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EXECUTIVE SECRETARY
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BEFORE THE
GEORGIA PUBLIC SERVICE COMMISSION
STATE OF GEORGIA

In Re:	]	
Georgia Power Company's Application	]	
for Approval of its 2013 Integrated	]	**Docket No. 36498**
Resource Plan and Request for	]	
Decertification of Certain Units	]	
Georgia Power Company's Application	]	
for the Certification of Demand Side	]	**Docket No. 36499**
Management Programs for 2013	]	
Integrated Resource Plan	]	

Brief of Georgia Watch

COMES NOW, Georgia Watch, and submits its comments and amendments to the Georgia Public Service Commission ("PSC" or "Commission") regarding the proposed Stipulation between the Public Interest Advocacy Staff ("PIA Staff") and Georgia Power Company ("GPC" or "Company") in the above-referenced dockets.

I. Summary of Argument

Georgia Watch offers the following comments and amendments to the proposed Stipulation between the PIA Staff and Georgia Power Company.

1. In addition to the retirement of 2,093 MWs of fossil units the Commission should also retire the Plant Gaston Units 1-4 because the Company has an excessive

reserve margin of over 25%, the limited capacity value of the units is dependent upon speculative plans to get adequate gas transportation to supply the retrofitted units, and retiring the units will reduce the Company's $1.3 billion in anticipated environmental remediation costs.

2. The Commission should not authorize the conversion of "unusable material and supplies" and nonperforming plants to regulatory assets, and then permit accelerated cost recovery.
3. The value of this Integrated Resource Plan is undermined by not considering additional renewable energy resources in the 20 year planning period.
4. While the Company is entitled to recover a reasonable additional sum for its demand side program, the Commission should adopt the Advocacy Staff's original recommendation for an additional sum of 7% of the actual net benefits based on net energy savings from the Program Administrator Test.
5. Utilization of Smart Grid technology should be an integral part of the next IRP/DSM case as an option to new capacity additions.

II. Introduction

The importance of Georgia Power Company's current Integrated Resource Plan ("IRP") and Demand Side Management ("DSM") programs cannot be overstated regarding the immediate and long-term impact they will have on ratepayers and Georgia's economy. It is fortuitous that the Commission will be considering this case shortly after President Obama's June 25, 2013, speech about the environment. Removing an additional 2,093 MWs of older, less efficient coal burning generation plants is a timely response to the President's call for reducing emissions by electric generating plants.

Georgia Watch commends both the PIA Staff and the Company for developing the Stipulation which is a significant improvement from the original applications filed in the IRP/DSM cases by the Company, but once again, regrets the lost opportunity not offered to interested interveners to participate in the Stipulation discussions. Georgia Watch, along with other interveners, expended considerable time and resources to participate in both the IRP and DSM cases so that critical resource, environmental and conservation issues could be more fully presented to the Commission.

While the PIA Staff and Company's Stipulation is a step forward, several issues merit additional comment and consideration by the Commission. The cost and uncertainty whether the Plant Gaston Units 1-4 will ever be available for limited summer peaking deserves the Commission's reexamination. Retirement of the Gaston units would enhance the opportunities for future solar project development and reduce the immediate financial impact of the current Integrated Resource Plan on ratepayers. The Stipulation is deficient in its consideration of renewable generation resources during the 20 year life of the current plan. No one can deny that the cost of renewable energy has decreased over time and not including provisions for future renewable energy development is a serious omission which undermines the usefulness and credibility of the new plan.

III. Argument

A. The Plant Gaston Units 1-4 Should be Retired Because the Company Has An Extremely High Reserve Margin, the Limited Capacity Value of the Units Is Dependent Upon the Company Getting Adequate Gas Transportation to Supply the Retrofitted Units and Retiring the Units Will Reduce the Company's $1.3 Billion Anticipated Environmental Remediation Costs

There are several valid reasons why the Commission should not approve the conversion of the Plant Gaston Units 1-4 from coal to natural gas, the most relevant being the extremely high reserve margin for the Company's system. (Tr. 732) Additionally, the cost of retrofitting the units, their limited potential value for summer peaking requirements and the speculative proposition whether adequate gas will be available in the future are all good reasons why common sense should prevail over a questionable plan which is more beneficial to Southern Electric Generating Company than Georgia ratepayers.

The Company's witnesses admitted that no natural gas peaking unit has run 60 years, and no coal unit has been retrofitted to burn natural gas in the Southern Company System (Tr. 2196 and 2198), yet the Company is sure the retrofitted Gaston units will be able to run 80 years. (Tr. 1969) The Company's optimism has no factual basis but is founded on assumptions regarding the Company' maintenance practices. (Tr. 1970)

1. The Plant Gaston Units 1-4 Are Not Needed When the Company Will Have A 25% Reserve Margin After Retiring 2,093 MWs of Fossil Capacity

The Commission's dialogue with the Georgia Power rebuttal panel of witnesses made it abundantly clear the Company will have at least a 25% reserve margin after the retirement of 2,093 MWs of older coal plants. This large reserve margin will allow the Commission to retire the Gaston units without jeopardizing the system integrity and still have a comfortable reserve margin for the future.

The Company is currently operating with a "13.5% system planning margin guideline" (Tr. 49) and the Staff panel of Chiles, Smith Wielgus and Hutts testified, "that the optimal, or minimum cost, reserve margin level is 14%, . . ." (Tr. 702) A 25% reserve margin is excessive and represents an over-investment in capacity by ratepayers.

2. The Limited Capacity Value of the Gaston Units is Dependent Upon the Company Getting Adequate Gas Transportation to Supply the Retrofitted Units

Plant Gaston is 30 miles away from its source of natural gas to supply the 1,000 MWs of potential generation capacity. But even after the 30 mile connecting pipeline to the Transco line is built there is no guarantee the Company will have access to adequate natural gas supplies. Staff witness Paul Wielgus testified that there isn't enough interruptible gas transportation capacity to serve 1,700 MWs at Plants Gaston and Yates "on a very high load factor, and not on a firm reliable basis, . . ." (Tr. 734, lines 14-15) Additionally, he confirmed that there is no guarantee the Gaston facilities could be operational in the future at specific times. (Tr. 736)

Even if a pipeline were built to supply the Gaston units and there were available interruptible gas transportation capacity to serve the plant, Mr. Falkenberg testified that the capacity prices for Plant Gaston are zero which indicates an over-supply of capacity in the marketplace. (Tr. 842, line 23) He also expressed serious reservations regarding GPC's calculation of capacity prices for Plants Branch and Gaston. (Tr. 804) Removing excess marginal capacity from the market by retiring the Gaston units will enhance the value of the remaining capacity, reduce costs to ratepayers and create potential opportunities for additional solar development in the future. (Tr. 805)

3. Retiring the Plant Gaston Units Will Reduce the Company's $1.3 Billion Budget for Environmental Remediation Expenses and Provide Additional Opportunities to Consider Developing Solar Generation in the Future

By not spending the tens of millions of dollars necessary to retrofit the Gaston Units to burn natural gas, the Company will reduce costs for all ratepayers and provide additional opportunities for the Company to consider developing new solar generation projects in the future when their reserve margin is lower and there is a need for summer peaking capacity. Georgia Power residential and commercial customers are currently paying 10.0131% of their gross bill for the Environmental Compliance Cost Recovery ("ECCR") rider which includes the environmental remediation expenses. Over the next three years the Company is proposing to increase environmental remediation spending by $1.3 billion or more which will drive the ECCR rider higher and every effort ought to be made to eliminate unnecessary costs.

B. The Commission Should Not Authorize the Conversion of "Unusable Material and Supplies" and Nonperforming Generation Plants to Regulatory Assets, and Then Allow Accelerated Cost Recovery

Georgia Power Company will be spending over $1.3 billion in ECCR costs for the construction of two bag houses and environmental remediation construction projects at several more plants. The additional ECCR costs, Vogtle Units 3 and 4 financing charges and the upcoming Georgia Power rate case will be placing enormous upward pressure on consumer bills and ratepayers should not be asked to also shoulder the financial burden of allowing the Company to recover the costs of unusable material and supplies and nonperforming generation plants that are converted to regulatory assets.

Any unusable material and supplies should not be converted to regulatory assets. This is a flawed regulatory policy which should be stopped immediately because it removes any financial disincentive for the utility company not to purchase more equipment, supplies and replacement parts than can reasonably be expected to be needed for the operation and maintenance of a generation facility. Georgia Power will have an incentive to buy more material and supplies than are reasonably needed knowing that they will always be able to convert them to regulatory assets if the plant is shut down. Bad regulatory policy encourages bad business practices and ratepayers eventually get stuck holding the bag.

The Georgia Power witness panel of Leach, Rozier, Legg and Monroe stated in their pre-filed testimony that Plant Boulevard Units 2 and 3 "experienced significant equipment failure," and have been out of service since July and November 2012 respectively. (Tr. 36) Both Units 2 and 3 are unusable unless major repairs are made to both units. The estimated cost of repairing Unit 2 is $1.95 million and the estimated cost of repairing Unit 3 is $1.75 million. (Georgia Power Company's 2013 Integrated Resource Plan, Main Document, p. 6-80)

While Georgia Watch is strongly opposed to any nonperforming plants being converted to regulatory assets, should the Commission approve the Company's request, an adjustment should be made to the amount the Company can recover. Before any costs for both these plants are allowed to be converted to regulatory assets the Company should deduct the combined cost of repairing both units, $3.7 million, from any request for post-retirement recovery. Only after the $3.7 million in repair costs have been subtracted from the amount sought to be converted to a regulatory asset should the Commission consider any recovery.

C. The Value of the Integrated Resource Plan is Undermined by Not Considering Additional Renewable Energy Resources in the Current 20 Year Planning Period And Does Not Acknowledge the Growing Importance and Viability of Renewable Energy Resources

The Integrated Resource Plan is required by law to provide a 20 year demand and energy forecast along with the utility company's program for meeting those requirements. O.C.G.A. §46-3A-1 (7). While the Company has an extremely high reserve margin of over 30%, that level will hopefully decrease over time and new capacity resources or demand-side capacity options will need to be considered by GPC. The declining cost and improved performance of renewable energy options will only improve in the future making renewable energy, especially solar generation, a competitive and attractive generation resource.

The Company's current renewable energy programs, such as the Large Scale Solar program and the Georgia Power Advanced Solar Initiative, and its acquisition of 250 MWs of wind generation from EDP's Blue Canyon wind farms in Oklahoma are positive efforts to develop and utilize more renewable generation. These commitments to renewable energy should be reflected in the current IRP plan and additional plans for renewable energy generation must be incorporated into the next 20 year IRP planning period.

D. While the Company is Entitled to Recover A Reasonable Additional Sum For Its Demand Side Program, the Commission Should Adopt the Advocacy Staff's Original Recommendation for the Additional Sum

The recommendation for the Additional Sum contained in the Stipulation is a definite improvement over the Company's original request, but the Advocacy Staff's original recommendation that the Additional Sum be equal to seven percent of the actual net benefits based on net energy savings from the Program Administrator Test (Tr. 984) is fair and simple to calculate. The additional sum provision in the Stipulation provides for situations where the additional sum may exceed program costs and adjustments to the amount over the program costs.

In no circumstance should the additional sum recovery for the Company exceed the program costs, and an additional sum which is over 50% of the program costs is an excessive incentive for the Company. The Company recovers 100% of all of its DSM program costs in addition to the additional sum. Once again, common sense and fairness dictate that there should never be a situation where the additional sum amount exceeds the program costs.

E. The Commission Should Direct the Company to Evaluate Smart Grid Technology in Its Next IRP/DSM Case As An Option to New Capacity Additions

Just as the Company is investing in more renewable energy research they should also be encouraged to continue to invest in and develop more Smart Grid technology which will facilitate the development of more energy efficiency programs and opportunities for customers to better understand and control their energy usage. The Smart Grid possesses the potential to reduce the need for more capacity, improve conservation and lower electricity costs for all consumers because of its ability to provide consumers with immediate information about their energy usage. In the future a customer's computer or smart phone will be their most important energy management tool so long as they can access real-time data regarding their business or home energy usage. An improved Smart Grid can make this happen and the Commission should adopt a forward looking policy where Smart Grid technology will be a major focus of the next IRP/DSM case.

Georgia Power Company recently introduced the "My Power Usage" program which allows a customer to monitor their daily or monthly energy costs and provides email notices to customers regarding their energy costs and tips for saving energy. This program is possible because of Smart Grid technology and it demonstrates how technology can assist customers to manage their energy usage. In the next IRP case Smart Grid technology combined with tariffs that send clear price signals to customers may be a viable alternative to expensive new capacity options and higher costs. Technology is changing every aspect of our economy and it can play an important role in meeting our future energy needs through conservation and efficiency. With the Commission's support and leadership, Smart Grid technology can and will create new opportunities for the Company and its customers.

IV Conclusion

Georgia Watch requests that its amendments to the Stipulation be considered and adopted by the Commission.

Respectfully submitted this 28th day of June, 2013.

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Certificate of Service

I hereby certify that the foregoing Brief of Georgia Watch in the above-referenced dockets was filed with the Commission's Executive Secretary by hand delivery at the address listed below. A copy of same was served either by electronic mail or by First-Class U.S. Mail upon the parties listed below this day.

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This 28th day of June, 2013.

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