chief Executive Officer	1470 Riveredge Pkwy, NW Atlanta, GA 30328
Mary G. Jackson	Senior Vice President and Chief Accounting Officer	1470 Riveredge Pkwy, NW Atlanta, GA 30328
James E. Fuller	Senior Vice President and Chief Financial Officer	1470 Riveredge Pkwy, NW Atlanta, GA 30328
Steven M. Jackson	Vice President, Power Supply	1470 Riveredge Pkwy, NW Atlanta, GA 30328
Gary M. Schaeff	Vice President, Transmission	1470 Riveredge Pkwy, NW Atlanta, GA 30328
J. Scott Jones	Vice President, Audit and Risk Management	1470 Riveredge Pkwy, NW Atlanta, GA 30328

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- CITY OF DALTON (OWNER)

The City of Dalton (Dalton) is a duly incorporated municipality under the laws of the State of Georgia. Dalton acts by and through its Board of Water, Light and Sinking Fund Commissioners, which does business as Dalton Utilities.

Dalton Utilities is not owned, controlled, or dominated by an alien, foreign corporation, or foreign government.

The names and business addresses of the City of Dalton’s governing body (Mayor and Councilmen); the Board of Water, Light and Sinking Fund Commissioners of the City of Dalton; and Dalton Utilities’ principal officers (President/Chief Executive Officer, Secretary and Chief Financial Officer), all of whom are citizens of the U.S., are as follows:

Mayor and Council of the City of Dalton		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
David Pennington	Mayor	P.O. Box 1205 Dalton, GA 30722
Denise Wood	Councilman	P.O. Box 1205 Dalton, GA 30722
George Sadosuk	Councilman	P.O. Box 1205 Dalton, GA 30722
Dick Lowery	Councilman	P.O. Box 1205 Dalton, GA 30722
Charles Bethel	Councilman	P.O. Box 1205 Dalton, GA 30722

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<u>Board of Water, Light and Sinking Fund Commissioners of the City of Dalton</u>		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
Norman Burkett	Chairman	c/o Dalton Utilities P.O. Box 869 Dalton, GA 30722
Smith Foster	Vice President	c/o Plantex Machinery Inc. P.O. Box 1761 Dalton, GA 30722-1761
George Mitchell	Commissioner	c/o Dalton Utilities P.O. Box 869 Dalton, GA 30722
Cathy Holmes	Commissioner	147 Ella Lane Dalton, GA 30720
Frank Robertson	Commissioner	Robertson & Co. CPAs 313 N. Selvidge St Dalton, GA 30720

<u>Dalton Utilities Officers</u>		
<u>Name</u>	<u>Title</u>	<u>Business Address</u>
Don Cope	President and Chief Executive Officer	1200 V. D. Parrott, Jr. Pkwy Dalton, GA 30720
George Mitchell	Secretary	1200 V. D. Parrott, Jr. Pkwy Dalton, GA 30720
Tom Bundros	Chief Financial Officer	1200 V. D. Parrott, Jr. Pkwy Dalton, GA 30720

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1.1.4 REQUESTED LICENSES AND AUTHORIZED USES

This application is for two Class 103 combined licenses under 10 CFR Part 52, Subpart C, to construct and operate two additional nuclear power plants at the VEGP site, located adjacent to the existing VEGP Units 1 and 2 in Burke County, Georgia. The two largest population centers (defined as having more than 25,000 residents) in the region are Augusta, Georgia and Aiken, South Carolina. Pursuant to 10 CFR 52.73(a), this application incorporates the Design Control Document (DCD) (Reference 1.7-2) for a simplified passive advanced light water reactor plant provided by Westinghouse Electric Company, LLC (Westinghouse), the entity sponsoring and obtaining the AP1000 design certification documented in 10 CFR Part 52, Appendix D. Throughout this application, the “referenced DCD” is the AP1000 DCD submitted by Westinghouse as Revision 17.

This application also references the Vogtle Early Site Permit Application (ESPA), as permitted by 10 CFR 52.25(c). The current version of that application is Revision 5, submitted to the NRC on December 23, 2008. The Final Safety Analysis Report in Part 2 of this COL application incorporates by reference the Site Safety Analysis Report in the ESPA. The Environmental Report in Part 3 of this COL application does not repeat the environmental information associated with the ESPA but instead provides the information specified in 10 CFR 51.50(c)(1) as it relates to the draft Environmental Impact Statement for the ESPA. Part 5 of this COL application incorporates by reference the Emergency Plan in the ESPA.

New VEGP Units 3 and 4 will be used to produce electricity for sale, similar to existing VEGP Units 1 and 2. The period of time for which the license for the unit is requested shall begin upon the NRC’s granting of the combined licenses for VEGP and shall expire 40 years from the date upon which the NRC makes a finding that acceptance criteria are met under 10 CFR 52.103(g) or allowing operation during an interim period under 10 CFR 52.103(c).

In addition, this application is for the necessary licenses issued under 10 CFR Part 30, 10 CFR Part 40, and 10 CFR Part 70 to receive, possess, and use byproduct, source and special nuclear material. Byproduct, source, and special nuclear material shall be in the form of sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment, calibration, and fission detectors in amounts as required. Byproduct, source, and special nuclear material in amounts as required, without restriction to chemical or physical form, shall be for sample analysis or instrument and equipment calibration or associated with radioactive apparatus or components. Special nuclear material shall be in the form of reactor fuel and spent fuel, in accordance with limitations for storage and amounts required for reactor operation, as described in Part 2 of this application.

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The current scheduled date for the completion of construction activities on VEGP Unit 3 is April 2016, and on VEGP Unit 4 is April 2017.

Construction and operation of the proposed plant requires compliance with a number of environmental regulations, obtaining a number of associated permits, and performing consultations with Government agencies. An assessment was performed of applicable regulations, permits, and consultations required by Federal, state, regional, local, and potentially affected Native American tribal agencies, and the results are presented in Section 1.5 of the Environmental Report (Part 3 of this application).

Four regulatory agencies have jurisdiction over the rates, financing, or financial reporting incident to the construction and operation of VEGP Units 3 and 4. Those regulatory agencies are the Georgia Public Service Commission, the Federal Energy Regulatory Commission, the U.S. Securities and Exchange Commission (SEC), and Rural Utilities Service (RUS). The mailing addresses of these agencies are as follows (References 1.7-4 through -7):

- Georgia Public Service Commission (Regulates GPC, OPC, MEAG and Dalton Utilities)
244 Washington Street, SW
Atlanta, GA 30334
- Federal Energy Regulatory Commission (Regulates GPC)
888 First Street, NE
Washington, DC 20426
- U.S. Securities and Exchange Commission (Regulates SNC, GPC and OPC)
3475 Lenox Road, N.E., Suite 1000
Atlanta, GA 30326-1232
- Rural Utilities Service (Regulates OPC)
1400 Independence Ave SW
Washington, DC 20250-0747

Local news publications that circulate in the area around the proposed facility and that are considered appropriate to give reasonable notice of the application to those parties that might have a potential interest in the proposed facility are as follows:

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- The Atlanta Journal-Constitution
72 Marietta Street NW
Atlanta, GA 30303
404-526-5151
- The Augusta Chronicle/Morris News Agency
725 Broad Street
Augusta, GA 30901
706-724-0851
- The True Citizen
P.O. Box 948
601 East Sixth Street
Waynesboro, GA 30830
706-554-2111
- The Aiken Standard
326 Rutland Drive NW
P.O. Box 456
Aiken, SC 29801
803-648-2311

SNC applied for an early site permit (ESP) for the VEGP site on August 14, 2006 (Reference 1.7-8) in accordance with 10 CFR 52 Subpart A, "Early Site Permits". The NRC accepted SNC's ESP application on September 19, 2006 (Reference 1.7-9) and the NRC is currently reviewing the application under Docket No. 52-011. SNC also requested a Limited Work Authorization (LWA) through the ESP application in August 2007 (Reference 1.7-10). With the exception of SNC's request for a VEGP ESP and associated LWA, no other NRC licenses have been applied for, or issued, in connection with proposed VEGP Units 3 and 4.

1.2 RADIOLOGICAL EMERGENCY RESPONSE PLANS

Radiological emergency response plans of State and local government entities in the United States that are wholly or partially within the plume exposure pathway emergency planning zone (EPZ), as well as the plans of State governments wholly or partially within the ingestion pathway

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EPZ are referenced in ESP application, Part 5, Emergency Plan, and were previously submitted to the NRC (References 1.7-11 and 1.7-12).

1.3 FINANCIAL QUALIFICATIONS

Pursuant to the requirements of 10 CFR 50.33(f), an applicant for a COL is required to include information sufficient to demonstrate to the NRC the financial qualification of the applicant to carry out the construction and/or operation activities for which the application is sought. Entities that meet the definition of an "electric utility" in 10 CFR 50.2 are exempt from the requirement to demonstrate financial qualification to carry out operation activities and are required only to demonstrate financial qualification to carry out construction activities. Because SNC will recover the cost of operating the units from the Owners, and the Owners will either recover those costs through rates or charges established by the Georgia Public Service Commission or established by the Owner itself, SNC and each of the Owners meet the definition of "electric utility" from 10 CFR 50.2. Accordingly, only the information necessary to demonstrate the financial qualifications of the Owners of VEGP Units 3 and 4 to obtain construction funds and fuel cycle costs is provided in this subsection.

In accordance with 10 CFR 50.33(f) and 10 CFR 50, Appendix C, SNC has estimated the total combined construction costs for the two units of the proposed facility. These costs are estimated in 2008 dollars and are based on a construction period for the project (as defined by 10 CFR 50.10) of 67 months per unit. Licensing costs and pre-construction activities occur before actual construction and are included in the estimates. The breakdown of the costs and the bases for each is described in Appendix 1A.

- SOUTHERN NUCLEAR OPERATING COMPANY, INC. (NON-OWNER APPLICANT)

Southern Nuclear Operating Company, Inc. (SNC) was established as a company within the Southern Company (Southern) for the purpose of consolidating personnel within the Southern Electric System engaged in nuclear-related activities into a single, integrated organization.

Accordingly, SNC will be the constructor and licensed operator for VEGP Units 3 and 4.

Agreements have been entered into for SNC with Georgia Power Company (GPC) to exercise this authority. SNC will be the exclusive entity authorized to construct and operate VEGP Units 3 and 4.

Related to construction, the following pertinent corporate and contractual relationships have been established:

- GPC, as agent for the Owners of the new units, has entered into an Engineering, Procurement and Construction (EPC) Agreement with a consortium comprised of

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Westinghouse Electric Company, LLC and Stone & Webster, Inc. (“the Consortium”) for the construction of the units. The Owners will make payment to the Consortium through GPC, as agent, for the costs under the EPC contract. SNC will administer the EPC on behalf of the plant Owners.

- GPC has contracted to reimburse SNC for all other funds necessary for the construction of the units. Responsibility for reimbursement of these costs will be absolute. The plant’s other Owners (Oglethorpe Power Corporation, Municipal Electric Authority of Georgia, and City of Dalton) have contracted to reimburse GPC for their proportionate shares of these costs. The participation of precise ownership percentages of each Owner is specified in Subsection 1.1.1.
- GPC is subject to the jurisdiction of two rate regulatory authorities, the Georgia Public Service Commission and the Federal Energy Regulatory Commission. The output of VEGP Units 3 and 4 is expected to be sold to GPC retail customers; accordingly, GPC will include its proportionate share of the aforementioned costs as capital expenditure before the Georgia Public Service Commission and will earn a return on prudently incurred costs from its customers. The other plant Owners will recover their costs through rates and charges to their customers.

Related to operations, the following pertinent corporate and contractual relationships have been established:

- SNC will not have any ownership interest in the new units, the nuclear facilities, nor the fuel. On behalf of the Owners, SNC will be authorized to exercise overall responsibility for plant operations, including exclusive responsibility for safety decisions.
- By contract, GPC and SNC will establish cost responsibility and allocation for the units. The costs experienced directly by SNC in the operation of VEGP Units 3 and 4 will be reimbursed by GPC pursuant to the operating agreement. Other expenses of SNC which are not direct charges to a specific plant will be allocated to GPC and others for whom such expenses are incurred, as appropriate. Responsibility for reimbursement by GPC of these costs will be absolute. GPC will, in turn, be reimbursed by the other plant Owners for their proportionate shares of these costs pursuant to existing agreements. Because the plant Owners are entitled to the entire electric generation from VEGP Units 3 and 4, and do not purchase electric generation from SNC, the costs will not be “rates” subject to regulatory review and approval except as items of costs to the plant Owners.
- GPC will recover its proportionate share of prudently incurred costs of operation of the units in rates charged to customers as authorized by the Georgia Public Service Commission. The other plant Owners will recover their costs through rates and charges to their customers.

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- With SNC as the licensed plant operator, GPC has contracted to provide all funds necessary for the safe operation, construction, maintenance, repair, decontamination and decommissioning incurred or accrued by SNC. Thus, the various contractual obligations, and retention of full ownership interest by the plant Owners as well as the Owners' entitlement to all electrical output from the plant, assure that the same level of financial qualification will exist for the new units as for VEGP Units 1 and 2.
- The plant Owners will retain authority to direct, through their agent, GPC, that the plant be shut down in an orderly fashion by SNC (and in accordance with SNC's safety judgment) rather than make specific capital modifications or other major expenditures. This retained authority ultimately will limit SNC's spending authority, but will not encumber SNC's ability to make operational safety decisions and will have no impact on safe operation of the plant.

Thus, consistent with the decisions made when authority was first given by the NRC for SNC to operate the HNP, the FNP, and VEGP Units 1 and 2, SNC, and each of the plant Owners, is an "electric utility" as defined in 10 CFR 50.2. Therefore, under 10 CFR 50.33(f), the financial qualification review required by 10 CFR 50.33(f) is limited to a demonstration that the proposed Owners are financially qualified to carry out necessary construction activities.

- **GEORGIA POWER COMPANY (OWNER)**

GPC provides the following information required by 10 CFR 50.33(f), 10 CFR 50 Appendix C, and NUREG 1577, Revision 1.

GPC meets the definition of an "electric utility" as that term is defined in 10 CFR 50.2 in that GPC recovers the cost of electricity through rates established by the Georgia Public Service Commission. Therefore, GPC is exempt from financial qualification review for the operating license pursuant to 10 CFR 50.33(f) and in accordance with Section III.1.b of NUREG-1577, Rev. 1. Information regarding financial qualifications to support the construction of VEGP Units 3 and 4 is provided below.

GPC, as a subsidiary of Southern Company, is an investor-owned electric utility serving customers in 57,000 of the state's 59,000 square miles. GPC has just over 2 million retail customers in all but four (4) of Georgia's 159 counties.

Southern Company is the parent firm of GPC, Alabama Power Company, Gulf Power Company, Mississippi Power Company, Southern Power, and SNC as well as certain service and special-purpose subsidiaries. The operating companies, known as the Southern Electric System (System), coordinate system operations and jointly dispatch their generating units to capture the economies available from power pooling. The System is a member of the SERC Reliability Corporation (SERC), a group of electric utilities (and other electric related utilities) coordinating

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operations and other measures to maintain a high level of reliability for the electrical system in the southeastern United States. The four retail regulated operating companies (“retail operating companies” or “ROCs”) - GPC, Alabama Power Company, Gulf Power Company and Mississippi Power Company – also participate in coordinated generation and transmission planning as appropriate.

GPC's common stock is held solely by Southern Company. Southern Company is investor-owned, and had 102,903 common stockholders at year end 2007.

GPC has a net utility investment of more than \$13.8 billion, of which approximately \$5.2 billion is invested in generating facilities including 156 generating units (38 fossil steam, 75 hydroelectric, 4 nuclear, 2 combined cycle and 37 combustion turbine units). GPC has a total owned generating capacity of approximately 16,102 MW_e's and a total generating capacity of approximately 20,000 MW_e's; 71% of the energy supplied from owned units is from coal, 18% from nuclear, 3% from hydroelectric, and less than 8% from natural gas and oil.

GPC currently has co-ownership of Hatch Nuclear Plant Units 1 and 2 and Vogtle Electric Generating Plant Units 1 and 2 along with Oglethorpe Power Corporation, Municipal Electric Authority of Georgia, and the City of Dalton.

GPC reports and filings to the Georgia Public Service Commission and the U.S. Securities and Exchange Commission may be found at <http://www.psc.state.ga.us/> and at <http://investor.southerncompany.com/sec.cfm>, respectively. In accordance with 10 CFR 50, Appendix C, Southern Company's 2008 10-K Reports may also be found at <http://investor.southerncompany.com/sec.cfm>.

GPC obtained approval of the facility from the Georgia Public Service Commission on March 17, 2009, certifying the cost to construct VEGP Units 3 and 4.

The sources of construction funds for GPC's portion of this facility will be a mixture of internally generated cash and external funding. The external funding will come from a mix of capital (debt, preferred, and equity). GPC plans to finance the construction of VEGP Units 3 and 4 utilizing a mixture of general obligation corporate debt and equity (i.e., GPC does not currently plan to incur project-specific financing for the units) that will maintain its overall capital structure, taking into consideration financial market conditions during construction, and the financial requirements of its other investment in new sources of generation, consistent with GPC's financial goal of maintaining a stable “A” credit rating. Currently, GPC's unsecured long-term bonds are rated A2, A, and A+ by Moody's, Standard and Poor's and Fitch, respectively.

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- OGLETHORPE POWER CORPORATION (OWNER)

Oglethorpe Power Corporation (An Electric Membership Corporation) (OPC) provides the following information required by 10 CFR 50.33(f), 10 CFR 50 Appendix C, and NUREG 1577, Revision 1.

OPC meets the definition of an “electric utility” as that term is defined in 10 CFR 50.2 in that OPC recovers the cost of electricity through rates set by OPC itself. Therefore, OPC is exempt from financial qualification review for the operating license pursuant to 10 CFR 50.33(f) and in accordance with Section III.1.b of NUREG-1577, Rev. 1. Information regarding financial qualifications to support the construction of VEGP Units 3 and 4 is provided below.

OPC is a Georgia electric membership corporation incorporated in 1974 and headquartered in metropolitan Atlanta. OPC is owned by 38 retail electric distribution cooperative members (the “Members”). OPC and the Members were each formed pursuant to the Georgia Electric Membership Corporation Act. OPC’s principal business is providing wholesale electric power to the Members. As with cooperatives generally, OPC operates on a not-for-profit basis. OPC is the largest electric cooperative in the United States in terms of assets, kilowatt-hour sales and, through the Members, consumers served.

The Members are local consumer-owned distribution cooperatives providing retail electric service on a not-for-profit basis. In general, the customer base of the Members consists of residential, commercial and industrial consumers within specific geographic areas. The Members serve approximately 1.7 million electric consumers (meters) representing approximately 4.1 million people.

OPC has interests in 24 generating units. These units provide OPC with a total of 4744 megawatts (MW_e’s) of nameplate capacity, consisting of 1501 MW_e’s of coal-fired capacity, 1185 MW_e’s of nuclear-fueled capacity, 632 MW_e’s of pumped storage hydroelectric capacity, 1411 MW_e’s of gas-fired capacity (206 MW_e’s of which is capable of running on oil) and 15 MW_e’s of oil-fired combustion turbine capacity. OPC also purchases approximately 300 MW_e’s of power pursuant to a long-term power purchase agreement.

OPC’s reports to the U.S. Securities and Exchange Commission may be found at www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000788816&owner=include&count=40.

OPC has substantially similar Wholesale Power Contracts with each Member extending through December 31, 2050. Under the Wholesale Power Contracts, each Member is unconditionally obligated, on an express “take-or-pay” basis, for a fixed percentage of the capacity costs (referred to as a “percentage capacity responsibility”) of each of OPC’s generation and purchased power resources. Each Wholesale Power Contract specifically provides that the

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Member must make payments whether or not power is delivered and whether or not a plant has been sold or is otherwise unavailable. OPC is obligated to use its reasonable best efforts to operate, maintain and manage its resources in accordance with prudent utility practices.

Percentage capacity responsibilities have been assigned to all of OPC's generation and purchased power resources. Percentage capacity responsibilities for any future resource will be assigned only to Members choosing to participate in that resource. The Wholesale Power Contracts provide that each Member is jointly and severally responsible for all costs and expenses of all existing generation and purchased power resources, as well as for any approved future resources, whether or not such Member has elected to participate in such future resource. For resources in which less than all Members participate, costs are shared first among the participating Members, and if all participating Members default, each non-participating Member is expressly obligated to pay a proportionate share of such default.

Each Member is required to pay OPC for capacity and energy furnished under its Wholesale Power Contract in accordance with rates established by OPC. OPC is required to revise its rates as necessary so that the revenues derived from its rates, together with its revenues from all other sources, will be sufficient to pay all costs of its system, to provide for reasonable reserves and to meet all financial requirements. Each Member has chosen to participate in VEGP Units 3 and 4 and have subscribed to percentage capacity responsibilities aggregating 100 percent of the costs associated with OPC's ownership interest. OPC's decision to participate is also subject to RUS approval.

Under the Wholesale Power Contracts, each Member must establish rates and conduct its business in a manner that will enable the Member to pay (1) to OPC when due, all amounts payable by the Member under its Wholesale Power Contract and (2) any and all other amounts payable from, or which might constitute a charge or a lien upon, the revenues and receipts derived from the Member's electric system, including all operation and maintenance expenses and the principal of, premium, if any, and interest on all indebtedness related to the Member's electric system.

The sources of construction funds for OPC's portion of this facility will be primarily external funding. OPC is an eligible borrower under the Rural Electrification Act and has sought loan funds pursuant to the loan programs of the Rural Utilities Service. OPC has also applied for DOE loan guarantees pursuant to the Energy Policy Act of 2005. To the extent funds are not available from these loan programs, OPC will issue debt in the capital markets as necessary to finance its share of the cost of construction. In addition, OPC will issue tax-exempt financing for any portion of this facility that qualifies (sewage and solid waste disposal facilities). Currently, OPC's secured long-term bonds are rated A3, A, and A by Moody's, Standard and Poor's and Fitch, respectively.

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- MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA (OWNER)

The Municipal Electric Authority of Georgia (MEAG) was created by the State of Georgia for the purpose of owning and operating electric generation and transmission facilities to supply bulk electric power to political subdivisions of Georgia which owned and operated electric distribution systems as of March 18, 1975. MEAG (also referred to as “MEAG Power”) currently provides bulk electric power to forty-eight (48) cities and one county in the State of Georgia (the “Participants”) pursuant to separate power sales contracts with each Participant. MEAG's power resources include ownership interests in ten (10) electric generating units, all of which have been placed in service, as well as power and energy obtained by MEAG through purchases from and exchanges with other bulk electric suppliers. MEAG also owns transmission facilities which, together with those of other utilities form a statewide integrated transmission system. MEAG's ownership interests in those ten generating units represent 2069 MW_e's of nominally rated generating capacity.

MEAG meets the definition of an “electric utility” as that term is defined in 10 CFR 50.2 in that MEAG recovers the cost of electricity through rates set by MEAG itself. Therefore, MEAG is exempt from financial qualification review for the operating license pursuant to 10 CFR 50.33(f) and in accordance with Section III.1.b of NUREG-1577, Rev. 1.

MEAG will participate in the ownership of the proposed additional Units at VEGP only to the extent that it first procures binding power sales contracts with those Participants electing to participate in the new project. MEAG will issue revenue bonds, supported by the power sales contracts with the Participants as well as any power purchase agreement between MEAG and a third party, to fund the construction costs relating to its ownership interest. Under each such power sales contract, MEAG will agree to provide the Participant, and the Participant shall agree to take from MEAG, a specified percentage of the output and services thereof and to be responsible for a specified percentage of the related costs. The Participant's payment obligations under such power sales contracts are general obligations to the payment of which its full faith and credit are pledged. MEAG's remedies under such power sales contracts will include specific performance to compel the Participants to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder.

MEAG has the statutory authority to issue revenue bonds to pay for the costs associated with its ownership interest in the additional Units. Such revenue bonds, and the power sales contracts as collateral for the payment of such bonds, will be validated in Georgia prior to issuance of the bonds. The bond proceeds will be the source of MEAG's payments of its share of the construction costs related to the additional Units.

MEAG's Annual Audit is expected to be available in early to mid April. MEAG's latest available Financial Statements may be found at

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<http://www.meagpower.org/NewsPublications/AnnualReports/tabid/82/Default.aspx> and
<http://www.meagpower.org/NewsPublications/QuarterlyReports/tabid/84/Default.aspx>.

- CITY OF DALTON (OWNER)

The City of Dalton, Georgia (Dalton) is a municipal corporation organized and existing under the laws of the State of Georgia. Dalton constructs and operates its public utilities through the Board of Water, Light and Sinking Fund Commissioners of the City of Dalton, Georgia (“Dalton Utilities”), which was established in 1913 by an act of the Georgia legislature for the purpose of constructing and operating the public utilities for Dalton. Electric, natural gas, water, sewer, and information technology services are provided to customers of Dalton Utilities within Dalton and certain other surrounding areas. Dalton Utilities sells to its retail customers, the residents of the City of Dalton, at rates set by its board of water and light. Thus, Dalton Utilities meets the definition of an “electric utility” as that term is defined in 10 CFR 50.2 in that the cost of electricity is recovered through rates. Therefore, Dalton Utilities is exempt from financial qualification review for the operating license pursuant to 10 CFR 50.33(f) and in accordance with Section III.1.b of NUREG-1577, Rev. 1. Information regarding financial qualifications to support the construction of VEGP Units 3 and 4 is provided below.

Dalton Utilities serves approximately 45,000 customers with the majority of its operating revenues coming from the carpet industry that is headquartered in northwest Georgia. It owns interests in electric generation facilities, the Georgia Integrated Transmission System, electric distribution, natural gas transmission and distribution, water and sewerage systems, and a retail/wholesale broadband system.

Dalton Utilities has utility plant investment approaching \$1 billion, of which \$350 million is invested in electric generating, transmission and distribution facilities. Dalton Utilities owns 118 MW_e's of electric generation through its joint ownership of Plants Scherer and Wansley, HNP, and VEGP with GPC, OPC, and MEAG. The balance of Dalton Utilities' generating stack is provided by the Southeastern Power Administration and through a wholesale power contract with Southern Power Company.

Annual operating revenues exceed \$167 million with annual investment income of approximately \$6.9 million. In accordance with its Bond Indenture, Dalton Utilities submits its annually audited financial statements and material event notices to the nationally recognized municipal securities information repositories acknowledged by the SEC.

The sources of construction funds for Dalton Utilities' portion of VEGP Units 3 and 4 will be from a combination of internally generated funds, investment funds restricted for renewals and extensions, and a possible future debt financing. Currently, Dalton Utilities has total assets of \$860 million with only \$55 million of outstanding bond debt. Even though the bond debt does not have a pledge of property nor taxation, it is currently rated Aa3 by Moody's and A+ by

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Standard & Poor's. This bond debt is scheduled to be fully amortized by January 1, 2012. Consequently, Dalton Utilities would have the strength of its balance sheet and financial flexibility to consider future debt financings. The latest available Financial Statements for the Board of Water, Light and Sinking Fund Commissioners of Dalton are provided in Appendix 1C.

1.4 DECOMMISSIONING FUND ASSURANCE

Regulatory Requirements

Pursuant to the requirements of 10 CFR 50.33(k)(1), an application for a combined license for a production or utilization facility will state information in the form of a report, as described in 10 CFR 50.75, indicating how reasonable assurance will be provided that sufficient funds will be available to decommission the facility. The report provided in Appendix 1D provides this information.

10 CFR 50.75(b) requires each power reactor applicant for a combined license for a production or utilization facility of the type and power level specified in 10 CFR 50.75(c) to submit a decommissioning report, as required by 10 CFR 50.33(k).

- (1) The report must contain a certification that financial assurance for decommissioning will be provided no later than 30 days after the Commission publishes notice in the *Federal Register* under 10 CFR 52.103(a). The amount of the financial assurance may be more, but not less, than the amount stated in the table in 10 CFR 50.75(c)(1).
- (2) The amount to be provided must be adjusted annually using a rate at least equal to that stated in 10 CFR 50.75(c)(2).
- (3) The amount must use one or more of the methods described in 10 CFR 50.75(e) as acceptable to the NRC.
- (4) The amount stated in the applicant's certification may be based on a cost estimate for decommissioning the facility. As part of the certification, a copy of the financial instrument obtained to satisfy the requirements of paragraph (e) of this section [10 CFR 50.75] must be submitted to the NRC; however, a combined license applicant need not obtain such financial instrument or submit a copy to the Commission except as provided in 10 CFR 50.75(e)(3).

10 CFR 50.75(c) provides the minimum amounts (January 1986 dollars) required to demonstrate reasonable assurance of funds for decommissioning by reactor type and power level and an adjustment factor to account for escalation of labor, energy, and waste burial costs. (Amounts are based on activities related to the definition of "decommission" in 10 CFR 50.2 and

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do not include the cost of removal and disposal of spent fuel, non-radioactive structures, or materials beyond that necessary to terminate the license).

For a pressurized water reactor (PWR) with a core thermal power rating of greater than or equal to 3400 MW_t, such as the AP1000 reactor design, 10 CFR 50.75(c)(1)(i) specifies the minimum amount required to demonstrate reasonable assurance of funds for decommissioning as \$105 million (1986 dollars). This amount is subject to an adjustment factor at least equal to $0.65 L + 0.13 E + 0.22 B$, where L and E are escalation factors for labor and energy, respectively, and are to be taken from regional data of U.S. Department of Labor Bureau of Labor Statistics (BLS), and B is an escalation factor for waste burial and is to be taken from NRC report NUREG-1307, "Report on Waste Burial Charges."

10 CFR 50.75(e)(3) provides the requirements that a COL holder under Subpart C of 10 CFR Part 52 shall, 2 years before and 1 year before the scheduled date for initial loading of fuel under 10 CFR 52.103, submit a report to the NRC containing a certification updating the information described under 10 CFR 50.75(b)(1), including a copy of the financial instrument to be used. No later than 30 days after the Commission publishes notice in the *Federal Register* under 10 CFR 52.103(a), the licensee shall submit a report containing a certification that financial assurance for decommissioning is being provided in an amount specified in the licensee's most recent updated certification, including a copy of the financial instrument obtained to satisfy the requirements of 10 CFR 50.75(e).

1.5 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

SNC and listed owners are not owned, dominated, or controlled by foreign interests.

1.6 RESTRICTED DATA / CLASSIFIED NATIONAL SECURITY INFORMATION

The COL application for VEGP Units 3 and 4 does not contain any Restricted Data or other Classified National Security Information, nor does it result in any change in access to any Restricted Data or National Security Information. In addition, it is not expected that activities conducted in accordance with the proposed COL will involve such information. However, in the event that such information does become involved, and in accordance with 10 CFR 50.37, "Agreement limiting access to Classified Information," SNC will not permit any individual to have access to, or any facility to possess, Restricted Data or National Security Information until the individual and/or facility has been approved for such access under the provisions of 10 CFR Part 25, "Access Authorization," and/or 10 CFR Part 95, "Facility Security Clearance and Safeguarding of National Security Information and Restricted Data".

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1.7 REFERENCES

- 1.7-1 SNC, "Vogtle Early Site Permit Application – Revision 5," December 2008.
- 1.7-2 Westinghouse Electric Company, 2008, "AP1000 Design Control Document," APP-GW-GL-700, Revision 17 [ADAMS Accession No. ML083230166].
- 1.7-3 Deleted
- 1.7-4 Federal Energy Regulatory Commission, Website www.ferc.gov, accessed August 1, 2007.
- 1.7-5 Georgia Public Service Commission, Website www.psc.state.ga.us/contactinfo.asp, accessed July 27, 2007.
- 1.7-6 Rural Utilities Service, Website www.usda.gov/rus, accessed January 4, 2008.
- 1.7-7 U.S. Securities and Exchange Commission, Website www.sec.gov, accessed January 4, 2008.
- 1.7-8 SNC, "Vogtle Electric Generating Plant Early Site Permit Application," SNC letter AR-06-1579, dated August 14, 2006 [ADAMS Accession No. ML062290246].
- 1.7-9 NRC, "ACCEPTANCE OF THE SOUTHERN NUCLEAR OPERATING COMPANY APPLICATION FOR AN EARLY SITE PERMIT (ESP) FOR THE VOGTLE ESP SITE," NRC letter, dated September 19, 2006 [ADAMS Accession No. ML062570424].
- 1.7-10 SNC, "Vogtle Early Site Permit Application Supplement To Include Limited Work Authorization 2 Activities," SNC letter AR-07-1421, dated August 15, 2007 [ADAMS Accession No. ML072330245].
- 1.7-11 SNC, "Vogtle Early Site Permit Application Supplemental Emergency Planning Information," SNC letter AR-06-1721, dated August 17, 2006 [ADAMS Accession No. ML062340406].
- 1.7-12 SNC, "Vogtle Early Site Permit Application Response to Requests for Additional Information Letter No. 5 Involving Emergency Planning," SNC letter AR-07-0656, dated April 16, 2007 [ADAMS Accession No. ML071100334 and ML071100337].

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APPENDIX 1A

ESTIMATED TOTAL CONSTRUCTION COST FOR VEGP UNITS 3 AND 4

The estimated total construction cost for VEGP Units 3 and 4 is considered proprietary information and was provided with Revision 0 of the COL application under separate cover (Reference SNC letter AR-08-0436, dated March 28, 2008).

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APPENDIX 1B

DELETED

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**Vogle Electric Generating Plant, Units 3 & 4
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APPENDIX 1C

FINANCIAL STATEMENTS FOR THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF DALTON

(NOTE: This appendix consists of a 42-page stand-alone document, developed independent of standard COL application formatting.)

***The
Fund Commissioners
of The City of Dalton, Georgia***

*Financial Statements as of and for the Years
Ended December 31, 2006 and 2005,
Supplemental Information for the Years
Ended December 31, 2006 and 2005, and
Independent Auditors' Report*

THE BOARD OF WATER, LIGHT AND SINKING FUND COMMISSIONERS OF THE CITY OF DALTON, GEORGIA

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INDEPENDENT AUDITORS' REPORT

To the Board of Water, Light and Sinking Fund
Commissioners of the City of Dalton, Georgia:

We have audited the accompanying balance sheet of The Board of Water, Light and Sinking Fund Commissioners of the City of Dalton, Georgia (the "Company") as of December 31, 2006, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company for the year ended December 31, 2005, were audited by other auditors whose report, dated April 11, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2006, and the changes in its fund net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 9 and Schedule of Funding Progress on page 32 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Company's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic 2006 financial statements taken as a whole. The other supplemental information listed in the table of contents on pages 34 to 39 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Company's management. Such 2006 schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The 2005 schedules were subjected to auditing procedures by other auditors

whose report dated April 11, 2006, referred to above, stated that such information is fairly stated in all material respects when considered in relation to the basic 2005 financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2007, on our consideration of the Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

May 29, 2007

THE BOARD OF WATER, LIGHT AND SINKING FUND COMMISSIONERS OF THE CITY OF DALTON, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	2006	2005	2004
	(In thousands of dollars)		
Operating revenues	\$ 151,787	\$ 145,585	\$ 125,644
Operating expenses	<u>151,416</u>	<u>149,418</u>	<u>134,140</u>
Operating income (loss)	371	(3,833)	(8,496)
Other nonoperating revenues and (expenses)	<u>(1,623)</u>	<u>10,111</u>	<u>9,204</u>
Income (loss) before transfers	(1,252)	6,278	708
Cash transferred to the City of Dalton	<u>(8,184)</u>	<u>(6,451)</u>	<u>(6,657)</u>
Changes in fund net assets	(9,436)	(173)	(5,949)
Beginning of year net assets	<u>608,723</u>	<u>608,896</u>	<u>614,845</u>
End of year net assets	599,287	608,723	608,896
Plus: contribution in aid of construction	<u>89,576</u>	<u>89,396</u>	<u>88,965</u>
NET ASSETS	<u>\$ 688,863</u>	<u>\$ 698,119</u>	<u>\$ 697,861</u>
	2006	2005	2004
	(In thousands of dollars)		
ASSETS			
Current assets	\$ 56,104	\$ 53,496	\$ 55,576
Noncurrent assets	137,962	190,775	234,921
Capital assets — net	640,977	623,863	586,973
Unamortized Debt Expense	562	930	1,422
Regulatory assets	27,931	26,424	24,815
Department of Energy decommissioning assessment	<u> </u>	<u>124</u>	<u>239</u>
TOTAL ASSETS	<u>\$ 863,536</u>	<u>\$ 895,612</u>	<u>\$ 903,946</u>
LIABILITIES			
Current liabilities	\$ 41,130	\$ 43,356	\$ 41,042
Noncurrent liabilities	<u>133,543</u>	<u>154,137</u>	<u>165,043</u>
Total liabilities	174,673	197,493	206,085
NET ASSETS	<u>688,863</u>	<u>698,119</u>	<u>697,861</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 863,536</u>	<u>\$ 895,612</u>	<u>\$ 903,946</u>

2006 versus 2005

Operating revenues for 2006 versus 2005 increased \$6.2 million or 4.3% primarily due to increased revenues in the following utility sectors:

- Electric operating revenues increased \$4.8 million or 7.3%, primarily due to a 7% overall rate increase effective with January 2006 billing, partly offset by decreased consumption of 2.8% for all customer classes.
- Water operating revenues increased \$2.4 million or 14.3%, primarily due to a 13.2% overall rate increase effective with January 2006 billing.
- Sewer operating revenues increased \$4.2 million or 21.8%, primarily due to a 20% overall rate increase effective with January 2006 billing.

Operating expenses for 2006 versus 2005 increased \$2.0 million or 1.3% due to changes in the following cost types:

- Production expenses were up \$1.2 million or 3.4% primarily due to increased operating and maintenance (O&M) expenses at the Company's jointly owned electric generating facilities.
- Purchased electricity expenses were down \$1.2 million or 3.1%.
 - Total kWh's purchased from Southeastern Power Administration ("SEPA") were down 23% while average cost per kWh increased 39%.
 - Total kWh's purchased from Southern Company under Dalton Utilities' Partial Requirements Service Agreement were down 5% while average cost per kWh increased 5%.
- Purchased gas expenses were down \$1.4 million or 5.9% primarily due to decreased purchased gas volumes.
- Distribution expenses were down \$0.9 million or 4.6%.
- Depreciation expenses were up \$2.7 million or 10.8% primarily due to:
 - increased depreciation expenses related to asset additions associated with continuing customer growth of OptiLink
 - increased depreciation expense associated with the final phase water projects being closed to plant in service
- General and administrative expenses were up \$1.7 million or 16.6% primarily due to increased expenses related to customer growth coupled with an increase in health care costs due to underlying healthcare inflation.

The operating income for 2006 versus 2005 increased \$4.2 million or 109.7% (operating income of \$0.4 million in 2006 vs. operating loss of \$3.8 million in 2005). Dalton Utilities' operating income for the year ending December 31, 2006 is the result of the following operating margins in the various utility sectors.

- Operating loss in the Electric sector was \$4.6 million. Average cost per kWh for jointly owned generation, SEPA and purchased power were all up 4%, 39% and 5%, respectively.
- Operating income in the Natural Gas sector was \$0.8 million. The positive operating margin was the result of Dalton Utilities' market based index pricing coupled with Dalton Utilities' ability to purchase and/or store gas at less than the monthly index price of gas.
- Operating income in the Water sector was \$0.9 million. The positive operating margin was the result of the 13.2% overall rate increase effective with January 2006 billing.
- Operating income in the Sewer sector was \$5.5 million. The positive operating margin was the result of the 20% overall rate increase effective with January 2006 billing.
- Operating loss in the Information Technology sector was \$2.2 million. The operating loss is primarily the result of the continued build out and increased market share for the OptiLink business sector.

The net of nonoperating revenues and expenses for 2006 versus 2005 decreased \$11.7 million.

- Interest income was up \$0.4 million or 6.9% due to the reinvestment of portfolio securities at higher interest rates. The amount of Dalton Utilities' restricted funds, available for investment, continues to decrease as they are used to fund Dalton Utilities' Renewals and Extensions ("Construction") budgets.
- Interest expense was down \$0.9 million or 13%, primarily due to the decrease of the outstanding debt balance.
- Net increase in fair value of investments decreased by \$13.0 million which includes \$5.5 million of interest accretion on zero coupon bonds.
- Allowance for debt funds used during construction ("AFUDC") was down \$0.6 million or 45% due to decreased construction activity.
- Miscellaneous income was up \$0.5 million.

Net assets on the balance sheet for 2006 versus 2005 decreased \$9.3 million.

- Net assets invested in capital assets, net of related debt, were up \$38.8 million or 8.1% primarily due to increased net utility plant of \$24 million coupled with a reduction in long-term debt of \$14.2 million.
- Net assets restricted for capital projects were down \$53.1 million or 39.7% due to dollars being taken out of Dalton Utilities' investment portfolio to pay for capital expenditures.

2005 versus 2004

Operating revenues for 2005 versus 2004 increased \$19.9 million or 15.9% due to increased revenues in the following utility sectors:

- Electric operating revenues increased \$6.6 million or 10.9%, primarily due to an overall increase of 2.9% in consumption and a 3% overall rate increase effective with January 2005 billing.

- Natural gas operating revenues increased \$5.9 million or 23.5%, primarily due to increases in market based index prices that are the basis for rate pricing, partly offset by decreased consumption by industrial and transportation gas customers.
- Water operating revenues increased \$1.8 million or 11.5%, primarily due to a 9% overall rate increase effective with January 2005 billing.
- Sewer operating revenues increased \$2.7 million or 16.2%, primarily due to a 20% overall rate increase effective with January 2005 billing.
- Information Technology revenues increased \$3.1 million or 34.5%, primarily due to continuing growth of OptiLink, a business sector with a true fiber to user offering enhanced telephony, entertainment, and internet.

Operating expenses for 2005 versus 2004 increased \$15.2 million or 11.4% due to changes in the following cost types:

- Production expenses were up \$1.9 million or 6.0% primarily due to increased operating and maintenance (O&M) expenses at the Company's jointly owned electric generating facilities.
- Purchased electricity expenses were up \$7.0 million or 22.4%.
 - Total kWh's purchased from Southeastern Power Administration ("SEPA") were up 13% while average cost per kWh decreased 12%.
 - Total kWh's purchased from Southern Company under Dalton Utilities' Partial Requirements Service Agreement were up 7% while average cost per kWh increased 17%.
- Purchased gas expenses were up \$3.6 million or 17.9% primarily due to an increase in the weighted average cost of purchased gas resulting from higher natural gas prices.
- Distribution expenses were down \$1.3 million or 6.4%.
- Depreciation expenses were up \$1.5 million or 6.6% primarily due to:
 - Increased depreciation expenses associated with continuing customer growth of OptiLink
 - Increased depreciation expense associated with the final phase water projects being closed to plant in service
- General and administrative expenses were up \$2.5 million or 33.4% primarily due to increased expenses related to customer growth coupled with an increase in health care costs due to underlying healthcare inflation.

The operating loss for 2005 versus 2004 decreased \$4.7 million or 54.9%. (operating loss of \$3.8 million in 2005 vs. operating loss of \$8.5 million in 2004) Dalton Utilities' operating loss for the year ended December 31, 2005, is the result of the following operating margins in the various utility sectors.

- Operating loss in the Electric sector was \$9.2 million. Average cost per kWh for jointly owned generation and purchased power were up by 11% and 17%, respectively while average cost per kWh for SEPA was down 12%.

- Operating income in the Natural Gas sector was \$4.0 million. The positive operating margin was the result of Dalton Utilities' market based index pricing coupled with Dalton Utilities' ability to purchase and/or store gas at less than the monthly index price of gas.
- Operating income in the Water sector was \$2.1 million. The positive operating margin was the result of the 9% overall rate increase effective with January 2005 billing.
- Operating income in the Sewer sector was \$2.5 million. The positive operating margin was the result of the 20% overall rate increase effective with January 2005 billing.
- Operating loss in the Information Technology sector was \$3.2 million. The operating loss is primarily the result of the build out the OptiLink business sector.

The net of nonoperating revenues and expenses for 2005 versus 2004 increased \$0.9 million.

- Interest income was down \$4.1 million or 44.3% due to declining market interest rates as well as decreased investment balances. The amount of Dalton Utilities' restricted funds, available for investment, continues to decrease as they are used to fund Dalton Utilities' Renewals and Extensions (Construction) budgets.
- Interest expense was down \$0.7 million or 9.3%, primarily due to the decrease of the outstanding debt balance.
- Net increase in fair value of investments increased by \$5.0 million. Additionally, net increase in fair value of investments was up due to \$8.3 million of interest accretion on zero coupon bonds.
- Investment income was down \$0.3 million or 20.2% due to reduced investment in the Integrated Transmission System ("ITS").
- Allowance for debt funds used during construction ("AFUDC") was down \$0.3 million or 18.2% due to decreased construction activity.
- Miscellaneous income was down \$0.1 million due to a payment of \$0.3 million to EPA by the Sewer sector.

Net assets on the balance sheet for 2005 versus 2004 increased \$0.3 million.

- Net assets invested in capital assets, net of related debt, were up \$48.9 million or 11.4% due to increased net utility plant of \$50.4 million coupled with a reduction in long-term debt of \$13.6 million.
- Net assets restricted for capital projects were down \$48.2 million or 26.5% due to dollars being taken out of Dalton Utilities' investment portfolio to pay for capital expenditures.

Overview of the Financial Statements — In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis — for State and Local Governments* ("GASB No. 34"). The objective of this Statement is to enhance the understandability and usefulness of the external financial reports of state and local governments to the citizenry, legislative and oversight bodies, investors and creditors.

Management's Discussion and Analysis — The purpose is to provide an objective and easily readable analysis of Dalton Utilities' financial activities based on currently known facts, decisions or conditions.

Balance Sheet — Assets and liabilities are presented to distinguish between current and long-term assets and liabilities.

Statements of Revenues, Expenses and Changes in Fund Net Assets — This statement provides the operating results of Dalton Utilities, broken into the various categories of operating revenue and expenses, nonoperating revenues and expenses, as well as transfer payments to the City.

Statement of Cash Flows — Using the direct method, sources and uses of cash from operating, investing and financing activities are shown. Also using the indirect method, changes in balance sheet accounts are shown.

Notes to the Financial Statements — The footnotes are used to explain the information in the financial statements and provide more detailed data.

Required Supplementary Information — Required Supplementary Information ("RSI") includes management's discussion and analysis and the schedule of funding progress of the Pension Plan. This information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

Other Supplementary Information — Other RSI includes the system financial statements. This information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Financial Policy Established in October 2003 — In order to ensure the long-term health of Dalton Utilities, the Board of Water, Light and Sinking Fund Commissioners approved a new financial policy at its October 2003 Board meeting, which will drive the creation of utility service rates in the future. This new policy sets annual rates based on each Utility's sector's economic cost to provide service by customer class. A significant element in the new financial policy is a formula, which allocates the interest earnings from the Utility's investment portfolio across the electric, water, and sewer sectors to benefit customers by offsetting their economic cost of service. Due to regulatory requirements, telecommunication services will not receive any interest subsidies. If the current rate is not sufficient to meet the amount owed after the interest subsidy is subtracted from the economic cost of service, then the rate will be increased. To protect customers from sudden increases in rates, the Board has restricted rate increases not to exceed 20% for any particular rate class in any given year.

Regulatory Matters — *Environmental Protection Agency ("EPA")/Environmental Protection Division ("EPD") — U.S. District Court Case* — March 28, 2001, a Consent Decree containing a settlement between Dalton Utilities and the U.S. Environmental Protection Agency and the State of Georgia was entered by the Court. Compliance with the terms of the Consent Decree required that Dalton Utilities undertake certain actions, all of which have been completed. After March 28, 2002, Dalton Utilities could request that some or all of the Consent Decree be terminated if certain prerequisites were met to the Court's satisfaction. Compliance with the Consent Decree proceeded smoothly. On September 10, 2004, the Court terminated three of four portions of the Consent Decree.

On November 16, 2005, the Court terminated the Consent Decree in its entirety. Dalton Utilities is no longer subject to the jurisdiction of the Court.

Capital Improvement Program — Dalton Utilities has a rolling five-year capital budget approximating \$244 million which is a decrease of \$8 million from its 2005 rolling-five year capital budget. As with past capital budgets, a large portion of the Utility’s rolling five-year capital budget is directed to maintaining service delivery capability and regulated production capacity of the Utility’s aging infrastructure, while complying with increasing environmental regulations. Additionally, substantial capital dollars will need to be expended in order to establish preventative maintenance, extension and expansion of the Utility’s infrastructure.

While not precluding the possibility of future financing, Dalton Utilities currently does not have any plans for any additional debt financing. Consequently, it is probable that Dalton Utilities’ five-year rolling capital budget will be funded internally, through a combination of cash generated by operation and investing activities as well as drawdowns of Dalton Utilities’ Renewal and Extension (capital construction projects) Funds.

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005
(In thousands of dollars)**

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,192	\$ 1,431
Restricted funds:		
Customer deposit fund	2,703	2,163
Combined utilities sinking fund	17,507	17,124
Accounts receivable, less allowance for doubtful accounts of \$876 and \$522 in 2006 and 2005, respectively	15,591	18,817
Accrued interest receivable	2,484	1,787
Fuel stocks — at average cost	7,163	3,383
Materials and supplies inventory — at average cost	8,812	7,698
Deposits and prepaid expenses	<u>652</u>	<u>1,093</u>
Total current assets	<u>56,104</u>	<u>53,496</u>
NONCURRENT ASSETS:		
Restricted funds:		
Combined utilities renewals and extensions fund	80,793	133,911
Natural gas derivative	1,335	
Nuclear decommissioning fund	<u>55,834</u>	<u>56,864</u>
Total restricted funds	<u>137,962</u>	<u>190,775</u>
Capital assets:		
Utility plant	906,353	855,013
Less accumulated depreciation	<u>(277,803)</u>	<u>(250,226)</u>
Total utility plant — net	628,550	604,787
Construction work in progress	5,688	13,732
Nuclear fuel — at amortized cost	<u>6,739</u>	<u>5,344</u>
Total capital assets	<u>640,977</u>	<u>623,863</u>
Debt expense — Net of accumulated amortization	562	930
Regulatory asset	27,931	26,424
Department of energy decommissioning assessment	<u> </u>	<u>124</u>
Total noncurrent assets	<u>807,432</u>	<u>842,116</u>
TOTAL	<u>\$ 863,536</u>	<u>\$ 895,612</u>

(Continued)

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005
(In thousands of dollars)**

	2006	2005
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 14,700	\$ 13,930
Accrued interest on long-term debt	2,798	3,184
Customer deposits	2,612	2,532
Accounts payable and accrued expenses	<u>21,020</u>	<u>23,710</u>
Total current liabilities	<u>41,130</u>	<u>43,356</u>
NONCURRENT LIABILITIES:		
Deferred credit — TVA right of use	617	667
Long-term debt	86,856	101,818
Asset retirement obligations	26,910	34,585
Regulatory liability	<u>19,160</u>	<u>17,067</u>
Total noncurrent liabilities	<u>133,543</u>	<u>154,137</u>
Total liabilities	<u>174,673</u>	<u>197,493</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Invested in capital assets — net of related debt	518,484	479,703
Restricted for debt service	17,507	17,124
Restricted for capital projects	80,793	133,911
Restricted for customer deposit fund, nuclear decommissioning, restricted cash, and natural gas derivative	59,872	59,027
Unrestricted	<u>12,207</u>	<u>8,354</u>
Total net assets	<u>688,863</u>	<u>698,119</u>
TOTAL	<u>\$ 863,536</u>	<u>\$ 895,612</u>
RECONCILIATION OF NET ASSETS:		
End of year total net assets	\$ 688,863	\$ 698,119
Less contribution in aid of construction	<u>89,576</u>	<u>89,396</u>
End of year fund net assets	<u>\$ 599,287</u>	<u>\$ 608,723</u>

See notes to financial statements.

(Concluded)

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

(In thousands of dollars)

	2006	2005
OPERATING REVENUES:		
Electric	\$ 71,339	\$ 66,495
Natural gas	26,227	30,728
Water	19,595	17,150
Sewer	23,385	19,198
Information technology	<u>11,241</u>	<u>12,014</u>
Total operating revenues	<u>151,787</u>	<u>145,585</u>
OPERATING EXPENSES:		
Production	34,655	33,531
Purchased electricity	36,952	38,152
Purchased natural gas	22,445	23,854
Distribution	17,950	18,825
Depreciation of utility plant	27,800	25,094
General and administrative expenses	<u>11,614</u>	<u>9,962</u>
Total operating expenses	<u>151,416</u>	<u>149,418</u>
OPERATING INCOME (LOSS)	<u>371</u>	<u>(3,833)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest:		
Income	5,548	5,188
Expense	<u>(5,701)</u>	<u>(6,555)</u>
Interest expense — net	(153)	(1,367)
Net increase (decrease) in fair value of investments	(3,977)	9,062
Investment income	1,126	1,025
Swap income	242	126
Allowance for debt funds used during construction	768	1,396
Miscellaneous income (expenses)	<u>371</u>	<u>(131)</u>
Total nonoperating revenues (expenses) — net	<u>(1,623)</u>	<u>10,111</u>
INCOME (LOSS) BEFORE TRANSFERS	(1,252)	6,278
CASH TRANSFERRED TO THE CITY OF DALTON	<u>(8,184)</u>	<u>(6,451)</u>
CHANGES IN FUND NET ASSETS	(9,436)	(173)
FUND NET ASSETS — Beginning of year	<u>608,723</u>	<u>608,896</u>
FUND NET ASSETS — End of year	<u>\$ 599,287</u>	<u>\$ 608,723</u>

See notes to financial statements.

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In thousands of dollars)**

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 155,013	\$ 141,417
Cash paid to suppliers and employees	<u>(128,654)</u>	<u>(121,875)</u>
Net cash provided by operating activities	<u>26,359</u>	<u>19,542</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest receipts	5,548	5,188
Sales and maturities of investment securities	304,493	169,806
Purchases of investment securities	(257,458)	(118,322)
Receipts from overparity investment in integrated transmission facilities	<u>1,126</u>	<u>1,025</u>
Net cash provided by investing activities	<u>53,709</u>	<u>57,697</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES —		
Transfers to the City of Dalton	<u>(8,184)</u>	<u>(7,108)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures for utility plant	(52,123)	(60,302)
Principal and interest payments on long-term debt and other debt-related activities	(20,180)	(20,016)
Contributions in aid of construction	<u>180</u>	<u>431</u>
Net cash used in capital and related financing activities	<u>(72,123)</u>	<u>(79,887)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(239)	(9,756)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>1,431</u>	<u>11,187</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 1,192</u>	<u>\$ 1,431</u>

(Continued)

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In thousands of dollars)**

	2006	2005
Reconciliation of operating loss to net cash provided by operating activities:		
Operating income (loss)	<u>\$ 371</u>	<u>\$ (3,833)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation of utility plant	27,800	25,094
Amortization of nuclear fuel	2,151	2,050
Amortization of debt issuance costs	368	492
Miscellaneous income	371	(131)
Changes in assets and liabilities		
Accounts receivable — net	3,226	(4,168)
Accrued interest receivable	(697)	(133)
Fuel stocks	(3,780)	574
Materials and supplies inventory	(1,114)	(1,663)
Deposits and prepaid expenses	441	(562)
Deferred charges — DOE asset	124	115
Accounts payable and accrued expenses	(2,690)	2,261
Deferred credit — TVA right of use	(50)	(50)
Deferred charges — DOE liability		(120)
Other	<u>(162)</u>	<u>(384)</u>
Total adjustments	<u>25,988</u>	<u>23,375</u>
Net cash provided by operating activities	<u>26,359</u>	<u>19,542</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES — Net increase (decrease) in fair value of investments	<u>\$ (3,977)</u>	<u>\$ 9,062</u>

See notes to financial statements.

(Concluded)

THE BOARD OF WATER, LIGHT AND SINKING FUND COMMISSIONERS OF THE CITY OF DALTON, GEORGIA

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — The Board of Water, Light and Sinking Fund Commissioners of the City of Dalton, Georgia (“Dalton Utilities”) was established in 1913 by an act of the Georgia legislature for the purpose of constructing and operating the public utilities for the City of Dalton, Georgia (the “City”). Electric, natural gas, water, sewer, and information technology services are provided by Dalton Utilities to the City and certain other surrounding areas.

Rates charged to customers are established solely by the Board. As required by the Rate Covenant of the Combined Utilities Revenue Bond Indentures (the “Indentures”) dated January 1, 1997 and November 1, 1999, electric, natural gas, water, and sewer customers are billed so that operating revenues and investment earnings shall be sufficient to meet operating and maintenance expenses, debt service, and certain reserve requirements. In addition, no funds obtained from the City of Dalton’s ad valorem taxes are to be used for operating and maintenance expenses of Dalton Utilities.

System of Accounts — Dalton Utilities follows accounting principles generally accepted in the United States of America and governmental accounting standards issued by the Governmental Accounting Standards Board (“GASB”) and also conforms to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*. In the event that a portion of Dalton Utilities’ operations is no longer subject to the provisions of FASB Statement No. 71 as a result of a change in regulation or the effects of competition, Dalton Utilities would be required to determine any impairment to other assets and write down the assets to their fair values. Dalton Utilities’ accounts are maintained separately for each system generally in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (“FERC”) for the electric and natural gas sectors (with the exception of its property accounts, discussed below under Utility Plant) and generally in accordance with the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners for the water, sewer, and information technology sectors (with the exception of its property accounts, discussed below under Utility Plant).

Utility Plant — Utility plant constructed or purchased by Dalton Utilities is stated at cost, which includes material and labor costs and applicable overheads. Property received as a contribution is recorded at its estimated fair value on the date received. The costs of maintenance, repairs, and minor replacements of property are charged to expense. The costs of renewals and betterments are capitalized. Detailed property records are not maintained for assets other than automobiles and electric transmission plant in service acquired prior to 1998. Property description and dollar amount from individual invoices are maintained in the fixed asset system for all post 1998 property records. The cost of property retired or otherwise disposed of in the normal course of business, together with removal costs, less salvage, is charged to accumulated depreciation at the time such property is removed from service.

The cost of property retired or disposed of in the normal course of business which does not have detailed property records is estimated by management. Property disposals and retirements for the years ended December 31, 2006 and 2005, were \$2,726,000 and \$3,793,000, respectively. The property retired or disposed of in the normal course of business approximates its original cost. Land used by or held for the use of Dalton Utilities is owned by the City.

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, Dalton Utilities evaluates the carrying value of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Dalton Utilities is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by Dalton Utilities will be reported at the lower of carrying value or fair value.

Amortization of Nuclear Fuel — The cost of nuclear fuel, including a provision for the disposal of spent fuel, is amortized to fuel expense based on usage. Nuclear fuel expense, which is included in production expense in the accompanying statements of revenues, expenses and changes in fund net assets, totaled \$2,151,000 and \$2,050,000 in 2006 and 2005, respectively.

Depreciation and Nuclear Decommissioning — Depreciation of the major classes of utility plant is computed on additions when they are placed in service using rates computed under the composite straight-line method, which approximated 3.1% for 2006 and 2.9% for 2005, and are based on the following remaining useful lives:

Electric system	26–41 years
Natural gas system	33–44 years
Water system	50–67 years
Sewer system	30–50 years
Information technology system	5–20 years

The composite annual depreciation rate for nuclear production includes a factor to provide for Dalton Utilities' expected portion of the cost of decommissioning jointly owned nuclear generating plants based on the 2005 Nuclear Regulatory Commission's ("NRC") minimum external funding requirements.

The NRC requires all licensees operating commercial nuclear power reactors to establish a plan for providing, with reasonable assurance, funds for decommissioning. Dalton Utilities has an external trust fund to comply with the NRC's regulations (Note 5). The NRC's minimum external funding requirements are based on a generic estimate of the cost to decommission the radioactive portions of a nuclear unit based on the size and type of reactor. Dalton Utilities has transferred and will continue to transfer to this fund assets estimated to be sufficient to meet its responsibilities under the NRC's guidelines. Earnings on the trust fund are considered in determining decommissioning expense.

Site study cost is the estimate to decommission a specific facility as of the site study year. The estimated costs of decommissioning based on the most current study as of December 31, 2006, for Dalton Utilities' ownership interests in plants Hatch and Vogtle were as follows (in thousands of dollars):

	Plant Hatch	Plant Vogtle
Site study year	2006	2006
Decommissioning periods:		
Beginning year	2034	2027
Completion year	2061	2051
Cost of site study	\$ 76,200	\$76,200
Dalton Utilities' portion (%)	<u>2.2 %</u>	<u>1.6 %</u>
	<u>\$ 1,676</u>	<u>\$ 1,219</u>

The decommissioning cost estimates are based on prompt dismantlement and removal of the plant from service. The actual decommissioning costs may vary from the above estimates because of changes in the assumed date of decommissioning, changes in NRC requirements, or changes in the assumptions used in making these estimates.

Georgia Power Company ("GPC") has contracts with the U.S. Department of Energy ("DOE") that provide for the permanent disposal of spent nuclear fuel. The DOE failed to begin disposing of spent fuel in January 1998 as required by the contracts, and GPC is pursuing legal remedies against the U.S. government for breach of contract. Effective June 2000, the on-site dry storage facility for Plant Hatch became operational. Sufficient capacity is believed available to continue dry storage operations at Plant Hatch through the life of the plant. Sufficient fuel storage capacity currently is available at Plant Vogtle to maintain full-core discharge capability for both units into 2014. In addition, the Energy Policy Act of 1992 gave the DOE the authority to assess utilities for the decommissioning of its facilities used for the enrichment of uranium included in nuclear fuel costs. In order to decommission these facilities, the DOE estimates that it would need to charge utilities a total of \$150,000,000 annually for 15 years based on enrichment services to date. The assessment began in 1993. Dalton Utilities' remaining pro-rata share of these total payments, estimated to be \$0 and \$124,000 as of December 31, 2006 and 2005, respectively, is recorded as a noncurrent asset in the accompanying balance sheets and will be recovered through the electric system rates as paid. The long-term portion of the related liability is included in noncurrent liabilities in the accompanying balance sheets.

Investments — Certain of Dalton Utilities' investments are included in the restricted revenue bond funds prescribed by the Indentures. The Indentures allow Dalton Utilities to invest the revenue bond funds in the following:

- Government obligations which are direct general obligations of the U.S. government or obligations which are unconditionally guaranteed by the U.S. government
- Obligations of the Federal Home Loan Bank which are senior debt obligations
- Repurchase agreements with a term of 30 days or less

- Certificates of deposit of national or state banks
- Securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940
- Investments in the local government investment pool
- Any other investments to the extent and at the time permitted by then applicable law for the investment of public funds

All investments are carried at fair value based on quoted market prices as required by GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools* (“GASB No. 31”), GASB No. 31 requires that governmental entities report investments at fair value on the balance sheet and recognize all investment income, including changes in the fair value of investments, as revenue in the statement of revenues, expenses and changes in fund net assets.

Contributions in Aid of Construction — Contributions in aid of construction include amounts received or receivable for improvements and extensions, including the estimated fair value of property received from customers and government agencies. Such amounts have been capitalized and are included principally in the water and sewer utility plant accounts.

Revenue — Revenue is recorded when earned, usually when the customer is billed. Dalton Utilities accrues revenue for utility services provided but unbilled at the end of each fiscal year. Unbilled revenues included in accounts receivable and operating revenues in the accompanying financial statements were \$5,511,000 and \$6,685,000 for the years ended December 31, 2006 and 2005, respectively.

In its information technology sector, Dalton Utilities has adopted the industry standard of billing its customers in advance for the telecommunication services. Deferred revenues included in accounts receivable in the accompanying financial statements were \$321,000 and \$242,000 for the years ended December 31, 2006 and 2005, respectively.

Electricity that is generated and not used by Dalton Utilities is sold back to Southern Power Company, the wholesale power marketing subsidiary of the Southern Company. The credits for energy sale backs are co-mingled with economy energy purchases (purchases of electricity by Dalton Utilities from Southern Power Company when the cost of Southern Power Company’s electricity is lower than the cost of Dalton Utilities’ jointly owned generating units). Consequently, the economic impact of those sale backs is not obtainable. Since the cost of economy energy purchases are greater on a per unit basis than the credits from the sale backs on a per unit basis, the net effect is an expense to Dalton Utilities, despite the appearance of net MWh’s being sold back to Southern Power Company. In 2006 and 2005, total MWh’s sold back to Southern Power Company were 114,000 and 81,000, respectively.

Cash and Cash Equivalents — Dalton Utilities considers unrestricted cash and short-term investments purchased with a maturity of three months or less to be cash and cash equivalents for purposes of the statements of cash flows. The carrying amount is a reasonable estimate of fair value for such short-term instruments. GASB Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis - for State and Local Governments*, requires cash and cash equivalents to be shown as either restricted or unrestricted. “Restricted” refers to those funds limited by law, regulations, or Board action as to their allowable disbursement. “Unrestricted” is all other funds not meeting the requirements of restricted.

Deferred Credit-Tennessee Valley Authority (“TVA”) Right of Use — During 1999, Dalton Utilities granted a right of use over a portion of its integrated transmission system (“ITS”) to TVA for \$1,000,000. The agreement will be in effect for the next 20 years. Dalton Utilities recorded the payment as a deferred credit in the accompanying balance sheets and is recognizing the revenue from this agreement on a straight-line basis over the 20-year period.

Allowance for Funds Used During Construction (“AFUDC”) — AFUDC represents the estimated debt costs of capital funds that are necessary to finance the construction of new facilities. While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the plant through a higher rate base and higher depreciation expense. The average AFUDC rate was 5.184% and 5.101% for the years ended December 31, 2006 and 2005, respectively.

Financial Instruments — Interest Rate Swap Agreement (the “Swap Agreement”) — In March 2003, Dalton Utilities entered into the Swap Agreement with Salomon Smith Barney. The agreement stipulated that Dalton Utilities pays a weekly floating rate based on BMA index (municipal bond index), which was 3.91% and 3.51% on December 31, 2006 and 2005, respectively, on a \$54,540,000 notional amount. Salomon Smith Barney pays a monthly floating rate on the same notional amount based on the sum of 68% of USD LIBOR-BBA and 0.4%, which was 5.32% and 4.39% on December 31, 2006 and 2005, respectively.

Dalton Utilities follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. Income from the Swap Agreement has been recorded as a separate line item in the accompanying statement of revenues, expenses and changes in net assets for the years ended December 31, 2006 and 2005. The net amount received under the Swap Agreement was \$242,000 and \$126,000 for 2006 and 2005, respectively. The amount of change in fair market value was an increase of \$402,000 and an increase of \$76,000 as of December 31, 2006 and 2005, respectively. This Swap Agreement is to continue until the termination date of January 1, 2012.

Financial Instruments – Natural Gas Derivatives — In August of 2006, Dalton Utilities entered into forward sales agreements with Texican Natural Gas Company (Texican). The agreements stipulated that Dalton Utilities would agree to sell Texican 500,000 mmBtu’s of natural gas at an average weighted price of \$10.98 during the first quarter of 2007. As Dalton Utilities held physical natural gas in its storage facilities in August, it was able to lock in a margin that would remain unchanged regardless of whether natural gas prices increased or decreased. Rising gas prices would decrease the value of its forward sales agreement and increase the value of its natural gas inventories while falling gas prices would increase the value of its forward sales agreements and decrease the value of its natural gas inventories. The January 2007 forward sales agreement was settled in December 2006 with a realized gain of \$888,000 and is included in the accompanying statement of revenues, expenses and changes in net assets for the year ended December 31, 2006, as net increase (decrease) in fair value of investments. The unrealized gain of \$1,335,000 from the remaining February 2007 and March 2007 forward sales agreements are included in the accompanying statement of revenues, expenses and changes in net assets, as net increase (decrease) in fair value of investments. Additionally, they are reported in the accompanying balance sheet for the year ended December 31, 2006, as Natural Gas Derivative in the amount of \$1,335,000.

Fair Values — Dalton Utilities' financial instruments for which the carrying amounts did not approximate fair value at December 31, 2006 and 2005, were as follows (in thousands of dollars):

	Carrying Amount	Fair Value
Long-term debt — December 31, 2006	\$ 86,856	\$ 106,052
Long-term debt — December 31, 2005	101,818	122,065

Fair values of debt have been determined through information obtained from independent third parties using market data available on the last business day of the respective year.

Interutility Sales — Dalton Utilities records sales of electricity, natural gas, water, sewer, and information technology (at rates charged to customers for similar services) among its utility services as revenue of the selling utility service and expense of the purchasing utility service. During the years ended December 31, 2006 and 2005, interutility sales were as follows (in thousands of dollars):

	2006	2005
Electric	\$ 4,195	\$ 3,629
Natural gas	22	21
Water	208	139
Sewer	138	93
Information technology	<u>1,175</u>	<u>5,710</u>
	<u>\$ 5,738</u>	<u>\$ 9,592</u>

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Major Customers — Sales to Shaw Industries were approximately 21% and 18% of total sales, and approximately 22% and 21% of total electricity sales for the years ended December 31, 2006 and 2005, respectively. Sales to Mohawk Industries were approximately 11% of total sales for the years ended December 31, 2006 and 2005, respectively. No other customer accounted for more than 10% of Dalton Utilities' sales during 2006 or 2005.

Reclassifications — Certain 2005 amounts have been reclassified to conform with the 2006 presentation, with no material impact on total assets, total liabilities, or operations at Dalton Utilities. Specifically, \$3.1 million was moved from distribution expenses to general and administrative expenses for presentation purposes.

2. RECENT ACCOUNTING PRONOUNCEMENTS

During 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is effective for Dalton Utilities on January 1, 2007. This statement addresses certain reporting and accounting standards for health and other non-pension benefits offered to retirees and will not have a significant impact on Dalton Utilities' financial statements.

3. ASSET RETIREMENT OBLIGATIONS AND OTHER COSTS OF REMOVAL

In accordance with regulatory requirements, prior to January 2003, Dalton Utilities followed the industry practice of accruing for the ultimate cost of retiring most long-lived assets over the life of the related asset as part of the annual depreciation expense provision. Effective January 1, 2003, the Company adopted FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. FASB Statement No. 143 established new accounting and reporting standards for legal obligations associated with the ultimate costs of retiring long-lived assets. The present value of the ultimate costs for an asset's future retirement must be recorded in the period in which the liability is incurred. The costs must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Additionally, FASB Statement No. 143 does not permit the continued accrual of future retirement costs for long-lived assets that the company does not have a legal obligation to retire. However, Dalton Utilities currently accrues for removal costs on many of its regulated long-lived assets through depreciation expense as provided in rates.

The asset retirement liability recognized to retire long-lived assets under FASB Statement No. 143 primarily relates to Dalton Utilities' ownership interest in Georgia Power's plants Hatch and Vogtle. Dalton Utilities will continue to recognize in the income statement allowed removal costs in accordance with regulatory treatment. Any difference between costs recognized under FASB Statement No. 143 and those reflected in rates are recognized on the balance sheet as either a regulatory asset or liability. The Company has also identified retirement obligations related to certain transmission and distribution facilities and properly associated with the sewer system. However, liabilities for the removal of these assets have not been recorded because no reasonable estimate can be made regarding the timing of any related retirements.

Details of the asset retirement obligations included on the balance sheet are as follows (in thousands of dollars):

	2006	2005
Beginning Balance	\$ 34,585	\$33,094
Reduction in Estimated Cash Flows	(8,938)	
Accretion	<u>1,263</u>	<u>1,491</u>
Ending Balance	<u>\$ 26,910</u>	<u>\$ 34,585</u>

The reduction of estimated cash flows was a result of a downward estimate of future asset retirement costs, as well as a correction to the anticipated timing of cash flows expected to be incurred.

Participation in Electric Generation and Transmission Facilities — Dalton Utilities participates in the ownership of electric generation and transmission facilities to meet the present and future service demands of its customers. Dalton Utilities has entered into agreements with GPC for the construction, purchase, ownership, operation, and maintenance of the following facilities:

	Dalton Utilities' Ownership Percentage
Electric plant in service:	
Plant Hatch — Nuclear Units 1 and 2	2.2 %
Plant Vogtle — Nuclear Units 1 and 2	1.6
Plant Wansley — Coal-fired Units 1 and 2	1.4
Plant Scherer — Coal-fired Units 1 and 2	1.4

Dalton Utilities' proportionate share of direct expenses of joint operation of the above plants is included in the corresponding operating expense captions in the accompanying statements of revenues, expenses and changes in fund net assets.

4. INTEGRATED TRANSMISSION SYSTEM (“ITS”) FACILITIES

Dalton Utilities is required, under the ITS agreement (the “ITS Agreement”) with GPC, Georgia Transmission Corporation and the Municipal Electric Authority of Georgia, to maintain a specified level of investment (e.g., parity) in transmission facilities necessary to provide for the transporting of electric energy to customers within the state of Georgia, which is in proportion to Dalton Utilities' use of such system. Parity will therefore fluctuate in response to any changes in Dalton Utilities' load requirements, as well as any changes in the level of investment in transmission facilities made by the other participants in the ITS Agreement. As of December 31, 2006 and 2005, Dalton Utilities' investment in ITS facilities was greater than parity, as defined by the ITS Agreement. The required level of investment and the excess investment in the transmission facilities are included in the accompanying balance sheets as utility plant. The excess investment earns investment income from the other participants in the ITS Agreement. Dalton Utilities intends to remain in an overparity position to take advantage of favorable rates of return on this investment.

Dalton Utilities' total investment in ITS facilities at December 31, 2006 and 2005, was \$65.0 million and \$61.3 million, respectively.

5. INVESTMENTS

Dalton Utilities has investments in the restricted funds and nuclear decommissioning fund (“Nuclear Decommissioning Fund”). Restricted funds include the revenue bond funds prescribed by the Indentures, the fund for customer deposits, and other funds which are segregated from the operating funds at the direction of Dalton Utilities. The Nuclear Decommissioning Fund holds funds held in accordance with the NRC's guidelines. Investments in the restricted funds and Nuclear Decommissioning Fund are stated at fair market value.

Dalton Utilities invests in two categories of securities: U.S. government and government agency securities and repurchase agreements. As required by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, Dalton Utilities' investments are categorized below by level of risk. Category 1 includes the U.S. government and government agency securities that are registered and held by Dalton Utilities or its agent in Dalton Utilities' name. The contractual maturities of these securities can range from 6 months

to 50 years. Category 2 includes the securities collateralizing the repurchase agreements that are uninsured and unregistered and are not required to be insured or registered. Such securities are held by a bank's trust department or agent and are pledged in Dalton Utilities' name.

	Category 1	Category 2	Total Market
	(In thousands of dollars)		
December 31, 2006			
Customer Deposit Fund			
U.S. government and government agency securities	<u>\$ 2,703</u>	<u>\$ -</u>	<u>\$ 2,703</u>
Total	<u>\$ 2,703</u>	<u>\$ -</u>	<u>\$ 2,703</u>
Combined Utilities Sinking Fund			
Cash and cash equivalents*	<u>\$ -</u>	<u>\$ 17,507</u>	<u>\$ 17,507</u>
Total	<u>\$ -</u>	<u>\$ 17,507</u>	<u>\$ 17,507</u>
Combined Utilities Renewals and Extensions			
U.S. government and government agency securities	<u>\$ 80,793</u>	<u>\$ -</u>	<u>\$ 80,793</u>
Total	<u>\$ 80,793</u>	<u>\$ -</u>	<u>\$ 80,793</u>
Nuclear Decommissioning Fund			
U.S. government and government agency securities	<u>\$ 55,834</u>	<u>\$ -</u>	<u>\$ 55,834</u>
Total	<u>\$ 55,834</u>	<u>\$ -</u>	<u>\$ 55,834</u>

	Category 1	Category 2	Total Market
(In thousands of dollars)			
December 31, 2005			
Customer Deposit Fund			
U.S. government and government agency securities	\$ 2,163	\$ -	\$ 2,163
Total	<u>\$ 2,163</u>	<u>\$ -</u>	<u>\$ 2,163</u>
Combined Utilities Sinking Fund			
Cash and cash equivalents*	\$ -	\$ 17,124	\$ 17,124
Total	<u>\$ -</u>	<u>\$ 17,124</u>	<u>\$ 17,124</u>
Combined Utilities Renewals and Extensions			
U.S. government and government agency securities	\$ 133,911	\$ -	\$ 133,911
Total	<u>\$ 133,911</u>	<u>\$ -</u>	<u>\$ 133,911</u>
Nuclear Decommissioning Fund			
U.S. government and government agency securities	\$ 56,864	\$ -	\$ 56,864
Total	<u>\$ 56,864</u>	<u>\$ -</u>	<u>\$ 56,864</u>

* Cash and cash equivalents include U.S. government and government agency securities and repurchase agreements purchased with a maturity of three months or less. Such securities are held by a trustee in accordance with Dalton Utilities' bond indenture.

The fair value analyses of the investments for the years ended December 31, 2006 and 2005, are as follows (in thousands of dollars):

2006							
Fund Type	Cost	Beginning Fair Value at January 1, 2006	Fair Value			Ending Fair Value at December 31, 2006	Change in Fair Value
			Purchases	Sales	Subtotal		
Customer Deposit Fund	\$ 5,124	\$ 2,163	\$ 2,595	\$ 2,018	\$ 2,740	\$ 2,703	\$ (37)
Combined Utilities R&E Fund	151,701	133,911	227,949	275,569	86,291	80,793	(5,498)
Nuclear Decommissioning Fund	33,667	56,864	26,914	26,906	56,872	55,805	(1,067)
	<u>\$ 190,492</u>	<u>\$ 192,938</u>	<u>\$ 257,458</u>	<u>\$ 304,493</u>	<u>\$ 145,903</u>	<u>\$ 139,301</u>	<u>\$ (6,602)</u>
2005							
Fund Type	Cost	Beginning Fair Value at January 1, 2005	Fair Value			Ending Fair Value at December 31, 2005	Change in Fair Value
			Purchases	Sales	Subtotal		
Customer Deposit Fund	\$ 529	\$ 750	\$ 1,426	\$ -	\$ 2,176	\$ 2,163	\$ (13)
Combined Utilities R&E Fund	128,909	182,120	116,585	169,806	128,899	133,911	5,012
Nuclear Decommissioning Fund	33,382	52,801			52,801	56,864	4,063
	<u>\$ 162,820</u>	<u>\$ 235,671</u>	<u>\$ 118,011</u>	<u>\$ 169,806</u>	<u>\$ 183,876</u>	<u>\$ 192,938</u>	<u>\$ 9,062</u>

* The change in fair value includes \$5,464,000 and \$8,349,000 in the years ended December 31, 2006 and 2005, respectively, relating to interest income accrued on the zero-coupon bonds.

CHANGE IN FAIR MARKET VALUE

	2006	2005
Fund Type		
Customer Deposit Fund	\$ (37)	\$ (13)
Combined Utilities R&E Fund	(1,067)	4,063
Nuclear Decommissioning Fund	(5,498)	4,936
Interest Rate Swap	402	76
Gas Derivatives:		
Realized gain	888	
Unrealized gain	<u>1,335</u>	<u> </u>
	<u>\$ (3,977)</u>	<u>\$ 9,062</u>

Investment Risk Disclosures — As of December 31, 2006, Dalton Utilities had the following investments and maturities (in thousands of dollars):

	Credit Quality	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Bonds	-	\$ 1,465	\$ -	\$ -	\$ 1,465	\$ -
Federal Home Loan Bank	-	1,990				1,990
Federal Home Loan Mortgage Corporation	AAA/Aaa	96,049			22,026	74,023
Federal National Mortgage Association	AAA/Aaa	15,845				15,845
Coupons (US Strip)	-	6,782			3,667	3,115
Coupons (Resolution Fund Corporation)	-	17,170				17,170
Repurchase agreements (1)	-	6	6			
Bond Repurchase agreements (2)	-	<u>17,280</u>	<u>17,280</u>			
Total		<u>\$ 156,587</u>	<u>\$ 17,286</u>	<u>\$ -</u>	<u>\$ 27,158</u>	<u>\$ 112,143</u>

(1)

(2) Collateral for these repurchase agreements is held by the Federal Reserve Bank and is pledged to the account of Dalton Utilities.

(3) Collateral for these repurchase agreements, used in the Combined Utilities Sink Fund is held by a third part custodian.

Interest Rate Risk — Dalton Utilities does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk — Dalton Utilities bond ordinance follows Georgia state law in restricting investments to obligations of the United States Government.

Custodial Credit Risk — Dalton Utilities does not incur custodial credit risk. All of its investments are held by an independent third party custodian except for repurchase agreements noted above as (1). Collateral for these repurchase agreements (1) is held by the Federal Reserve Bank and is pledged to the account of Dalton Utilities.

Concentration of Credit Risk — Dalton Utilities does not place a limit on the amount it may invest in any one issuer. More than 65% and 13% of its investments are in debentures of the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA), respectively.

Foreign Currency Risk — Dalton Utilities does not invest in foreign securities.

6. TRANSFERS TO THE CITY OF DALTON

In accordance with an arrangement between Dalton Utilities and the Mayor (the “Mayor”) and the Council of the City of Dalton (the “Council”), transfers based on an agreed-upon formula are made to the City to be utilized for any purpose that the Mayor and the Council deem appropriate. Cash transferred to the City of Dalton during the years ended December 31, 2006 and 2005, was \$8,184,000 and \$7,108,000, respectively. Due to an accrual in 2004 of \$657,000 for cash to be transferred in 2005, the 2005 transfer amount reflected is \$6,451,000 in the statements of revenues, expenses and changes in fund net assets. Cash to be transferred in 2007 relating to 2006 operations is \$8,265,000.

7. LONG-TERM DEBT

At December 31, 2006 and 2005, total long-term debt consisted of the following (in thousands):

	2006	2005
Term bonds, Series 1997, 4.865%, maturing in 2008; payable from combined utilities revenues, net of unamortized premium of \$37 and \$103 in 2006 and 2005, respectively	\$ 19,247	\$ 28,153
Term bonds, Series 1999, 5.36%, maturing in 2012; payable from combined utilities revenues, net of unamortized premium of \$634 and \$830 in 2006 and 2005, respectively	82,309	87,595
Less: current maturities/sinking fund redemptions	<u>(14,700)</u>	<u>(13,930)</u>
	<u>\$ 86,856</u>	<u>\$ 101,818</u>

Annual sinking fund installments and interest payments on long-term debt, as set forth in the Indentures, are as follows (in thousands of dollars):

Fiscal Year Ending December 31 (Due January 1 of the following year)	Sinking Fund Installments	Interest	Total Debt Service
2007	\$ 15,430	\$ 4,867	\$ 20,297
2008	16,305	3,995	20,300
2009	17,170	3,127	20,297
2010	18,105	2,191	20,296
2011–2012	<u>19,175</u>	<u>1,124</u>	<u>20,299</u>
	<u>\$ 86,185</u>	<u>\$ 15,304</u>	<u>\$ 101,489</u>

8.1 INCOME TAXES

The enterprise is exempt from federal and state income taxes. However, Dalton Utilities pays ad valorem taxes on its electric, gas, water, and sewer facilities in their residing counties outside of Whitfield County. Additionally, Dalton Utilities pays ad valorem taxes on its natural gas inventories stored out of the state of Georgia plus all applicable federal, state, and local taxes and fees on its telecommunications services. State sales taxes are collected from customers on electric, gas, and telecommunication services then paid to the state of Georgia.

9. DEFINED BENEFIT PENSION PLAN

Plan Description — Substantially all full-time employees that were hired before July 1, 2002, are covered by the City of Dalton Employees’ Pension Plan (the “Pension Plan”), which is a cost-sharing plan under the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10) (the “Public Retirement Systems”). All full-time employees who have completed six months of continuous service are eligible to participate in the Pension Plan. The Pension Plan provides pension benefits, deferred pension benefits, and survivor benefits.

Benefits fully vest after ten years of service. Employees who retire at the normal retirement date are entitled to monthly pension payments for the remainder of their lives equal to 0.15% of their final average monthly earnings times the months of credited service for which they were employed by an entity of the Pension Plan. These benefit payments may be subject to an annual cost-of-living adjustment. The final average earnings are the average of basic monthly earnings during 36 consecutive calendar months out of the last ten years which produce the highest average. Monthly pension benefits will be paid as a life annuity to the participant, with 120 payments guaranteed.

Pension provisions include deferred pension benefits whereby an employee may terminate his/her employment with Dalton Utilities after accumulating 15 years of service and reaching the age of 50.

Pension provisions include survivor benefits whereby the surviving spouse is entitled to receive annually an amount equal to 55% of the employee’s pension benefit at the time of death, commencing after 120 payments of the full benefit amount have been received. The surviving spouse may receive survivor benefits for life as long as he/she does not remarry. Benefits are determined by the Pension Plan.

Funding Policy — The actuarial report covering the Pension Plan has been completed as of January 1, 2006. Combined contributions from both the employer and employee will be needed to adequately fund both the Pension Plan’s ongoing cost and the 20-year amortization of the unfunded actuarial accrued liability from January 1, 1991.

The annual funding requirement for the plan consists of the following components:

- Normal Cost — the amount due to pay for the value of benefits earned in the plan year.
- Amortization of unrecognized liabilities — an annual recognition of costs due to past plan changes, assumption changes, initial unfunded liabilities, and actuarial gains/losses. As of January 1, 2006, all liabilities and gains of that date have been combined and were scheduled to be funded over 15-year periods.

These amounts are funded through Dalton Utilities’ employee and employer contributions of 4% and 6%, respectively, of the employees’ earnings. However, recent actuarial valuations have indicated that Dalton Utilities will need to fund at a level greater than 6%. The actuarial valuations of January 1, 2006, recommended that Dalton Utilities contribute at 11.4% and 9.7% for 2006 and 2005, respectively, of the employee’s earnings. Dalton Utilities remitted 10.8% of the employee’s earnings to the Pension Fund during both years of 2006 and 2005. Employer and employee contributions were made by the City of Dalton, of which Dalton Utilities and its employees contributed \$1.7 million and \$1.6 million for 2006 and 2005, respectively.

Related-Party Investments — During the years ended December 31, 2006 and 2005, the Pension Plan held no securities issued by Dalton Utilities or other related parties.

10. DEFINED CONTRIBUTION RETIREMENT PLAN

Employees with an employment commencement date, including former employees rehired after a severance, on or after July 1, 2002 will not be allowed to participate in the above described Pension Plan. Employees hired or rehired after July 1, 2002, will be covered by the City of Dalton Employee Retirement Plan (the “Retirement Plan”), which is a Combined Profit Sharing/Money Purchase Plan. All full-time employees who have completed six months of continuous service are eligible to participate in the Retirement Plan. This plan is considered a defined contribution plan in which the employer provides \$1.00 for every \$1.00 of deferred compensation the employee makes to the Retirement Plan. The employer will make this match up to the first 4% of the employee’s compensation, up to an annual limit of \$200,000. Employer matching contributions fully vest after one year of service. Participation is not mandatory; however, nonparticipating employees will not receive any matching employer contributions. Employer and employee contributions made by Dalton Utilities for the years ended December 31, 2006 and 2005, were \$165,000 and \$125,000, respectively.

11. COMMITMENTS AND CONTINGENCIES

Capital Expenditures — Dalton Utilities has a rolling five-year capital budget approximating \$244,000,000. A large portion of this is directed to maintaining service delivery capability and regulated production capacity of Dalton Utilities’ aged infrastructure, while complying with increasing environmental regulations. Additionally, substantial capital dollars will need to be expended in order to establish preventative maintenance, extension, and expansion of the Dalton Utilities’ infrastructure.

Certain Environmental Contingencies and Litigation — Dalton Utilities is subject to present and developing environmental regulations by various federal, state, and local jurisdictions. To date, Dalton Utilities has received federal grants for a large portion of its capital expenditures for wastewater treatment facilities. Expenditures for additional wastewater treatment facilities and water treatment facilities are not expected to be covered by federal grants and will instead require expenditures to be borne by Dalton Utilities.

On May 25, 2001, Dalton Utilities paid a \$6,000,000 fine to the United States Department of Justice. The \$6,000,000 had been recorded as “EPA/EPD civil penalty” in the statement of revenues, expenses and changes in net assets for the year ended December 31, 1999. On March 28, 2001, a Consent Decree containing a settlement between Dalton Utilities and the U.S. Environmental Protection Agency and the State of Georgia was entered by the Court. Compliance with the terms of the Consent Decree required that Dalton Utilities undertake certain actions, all of which have been completed. After March 28, 2002, Dalton Utilities could request that some or all of the Consent Decree be terminated if certain prerequisites were met to the Court’s satisfaction. Compliance with the Consent Decree proceeded smoothly. On September 10, 2004, the Court terminated three of four portions of the Consent Decree. On November 16, 2005, the Court terminated the Consent Decree in its entirety. Dalton Utilities is no longer subject to the jurisdiction of the Court.

Civil Action Against Georgia Power Company — During November 1999, the EPA brought a civil action in the U.S. District Court for the Northern District of Georgia against GPC. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to coal-fired generating facilities at certain plants owned by GPC, including Plant Scherer. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units beginning at the point of the alleged violations. The Clean Air Act authorized civil penalties of up to \$27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was \$25,000 per day.

The EPA concurrently issued a notice of violation to GPC relating to the plants named in the complaint. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. The complaint and notice of violation allege that GPC failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal-burning plants constructed or under construction prior to 1978.

As discussed in Note 3, Dalton Utilities owns 1.4% of Plant Scherer and would therefore be liable based on its percentage ownership for any capital expenditures and penalties relating to Plant Scherer. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties.

New Source Review Reform Rules — On October 20, 2005, the EPA published a proposed rule clarifying the test for determining when an emissions increase is subject to the NSR requirements. On March 17, 2006, the U.S. Court of Appeals for the District of Columbia Circuit vacated the EPA’s proposed rule which sought to clarify the scope of the existing routine maintenance, repair, and replacement exclusion. Because this rule was not yet in effect, the Court’s ruling is not anticipated to have any impact on Georgia Power Company and its co-owners.

Five-Year Permit for Wastewater Treatment — During 1997, Dalton Utilities was issued a new five-year permit for its wastewater treatment systems by the Environmental Protection Division of the Georgia Department of Natural Resources (“EPD”). The new permit was contingent upon the undertaking by Dalton Utilities to make certain improvements to its wastewater treatment systems and included a

compliance schedule for those improvements. Dalton Utilities completed all improvements required under the 1997 permit. In March 2002, Dalton Utilities requested and received a two-year extension of the permit to allow time for a full watershed assessment to be performed. The assessment was completed on December 24, 2003, and a permit renewal application was submitted in accordance with the requirements of the existing permit. The permit was reissued on March 26, 2007.

Monroe County Board of Tax Assessors vs Dalton Utilities — The Monroe County Board of Tax Assessors has changed its apportioned share of the unitary value of Dalton Utilities' interest in Plant Scherer as provided by the Revenue Commissioner and approved by the State Board of Equalization. The result is higher ad valorem taxes levied on Dalton Utilities' interest in Plant Scherer. Dalton Utilities and the other owners are appealing the assessment and the actions of the Monroe County Board of Tax Assessors.

The Trial Court denied the motion for summary judgment in favor of Georgia Power Company (and other owners such as Dalton Utilities). However, the Court of Appeals reversed in a full court decision on March 30, 2007, in which it held that summary judgment should have been granted in favor of Georgia Power and the other owners. Monroe County has filed a Petition for Writ of Certiorari to the Supreme Court of Georgia seeking to reverse the decision of the Court of Appeals. Georgia Power has opposed this petition. This petition is now pending before the Georgia Supreme Court.

Risk Management — Dalton Utilities has transferred risk of property and casualty loss to commercial insurers for the majority of the risks for which it is exposed, except for the environmental liabilities discussed above. Dalton Utilities participates with other agencies in the City's Self-Insurance Fund (the "Fund"), a public-entity risk pool currently operating as a common risk management and insurance program for employees of the City. Dalton Utilities pays annual premiums to the Fund for its medical and workers' compensation coverage, and these premiums are used to pay related claims, claim reserves, and administrative costs. In addition, medical claims in excess of \$150,000 per covered individual are covered through a commercial insurer. The amount accrued for claims incurred but not paid for the years ended December 31, 2006 and 2005, were \$200,000 and \$196,000, respectively.

Dalton Utilities maintains private insurance through its participation with GPC and agreements of indemnity with the NRC to cover third-party liability arising from a nuclear incident which might occur at the nuclear plants in which Dalton Utilities has an interest. In the event a public liability loss arising from a nuclear incident at a facility currently covered by government indemnification exceeds \$300,000,000, under the current provisions of the Price-Anderson Act, the owners of a nuclear power plant could be assessed a deferred assessment of up to \$100,590,000 per incident for each licensed reactor operated by it, but not more than \$15,000,000 per reactor per incident to be paid in a calendar year. Dalton Utilities is liable for its share of any such deferred assessment. Based on its ownership percentage in nuclear plants as set forth in Note 3, Dalton Utilities maximum annual assessment would be \$1,140,000.

GPC, on behalf of all co-owners of Plants Hatch and Vogtle, is a member of Nuclear Electric Insurance Limited ("NEIL"). NEIL is a mutual insurer established to provide insurance coverage against property damage to its members' nuclear generating facilities. In the event that losses exceed accumulated reserve funds, the members are subject to retroactive premium assessments in proportion to their participation in the mutual insurer. Dalton Utilities' maximum annual assessment would be \$1,121,646 under current policies.

All retrospective assessments, whether generated for liability, property, or replacement power, may be subject to applicable state premium taxes.

Future Nuclear Plants — Dalton Utilities is in current discussions with Georgia Power Company in which Dalton Utilities has expressed an interest in pursuing a possible ownership purchase in the next generation of nuclear plants that Georgia Power Company may be building at the existing Plant Vogtle Nuclear Plant Site.

Fuel Commitments — Dalton Utilities, through O&M agreements with GPC for its co-owned generating facilities, is obligated for its pro-rata portion of fossil and nuclear fuel used at its jointly owned generating facilities. Additionally, Dalton Utilities is obligated to make fixed capacity payments in its natural gas sector of \$5,400,000 per year to cover its transmission and storage services it receives from Southern Natural Gas, Texas Eastern Transmission Company, and East Tennessee. It is also obligated to make fixed capacity payments in its electric sector of \$14,500,000 per year to Southern Company and SEPA to cover its firm electric requirements. These payments are consistent with those made during the years ended December 31, 2006 and December 31, 2005. Dalton Utilities purchases natural gas on a 30-day basis and does not have any long term contracts to purchase natural gas.

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REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF WATER, LIGHT AND SINKING FUND COMMISSIONERS OF THE CITY OF DALTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuations — The following represents the funding progress of the Pension Plan based on the past seven actuarial valuations:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2006	\$ 54,466,921	\$ 70,208,760	\$ 15,741,839	77.6 %	\$ 23,777,732	66.2 %
January 1, 2005	52,617,082	67,353,669	14,736,587	78.1	24,117,608	61.1
January 1, 2004	48,717,335	70,116,207	21,398,872	69.5	25,247,408	84.8
January 1, 2003	42,452,389	74,056,656	31,604,268	57.3	24,991,641	126.5
January 1, 2001	43,235,142	63,902,546	20,667,402	67.7	21,065,143	98.1
January 1, 1999	41,952,246	55,115,649	13,163,403	76.1	18,559,002	70.9
January 1, 1998	37,620,675	52,401,060	14,780,385	71.8	17,161,839	86.1

The actuarial values shown above include information for both the City of Dalton and Dalton Utilities.

OTHER SUPPLEMENTARY INFORMATION

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**SYSTEM BALANCE SHEET
DECEMBER 31, 2006
(In thousands of dollars)**

	Combined Systems	Electric System	Gas System	Water System	Sewer System	Information Technology System
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 1,192	\$ 560	\$ 203	\$ 155	\$ 191	\$ 83
Restricted cash						
Restricted funds:						
Customer deposit fund	2,703	1,379	514	378	432	
Combined utilities sinking fund	17,507	6,127	350	5,427	5,603	
Accounts receivable, less allowance for doubtful accounts of \$876 and \$522 in 2006 and 2005, respectively	15,591	7,667	2,856	2,105	2,405	558
Accrued interest receivable	2,484	1,178	320	369	425	192
Fuel stocks — at average cost	7,163	1,381	5,782			
Materials and supplies inventory — at average cost	8,812	6,252	298	554	89	1,619
Deposits and prepaid expenses	652	343	125	67	82	35
Total current assets	<u>56,104</u>	<u>24,887</u>	<u>10,448</u>	<u>9,055</u>	<u>9,227</u>	<u>2,487</u>
NONCURRENT ASSETS						
Restricted funds:						
Combined utilities renewals and extensions fund	80,793	29,893	1,616	19,390	20,198	9,696
Natural gas derivative	1,335		1,335			
Nuclear decommissioning fund	55,834	55,834				
	<u>137,962</u>	<u>85,727</u>	<u>2,951</u>	<u>19,390</u>	<u>20,198</u>	<u>9,696</u>
Capital assets:						
Utility plant	906,353	315,628	19,710	224,163	235,217	111,635
Less accumulated depreciation	(277,803)	(151,606)	(7,400)	(42,561)	(52,494)	(23,742)
Total utility plant — net	628,550	164,022	12,310	181,602	182,723	87,893
Construction work in progress	5,688	92	163	12	11	5,410
Nuclear fuel — at amortized cost	6,739	6,739				
Total capital assets	<u>640,977</u>	<u>170,853</u>	<u>12,473</u>	<u>181,614</u>	<u>182,734</u>	<u>93,303</u>
DEBT EXPENSE — Net of accumulated amortization	562	197	11	174	180	
REGULATORY ASSET	27,931	22,633				5,298
Total noncurrent assets	<u>807,432</u>	<u>279,410</u>	<u>15,435</u>	<u>201,178</u>	<u>203,112</u>	<u>108,297</u>
TOTAL	<u>\$ 863,536</u>	<u>\$ 304,297</u>	<u>\$ 25,883</u>	<u>\$ 210,233</u>	<u>\$ 212,339</u>	<u>\$ 110,784</u>

(Continued)

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**SYSTEM BALANCE SHEET
DECEMBER 31, 2006
(In thousands of dollars)**

	Combined Systems	Electric System	Gas System	Water System	Sewer System	Information Technology System
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Current maturities of long-term debt	\$ 14,700	\$ 5,145	\$ 294	\$ 4,557	\$ 4,704	\$ -
Accrued interest on long-term debt	2,798	979	56	867	896	
Customer deposits	2,612	1,332	496	366	418	
Accounts payable and accrued expenses	<u>21,020</u>	<u>11,768</u>	<u>2,350</u>	<u>2,144</u>	<u>2,681</u>	<u>2,077</u>
Total current liabilities	<u>41,130</u>	<u>19,224</u>	<u>3,196</u>	<u>7,934</u>	<u>8,699</u>	<u>2,077</u>
Noncurrent liabilities:						
Deferred credit — TVA right of use	617				617	
Long-term debt	86,856	30,366	1,737	26,898	27,760	95
Asset retirement obligations	26,910	26,910				
Regulatory liability	<u>19,160</u>	<u>6,885</u>	<u>351</u>	<u>4,735</u>	<u>4,735</u>	<u>2,454</u>
Total noncurrent liabilities	<u>133,543</u>	<u>64,161</u>	<u>2,088</u>	<u>31,633</u>	<u>33,112</u>	<u>2,549</u>
Total liabilities	<u>174,673</u>	<u>83,385</u>	<u>5,284</u>	<u>39,567</u>	<u>41,811</u>	<u>4,626</u>
COMMITMENTS AND CONTINGENCIES						
NET ASSETS:						
Invested in capital assets — net of related debt	518,484	123,201	10,035	144,557	144,639	96,052
Restricted for debt service	17,507	6,127	350	5,427	5,603	
Restricted for capital projects	80,793	29,893	1,616	19,390	20,198	9,696
Restricted for customer deposit fund, nuclear decommissioning, restricted cash, and natural gas derivative	59,872	57,213	1,849	378	432	
Unrestricted	<u>12,207</u>	<u>4,478</u>	<u>6,749</u>	<u>914</u>	<u>(344)</u>	<u>410</u>
Total net assets	<u>688,863</u>	<u>220,912</u>	<u>20,599</u>	<u>170,666</u>	<u>170,528</u>	<u>106,158</u>
TOTAL	<u>\$863,536</u>	<u>\$304,297</u>	<u>\$25,883</u>	<u>\$210,233</u>	<u>\$212,339</u>	<u>\$110,784</u>

(Concluded)

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**SYSTEM BALANCE SHEET
DECEMBER 31, 2005
(In thousands of dollars)**

	Combined Systems	Electric System	Gas System	Water System	Sewer System	Information Technology System
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 1,431	\$ 658	\$ 301	\$ 172	\$ 186	\$ 114
Restricted funds:						
Customer deposit fund	2,163	1,082	497	281	303	
Combined utilities sinking fund	17,124	5,822	514	6,507	4,281	
Accounts receivable, less allowance for doubtful accounts of \$876 and \$522 in 2006 and 2005, respectively	18,817	9,258	4,259	2,407	2,592	301
Accrued interest receivable	1,787	798	197	315	310	167
Fuel stocks — at average cost	3,383	314	3,069			
Materials and supplies inventory — at average cost	7,698	5,682	274	623	95	1,024
Deposits and prepaid expenses	<u>1,093</u>	<u>934</u>	<u>74</u>	<u>31</u>	<u>34</u>	<u>20</u>
Total current assets	<u>53,496</u>	<u>24,548</u>	<u>9,185</u>	<u>10,336</u>	<u>7,801</u>	<u>1,626</u>
NONCURRENT ASSETS						
Restricted funds:						
Combined utilities renewals and extensions fund	133,911	48,208	4,017	32,139	34,817	14,730
Nuclear decommissioning fund	<u>56,864</u>	<u>56,864</u>				
	<u>190,775</u>	<u>105,072</u>	<u>4,017</u>	<u>32,139</u>	<u>34,817</u>	<u>14,730</u>
Capital assets:						
Utility plant	855,013	300,442	19,231	232,757	208,906	93,677
Less accumulated depreciation	<u>(250,226)</u>	<u>(142,685)</u>	<u>(9,870)</u>	<u>(37,470)</u>	<u>(46,945)</u>	<u>(13,256)</u>
Total utility plant — net	604,787	157,757	9,361	195,287	161,961	80,421
Construction work in progress	13,732	1,197		1,848	946	9,741
Nuclear fuel — at amortized cost	<u>5,344</u>	<u>5,344</u>				
Total capital assets	<u>623,863</u>	<u>164,298</u>	<u>9,361</u>	<u>197,135</u>	<u>162,907</u>	<u>90,162</u>
DEBT EXPENSE — Net of accumulated amortization	930	316	28	353	233	
REGULATORY ASSET (Note 3)	26,424	26,424				
DEPARTMENT OF ENERGY DECOMMISSIONING ASSESSMENT (Note 1)	<u>124</u>	<u>124</u>				
Total noncurrent assets	<u>842,116</u>	<u>296,234</u>	<u>13,406</u>	<u>229,627</u>	<u>197,957</u>	<u>104,892</u>
TOTAL	<u>\$895,612</u>	<u>\$320,782</u>	<u>\$22,591</u>	<u>\$239,963</u>	<u>\$205,758</u>	<u>\$106,518</u>

(Continued)

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**SYSTEM BALANCE SHEET
DECEMBER 31, 2005
(In thousands of dollars)**

	Combined Systems	Electric System	Gas System	Water System	Sewer System	Information Technology System
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Current maturities of long-term debt	\$ 13,930	\$ 4,736	\$ 279	\$ 4,876	\$ 4,039	\$ -
Accrued interest on long-term debt	3,184	1,083	64	1,114	923	
Customer deposits	2,532	1,266	582	329	355	
Accounts payable and accrued expenses	<u>23,710</u>	<u>13,305</u>	<u>3,460</u>	<u>2,173</u>	<u>2,754</u>	<u>2,018</u>
Total current liabilities	<u>43,356</u>	<u>20,390</u>	<u>4,385</u>	<u>8,492</u>	<u>8,071</u>	<u>2,018</u>
Noncurrent liabilities:						
Deferred credit — TVA right of use	667				667	
Long-term debt	101,818	34,572	2,037	35,590	29,489	130
Asset retirement obligations	34,585	34,585				
Regulatory liability	<u>17,067</u>	<u>6,102</u>	<u>309</u>	<u>4,633</u>	<u>3,861</u>	<u>2,162</u>
Total noncurrent liabilities	<u>154,137</u>	<u>75,259</u>	<u>2,346</u>	<u>40,223</u>	<u>34,017</u>	<u>2,292</u>
Total liabilities	<u>197,493</u>	<u>95,649</u>	<u>6,731</u>	<u>48,715</u>	<u>42,088</u>	<u>4,310</u>
COMMITMENTS AND CONTINGENCIES						
NET ASSETS:						
Invested in capital assets — net of related debt	479,703	109,644	6,672	150,922	124,595	87,870
Restricted for debt service	17,124	5,822	514	6,507	4,281	
Restricted for capital projects	133,911	48,208	4,017	32,139	34,817	14,730
Restricted for customer deposit fund, nuclear decommissioning, restricted cash, and natural gas derivative	59,027	57,946	497	281	303	
Unrestricted	<u>8,354</u>	<u>3,513</u>	<u>4,160</u>	<u>1,399</u>	<u>(326)</u>	<u>(392)</u>
Total net assets	<u>698,119</u>	<u>225,133</u>	<u>15,860</u>	<u>191,248</u>	<u>163,670</u>	<u>102,208</u>
TOTAL	<u>\$895,612</u>	<u>\$320,782</u>	<u>\$22,591</u>	<u>\$239,963</u>	<u>\$205,758</u>	<u>\$106,518</u>

(Concluded)

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**SYSTEM STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2006
(In thousands of dollars)**

	Combined Systems	Electric System	Gas System	Water System	Sewer System	Information Technology System
OPERATING REVENUES:						
Electric	\$ 71,339	\$ 71,339	\$ -	\$ -	\$ -	\$ -
Natural gas	26,227		26,227			
Water	19,595			19,595		
Sewer	23,385				23,385	
Information technology	11,241					11,241
Total operating revenues	<u>151,787</u>	<u>71,339</u>	<u>26,227</u>	<u>19,595</u>	<u>23,385</u>	<u>11,241</u>
OPERATING EXPENSES:						
Production	34,655	21,931		4,176	8,548	
Purchased electricity	36,952	36,952				
Purchased natural gas	22,445		22,445			
Distribution	17,950	4,480	1,054	3,259	960	8,197
Depreciation of utility plant	27,800	10,168	783	6,110	6,541	4,198
General and administrative expenses	11,614	2,439	1,161	5,110	1,858	1,046
Total operating expenses	<u>151,416</u>	<u>75,970</u>	<u>25,443</u>	<u>18,655</u>	<u>17,907</u>	<u>13,441</u>
OPERATING INCOME (LOSS)	<u>371</u>	<u>(4,631)</u>	<u>784</u>	<u>940</u>	<u>5,478</u>	<u>(2,200)</u>
NONOPERATING REVENUES (EXPENSES):						
Interest:						
Income	5,548	2,371	105	1,210	1,254	608
Expense	<u>(5,701)</u>	<u>(1,710)</u>	<u>(114)</u>	<u>(1,539)</u>	<u>(1,539)</u>	<u>(799)</u>
Interest income (expense) — net	(153)	661	(9)	(329)	(285)	(191)
Net increase in fair value of investments	(3,977)	(1,357)	2,064	(1,842)	(1,920)	(922)
Investment income	1,126	1,126				
Swap income	242	114	41	31	39	17
Allowance for debt funds used during construction	768	67	1	156	91	453
Miscellaneous income	<u>371</u>	<u>65</u>	<u>23</u>	<u>18</u>	<u>255</u>	<u>10</u>
Total nonoperating revenues (expense) — net	<u>(1,623)</u>	<u>676</u>	<u>2,120</u>	<u>(1,966)</u>	<u>(1,820)</u>	<u>(633)</u>
INCOME (LOSS) BEFORE TRANSFERS	(1,252)	(3,955)	2,904	(1,026)	3,658	(2,833)
CASH TRANSFERRED TO THE CITY OF DALTON	<u>(8,184)</u>	<u>(3,846)</u>	<u>(1,391)</u>	<u>(1,064)</u>	<u>(1,309)</u>	<u>(574)</u>
CHANGES IN FUND NET ASSETS	(9,436)	(7,801)	1,513	(2,090)	2,349	(3,407)
FUND NET ASSETS — Beginning of year	<u>608,723</u>	<u>309,071</u>	<u>24,946</u>	<u>160,456</u>	<u>109,143</u>	<u>5,107</u>
FUND NET ASSETS — End of year	<u>\$599,287</u>	<u>\$301,270</u>	<u>\$26,459</u>	<u>\$158,366</u>	<u>\$111,492</u>	<u>\$ 1,700</u>

**THE BOARD OF WATER, LIGHT AND SINKING FUND
COMMISSIONERS OF THE CITY OF DALTON, GEORGIA**

**SYSTEM STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2005
(In thousands of dollars)**

	Combined Systems	Electric System	Gas System	Water System	Sewer System	Information Technology System
OPERATING REVENUES:						
Electric	\$ 66,495	\$ 66,495	\$ -	\$ -	\$ -	\$ -
Natural gas	30,728		30,728			
Water	17,150			17,150		
Sewer	19,198				19,198	
Information technology	12,014					12,014
Total operating revenues	<u>145,585</u>	<u>66,495</u>	<u>30,728</u>	<u>17,150</u>	<u>19,198</u>	<u>12,014</u>
OPERATING EXPENSES:						
Production	33,531	20,412		4,647	8,472	
Purchased electricity	38,152	38,152				
Purchased natural gas	23,854		23,854			
Distribution	18,825	5,818	1,555	3,500	1,141	6,811
Depreciation of utility plant	25,094	9,312	564	4,356	5,968	4,894
General and administrative expenses	9,962	2,002	759	2,554	1,104	3,543
Total operating expenses	<u>149,418</u>	<u>75,696</u>	<u>26,732</u>	<u>15,057</u>	<u>16,685</u>	<u>15,248</u>
OPERATING INCOME (LOSS)	<u>(3,833)</u>	<u>(9,201)</u>	<u>3,996</u>	<u>2,093</u>	<u>2,513</u>	<u>(3,234)</u>
NONOPERATING REVENUES (EXPENSES):						
Interest:						
Income	5,188	2,161	129	1,168	1,149	581
Expense	(6,555)	(2,229)	(131)	(2,294)	(1,901)	
Interest income (expense) — net	(1,367)	(68)	(2)	(1,126)	(752)	581
Net increase in fair value of investments	9,062	5,861	148	1,201	1,301	551
Investment income	1,025	1,025				
Swap income	126	58	26	15	16	11
Allowance for debt funds used during construction	1,396	61		804	60	471
Miscellaneous income (expenses)	(131)	78	35	20	(278)	14
Total nonoperating revenues — net	<u>10,111</u>	<u>7,015</u>	<u>207</u>	<u>914</u>	<u>347</u>	<u>1,628</u>
INCOME (LOSS) BEFORE TRANSFERS	6,278	(2,186)	4,203	3,007	2,860	(1,606)
CASH TRANSFERRED TO THE CITY OF DALTON	(6,451)	(2,967)	(1,355)	(774)	(839)	(516)
CHANGES IN FUND NET ASSETS	(173)	(5,153)	2,848	2,233	2,021	(2,122)
FUND NET ASSETS — Beginning of year	<u>608,896</u>	<u>314,224</u>	<u>22,098</u>	<u>158,223</u>	<u>107,122</u>	<u>7,229</u>
FUND NET ASSETS — End of year	<u>\$ 608,723</u>	<u>\$ 309,071</u>	<u>\$ 24,946</u>	<u>\$ 160,456</u>	<u>\$ 109,143</u>	<u>\$ 5,107</u>

Vogtle Electric Generating Plant, Units 3 & 4
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APPENDIX 1D

VEGP UNITS 3 AND 4 DECOMMISSIONING FUND ESTIMATE REPORT

The NRC defines decommissioning as the safe removal of a nuclear facility from service and the reduction of residual radioactivity to a level that permits release of the site property and termination of the license (10 CFR 50). NRC regulation 10 CFR 50.82 specifies the regulatory actions that the NRC and a licensee must take to decommission a nuclear power facility. NRC regulation 10 CFR 20, Subpart E identifies the radiological criteria that must be met for license termination. These requirements apply to the existing fleet of power reactors and to advanced reactors such as the AP1000.

1D.1 DECOMMISSIONING FUNDING CALCULATION

The NRC minimum funding requirement for decommissioning provides reasonable assurance that funding will be available to remove a facility safely from service and reduce residual radioactivity to a level that permits release of the site property for unrestricted use and termination of the license. The NRC minimum funding requirement for decommissioning does not include the cost of removal and disposal of spent fuel or nonradioactive structures and materials beyond that necessary to terminate the license. The purpose of this calculation is to determine the NRC minimum decommissioning funding requirement for the Vogtle Electric Generating Plant (VEGP) in accordance with the requirements of 10 CFR 50.75(c). The calculation for proposed VEGP Units 3 and 4 is based on the Westinghouse AP1000 pressurized water reactor (PWR) that is being licensed based upon the referenced DCD. This design has a thermal power rating of 3400 MW_t.

The methodology used to determine the NRC minimum funding requirement in January 1986 dollars for PWRs is specified by 10 CFR 50.75(c)(1)(i). For PWRs with a thermal power greater than or equal to 3400 MW_t, the NRC minimum funding requirement is \$105 million (January 1986 dollars).

Regulation 10 CFR 50.75(c)(2) requires that the following adjustment factor be applied to the January 1986 minimum decommissioning funding requirement to reflect escalation of labor (L), energy (E), and radioactive waste burial (B) as follows:

$$0.65 L + 0.13 E + 0.22 B$$

The escalation factors for labor and energy are based on regional data from the U.S. Department of Labor Bureau of Labor Statistics (Reference 1D-1) and are determined as

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described below. The escalation factor for burial is taken directly from NRC report NUREG-1307, "Report of Waste Burial Charges" (Reference 1D-2), for the Barnwell, South Carolina facility.

As described in NUREG-1307, the escalation factor for energy associated with PWRs is determined as follows:

$$E = 0.58 P + 0.42 F$$

where P and F are the escalation factors for electric power and light fuel oil, respectively.

The escalation factors for labor, electric power, and light fuel oil for any given year are determined by dividing the respective December index for the previous year by the corresponding January 1986 index. For example, the escalation factor used to determine the 1990 NRC minimum is calculated by dividing the December 1989 indices for labor, electric power, and light fuel oil by the corresponding January 1986 index.

As described in NUREG-1307, the NRC provides two options for the disposal of radioactive material during decommissioning which significantly affect the NRC minimum funding requirement for decommissioning. In the calculation performed for 2007, the escalation factors B, E, F, L and P are as follows:

$$B = 23.030 \text{ (Option 1) or } 8.683 \text{ (Option 2)}$$

$$E = 1.469$$

$$F = 2.444$$

$$L = 2.045$$

$$P = 1.879$$

Based on the results of this calculation, the 2007 NRC minimum funding requirement for each proposed unit at the VEGP is \$697,239,000 (Option 1 – Direct Disposal – 2006 dollars) and \$365,823,000 (Option 2 – Direct Disposal with Vendors – 2006 dollars).

1D.2 VEGP DECOMMISSIONING FUNDING MECHANISM

Because they recover the estimated total cost of decommissioning through rates established by "cost of service" or similar ratemaking regulation, the Owners of proposed VEGP Units 3 and 4 are authorized by 10 CFR § 50.75(e)(1)(ii)(A) to use the external sinking fund method as the exclusive mechanism for providing financial assurance of decommissioning funds. Accordingly,

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the Owners will deposit funds for the decommissioning of VEGP Units 3 and 4 using the external sinking fund as described in 10 CFR 50.75(e)(1)(ii). In accordance with 10 CFR 50.75 (e)(3), SNC will submit a report for each proposed unit, no later than thirty (30) days after the NRC publishes notice in the Federal Register under 10 CFR 52.103(a), containing certification that financial assurance for decommissioning is provided in the amount specified in SNC's most recent updated certification, including a copy of the financial instrument to be used.

1D.3 DECOMMISSIONING COSTS AND FUNDING – STATUS REPORTING

In accordance with 10 CFR 50.75(e)(3), two years before, and one year before, the scheduled date for initial loading of fuel for each proposed unit, SNC will submit a report to the NRC containing a certification updating the information described in Section 1D.1, including a copy of the financial instrument to be used. Additionally, in accordance with 10 CFR 50.75(f)(1), SNC will periodically report on the status of decommissioning funding for proposed VEGP Units 3 and 4; however, this reporting will not begin until the date that the NRC has made the finding under 10 CFR 52.103(g).

1D.4 RECORDKEEPING PLANS RELATED TO DECOMMISSIONING FUNDING

In accordance with 10 CFR 50.75(g), SNC will retain records, until the termination of the license, of information important to safe and effective decommissioning.

1D.5 REFERENCES

- 1D-1 U.S. Department of Labor Bureau of Labor Statistics website (<http://data.bls.gov/cgi-bin/srgate>), Series IDs - CIU201000000220I (Labor Indexes– Total compensation, private industry, South region), wpu0543 (Producer Price Indexes - Industry electric power), wpu0573 (Producer Price Indexes - Light fuel oils).
- 1D-2 U.S. Nuclear Regulatory Commission, “Report on Waste Burial Charges,” NUREG-1307, Revisions 12.