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17 February 2021

VIA EFILE & US MAIL

Mr. Reece McAlister, Executive Secretary  
Georgia Public Service Commission  
244 Washington Street, S.W.  
Atlanta, Georgia 30334

Re: **Georgia Power Company's Avoided Cost Dockets**  
Dockets No. 4822, No. 16573, and No. 19279

Secretary McAlister,

The Public Disclosure Version and the Confidential Trade Secret Version of the *SIERRA CLUB'S POST-HEARING BRIEF* are enclosed for e-filing on behalf of the Sierra Club in the above-referenced dockets. A single hard copy of each is also being sent to you via the U.S. mail, along with a copy of your email receipts confirming the e-filing.

Thank you.

Sincerely,



Robert Jackson

Enclosures

BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION

Capacity and energy payments to )  
cogenerators under PURPA ) Docket No. 4822  
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)

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Georgia Power Company's )  
Green Energy Program ) Docket No. 16573  
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In re: Biomass Gas & Electric, )  
LLC's Petition to Establish ) Docket No. 19279  
Docket Regarding Forsyth County )  
Renewable Energy Plant )  
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SIERRA CLUB'S POST-HEARING BRIEF

Fundamentally, what gets measured gets managed. In this case, it is undisputed that Georgia Power runs their old coal-burning power plants out of economic order (i.e., out of merit) the vast majority of the time,<sup>1</sup> and that that practice influences their proposed valuation of renewable energy and energy efficiency resources.<sup>2</sup> So while the core issue before the Commission is whether Georgia Power is appropriately valuing renewable energy and energy efficiency resources,<sup>3</sup> undisputed evidence in the record establishes two critical subsidiary issues for the Commission to resolve as it grapples with the core issue in this case.

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<sup>1</sup> Jan. 20, 2021, Hearing Tr. at 986-87; Fisher Rebuttal at 13-14 (presenting calculations based on Georgia Power's operational data); *see also* Jan. 19, 2021, Hearing Tr. at 544:19-546:3 (Georgia Power witness panel acknowledging and not identifying any errors in calculations).

<sup>2</sup> Jan. 19, 2021, Hearing Tr. at 549:11-25, 550:1-3.

<sup>3</sup> Aug. 8, 2020, Procedural and Scheduling Order at 3 (The first issue listed in the "Issues Involved" section is as follows: "By using the current avoided cost methodologies, are renewable energy and energy efficiency resources being valued correctly?").

More specifically, and as discussed further below, one subsidiary issue is the extent to which the out-of-merit operations of those old, expensive coal plants results in under-valuation of, and thus underinvestment in renewable energy and energy efficiency measures. The other subsidiary issue—perhaps best resolved in the upcoming proceedings on Georgia Power’s Integrated Resource Plan—is the company’s stated reliability justification for running its coal plants out of economic order, and whether doing so is the least-cost means of ensuring reliability. Both of these subsidiary issues have potentially tremendous consequences not only for qualifying facilities under the Public Utility Regulatory and Policy Act (“PURPA”), but also for Georgia Power’s customers and the state’s economy.

Additional proceedings are necessary to resolve these two subsidiary issues, because at the conclusion of the evidentiary hearings in this case, Georgia Power has not yet provided empirical evidence—e.g., verifiable, reproducible details and parameters of the relevant model and modeling analysis, apart from testimony describing the black box outputs—for the Commission to render an informed decision. To be sure, Georgia Power’s witness panel acknowledges such empirical evidence has been produced by other utilities,<sup>4</sup> and that Georgia Power itself could provide such evidence.<sup>5</sup> However, the panel did not provide such evidence in this proceeding.<sup>6</sup> Nor can they cite any other proceeding where Georgia Power has provided it to this Commission,<sup>7</sup> or to Federal

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<sup>4</sup> Jan. 19, 2021, Hearing Tr. at 556-57.

<sup>5</sup> *Id.* at 558 (“I mean, the Commission that has purview and it can ask data requests around those types of things”); *see also* 556-57; 562:17-563:9 (asserting Georgia Power’s position that Commission should not seek post-facto information to verify whether commitment decisions were optimal.)

<sup>6</sup> *Id.* at 546:14-547:11.

<sup>7</sup> *Id.* at 559:2-22.

Energy Regulatory Commission.<sup>8</sup> Moreover, in response to an illustrative, retrospective analysis of Georgia Power's out-of-merit operations by Sierra Club witness Dr. Fisher, the panel agrees such analysis is feasible;<sup>9</sup> but they have not completed such analysis themselves.<sup>10</sup>

Obtaining the missing analysis and reviewing it in separate proceedings is imperative because the evidence submitted by Sierra Club and other intervenors in these proceedings show that out-of-merit operations are extensive and potentially tremendously consequential: In 2019, for example, nine of Georgia Power's coal units ran out of merit most of the year, often when it is unlikely that running those units was necessary or the least-cost solution to ensure reliability.<sup>11</sup> Furthermore, based on confidential data from Georgia Power, Dr. Fisher observed that during those extensive out-of-merit operations, the energy from old coal plants cost significantly more than the energy from the rest of Georgia Power's system, as follows:

**Q** If the process of unit commitment is relatively complicated, and the Company has explained that units are committed for the purposes of reliability, what evidence do you have that the Company is likely committing units out of merit?

**A** The information provided by the Company shows that it operated, and kept online for extended periods of time, its coal units all while their production costs were significantly above system lambda or the avoided [cost]. Specifically, I observe that there are [REDACTED] [REDACTED]<sup>12</sup> in which the incremental production cost of Georgia Power's coal plants is less than or equal to system lambda (see Trade Secret Table 1, below). On average, the incremental cost of operating the coal units is also lower than

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<sup>8</sup> *Id.* at 563:10-564:14.


<sup>9</sup> *Id.* at 544:20-546:3.

<sup>10</sup> *Ibid.* ("we tried to replicate the values in the table and were not able to fully replicate those, particularly the ones where it compares the hours where the incremental production cost is less than the system lambda").

<sup>12</sup> On average, Georgia Power's coal plants were only lower cost than system lambda [REDACTED] of operational hours.

avoided cost (which diverges from system lambda based on the incremental operational, emissions, and startup costs discussed above) [REDACTED] of hours. [emphasis added]

**Trade Secret Table 1.** Hours in which Georgia Power coal plants incremental production cost (Inc. PC) is less expensive than system lambda ( $\lambda$ ) or avoided cost.



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Dr. Fisher explained that excessive out-of-merit operations causes substantial undervaluation of system lambda,<sup>14</sup> leading to both undervaluation of and, thus, underinvestment in renewable energy and energy efficiency resources<sup>15</sup> and higher costs for customers.<sup>16</sup> In fact, Dr. Fisher cited evidence from other jurisdictions that the market price suppressive impact of

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<sup>13</sup> Jan. 20, 2021, Hearing Tr. at 986, Fisher Rebuttal at 13.

<sup>14</sup> *Id.* at 975:17-978:9; Fisher Rebuttal at 2:17-5:9.

<sup>15</sup> *Id.* at 990, Fisher Rebuttal at 17; *see also* Jan. 20, 2021, Hearing Tr. at 1016:16-23 (“The overcommitment of coal units causes substantial undervaluation of system lambda and thus energy revenues for qualified facilities.”).

<sup>16</sup> *Id.* at 975:17-978:9, Fisher Rebuttal at 10:12-23; *see also* Jan. 20, 2021, Hearing Tr. 1016: (“And, of course, when high units—high-cost units operate more often than they should, economically Georgia Power’s customers bear that excess cost.”)

overcommitment could be as high as 8 to 10 percent.<sup>17</sup> While Georgia Power acknowledges other jurisdictions' inquiries into potential overcommitment,<sup>18</sup> it still presented no analysis in these proceedings as to how it measures whether and to what extent it overcommits coal units (or other thermal units) on its system.

Instead, Georgia Power urges the Commission to trust and not verify its out-of-merit operations. Remarkably, in response to Staff's request for empirical support, Georgia Power stated that there were "no reports detailing the calculations" that guide its out-of-merit operations.<sup>19</sup> And during the hearings, Georgia Power's witness panel reiterated its position that it is "not appropriate" for it to conduct, or for the Commission to review, retrospective analysis of the extent to which its out-of-merit operations were necessary and the least-cost solution for ensuring reliability.<sup>20</sup> The panel correctly notes that excessive out-of-merit operations have been observed in organized markets, where utilities are not vertically integrated monopolies like the Southern Company.<sup>21</sup> But this distinction merely reinforces the imperative to scrutinize Georgia Power's and Southern's out-of-merit operations, precisely because the Southern system is more insulated from market forces that would check uneconomic operations.

In conclusion, if Georgia Power and the Commission are to discharge their respective duties to manage and oversee electric utility service in Georgia—including the transition from old

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<sup>17</sup> *Id.* at 990:1-10, Fisher Rebuttal at 17:1-10; *see also* Jan. 20, 2021, Hearing Tr. at 1016:16-23 1016:21-23 ("And evidence from other jurisdictions suggest that this could be as high as in the order of 8 to 10 percent.").

<sup>18</sup> Jan. 20, 2021, Hearing Tr. at 560:13-561:1.

<sup>19</sup> GPC Resp. to Staff Data Requests, TS STF 9-2(b), Docket Nos. 4822, 16573, 19279 (Exhibit JIF-12).

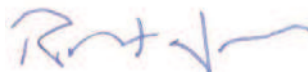
<sup>20</sup> Jan. 19, 2021, Hearing Tr. at 559:2-22, 562:17-563:9.

<sup>21</sup> Jan. 19, 2021, Hearing Tr. at 560-561.

coal-burning power plants to renewable energy and energy efficiency resources—then the Commission should establish additional proceedings into Georgia Power’s out-of-merit operations.<sup>22</sup> Those proceedings should afford this Commission, Georgia Power, and interested parties a meaningful opportunity to review Georgia Power’s commitment modeling, and its stated reliability justification for out-of-permit operations. Likewise, the proceedings should afford the parties an opportunity to submit evidence and argument for the Commission’s consideration.

In the meantime, the Commission can resolve these proceedings by (a) requiring Georgia Power to measure the extent to which its unit commitment practice deviates from optimal, cost-minimizing practice, and, accordingly, (b) requiring Georgia Power to adjust its valuation of renewable energy and energy efficiency resources by substituting its proposed commitment-adder with a new adder that reflects optimal commitment practice, subject to revision once the Commission has completed the additional proceedings.

Respectfully submitted this 17th day of February 2021.



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<sup>22</sup> Jan. 20, 2021, Hearing Tr. at 1015-17.

BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION

In the Matter of )  
 )  
Georgia Power Company's Avoided Cost Projections ) Docket No. 4822  
 ) Docket No. 16573  
 ) Docket No. 19279  
 )

**CERTIFICATE OF SERVICE**

I hereby certify that the foregoing *SIERRA CLUB'S POST-HEARING BRIEF* in the above-referenced docket was e-filed with the Commission's Executive Secretary, and an electronic copy of same was served upon all parties and persons listed below via email and or U.S. Mail as follows:

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So certified, this 17<sup>th</sup> day of February 2021.

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