TESTIMONY OF JON P. HAYGOOD

ASSISTANT TREASURER FOR THE SOUTHERN COMPANY

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UNITED STATES HOUSE COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY

Risky Business Part 2: The DOE Loan Guarantee Program

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Chairman Weber, Ranking Member Ross, and distinguished members of the Subcommittee, good morning and thank you for the opportunity to appear before you today. I am honored to represent Southern Company and our utility subsidiaries and to highlight the value of DOE's Loan Program office to both deliver on the President's goals of energy dominance and lower energy bills for everyday Americans. I also look forward to highlighting Southern Company's largest subsidiary Georgia Power Company's experience with DOE loans – specifically as it relates to Plant Vogtle Units 3 and 4 – and the ongoing value of this program to utility customers as we work to meet the extraordinary AI-driven data center demand we are experiencing in the Southeast.

Southern Company is a utility holding company composed primarily of three state-regulated electric utilities across Georgia, Alabama, and Mississippi; four state-regulated gas distribution companies across Georgia, Tennessee, Virginia, and Illinois; and a competitive wholesale power generation company that builds, owns, and operates assets across the U.S. that are contracted over the long term with creditworthy counterparties. Altogether, Southern Company subsidiaries are privileged to serve the energy needs of more than 9 million customers and employ over 28,000 people who work every day to deliver clean, safe, reliable and affordable energy to our gas and electric customers.

At Southern Company, we believe in an all-of-the-above approach to energy. The need for this approach has never been truer than it is today, where we are seeing unprecedented growth in our service territories, especially in the Southeast, with total projected retail electric sales growth of 8% through 2029 and 12% total retail electric sales growth forecasted for Georgia Power during that same period. Atlanta is now the number one market for data center development, and 40% of the U.S. market share for planned data centers is in Georgia, Alabama, or Mississippi—all states that our electric utilities serve. Those data centers are included in our commercial customer class which makes up one-third of our total retail electricity sales and is projected to grow 18% from 2025 through 2029. We need every tool in the toolbox and all the energy resources that can be brought to the table to provide reliable and affordable power to our customers. Importantly, we must keep affordability at the forefront as customers are at the center of everything we do.

I began my career with Southern Company at Georgia Power more than thirty years ago and have held a variety of roles across operations, finance, and treasury. I currently serve as the Head of Treasury for Southern Company and its subsidiaries. In this role, I am responsible for managing a high quality $68 billion investment-grade debt portfolio across a wide range of securities, nearly $9 billion in revolving credit facilities spanning almost 50 financial institutions, and credit and collateral requirements across our suppliers and large customers. I also oversee relationships with our investors, banking partners, and credit rating agencies. The Treasury team that I now oversee led the negotiation and execution of DOE loans for Plant Vogtle Units 3 and 4 and is currently working through applications under Title 1706 for several new projects aimed at strengthening grid reliability and expanding American energy infrastructure. These applications include nuclear modernization, extensions, and uprates; gas pipeline replacements; transmission and distribution projects; hydro modernization and uprates; battery energy storage systems; and solar generation.

Loans from DOE's Loan Program Office ("LPO") serve several critical functions: (1) they promote public private partnerships, which are essential as we think about building the future of energy; (2) they put downward pressure on customer rates because when utilities like Southern Company's subsidiaries receive the loans, the benefits flow directly to customers; (3) they relieve pressure on the capital markets; and (4) if loans are made to investment grade utilities, like Southern Company's subsidiaries, they provide a benefit to American taxpayers and the federal budget. DOE's LPO can be restructured to focus on the President's energy dominance agenda and the pursuit of all forms of energy infrastructure. Additionally, past issues with the program can be mitigated by ensuring that loans go to highly rated entities like Southern Company's subsidiaries and other investment grade utilities that do not require credit subsidies. We also pay back our loans – with interest, providing benefits to both American taxpayers and to the federal budget.

Specifically, DOE loans have been instrumental in securing low-cost financing and mitigating capital markets risk for the benefit of Georgia Power customers. They ultimately contributed to the completion of the nation's first new nuclear plants in more than 30 years – an essential milestone in securing America's energy future. Looking ahead, DOE loans remain an important tool – they can help mitigate risk and lower the cost for the next round of new nuclear projects and support infrastructure investments that are designed to bolster America's energy dominance and help meet surging demand from AI and digital technologies. The investment-grade utilities undertaking these efforts are fundamentally limited by affordability concerns and associated pressure on customer rates and potential capital market saturation from raising outsized capital; that is, the capital markets may be unable to sustain the capital needs because so many companies need to build significant infrastructure. Southern Company and its subsidiaries alone are forecasting a 5-year capital plan of $63 billion with $10 billion to $15 billion of potential incremental capital currently in active regulatory processes with expected outcomes mid to late summer. DOE loans help relieve both affordability concerns and capital market constraints.

When Georgia Power and our partners committed to building two of the first new nuclear units in the country in three decades, we recognized the need for options to mitigate risk for both customers and shareholders. Constructing a new nuclear facility required strong support from stakeholders at every level and protections against construction cost escalation, as well as mitigations for credit pressures during an extended major construction cycle. The company sought to address each of these risks. Capital market capacity and the risk of higher borrowing cost due to credit pressure were also significant concerns. DOE loans were important to help mitigate this potentially costly risk.

On June 30, 2008, DOE issued a Loan Guarantee Solicitation Announcement to provide, among other things, Federal Loan Guarantees for new nuclear facilities. Interested parties were invited to submit applications for loan guarantees provided under Title XVII of the Energy Policy Act of 2005 ("Title XVII"), 22 U.S.C. §§ 16511-16514, which were limited to $18.5 billion. Recognizing this could relieve future capital markets pressures, mitigate substantial risk for customers, and potentially drive customer savings, Georgia Power worked with the project co-owners to complete the extensive application requirements and ultimately applied in September 2008. Following extensive due diligence and negotiation, the company accepted a conditional commitment in June 2010 and closed on an initial loan in February 2014. In response to the EPC contractor's bankruptcy and subsequent cost increases, Georgia Power requested additional loans in 2017 and closed on the incremental amount in 2019.

By the end of 2021, the Georgia Power had fully utilized its DOE loans, saving customers over $500 million over the life of the loans while mitigating volatility in the capital markets. Georgia Power's credit ratings from Moody's Ratings shifted from A2 to Baa1 during the construction period, with credit spreads fluctuating between 0.85% and 3.75%. Georgia Power experienced project delays and construction cost increases as it navigated through the COVID-19 pandemic and the bankruptcy of its prime contractor, leading to its affiliate, Southern Nuclear, assuming control of construction. The certainty provided by the DOE loan program was vital to delivering the first new nuclear plants in the U.S. in decades. To date, in addition to up-front application and facility fees and annual maintenance fees, Georgia Power has repaid nearly $450 million in principal on the loans and has paid approximately $1.15 billion in interest to the benefit of American taxpayers.

Having the largest source of clean nuclear energy in the country has positioned Georgia Power to transition its fleet to a cleaner portfolio. But building out the infrastructure required to complete this transition creates pressure on customer bills. Based on our positive experience with the Vogtle DOE loans, we were encouraged by the introduction of a new round of funding under the Energy Infrastructure Reinvestment program – particularly given the removal of the “novel or innovative” requirement. Accordingly, most of the infrastructure projects the Southern Company system is contemplating ultimately qualify under this new program.

In addition to nuclear development, loans from the DOE LPO are essential to helping utilities develop a broad portfolio of energy projects and manage unprecedented growth in a timely and efficient manner, to help ensure America’s grid remains reliable, affordable, and secure, and that the United States remains a leader in artificial intelligence. DOE loans are essential to preserving affordability and sustaining capital market capacity, which could otherwise limit the scope and pace of infrastructure development. Furthermore, infrastructure development creates high-quality jobs, thereby further supporting economic growth and stability.

Our system is currently advancing several projects with wide-ranging benefits. These include gas infrastructure updates that improve reliability and operational efficiency; hydro fleet modernization and uprates as well as new solar facilities that increase and extend clean generation; nuclear digital modernization, Subsequent License Renewal, and uprate projects that extend the life of critical assets; Battery Energy Storage Systems that support intermittent resource deployment and grid reliability; and major investments in transmission and distribution systems to harden the grid and support new technologies.

While the loan program is effectively de-risked, it still involves a rigorous review process and significant bureaucratic hurdles. We are eager to work collaboratively with this

Committee and the Administration to improve and streamline this process. By streamlining the approval pathway, investment-grade applicants should progress more rapidly through the pipeline. This collaboration will enhance efficiency and drive substantial benefits for the industry.

To advance our projects through conditional commitment in a timely, affordable, and successful manner, we must streamline approvals, minimize excessive diligence, and reduce unnecessary costs. This includes expediting applications for investment-grade utilities, formalizing industry guidance on Cargo Preference requirements and reevaluating requirements related to the National Environmental Policy Act and Davis Bacon Act where appropriate. These changes will help projects move forward efficiently and affordably – benefiting both customers and the broader economy.

Ultimately, DOE loans are tools that, when properly applied, support the Administration's energy dominance agenda and the commitment to lower energy bills for Americans. Investment-grade utilities require access to significant capital to meet projected surging demand. The capital needed cannot be efficiently raised through existing capital markets alone – particularly given customer bill constraints and capital saturation. DOE loans alleviate both, placing downward pressure on customer bills, as the long-term financing benefits for a regulated utility are fully passed back to customers. These loans to investment-grade utilities do not involve credit subsidies, and we repay them – with interest, generating direct returns to American taxpayers and an offset to the federal budget. With targeted improvements, DOE loans can support all forms of energy infrastructure from gas and hydro to transmission, nuclear, solar, and wind. Each technology is a necessary component of a diverse energy portfolio – which is essential to meeting the nation's energy dominance goals cost-effectively, reliably, and at scale.

Again, thank you for this opportunity, your time, and consideration of my testimony.