BEFORE THE

GEORGIA PUBLIC SERVICE COMMISSION

IN RE:	**GEORGIA POWER COMPANY'S 2023 INTEGRATED RESOURCE PLAN UPDATE, CERTIFICATION OF THE POWER PURCHASE AGREEMENT BETWEEN GEORGIA POWER COMPANY AND MISSISSIPPI POWER COMPANY, CERTIFICATION OF THE POWER PURCHASE AGREEMENT BETWEEN GEORGIA POWER COMPANY AND SANTA ROSA ENERGY CENTER LLC, AND AMENDED CERTIFICATION OF THE RESIDENTIAL THERMOSTAT DEMAND RESPONSE DEMAND SIDE MANAGEMENT PROGRAM**	**)**	**DOCKET NO. 55378**

DIRECT TESTIMONY

AND EXHIBITS

OF

CHRISTOPHER C. WALTERS

ON BEHALF OF THE
THE UNITED STATES DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL EXECUTIVE AGENCIES

FEBRUARY 15, 2024

BEFORE THE

GEORGIA PUBLIC SERVICE COMMISSION

IN RE:	**GEORGIA POWER COMPANY'S 2023 INTEGRATED RESOURCE PLAN UPDATE, CERTIFICATION OF THE POWER PURCHASE AGREEMENT BETWEEN GEORGIA POWER COMPANY AND MISSISSIPPI POWER COMPANY, CERTIFICATION OF THE POWER PURCHASE AGREEMENT BETWEEN GEORGIA POWER COMPANY AND SANTA ROSA ENERGY CENTER LLC, AND AMENDED CERTIFICATION OF THE RESIDENTIAL THERMOSTAT DEMAND RESPONSE DEMAND SIDE MANAGEMENT PROGRAM**	**)**	**DOCKET NO. 55378**

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DIRECT TESTIMONY OF
CHRISTOPHER C. WALTERS

I. QUALIFICATIONS AND SUMMARY

A. Qualifications

Q. Please state your name and business address.

A. My name is Christopher C. Walters. My business address is Brubaker & Associates, Inc., 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q. What is your occupation and by whom are you employed?

A. I am a consultant in the field of public utility regulation and a Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q. Please describe your education and professional experience.

A. My education and professional experience are detailed in my Exhibit___(CCW-1).

Q. On whose behalf are you testifying?

A. I am offering testimony on behalf of the Department of Defense ("DOD") and all other Federal Executive Agencies ("FEA").

B. Summary

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide comments on Georgia Power Company's ("GP" or "the Company") 2023 Integrated Resource Plan Update ("IRP Update") filing, discuss the objectives of the voluntary agreement entered into by the Federal Government and GP's parent, Southern Company, known as a Memorandum of Understanding ("MOU") and discuss broader clean energy goals. I observe certain deficiencies I believe to be present in the IRP Update filing and offer recommendations to potentially alleviate some of those concerns and mitigate certain risks.

C. Summary of the IRP Update and Initial Thoughts

Q. Please summarize your understanding of the circumstances that caused GP to file this IRP Update.

A. Updated demand projections relative to the Company's 2022 IRP indicate that GP will have a capacity deficiency to serve its customers by the winter of 2025/2026. The Company states that capacity deficiency may impair GP's ability to provide reliable firm service to its customers. As explained in the Direct testimony of the Company witnesses Mr. Grubb, Mr. Valle, Mr. Evans, and Mr. Bush (collectively the "Panel"), based on data and information at the time of GP's 2022 IRP, the Company was projecting less than 400 megawatts ("MW") of growth from the winter of 2023/2024 to the winter of 2030/2031.[1] At the time of the filing of the IRP Update, GP now expects load growth of approximately 6,600 MW through the same time period. This revised load growth has accelerated when GP is projecting a capacity deficiency to 2025/2026 from 2030/2031.

GP also opines that there is limited time to procure or construct the capacity resources that are needed to meet its capacity deficiency by the winter of 2025/2026. As such, GP maintains that it must acquire additional capacity resources, largely outside typical competitive solicitation processes, to meet the projected growing capacity and energy demands in order to support the tremendous economic growth opportunities expected in the Southeast in general, and Georgia specifically.

Q. Will you please briefly describe what is driving this change in the company's projected customers' demand and economic development to the Southeast in general, and in particular, Georgia?

A. At the hearing, the Panel testified that the overwhelming majority of the large economic development growth (approximately 80% of the total gigawatt hours) is going to come from data center load. In addition to data centers, the Panel also testified that the state is seeing an influx of manufacturing growth for the manufacture of electric vehicles, battery, and clean energy technology.

[1] Direct testimony of the Panel at page 8.

Q. How does this projected growth compare to historical growth in GP's load?

A. The Panel testifies that the Company was selected to serve approximately 100 MW of large load economic development projects on average per year prior to 2021. Through August 2023, GP was selected to serve more than 1,700 MW of large load economic development projects.

Q. In its IRP Update, what resources has GP proposed to meet the projected capacity needs as a result of the forecasted growth in the state of Georgia?

A. The Company has proposed the following resources to meet its projected capacity needs:

1. Execute a Power Purchase Agreement ("PPA") with Mississippi Power Company ("Mississippi Power") to procure power from generating assets that are owned, maintained, and operated by Mississippi Power.
2. Execute a PPA with Santa Rosa Energy Center LLC for capacity and energy from a natural gas-fired Combined Cycle ("CC") generating asset located in Pace, Florida.
3. Pursue potential acquisition of an additional ownership interest in an existing generating asset within the Southern Company footprint.
4. Expand the Company's implementation of Battery Energy Storage Systems ("BESS") by leveraging transmission interconnection resources at existing solar facilities, such as Company-owned facilities at military bases.
5. Invest in a new BESS co-located with a new solar facility at a site with existing transmission interconnection facilities.
6. Build simple-cycle Combustion Turbines ("CTs") to leverage the reliable and economical nature of this technology to meet peak capacity needs.
7. Add and expand Distributed Energy Resource ("DER") and Demand Response ("DR") programs to quickly meet and offset growing capacity needs.
8. Establish a framework within which the Company can procure additional capacity ("Flex Capacity") ahead of the 2025 IRP filing in the event there are additional capacity needs resulting from an update to the 2023 IRP Update load forecast.

Q. Do you have any initial thoughts on the Company's IRP Update filing and the resources it has requested to meet the forecasted capacity requirements?

A. The Company and the State of Georgia have a tremendous amount of economic development projects in the pipeline over the next several years. However, as I discuss later in this testimony, certain of GP's largest existing customers have internal required clean energy and emissions-reduction targets. It appears that some of the prospective new loads driving this interim IRP are subject to internal sustainability goals as well. These customers will need GP's assistance and support to engage with them and plan to help achieve their stated objectives. To that end, while the Company has proposed some expansion of its carbon pollution-free energy ("CFE") resources, it is unlikely to be enough to meaningfully help those customers achieve their goals given the significant amount of proposed capacity through the development of CTs, the PPAs with Mississippi Power and Santa Rosa Energy Center. Failing to meaningfully account for the needs of new and existing customers to help them achieve their clean energy goals may negatively impact the attractiveness of continued economic development in GP's service territory.

D. <u>Clean Energy Goals</u>

Q. Is GP required to achieve mandatory Renewable Portfolio Standards ("RPS") or other clean energy benchmarks set out by Georgia?

A. I am not aware of any State-mandated clean energy goals or benchmarks that are required of GP to achieve at this time.

However, I am aware of GP's parent, Southern Company, announcing in 2018 its own goals of a lower carbon energy future in its *Planning for a lower carbon future report.* In the 2018 report, Southern Company set an initial goal of achieving 50% reduction in GHG emissions by 2030 relative to 2007 levels. Southern Company updated and revised its goals in its *Implementation and action toward net zero report* issued in September 2020 where it announced that they would be updating their long-term GHG emissions reduction goal of net zero emissions by 2050, and would possibly achieve its 50% reduction target five years early in 2025.

As far as agreements or commitments with its large customers, the Company has implemented its Clean And Renewable Energy Subscription ("CARES") program which allows commercial and industrial ("C&I") customers to support their sustainability initiatives. As far as specific commitments, I am aware of the MOU it entered into with the Federal Government just a few months ago. I am not aware of additional specific customer commitments the Company has made. GP witness Grubb stated, during cross-examination on GP's Direct Testimony, that the Company regularly communicates with its customers to remain informed of their needs and objectives, however, so ostensibly the Company is familiar with individual customer sustainability goals.

Q. Please briefly describe what the CARES program is.

A. On behalf of participating C&I customers, GP will procure new renewable resources for subscription through the CARES Program. Participating customers are able to purchase a subscription for a pro-rata share of the production of renewable resources procured through the Company's utility-scale renewable Request for Proposal ("RFP") process. GP will retire the RECs on behalf of participating customers, allowing customers to receive the environmental benefits associated with their pro-rata share of the energy produced by the program resources.

Q. Are you aware of any of GP's customers having expressed clean energy goals?

A. Yes. The Federal Government entered into an MOU with GP for assistance to achieve its clean energy goals. Some of the largest companies in the world have set out clean energy objectives. For example, the Clean Energy Buyers Association ("CEBA") is an intervening party to this case, representing over 400 companies. Many of these companies are existing or are potential new customers in GP service territory. For example, as was discussed with the Panel on cross-examination by Walmart's counsel, Walmart has announced clean energy goals and is engaged in discussions with GP about its CFE needs and goals.[2] In addition, it is my understanding that a number of local

[2] Docket No. 55378, January 17, 2024, Transcript at 0650-0653.

governments in GP's service territory also have sustainability goals upon which they would lean on GP to help them achieve.[3]

Q. Please describe what the MOU is, what its objectives are, and the time horizon for which it is effective.

A. The MOU is a non-binding agreement entered into between the Federal Government and Southern Company, covering the Southern Company electric utility footprint in Alabama, Georgia, and Mississippi. It was effectuated on October 13, 2023. I have attached the executed MOU as Exhibit___(CCW-2).

The purpose of the MOU is to collaboratively and promptly create a plan for CFE. This plan, intended to be in effect by 2030, aims to ensure that 100% of electricity for Federal Government customers of Southern Company's electric utility subsidiaries is derived from CFE resources. These resources can be owned or contracted for by Southern Company subsidiaries, with at least 50% meeting the Federal Government's CFE objectives. The MOU was executed to meet Executive Order 14057 ("EO") and its corresponding Implementing Instructions issued in August 2022. The Federal Government has set a target to attain 100% CFE on a net annual basis by 2030, with half of it being hourly-matched on a 24/7 basis.

Importantly, the Implementing Instructions create a pathway for the Federal Government's pro rata share of CFE in a utility's existing grid mix to count toward the Federal Government's requirements; in other words, the level of CFE serving all customers on the broader grid is an important part of the equation, in addition to new CFE resources. Prior to this, Southern Company had already announced that it aims to achieve net-zero emissions by 2050 and reduce greenhouse gas emissions on its system by 50% by 2030, relative to 2007 levels. The MOU plan has four major areas of emphasis:

[3] For example, the City of Atlanta's *Clean Energy Atlanta* resolution that calls for City of Atlanta operations to achieve 100 percent clean energy by 2025 and communitywide 100 percent clean energy by 2035. https://www.100atl.com/cleanenergyatlanta

1. Developing a roadmap for the Federal Government's electricity needs served by the Southern Operating Companies to meet the targets set out in the CFE requirements of EO.
2. Designing a CFE tariff for identifying an applicable regulatory pathway that would provide the appropriate pricing and other terms needed to achieve the requirements of EO.
3. Subject to the Southern Operating Companies' respective resource planning and operation obligations, the construction and/or acquisition of the renewable and CFE resources needed to generate additional electricity and associated Renewable Energy Credits ("REC") which, in conjunction with Southern Operating Companies' existing and future nuclear, hydroelectric or other CFE resources would result in Federal Government operations using electricity that is 100% attributable to CFE resources by 2030.
4. In support of the requirements of the EO, the certification and reporting of the RECs and Scope 2 emissions accounting[4] to satisfy the requirements of the Federal Government, including hourly time matching of load and generation, as well as the certification of output of legacy CFE assets which are properly attributable to Federal Government customers.

Q. Does GP engaging its large customers on helping achieve their clean energy goals support the economic development of GP's service territory and the Southeast generally?

A. Yes. As a vertically integrated electric utility, GP plays an integral role in helping C&I customers achieve clean energy goals. Utilities are the experts in managing energy infrastructure, and are a valuable resource to large customers. While new large loads coming to the state have an opportunity to select suppliers, it is clear that GP has positioned itself as a preferred supplier for a substantial amount of new prospective load

[4] Scope 2 emissions are indirect Greenhouse Gas ("GHG") emissions associated with the purchase of electricity, steam, heat, or cooling. Although scope 2 emissions physically occur at the facility where they are generated, they are accounted for in an organization's GHG inventory because they are a result of the organization's energy use. https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance.

coming to Georgia. Notably, the Company has at least verbally committed to engaging its other large customers to achieve their clean energy goals. For example, at the hearing the Panel testified that it would "absolutely" and "always" work with its customers in the C&I sectors to help them meet their sustainability and renewable energy goals.[5]

Q. Are you aware of any examples of electric utilities engaging and partnering with its C&I customers to achieve clean energy goals and support economic development?

A. Yes. In 2023, Entergy Arkansas, LLC ("EAL") received approval to offer its Go Zero Emissions Resource Options ("Go ZERO") tariff which allows customers to acquire clean energy attributes associated with the output of EAL's existing emissions free resources, as well as additional renewable energy resources as they come online. It is my understanding that the Go ZERO tariff was developed in conjunction with an MOU entered into with the Federal Government and EAL. EAL's President and CEO, Laura Landreaux, has acknowledged the economic development potential of the Go ZERO tariff, stating that "In addition to price and reliability, companies are looking for clean energy sources, which EAL can offer to prospective customers seeking to locate in Arkansas. We believe Go ZERO helps set Arkansas apart as the place to do business."[6]

Another Example would be the Large Customer Renewable*Connect ("Large Customer R*C") program proposed by Southwestern Public Service Company of New Mexico ("SPS") that is currently pending approval before the New Mexico Public Regulation Commission ("NMPRC"). SPS developed and proposed the Large Customer R*C program in response to requests from its large C&I customers for a voluntary renewable energy purchase program that will facilitate their ability to meet their own renewable energy and sustainability goals. The R*C program will allow these customers the opportunity to purchase additional amounts of renewable energy that are in excess of

[5] Docket No. 55378, January 17, 2024, Transcript at 0602.
[6] https://www.entergynewsroom.com/news/entergy-arkansas-gets-green-light-for-commercial-customers-go-zero/

what is currently required under New Mexico's Renewable Energy Act and the applicable RPS requirements established in a Commission-approved tariff.[7]

In July 2022, Public Service Company of New Mexico ("PNM") and Meta announced commercial operation of the New Route 66 Solar Facility that was developed to help power the Meta Los Lunas Data Center. The plan for the New Route 66 facility was approved in 2018 by the NMPRC, and developed by NextEra Energy Resources. PNM's Chair and CEO, Pat Vincent-Collawn, stated that "We proudly support our customers in realizing their sustainable energy goals, whether it is our neighbors installing solar on their rooftops or businesses seeking renewable energy options" and that "The Route 66 solar facility aligns with our values at PNM. This project increases renewable energy, creates local jobs and brings investment into New Mexico."[8]

Finally, I am also aware of Evergy working with its large C&I customers at both its Missouri and Kansas utilities on developing tariff rate options to help achieve clean energy goals.

Q. Is the Federal Government hoping to engage and partner with GP to achieve its clean energy goals?

A. Yes, a major plan objective of the MOU is for GP - as a part of the broader Southern Company - to assist the Federal Government in achieving its goals to decarbonize its energy load. The Federal Government is one of the largest, if not the largest, existing customers served by GP, primarily through its major military installations.

[7] https://www.xcelenergy.com/staticfiles/xe-responsive/Company/Rates%20&%20Regulations/Regulatory%20Filings/2023%20Notice%20to%20SPS%20Customers%202300271.pdf

[8] PNM News, PNM and Meta Celebrate the New Route 66 Solar Facility, https://m.pnm.com/documents/28767612/29865400/PNM+and+Meta+Celebrate+the+New+Route+66+Solar+Facility.pdf/c5213b75-34fc-413f-3cb8-e043d3c97ec9?t=1659541518641

Q. Has GP previously partnered with the Federal Government?

A. Yes. As part of this IRP Update, GP is proposing to add 178 MW of 4-hour duration lithium-ion BESS to existing Company-owned solar facilities at Robins and Moody Air Force Bases and 200 MW of BESS plus 200 MW of solar at a new site. It is my understanding that the Federal Government supports these projects as well as the general approach to add storage to existing solar locations.

E. Deficiencies in the existing IRP Update filing

Q. Please highlight some concerns you have with the IRP Update filing.

A. Given the anticipated growth spurred by rapid economic development, the immediate necessity to secure additional capacity resources within a constrained timeframe may induce rushed analyses, decisions, and potential oversights in resource selection. The urgency to match the accelerated pace of growth may limit the availability of time for comprehensive assessments and thorough consideration of all relevant factors. In such circumstances, critical details might be overlooked, risks underestimated, and the Commission may find itself compelled to make decisions without the advantage of a comprehensive analysis vetted by all stakeholders. This heightened sense of urgency poses a risk to the decision-making process.

In addition, I have certain other concerns. They can be summarized as follows:

1. The Company's resource option/selection process should not be constrained based on a strict application of the 70/30 ownership rule, particularly in a time of exponential growth in the region.
2. While the current IRP Update does include certain expansions of CFE resources, it inadequately addresses customer-specific goals and needs.
3. The Company insists that there will be downward pressure on rates as a result of the projected sales growth. However, GP stops short of guaranteeing rates are going to realize that downward pressure.
4. Load forecast needs to be thoroughly vetted, including projected load growth for serving new at-risk large customers.

Q. Will you please briefly address some of your concerns with the 70% ownership requirement GP references?

A. Yes. GP makes reference to a precedent that was last litigated and decided by this Commission in 2001, requiring that an electric utility own a minimum of 70% of its capacity. The restriction requiring an electric utility to own and operate a minimum of 70% of its generation capacity, limiting alternative sources like PPAs to 30% or less, can be a concern for several reasons:

1. Cost Efficiency: Depending too heavily on owned generation capacity may limit GP's ability to benefit from potentially more cost-effective alternatives available through PPAs. It might result in higher costs for ratepayers if the utility is unable to secure the most economically favorable resources.
2. Technological Advances: Energy landscapes and technologies evolve over time. Relying heavily on owned generation facilities might hinder the utility's ability to swiftly adopt and integrate emerging, more efficient, and environmentally friendly technologies that could lead to cost savings.
3. Market Dynamics: Restricting the use of PPAs may limit the utility's flexibility to navigate market dynamics. Entering into agreements with external providers could offer better terms and pricing, contributing to more stable or even reduced rates for ratepayers.
4. Risk Mitigation: Owning and operating all generation capacity exposes the utility and, consequently, ratepayers to the risks associated with maintaining and upgrading these facilities. Sharing these responsibilities with external providers through PPAs may distribute risks and ensure more efficient risk management.
5. Renewable Energy Integration: Limiting alternative sources might impede the utility's ability to meet renewable energy goals or environmental commitments. PPAs for renewable energy sources, for example, could help the utility transition to a more sustainable energy mix.

The restriction on alternative capacity sources could potentially lead to missed opportunities for cost savings, hinder the adoption of new technologies, limit flexibility in

responding to market changes, increase risk exposure, and impede progress towards sustainability goals, all of which could impact ratepayers by potentially leading to higher costs and a less resilient energy infrastructure.

Q. Will you please briefly address your concern that the IRP Update inadequately addresses customer-specific goals and needs?

A. Yes. As I have explained earlier in this testimony, by way of the MOU, the Company has committed to helping the Federal government achieve its CFE goals for load that is served by GP. The Company's pursuit of additional capacity resources proposed in this interim IRP is significantly weighted in favor of non-CFE resources, which are counter to Southern Company's footprint-wide goals in general, and the objectives to which GP's parent company agreed in the MOU.

Q. The Company filed its IRP Update in October 2023. The MOU was effectuated in October 2023. Could GP have realistically accounted for the objectives of the MOU in its filing?

A. It is not clear, but subsequent updates should reflect the resources that GP needs to provide this support. The Company had most likely been preparing its IRP update for months prior to the effective date of the MOU; however, my understanding is that the MOU was also under consideration for a significant duration of time before it was effectuated. As such it is imperative that the Commission be made aware of the MOU's existence and the objectives that GP agreed to with the Federal Government. It is also important that the Company's commitment is reiterated and reaffirmed in this docket. That said, the precise mix and quantity of resources needed to fulfill the objectives under the MOU are still under consideration.

Q. Should the Commission and other stakeholders be concerned about the potential for increased costs on other rate classes should the MOU objectives be achieved?

A. Yes. I recommend that the Commission should always concern itself with cost-based rates, and fair rate setting treatment to all customers. With that in mind, the MOU clearly states that all costs of CFE programs developed under the MOU, including the net cost of

CFE generation and delivery, and the incremental cost of program administration shall be borne by the program participants, with no material cost increases without corresponding benefits to non-participating customers. In other words, the costs of any program eventually resulting from the MOU work should be carefully considered to ensure that other customers do not bear inequitable costs. This same rate setting principle can be applied to other customers that receive assistance from GP to achieve clean energy goals, and indeed the Commission has already considered these features. For example, in the aforementioned CARES program, it is my understanding that customers selecting to participate in the tariff pay renewable integration charges to avoid adverse cost impacts to other customers.

Q. Will you please briefly describe your concerns with the lack of commitment from GP to ensure rates are going to realize downward pressure?

A. Yes. A major focal point of the Panel's direct testimony, as well as testimony at the hearing on its direct case was their belief that the revenues from the new load will more than offset the costs to serve it. The Panel's direct testimony states as follows:

> All else being equal, we expect that the projected revenues associated with incremental load from these new customer projects will offset the costs of the resources requested in this filing and put downward pressure on our overall retail rates as we continue to provide clean, safe, reliable, and affordable power for all of Georgia Power's customers in the coming years.[9]

In response to questions from Commissioner Pridemore concerning what happens if there is upward pressure on rates by building for demand that doesn't come, the Panel admits that it "would not be beneficial for customers," but suggested that "the risk to the customers is that we don't move forward with this plan and we don't support new load

[9] Panel Direct Testimony, page 10.

growth and we don't put downward pressure on rates. These loads give us an opportunity to help all customers."[10]

At the hearing, the Company explained that it has attempted to mitigate some of the risk of rates potentially increasing through measures such as the Ratepayer Impact Measure Test ("RIM Test") and direct investments from the new customers.[11] However, the Company stopped short of committing to a guarantee that rates would see downward pressure.

Q. Will you please briefly describe your concerns with the lack of commitment from GP to ensure rates are going to realize downward pressure?

A. Yes. At the hearing the Panel testified that two of the economic development loads pursued by GP are what are considered to be "high risk" cryptocurrency projects. Stakeholders should be concerned that certain projected new customers with large loads at risk of either never materializing or abandoning operations prematurely, especially higher-risk load (i.e., cryptocurrency load) could have an undue impact on existing customer rates in the event of some unexpected consequences causing the operations to cease prematurely. Higher-risk operations such as cryptocurrency mining can introduce volatility and uncertainty into the utility's revenue stream. If the cryptocurrency market crashes or if the mining operation fails, GP may face significant financial losses, potentially impacting its ability to provide reliable service to other customers. If the utility's financial stability is compromised due to investments in high-risk ventures, it may result in increased costs for ratepayers. Ratepayers could end up bearing the burden of any financial losses incurred by the utility through higher electricity rates.

[10] Docket No. 55378, January 17, 2024, Transcript at 0485-0486.
[11] Docket No. 55378, January 17, 2024, Transcript at 0465.

F. Recommendations and Suggested Risk Mitigation Solutions to be Considered

Q. Do you have any recommendations for the Commission to consider in order to mitigate the potential consequences of new economic development projects being pursued by GP?

A. This proceeding was filed with a sense of urgency given the extraordinary economic growth that is expected in the southeast and Georgia, leading to a projected capacity shortfall much sooner than previously expected. In general, a lack of time leads to rushed analyses and decisions which can ultimately have unwanted and expensive consequences. To that end, it is imperative that the Commission consider building in protections for existing customers so they are not left paying if new customers and new loads do not come to fruition or do not sustain. In other words, the economic development loads being pursued by the Company needs to be thoroughly vetted and risk mitigation efforts should not be overlooked. Some potential solutions that should be studied and considered to help mitigate risk to existing customers from GP's pursuit of new economic development load (particularly for new higher-risk load) include but are not limited to the following:

1. Capital requirements and direct investments from the new large customers. It is my understanding that, according to Mr. Evans' testimony at the hearing, the Company has already employed this measure.[12]
2. Length of service contracts. Such contracts should be required by the Commission so that GP and its existing customers have some protection from the new higher-risk customers. Length-of-service contracts can include performance guarantees and penalties for non-compliance, ensuring that higher-risk customers adhere to agreed-upon terms and conditions. This provides additional assurances to the utility and existing customers that the higher-risk customers will operate responsibly and contribute positively to the overall reliability and stability of the utility's services. Similar commitments are currently part of the CARES program.
3. Annual reporting requirements tracking the performance of the newer loads with lookback tests. This will potentially allow the Company and the Commission to stay

[12] *Id.*

abreast of higher-risk load situations and be prepared should the load be in jeopardy to ensure they are not leading to increased costs for existing customers. The lookback tests will potentially get a better understanding of how accurate the Company's RIM test was.

The Company, Commission, and interested stakeholders should assess the possibility and reasonableness of such possible solutions.

Q. Do you have any suggestions to be considered in order to address the possible concerns outlined above as it relates to the 70% ownership requirement?

A. Yes. Given the significant advancements in energy and energy storage technology since that requirement was last considered in 2001, I recommend all relevant stakeholders revisit that requirement and study whether it would produce meaningful benefits to customers without jeopardizing rate affordability and service reliability.

Q. Do you have any suggestions to be considered in order to address customer-specific goals and objectives, particularly as it relates to CFE?

A. Yes. As described above, the Federal government and some of the largest businesses in the world, many of which are existing customers of GP, have stated CFE goals and objectives. In order to help achieve the CFE objectives and needs of its current and new large customers, the Company should study the possibility of relaxing the existing limits of the CARES program, and assess the demand for CARES and/or other CFE offerings. The Company should study the potential of expanding the amount of renewable resources MWs procured through the ongoing RFP process, as well as possibly making the program continuously available for letters of interest and keep a resource solicitation open on an ongoing basis so the program can grow alongside customer demand. So long as resources are available in the market, the demand for CFE exists, and costs are not being shifted to other customers, large customers should not be prohibited from achieving progress towards their sustainability goals by artificial limits on programs or procurement targets.

The Company should work with its existing and potential C&I customers in a multilateral stakeholder process to get a better understanding of the CFE needs and objectives for those customers, and review the Company's future planned system capacity and projected energy mix. The Company should study the possibility of ways to formalize a framework with those C&I customers to achieve their clean energy objectives. Together, GP and its C&I customers could study the possibility of on-site solar and BESS solutions, additional REC programs, as well as possibly working with third-party CFE developers to accelerate the ability to meet demand for those resources.

I recommend interested stakeholders study whether future IRPs should include an assessment of GP adding resources that will allow it to work with existing customers to achieve stated customer CFE goals. The Company should support C&I customers' use of on-site solar and BESS solutions, and study the potential benefit to GP in meeting its system-wide resource adequacy needs.

Q. Does expanding the availability of CFE resources offer other potential benefits besides helping customers achieve stated CFE objectives and goals?

A. Yes. Expanding the availability of CFE resources can potentially be its own driver of economic development. The Company acknowledges as much on its CARES program flyer where it lists "Fuel economic growth" through "supporting financial viability of renewable energy leads to job creation" under the "Key Benefits" section. This is reiterated through the MOU stating "[a]chieving these sustainability goals benefits the environment and enables the continued expansion of economic renewable and CFE generation, which creates and provides jobs while increasing the tax base for local and state economies."

G. <u>Concluding Remarks</u>

Q. Please provide your concluding remarks.

A. The Southeast in general, and Georgia specifically, has been presented a tremendous opportunity to see unprecedented economic growth over the next several years from various industries. While there is great opportunity for continued economic growth, there

is an equally great opportunity to get it wrong burdening ratepayers with hundreds of millions in costs.

Further, while the Company's efforts to offer and expand CFE resources is significant, there is more to be done on that front as there is a tremendous demand for those resources. Some of GP's largest customers, including the Federal government and the multitude of customers in the CEBA, have clean energy goals and objectives. While the Company has testified it will engage those customers in helping achieve those goals, it is imperative that the Company follow through on its commitment to do so while also maintaining safe and reliable electric service. Engaging large customers in the public and private sectors to help achieve sustainability goals can be its own source of economic development and should be pursued. In fact, by entering into the MOU, the Company and Federal Government agree that "[a]chieving these sustainability goals benefits the environment and enables the continued expansion of economic renewable and CFE generation, which creates and provides jobs while increasing the tax base for local and state economies."

Q. Does this conclude your testimony?

A. Yes.

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ON BEHALF OF THE
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FEBRUARY 15, 2024

Qualifications of Christopher C. Walters

Q. Please state your name and business address.

A. Christopher C. Walters. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q. Please state your occupation.

A. I am a consultant in the field of public utility regulation and a Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q. Please summarize your educational background and work experience.

A. I received a Bachelor of Science Degree in Business Economics and Finance from Southern Illinois University Edwardsville. I have also received a Master of Business Administration Degree from Lindenwood University.

As a Principal at BAI, I perform detailed technical analyses and research to support regulatory projects including expert testimony covering various regulatory issues. Since my career at BAI began in 2011, I have held the positions of Analyst, Associate Consultant, Consultant, Senior Consultant, and Associate. Throughout my tenure, I have been involved with several regulated projects for electric, natural gas and water and wastewater utilities, as well as competitive procurement of electric power and gas supply. My regulatory project work includes estimating the cost of equity capital, capital structure evaluations, assessing financial integrity, merger and acquisition related issues, risk management related issues, depreciation rate studies, and other revenue requirement issues.

BAI was formed in April 1995. BAI and its predecessor firm have participated in more than 700 regulatory proceedings in 40 states and Canada.

BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy services

through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, some utilities and, on occasion, state regulatory agencies. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation. In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

Q. Have you ever testified before a regulatory body?

A. Yes. I have sponsored testimony before state regulatory commissions including: Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, South Carolina, Texas, Utah, and Wyoming. In addition, I have also sponsored testimony before the City Council of New Orleans and an affidavit before the FERC.

Q. Please describe any professional registrations or organizations to which you belong.

A. I earned the Chartered Financial Analyst ("CFA") designation from the CFA Institute. The CFA charter was awarded after successfully completing three examinations which covered the subject areas of financial accounting and reporting analysis, corporate finance, economics, fixed income and equity valuation, derivatives, alternative investments, risk management, and professional and ethical conduct. I am a member of the CFA Institute and the CFA Society of St. Louis.

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MEMORANDUM OF UNDERSTANDING
BETWEEN
THE UNITED STATES GENERAL SERVICES ADMINISTRATION
AND
SOUTHERN COMPANY SERVICES, Inc.

This non-binding Memorandum of Understanding ("MOU") is made and entered into by and between the United States of America, acting by and through the Administrator of General Services ("GSA"), and Southern Company Services, Inc. ("SCS") (collectively the "Parties"). SCS is the authorized agent for The Southern Company ("Southern Company").

Parties: GSA is an agency in the executive branch of the United States Government that provides centralized procurement for the Federal Government, offering billions of dollars' worth of products, services, and facilities that federal agencies need to serve the public. Southern Company currently serves over 9 million electric and gas customers and is committed to sustainability as reflected in its goal of achieving net-zero greenhouse gas emissions company-wide by 2050 with an interim target of 50% reduction in emissions by 2030.

Effective Date and Term: This MOU will become effective upon execution by both Parties. The date of execution by the last Party to sign will be deemed to be the effective date of this MOU. This MOU will terminate two years from the effective date.

Authority: Pursuant to 40 U.S.C. 501(c), GSA is authorized to represent certain executive agencies in negotiations with public utilities. SCS is authorized to enter into this non-binding MOU on behalf of the Southern Company.

Purpose: The Parties will work collaboratively and expeditiously towards developing a non-binding carbon pollution-free electricity ("CFE") plan (the "Plan"). The Parties will seek for the Plan to be implemented by 2030 and result in electricity that is 100% attributable to CFE resources for Federal Government electricity customers of the electric utility subsidiaries of Southern Company ("Southern Operating Companies"). Resources can be either owned or contracted for by the Southern Operating Companies with at least 50% meeting the Federal Government's hourly matching objectives for 24/7 CFE. Further, by pursuing their respective sustainability goals, the Parties strive to provide benefits to the States of Alabama, Georgia, and Mississippi.

Background: In accordance with Executive Order 14057[1] and its associated Implementing Instructions,[2] the Federal Government established a goal to achieve 100% CFE on a net annual basis by 2030, including 50 percent 24/7 CFE. Southern Company's goal is net-zero emissions by 2050 and a 50% reduction in greenhouse gas emissions by 2030, as compared to 2007 levels.

Roles and Responsibilities: The Federal Government, as represented by GSA, strives to meet its sustainability goals while maintaining or improving affordability, reliability, and resilience of the electric power system. Achieving these sustainability goals benefits the environment and enables the continued expansion of economic renewable and CFE generation, which creates and provides jobs while increasing the tax base for local and state economies.

Southern Company (through the Southern Operating Companies) strives to provide and maintain excellent customer service, high reliability, and affordable electric prices. Southern Company has been building for the future of energy and developing a diverse portfolio of energy resources, including renewable and sustainable resources.

The Plan in General: In developing the Plan, the Federal Government, as represented by GSA, and SCS recognize the critical importance of the Southern Operating Companies' existing and future nuclear and other carbon pollution-free generation. The Parties will work together to ensure that these sources of CFE will be considered when reaching the annual and hourly matching CFE targets of Executive Order 14057. The Parties further recognize that the Plan should provide benefits to the Federal Government and to the Southern Operating Companies' other customers that Southern Operating Companies have an obligation to serve consistent with the regulation and oversight of their respective Public Service Commissions.

The Parties anticipate that under programs developed subject to the Plan, (1) SCS may match existing CFE to the Federal Government's load to ensure that the total share of CFE for all other SCS customers, namely non-participating customers, is not reduced on a load ratio basis by such programs; and (2) all costs of such programs, including the net cost of CFE generation and delivery, and the incremental cost of program administration shall be borne by the program participants, with no material cost increases without corresponding benefits to non-participating customers.

Four Major Emphasis Areas of the Plan: The Parties envision that the Plan would comprise four major emphasis areas to address the Federal Government's electricity needs served by the Southern Operating Companies:

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[1] Executive Order 14057, Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability (December 8, 2021), available at Executive Order on Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability - The White House.

[2] Implementing Instructions for Executive Order 14057 Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability, The White House Council on Environmental Quality (August 2022), available at E.O. 14057 Implementing Instructions (sustainability.gov).

1. Developing a roadmap for the Federal Government's electricity needs served by the Southern Operating Companies to meet the targets set out in the CFE requirements of Executive Order 14057.

2. Designing a CFE tariff or identifying an applicable regulatory pathway that would provide the appropriate pricing and other terms needed to achieve the requirements of Executive Order 14057.

3. Subject to the Southern Operating Companies' respective resource planning and operation obligations, the construction and/or acquisition of the renewable and CFE resources needed to generate additional electricity and associated Renewable Energy Credits (RECs), which, in conjunction with Southern Operating Companies' existing and future nuclear, hydroelectric or other CFE resources would result in Federal Government operations using electricity that is 100% attributable to CFE resources by 2030.

4. In support of the requirements of Executive Order 14057, the certification and reporting of the RECs and Scope 2 emissions accounting to satisfy the requirements of the Federal Government, including hourly time matching of load and generation, as well as the certification of output of legacy CFE assets which are properly attributable to Federal Government customers.

Additional Plan Elements: In addition to the four major emphasis areas, the Plan may include one or more of the following:

1. Subscribing to a Southern Operating Companies CFE time matching tariff.

2. Assessing the prospect of the Southern Operating Companies constructing, owning, and operating a CFE generation and/or energy storage system at Federal Government facilities.

3. SCS developing additional tariffs for renewable energy, dispatchable CFE generation and battery storage, and flexible demand response to achieve full 24/7 CFE.

4. As appropriate, evaluating energy efficiency measures for Federal Government facilities to make implementation of the Plan more effective and economical.

Schedule: The Federal Government, as represented by GSA, and SCS will endeavor to complete the work necessary to develop the Plan, including a proposed implementation schedule, by May 31, 2024.

Communications: SCS and the Federal Government, as represented by GSA, also believe it is appropriate to communicate periodically with respective appropriate customers, investors,

regulators, and other stakeholders regarding the MOU and its contents in order to consider feedback from such stakeholders.

Terms and Conditions:

a. This MOU is effective on the date signed by the Parties. The date signed by the last Party is the effective date of this MOU. This MOU remains in effect for a term of two years from the effective date unless terminated pursuant to Section c. below.

b. This MOU may be amended by the mutual written agreement of both Parties through issuance of a written supplemental agreement that is signed and dated by both Parties.

c. This MOU may be terminated 60 days after either Party provides written notice of such termination to the other Party.

d. This MOU is to be construed in a manner consistent with applicable laws and regulations and GSA policies and procedures. This MOU neither expands or detracts from those powers and authorities vested in the Parties by applicable laws, statutes, or regulations. All actions undertaken pursuant to this MOU are subject to, and will be carried out in compliance with, all applicable laws, regulations, and other legal requirements.

e. Any definitive agreement with a Southern Operating Company and/or tariff of a Southern Operating Company necessary to effectuate the Plan will be subject to applicable state laws, regulations, and approvals.

f. This MOU is for internal management purposes for each of the Parties. It is not legally enforceable and shall not be construed to create any legal obligations on the part of either Party. This MOU shall not be construed to provide a private right or cause of action for or by any person or entity.

g. This MOU in no way restricts either Party from participating in any activity with other public or private agencies, organizations, or individuals.

h. This MOU is neither a fiscal nor a funds obligation document. Nothing in this MOU authorizes or is intended to obligate the Parties to expend, exchange, or reimburse funds, services, or supplies, or transfer or receive anything of value.

i. All activities of GSA under or pursuant to this MOU are subject to the availability of appropriated funds and no provision herein shall be interpreted to require obligation or payment of funds in violation of the Anti-Deficiency Act, 31 U.S.C. § 1341.

j. To the extent that a Party incurs costs as a result of actions taken pursuant to this MOU, such Party shall bear sole responsibility for such costs.

IN WITNESS WHEREOF, the Parties have executed this MOU on the dates hereinafter identified.

UNITED STATES OF AMERICA, acting by and through the Administrator of General Services

By: Robin Carnahan

Robin Carnahan
Administrator
U.S. General Services Administration

Date 9/28/2023

SOUTHERN COMPANY SERVICES, INC.

By: Christopher C. Womack

Christopher C. Womack
President and Chief Executive Officer
Southern Company

10/13/23
Date