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Via Email and Hand Delivery

July 9, 2013

Hon. Stan Wise

Georgia Public Service Commission

244 Washington Street, First Floor

Atlanta, Georgia 30334

Re: In Re: Georgia Power Company’s Application for Approval of its 2013 Integrated Resource Plan and Application for Decertification of Plant Branch Units 3 and 4, Plant McManus Units 1 and 2, Plant Kraft Units 1-4, Plant Yates Units 1-5, Plant Boulevard Units 2 and 3, and Plant Bowen Unit 6; Docket No.: 36498

Dear Commissioner Wise:

On behalf of the Georgia Solar Energy Industries Association (“GSEIA”), this letter responds to the questions raised in your letter of July 8, 2013.[[1]](#footnote-1) GSEIA’s response is limited to the specific questions with general application to solar energy.[[2]](#footnote-2)

1. Is it appropriate to compare solar generation with base load generation?

No, not now. Hearing testimony from both GSEIA and Company witnesses confirmed that solar energy is primarily an **energy** resource, not a **capacity** resource.[[3]](#footnote-3) In simplest terms, the difference between energy and capacity resources is the difference between peaking and baseload.[[4]](#footnote-4) The Company’s purchase of an energy resource is a variable cost, focused on peaking demand needs.[[5]](#footnote-5) Each generation resource has different energy and capacity characteristics.[[6]](#footnote-6) The purchase of additional solar energy as an energy resource makes sense because (like the wind purchase) it puts downward pressure on rates.[[7]](#footnote-7) This has been confirmed through the competitive bidding process established in ASI. The Company confirmed that the ASI small/medium scale price of $.13/kw creates no upward pressure on rates.[[8]](#footnote-8) The witnesses agreed that solar, as a generation resource, must be valued properly[[9]](#footnote-9) and that the Value of Solar (“VOS”) exceeds the Company’s avoided costs.[[10]](#footnote-10) Therefore, GSEIA urged the Commission to conduct a further study on VOS.[[11]](#footnote-11)

1. In order to add more solar, do you need to close Plant Gaston or another plant to make room?

No. Again, the answer is already present in hearing testimony. The decision to close a plant or develop solar is not an “either/or” question.[[12]](#footnote-12) The two options are not mutually exclusive because solar and wind resources do not compete for selection against a specific resource.[[13]](#footnote-13) Despite excess capacity, there is still room for the Company to find “good deals” for the purchase of energy resources. In the IRP, the Company has identified its committed resources, but it plainly has room to talk about additional energy resources, such as solar.[[14]](#footnote-14) While there is a practical limit to the amount of energy resource plays that the Company can make, Mr. Rozier testified: “It would be safe to say we don’t believe we’re at that practical limit now.”[[15]](#footnote-15) Even if the Commission authorized an additional 500 MW of solar generation, solar will generate less than 1.5% of the Company’s load. Irrespective of whether Plant Gaston is closed, the Company has room to make good economic deals that will expand solar. The testimony of all witnesses established that the purchase of solar generated electrons at a price below VOS is a good deal, creating downward pressure on rates.

1. Can Georgia Power quantify the generation cost of solar relative to other generation sources, including Plant Gaston?

Yes, the relative costs of **all generation resources** are detailed in the Company’s Generation Resource Technology Data Book which is a part of the Company’s initial IRP filing.[[16]](#footnote-16) As to solar, the Company also responded to Staff’s data requests stating that it had received proposals for utility scale solar PV below $2.00 per watt.[[17]](#footnote-17) Hearing testimony confirmed that solar now costs less per watt than nuclear at Plant Vogtle 3-4.[[18]](#footnote-18) The Company’s testimony projects that by 2026 (well within the IRP planning period) solar will cost less than one-half the cost of nuclear and bio-mass.[[19]](#footnote-19) While solar (by that time) is projected to still cost more than natural gas generation, the Company’s assumption that gas prices will stay the same for more than ten (10) years must prove to be accurate.[[20]](#footnote-20) **Bottom line: hearing testimony established that the levelized cost of solar electrons under ASI at $.13/kw is cheaper than the cost of the very first electron that will be generated by Vogtle 3.**

GSEIA believes that the questions raised here are fully answered in the hearing record. GSEIA’s basic contentions remain the same: solar is now a necessary part of a properly diversified portfolio. The cost of solar is well within the range of the other generation resources in the Company’s portfolio. Solar’s cost has come down so much that “good deals” on solar energy are available that put no upward pressure on rates, and solar energy purchased at or below VOS benefits all ratepayers by putting downward pressure on rates. Adding 500 MW of solar is only a small step toward a properly diversified energy portfolio because solar will still be less than 1.5% of load. Failure to include solar in the IRP renders the Company’s filing deficient.

GSEIA appreciates the opportunity to respond to these questions. We hope that this review of the hearing testimony will be useful. Should you have any questions, please do not hesitate to contact me.

Sincerely,

GALLOWAY & LYNDALL, LLP

Newton M. Galloway

cc: Commissioner Tim Echols

Commissioner Chuck Eaton

Commissioner Doug Everett

Commissioner Lauren “Bubba” McDonald

Mr. Reece McAlister

Mr. Jeffrey Stair

Mr. Daniel Walsh

Ms. Jamie Barber

Mr. Tom Bond

Mr. Philip Smith

All Parties of Record

1. This letter is being served on all parties and complies with Commission Utility Rule 515-2-1-.14(2) and (5). [↑](#footnote-ref-1)
2. The testimony of GSEIA witness, Mr. Karl Rabago did not address Plant Gaston. GSEIA did not cross-examine any witness pertinent thereto. GSEIA expresses no opinion on Plant Gaston’s continued operation. [↑](#footnote-ref-2)
3. Rabago Testimony (GSEIA), Generally, T. 1161-1164; Rozier Testimony (Georgia Power), T. 2120:5-6. [↑](#footnote-ref-3)
4. Rozier Testimony, T. 2119:16-2120:9; T. 2122:20-25. [↑](#footnote-ref-4)
5. Inquiry from Commissioner Eaton to Mr. Rozier, Rozier Testimony, T. 2119:7-14. [↑](#footnote-ref-5)
6. Rabago Testimony, T. 1161:24-1162:4; Rozier Testimony, Generally, T. 2121-2123. [↑](#footnote-ref-6)
7. Rozier Testimony, T. 2126:24-2127:6. [↑](#footnote-ref-7)
8. Leach/Rozier Testimony, T. 2127:30-2129:7. [↑](#footnote-ref-8)
9. Rabago Testimony, T. 1172:17-21; Leach Testimony, T. 2145:24-25. [↑](#footnote-ref-9)
10. Rabago Testimony, T. 1165:18-22, T. 1172:17-1173:3; Leach Testimony, T. 2130:16-2131:1, T. 2131:9-15. [↑](#footnote-ref-10)
11. Rabago Testimony, Generally, T. 1163-1172. [↑](#footnote-ref-11)
12. Rozier Testimony, T. 2123:1-8. [↑](#footnote-ref-12)
13. Rozier Testimony, T. 2124:14-25. [↑](#footnote-ref-13)
14. Rozier Testimony, T. 2126:17-2127:6. [↑](#footnote-ref-14)
15. Rozier Testimony, T. 2120:5-15. [↑](#footnote-ref-15)
16. Technical Appendix Vol. 1, Tab 5, pp. 1-260. [↑](#footnote-ref-16)
17. Response to STF 5-3;GSEIA, Ex. 1. [↑](#footnote-ref-17)
18. Rozier Testimony, T. 246:11-15. [↑](#footnote-ref-18)
19. Technical Appendix, Vol. 1, Figure 6.4.2.1 (Capital Cost (2026 $/kw Installed); Rozier Testimony, T. 256:10-24. [↑](#footnote-ref-19)
20. Rozier Testimony, T. 270:10-20. [↑](#footnote-ref-20)