

# Georgia Power Company's Offer of Certain Wholesale Capacity to the Retail Jurisdiction

On July 30, 2008, the Georgia Public Service Commission ("Commission") issued an Order in Docket No. 26550 adopting Georgia Power Company's ("Georgia Power" or the "Company") proposal to offer certain wholesale blocks ("WB") to the retail jurisdiction as they become available (the "Wholesale Action Plan"). The Company's proposal provided that wholesale capacity would be offered to the retail jurisdiction: (1) on terms equivalent to that which the Company could obtain in the then-current wholesale market, (2) in a manner that would not adversely affect the Company's ability to continue to sell such resources into the wholesale market, and (3) in a manner that the Request for Proposal ("RFP") process is not adversely affected. Commission Staff recommended that the Commission approve the Company's proposal with certain modifications. Specifically, the Commission Staff recommended that:

- (1) Georgia Power be required to make the timing of future offers for wholesale block capacity match the then-current RFP schedule as closely as possible. The offer should be made sometime between the schedule for the bid due date and when the short list is determined. The specific timing of future offers with future RFPs can best be determined in future Integrated Resource Planning ("IRP") proceedings and Staff would also recommend that this issue be reviewed again and adjusted as needed at that time. Affiliate Communication protocol similar to that used in current RFPs should also be followed.
- (2) The Commission require Georgia Power to provide to the Commission the terms of any offer made in the wholesale market for the sale of these wholesale blocks. The information should be provided to the Commission within 30 days of the date a wholesale offer is made. This should be the final and/or best offer made.
- (3) The Commission require Georgia Power to provide to the Commission the terms of any offer made to Flint EMC within 30 days of the date a wholesale offer is made. This should be the final and/or best offer made.

Georgia Power has previously made offers to the Commission for WB capacity under the Wholesale Action Plan. The Commission previously certified for use by retail customers the Plant Scherer Unit 3 and Blocks 5 and 6 capacity offered in the Company's March 2009 proposal as well as the Block 1 capacity offered in the Company's January 2010 proposal and the Blocks 2-4

capacity offered in the Company's March 2010 proposal. The Final Order approved by the Commission did not accept the Plant Scherer Unit 3 capacity offered back to retail service by the Company in the 2019 IRP.

Additional WB capacity covered under the Wholesale Action Plan will become available during the period covered by Georgia Power's current 2022-2028 Capacity RFP. The WB capacity is comprised of Plant Gaston Units 1-4 and Plant Yates Units 6&7 ("Blocks 2-4 Converted Units Resource"); Plant Gaston Unit A, Plant McManus Units 3A-3C and 4A-4F, and Plant Wilson Units 1A-1F ("Blocks 5&6"); and Plant Scherer Unit 3 ("Blocks 2-4 Coal Block Resource"). On September 16, 2021, Georgia Power filed a Notice with the Commission in Docket No. 26550 stating its intent to offer certain WB capacity to the retail jurisdiction in the 2022 IRP filing instead of between the bid due date and the short list determination date in the 2022-2028 Capacity RFP. The timing of this offer allowed the Company to finalize unit retirement recommendations and provides the Commission the opportunity to evaluate the WB capacity within the context of other significant planning decisions proposed in the 2022 IRP. Given Georgia Power's request to retire Plant Gaston Units 1-4 and A and Plant Scherer Unit 3 on December 31, 2028, the Company has excluded the WB capacity associated with these units from its offer to the retail jurisdiction. For purposes of the Wholesale Action Plan, the Company requests that the Commission deem the Company's obligations as it pertains to Plant Gaston Units 1-4 and A and Plant Scherer Unit 3 satisfied, thereby releasing the Company from any further requirement to offer wholesale capacity from these units to the retail jurisdiction prior to any remarketing of that capacity. If the Commission approves a retirement date later than December 31, 2028, for either Plant Gaston Units 1-4 and A or Plant Scherer Unit 3, the Company reserves the right to offer the WB capacity associated with such units to the retail jurisdiction at a later date. Please consider this document and its attachments as the Company's offer of certain WB capacity to the retail jurisdiction from the Blocks 2-4 Converted Units Resource and Blocks 5&6. This offer is being made in compliance with the Wholesale Action Plan approved by the Commission.

### **The Offer**

This offer includes approximately 88 MW of WB capacity from various generating units. The existing wholesale contract for the Blocks 2-4 Converted Units Resource is scheduled to terminate on December 31, 2025, but it provides the counterparty with an early termination option as soon as December 31, 2023. Based on feedback from the counterparty, this offer assumes the early termination option is struck. The existing wholesale contract for Blocks 5&6 is scheduled to

terminate on December 31, 2024. With the exclusion of Plant Gaston Units 1-4 and A and Plant Scherer Unit 3 due to the proposed retirement of such units, Appendix A provides a list of the remaining capacity constituting the Blocks 2-4 Converted Units Resource and Blocks 5&6. The capacity identified within each wholesale block in Appendix A must be either accepted in-whole or rejected in-whole in response to this offer. The Company's offer provides for the entirety of the accepted wholesale capacity to be brought into retail cost of service.

The approved Wholesale Action Plan recognizes that the Company's offer to the retail jurisdiction would provide terms comparable to what the Company could obtain in the then-current wholesale market. In this offer, the market value of the WB capacity is based on the market value of capacity in the Company's 2022-2028 Capacity RFP plus the projected energy value provided by each WB capacity resource. The intent is that the WB capacity offer will be a "price taker" based on the final results of the 2022-2028 Capacity RFP. The Company has consulted with the Independent Evaluator and the Commission Staff regarding this wholesale block offer to further ensure that this WB capacity offer required by the Wholesale Action Plan approved by the Commission does not adversely affect the 2022-2028 Capacity RFP process. Additionally, the Company does not intend this WB offer to displace any bids that would otherwise be selected through the RFP.

To ensure the WB capacity would be in retail at market value, market differential adjustments ("MDAs") are applied to the book values of the WB capacity. The MDAs serve to impact base rates by adjusting retail revenues. Appendix A describes how each MDA is applied to the WB capacity.

### **Evaluation Period**

The Wholesale Action Plan approved by the Commission provides that the Commission will have 120 days from the date the proposal is submitted to the Commission to accept the Company's offer. Due to the inclusion of this offer in the 2022 IRP, the Company believes that it is appropriate for the Commission to consider and ultimately decide upon this offer and certification of the 88 MW of WB capacity at the time that the final decision is issued on the 2022 IRP. In that regard, the Company is making a request for certification of the 88 MW of WB capacity from the two wholesale blocks in Appendix A contemporaneous with this offer. The Company requests that Acceptance and Certification, or rejection, of this offer be determined in the final decision issued in this case. If the Commission does not accept the Company's offer, the Company will remarket this capacity in the wholesale market. If the Commission approves a retirement date later than

December 31, 2028, for either Plant Gaston Units 1-4 and A or Plant Scherer Unit 3, the Company reserves the right to offer the WB capacity associated with such units to the retail jurisdiction at a later date.

**Protecting Proprietary Information**

The Wholesale Action Plan recognizes that the evaluation of the offer being performed by the Commission must be conducted in a manner that would not adversely affect the Company's ability to continue to sell such resources into the wholesale market. To ensure that the process of remarketing this capacity is protected, the Company expects that this proposal will be treated with a high level of confidentiality. All supporting information provided to the Commission will be provided under trade secret protection pursuant to Commission Rule 515-3-1-.11. To the extent applicable, protections afforded information under the standards of conduct established in Commission Rule 515-3-4-.04(3) shall also apply.

**Conclusion**

In conclusion, the Company has developed this offer consistent with the requirements of the Wholesale Action Plan approved by the Commission. This offer is intended to provide the Commission the opportunity to consider these resources within the greater context of the Company's proposed unit retirements and other significant planning decisions in the 2022 IRP. Finally, this offer should not be interpreted as limiting the Company's ability to explore other alternatives for offering WB capacity to the retail jurisdiction in the future.

**GEORGIA POWER WHOLESALE BLOCK OFFER SHEET****Wholesale block capacity from Blocks 2-4 Converted Units Resource:****I. Description of Capacity:**

Resource	Capacity (MW)	Date Placed in Retail Rate Base <sup>1</sup>
Yates 6	32.646	January 1, 2024
Yates 7	32.713	January 1, 2024
Total	65.359	January 1, 2024

**II. Term:**

Remaining lives of the assets. The MDA will be based on the assumption that the assets are unavailable after December 31, 2034.

**III. Capacity Pricing:**

The wholesale block capacity associated with Plant Yates Units 6&7 will be placed in retail rate base at then-current book value.

1. Value of Asset: rate base will include plant-in-service, accumulated depreciation, accumulated deferred income taxes, fuel inventories and other customary rate base items. These balances would also be included in the calculations of interest synchronization with any associated impacts on working capital.

Attachment 1 includes the projected non-fuel revenue requirements of Plant Yates Units 6&7, which include revenue requirements on rate base plus non-fuel O&M and other expenses. Attachment 2 is an example of the various components and calculation of rate base for Plant Yates Units 6&7. The offer made in this filing will result in inclusion in retail rate base of only the portion of the wholesale capacity assets described herein.

2. The MDA represents the difference between the levelized market value and the levelized projected revenue requirement of the net assets over their

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<sup>1</sup> Assumes EnergyUnited terminates the Converted Units Service Term by December 31, 2023. If EnergyUnited does not exercise such early termination option, Date Placed in Retail Rate Base will be January 1, 2026.

projected remaining operating lives. The MDA serves to impact base rates by adjusting retail revenues.

The MDA will be applied to the revenue requirement over the lives of the assets for the 65.359 MW of Plant Yates Units 6&7 to provide terms comparable to the current wholesale market associated with this capacity. The MDA for this capacity will be applied as follows:

- The MDA for the 65.359 MW of Plant Yates Units 6&7 capacity will be calculated by subtracting the levelized revenue requirement of this wholesale portion of Plant Yates Units 6&7 from the sum of (1) the Net Evaluated Cost of the last winning bid in Georgia Power's 2022-2028 Capacity RFP and (2) the projected energy savings associated with this wholesale portion of Plant Yates Units 6&7, levelized over the projected remaining operating lives of Plant Yates Units 6&7. The current estimate of the MDA is REDACTED REDACTED REDACTED based on the proposed winning portfolio for Georgia Power's 2022-2028 Capacity RFP and the assumed remaining lives of Plant Yates Units 6&7. The MDA will serve to REDACTED what is collected for the remaining operating lives of the assets.

#### IV. **Energy Cost:**

Similar to other assets in retail rate base, all prudently incurred actual fuel costs associated with the resources will be recovered through the fuel cost recovery clause.

The projected 2022 heat rate for Plant Yates Units 6&7 is 10,134 Btu/kWh. This heat rate is based on the operation of Plant Yates Units 6&7 on natural gas.

#### V. **Description of General Terms and Conditions:**

This offer provides for these assets to be placed in retail rate base and treated in the same manner as all other generation assets in retail rate base. As such, if a generating unit included in this offer is retired, the Company has no obligation to replace any portion of the retired capacity and energy at the terms and conditions of this offer. There are no additional warranties for performance, and the recovery of all fuel and non-fuel costs will be consistent with the recovery of cost on all other retail rate base generation assets.

**GEORGIA POWER WHOLESALE BLOCK OFFER SHEET****Wholesale block capacity from Blocks 5&6:****I. Description of Capacity:**

Resource	Capacity (MW)	Date Placed in Retail Rate Base
McManus 3A	1.433	January 1, 2025
McManus 3B	1.433	January 1, 2025
McManus 3C	1.433	January 1, 2025
McManus 4A	1.466	January 1, 2025
McManus 4B	1.466	January 1, 2025
McManus 4C	1.466	January 1, 2025
McManus 4D	1.466	January 1, 2025
McManus 4E	1.466	January 1, 2025
McManus 4F	1.466	January 1, 2025
Wilson 1A	1.337	January 1, 2025
Wilson 1B	1.826	January 1, 2025
Wilson 1C	1.598	January 1, 2025
Wilson 1D	1.337	January 1, 2025
Wilson 1E	1.761	January 1, 2025
Wilson 1F	1.761	January 1, 2025
Total	22.715	January 1, 2025

**II. Term:**

Remaining lives of the assets. Given the different assumed remaining lives of the various assets within Blocks 5&6 in the 2022 IRP, the MDA will be based on the simplifying assumption that the assets are unavailable after December 31, 2029.

**III. Capacity Pricing:**

The assets will be placed in retail rate base at then-current book value.

1. Value of Asset: rate base will include plant-in-service, accumulated depreciation, accumulated deferred income taxes, fuel inventories and other customary rate base items. These balances would also be included in the calculations of interest synchronization with any associated impacts on working capital.

Attachment 3 is an example of the various components and calculation of rate base for Blocks 5&6. The offer made in this filing will result in the inclusion in retail rate base of only the portion of the wholesale capacity assets described herein. Attachment 4 includes the projected non-fuel revenue requirements of the resources, which include revenue requirements on rate base plus non-fuel O&M and other expenses.

2. The MDA represents the difference between the levelized market value and the levelized projected revenue requirement of the net assets over their projected remaining operating lives. The MDA serves to impact base rates by adjusting retail revenues.

The MDA will be applied to the revenue requirement over the lives of the assets for the 22.715 MW of Blocks 5&6 capacity to provide terms comparable to the current wholesale market associated with this capacity. The MDA for this capacity will be applied as follows:

- The MDA for the 22.715 MW of Blocks 5&6 capacity will be calculated by subtracting the levelized revenue requirement of the wholesale portion of the resources comprising Blocks 5&6 from the sum of (1) the Net Evaluated Cost of the last winning bid in Georgia Power's 2022-2028 Capacity RFP and (2) the projected energy savings associated with the wholesale portion of the resources comprising Blocks 5&6, levelized over the projected remaining operating life of Blocks 5&6. The current estimate of the MDA is **REDACTED** based on the proposed winning portfolio for Georgia Power's 2022-2028 Capacity RFP and the assumed remaining lives of the assets that comprise Blocks 5&6. The MDA will serve to **REDACTED** what is collected for the remaining operating lives of the assets.

#### IV. Energy Cost:

Similar to other assets in retail rate base, all prudently incurred actual fuel costs associated with the resources will be recovered through the fuel cost recovery clause.

The projected 2022 average heat rate for Blocks 5&6 is 13,676 Btu/kWh. The Blocks 5&6 heat rate is based on the operation of this capacity on fuel oil.

**V. Description of General Terms and Conditions:**

This offer provides for these assets to be placed in retail rate base and treated in the same manner as all other generation assets in retail rate base. As such, if a generating unit included in this offer is retired, the Company has no obligation to replace any portion of the retired capacity and energy at the terms and conditions of this offer. There are no additional warranties for performance, and the recovery of all fuel and non-fuel costs will be consistent with the recovery of cost on all other retail rate base generation assets.

**Blocks 2-4 Converted Units Resource  
Plant Yates Units 6&7  
Annual Projected Non-Fuel Revenue Requirements**

*Dollars in Thousands*

<b>Year</b>	<b>O&amp;M</b>	<b>Project Capital</b>	<b>Total</b>
2022	\$ -	\$ -	\$ -
2023	\$ -	\$ -	\$ -
2024	REDACTED	REDACTED	REDACTED
2025	REDACTED	REDACTED	REDACTED
2026	REDACTED	REDACTED	REDACTED
2027	REDACTED	REDACTED	REDACTED
2028	REDACTED	REDACTED	REDACTED
2029	REDACTED	REDACTED	REDACTED
2030	REDACTED	REDACTED	REDACTED
2031	REDACTED	REDACTED	REDACTED
2032	REDACTED	REDACTED	REDACTED
2033	REDACTED	REDACTED	REDACTED
2034	REDACTED	REDACTED	REDACTED
Total	REDACTED	REDACTED	REDACTED

**Notes:**

- These projections are based on allocations and trended data from Georgia Power's budget process.
- Capital revenue requirements reflect annual depreciation, carrying cost, income taxes, and property taxes.
- O&M revenue requirements reflect the balance of revenue requirements and contain traditional O&M costs such as fixed O&M, and A&G allocations.
- The non-fuel revenue requirements shown above do not include variable dispatch costs (including variable environmental O&M costs) as those are included in the market value calculation for this portion of Plant Yates Units 6&7. Those costs will be included in retail non-fuel revenue requirements if the offer is accepted.

GEORGIA POWER  
 WHOLESALE BLOCK SPECIFIC ASSIGNMENTS (Yates 6&7 EU 65 MW)  
 THIRTEEN MONTHS ENDED OCTOBER 31, 2021  
 (AMOUNTS IN THOUSANDS)

<u>RATE BASE ITEMS</u>	<u>Amount</u>
Electric Plant in Service:	
Production - Land	REDACTED
Production - Other	REDACTED
Total Production	REDACTED
Transmission: Generator Step-up Substations	REDACTED
Total Transmission	REDACTED
General Plant: Land	REDACTED
All Other	REDACTED
Total General	REDACTED
Intangible Plant	REDACTED
Gross Plant in Service	REDACTED
Accumulated Provision for Depreciation	
Intangible Plant	REDACTED
Production	REDACTED
Transmission Generator Step-up Substations	REDACTED
General Plant	REDACTED
Total Accumulated Provision for Depreciation	REDACTED
Working Capital	
Fuel Inventory	REDACTED
Emission Allowance Inventory	REDACTED
Materials & Supplies	REDACTED
Total Fuel and Materials & Supplies Inventory	REDACTED
Accumulated Deferred Income Taxes	
Prepaid (Account 190)	REDACTED
Other Property (Account 282)	REDACTED
Other (Account 283)	REDACTED
Total Accumulated Deferred Income Taxes	REDACTED
Prepayments	REDACTED
Minimum Bank Balances	REDACTED
Operating Reserves	REDACTED
 Wholesale Block Net Rate Base (Yates 6&7 EU 65 MW)	 REDACTED

**Blocks 5&6****Annual Projected Non-Fuel Revenue Requirements***Dollars in Thousands*

<b>Year</b>	<b>O&amp;M</b>	<b>Project Capital</b>	<b>Total</b>
2022	\$ -	\$ -	\$ -
2023	\$ -	\$ -	\$ -
2024	\$ -	\$ -	\$ -
2025	<b>REDACTED</b>	<b>REDACTED</b>	<b>REDACTED</b>
2026	<b>REDACTED</b>	<b>REDACTED</b>	<b>REDACTED</b>
2027	<b>REDACTED</b>	<b>REDACTED</b>	<b>REDACTED</b>
2028	<b>REDACTED</b>	<b>REDACTED</b>	<b>REDACTED</b>
2029	<b>REDACTED</b>	<b>REDACTED</b>	<b>REDACTED</b>
<b>Total</b>	<b>REDACTED</b>	<b>REDACTED</b>	<b>REDACTED</b>

**Notes:**

- These projections are based on allocations and trended data from Georgia Power's budget process.
- Capital revenue requirements reflect annual depreciation, carrying cost, income taxes, and property taxes.
- O&M revenue requirements reflect the balance of revenue requirements and contain traditional O&M costs such as fixed O&M, and A&G allocations.
- The non-fuel revenue requirements shown above do not include variable dispatch costs (including variable environmental O&M costs) as those are included in the market value calculation for Blocks 5&6. Those costs will be included in retail non-fuel revenue requirements if the offer is accepted.

GEORGIA POWER  
 WHOLESALE BLOCK SPECIFIC ASSIGNMENTS (Blocks 5&6 Flint 23 MW)  
 THIRTEEN MONTHS ENDED OCTOBER 31, 2021  
 (AMOUNTS IN THOUSANDS)

<u>RATE BASE ITEMS</u>	<u>Amount</u>
Electric Plant in Service:	
Production - Land	REDACTED
Production - Other	REDACTED
Total Production	REDACTED
Transmission: Generator Step-up Substations	REDACTED
Total Transmission	REDACTED
General Plant: Land	REDACTED
All Other	REDACTED
Total General	REDACTED
Intangible Plant	REDACTED
Gross Plant in Service	REDACTED
Accumulated Provision for Depreciation	
Intangible Plant	REDACTED
Production	REDACTED
Transmission Generator Step-up Substations	REDACTED
General Plant	REDACTED
Total Accumulated Provision for Depreciation	REDACTED
Working Capital	
Fuel Inventory	REDACTED
Emission Allowance Inventory	REDACTED
Materials & Supplies	REDACTED
Total Fuel and Materials & Supplies Inventory	REDACTED
Accumulated Deferred Income Taxes	
Prepaid (Account 190)	REDACTED
Other Property (Account 282)	REDACTED
Other (Account 283)	REDACTED
Total Accumulated Deferred Income Taxes	REDACTED
Prepayments	REDACTED
Minimum Bank Balances	REDACTED
Operating Reserves	REDACTED
Wholesale Block Net Rate Base (Blocks 5&6 Flint 23 MW)	REDACTED