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Synopsis

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Farley discusses SONOPCO status

On March 1, Joe Farley became executive vice president-nuclear for The Southern Company and assumed overall responsibility for providing management and technical services for the nuclear power plants in the Southern electric system.

In a March 15 meeting with system editors, Farley talked about SONOPCO and its future.

Does your recent appointment indicate that Securities and Exchange Commission (SEC) approval for forming SONOPCO is imminent?

I'd like to say that it does -- but in all candor, that's probably not the case. Still pending before the SEC is an intervention filed by Oglethorpe Power Corporation, a co-owner of Plants Hatch and Vogtle.

Since early last year, we've been holding discussions with Oglethorpe Power, seeking first an agreement and subsequently, a withdrawal of that group's petition. So far, our discussions haven't been successful. That's why we began pursuing another alternative in March with the filing of an official response at the SEC to Oglethorpe's petition. Oglethorpe is not, in an overall sense, opposed to the project.

In the absence of an agreement, the SEC is likely to hold public hearings, and that process could be lengthy. But we're determined to press forward to obtain a favorable ruling. In the meantime, our dialogue with Oglethorpe Power continues.

What's the nature of Oglethorpe Power's objections to SONOPCO?
The key question involves the

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nature of the contractual relationship that would exist between Oglethorpe Power, Georgia Power and the other co-owners and with SONOPCO, and with the compatibility of that with Georgia's present position as operator of the Hatch and Vogtle plants.

It's important to note that no

opposition has been raised over the formation of the nuclear subsidiary. In fact, Oglethorpe Power has indicated it is very supportive of the basic concept of SONOPCO. That's why I'm still optimistic that we can resolve these issues.

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What are the main advantages of forming a nuclear operating company?

A single-focus organization allows us to pool the highly specialized nuclear expertise of the Southern electric system, and that should produce a number of advantages.

It should continue as well as enhance the overall safety and performance of our nuclear power facilities. The move will promote a better interchange of technical information, and the shared expertise can help improve our management controls, our procedures and our problem-solving process.

Bringing all three of the system's nuclear power plants under a common umbrella should offer some efficiencies as well.

Industrywide, nuclear operation and maintenance costs have been increasing dramatically over the past decade, and that's also true for our system. We're convinced that we can exercise better control over those expenses by combining our nuclear operations.

Another advantage is that SONOPCO will help us retain and motivate our nuclear specialists. The combined operations will provide greater career paths and employment opportunities for our nuclear professionals.

Overall, we believe a nuclear operating company will enhance safe operation and minimize the amount of investment required to produce nuclear power. So there is also a competitive advantage in creating a subsidiary with the sole purpose of running all of our system's nuclear facilities.

What is the current status of the SONOPCO project? To what extent has the system already combined its nuclear resources?

We've now brought together the corporate staffs of the nuclear support groups of Alabama Power and Georgia Power along with Southern Company Services (SCS) personnel supporting licensing, nuclear fuel management and other nuclear areas. We've also collected a substantial part of the administrative support for the combined entity.

As of March, we had some 330 Southern electric system

employees assigned directly to the SONOPCO project. They remain employees of their respective companies, but by bringing them together in Birmingham adjacent to SCS engineering personnel, we're already reaping some of the benefits that a combined nuclear operation can bring to the system.

Could you be more specific about the benefits that the combined nuclear operation is reaping?

The corporate staffs from the three companies are working well together, and we're seeing benefits from improved communications among the groups. Everyone's attention is focused on efficiencies, safety and economic operation.

From my experience as chairman of the Institute of Nuclear Power Operations (INPO), I've seen evaluations of plants across the country. From these, you can identify many of the factors that make for a successful plant operation. More and more of those factors are becoming apparent at the SONOPCO project, as we gain experience working together and as our plants benefit from a closer knit organization with full senior management approval.

What do you see as your primary role now, and will that change when SONOPCO becomes a corporation?

My most immediate goal is to provide the leadership and support needed to get SONOPCO off on the right foot. For the past few years, I've worked part time on the concept and, more recently, on the organizational structure for this project. I'll continue to give much of my attention to organizational issues.

It's important that we develop an appropriate "fit" within our system. And once we're fully established, I want to ensure that we operate in a way that brings added value to shareholders and customers alike. We intend to be a prudently managed, efficiently run company that enhances the operations of the system's nuclear facilities.

Is the basic SONOPCO organization now in place? Or do you expect other major changes after the corporation is approved?

While we've made a lot of progress we still have a good way to go. Our basic structure is in place, but we'll have to add a few more functions once SONOPCO is formed. For example, we'll need to operate a payroll system, which we'll adapt from existing programs within the system.

When we're fully operational, we expect to have a small corporate staff interfacing with more than 3,000 plant personnel.

The SONOPCO project was staffing its organization at the same time that SCS employees were being laid off. Were any special considerations given to hiring SCS employees?

The timing of our move has been both fortunate and unfortunate -- fortunate because more than 100 SCS employees were transferred into the new organization, and that helped reduce the number of layoffs required at SCS. But it's unfortunate that some ill feelings resulted from a perception that the staffing of the SONOPCO project was inconsistent with the downsizing of SCS.

One impression that needs to be corrected is that the consolidation of our nuclear support staffs created a number of new jobs in the system. In fact, when all the changes are finally made, our combined operations should be slightly smaller than the individual units that were in place at the three separate companies.

However, as is the case with this type of move, some people did not wish to transfer to Birmingham, resulting in jobs that are being filled through system-wide searches and job postings. We'll continue to fill any openings through these methods, which should help ensure that we give appropriate consideration to SCS employees and other system personnel.

Would you respond to the perception by some that the SONOPCO project is an extension of Alabama Power?

That perception is wrong. However, it was--in a sense--inevitable when the decision was made to locate the headquarters in Birmingham and when several members of the management team came from Alabama Power. Our management structure, however, includes employees from both Georgia Power and SCS, and our corporate staff is an almost equal mix from all three companies. There are slightly fewer employees from Georgia Power than the other two companies only because a number of people from the support groups in Georgia elected not to move. If we had located in Atlanta, there would have been employees who wouldn't have wanted to move there from Birmingham.

Apparently, some folks took the fact that we are located in Birmingham, added the fact that our top nuclear management came from Alabama, and reached an erroneous conclusion. In other words, they added 2 and 2 and got 6. It may seem logical to arrive at 6, but that's not the way it is.

If you think back to the spring of 1988, you may recall that Georgia Power had a vacancy in its senior nuclear executive area.

When that position came open, the Southern electric system already had long-range plans for a nuclear operating company. A systemwide search revealed that Pat McDonald was doing a good job at Alabama. So the logical thing to do was to ask Pat to take the position at Georgia in addition to the one he held at Alabama. Yes, he's from Alabama. But he was chosen not because of that, but because he was a logical choice.

Then, I was placed in charge of the SONOPCO project, and like Pat, I'm from Alabama Power. That just added another dimension to the misperception. But I wasn't chosen because I was at Alabama. If you look at the circumstances at Georgia Power, Alabama Power and SCS, you'll see that I was the only chief executive who was available to take on this project. Bob Scherer is retiring in a couple of months, and Bill Dahlberg has just undertaken a big responsibility with Georgia Power.

While I was president of Alabama Power, I had involvement and responsibility in managing the planning, construction, licensing and operation of Alabama's nuclear facility, and I have served

seven years on INPO's board of directors including two years as chairman. That experience puts me in a position to lead this nuclear operating organization in its formation.

So the misperception is just that--a misperception.

Will SONOPCO continue to rely on SCS for a range of nuclear support services, or will some of those activities eventually be incorporated into the work of the new subsidiary?

We don't envision any significant change in our relationship with the service company. We've examined this issue carefully, and we're very comfortable with the work being provided by SCS.

It's important to note that the services offered by SCS go beyond nuclear expertise. SCS provides many administrative support functions, such as printing, telephone service, building management, information resources support, automotive support, etc. In addition, we need to call on the metallurgists, geologists and other specialists who also remain available to each of the other system companies. I'm convinced that the service company concept provides a cost-effective way of managing this expertise, and so I feel that our relationship with SCS will continue in its present form.

How long would you expect plant personnel to remain employees of Alabama Power and Georgia Power?

That decision is much too far down the road to say. The next major step after the corporation is formed would be the transfer of the operating licenses from Alabama Power and Georgia Power, which require approvals from the Nuclear Regulatory Commission and all plant co-owners.

The transfer of plant personnel would not be considered until the last phase of our transition. Even then, the decision concerning covered employees might be subject to contract negotiations with the union employees.





Do you think the SONOPCO concept will have other applications in our system? Do you perhaps see a similar structure being practical for fossil-fueled plants?

That's possible. I think that if we prove that the concept is

successful -- and I'm confident that we will -- there may be some opportunity for applying it to other activities. However, the need is not pressing, as it is in the nuclear area. Fossil-fueled plants, for example, are not as susceptible to the need for specialization and are

not as sensitive to regulation and public opinion. So there may not be as much to be gained from combining operations in other areas. But it is always worth our system conducting cost-benefit analyses in logical areas. After all, SCS is itself the result of combining functions better performed that way.

What are your long-term goals for SONOPCO?

I believe we have a role to play nationally. It's important that the Southern electric system maintain a position of leadership in the nuclear power industry. I hope SONOPCO will make a contribution to that goal through its performance and through our participation in INPO, the American Nuclear Energy Council, the Nuclear Utility Management and Resources Council and throughout the industry.

In the long term, I believe we may be able to look outside our system and provide services to clients around the country. The SEC is aware of our possibly looking outside in the long term, and we've asked the commission to reserve jurisdiction of that issue until we are ready to offer those services. With the expertise we have available in the combined nuclear organization, we will be well positioned to assume a national role.

*Photos by Brandi Williams,
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