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ALABAMA PUBLIC SERVICE COMMISSION

MONTGOMERY, ALABAMA

AP.S.C. DOCKET NO 32953
Ala. State Ind. Assn 's EX. No. 01
WITNESS Kelley Gross

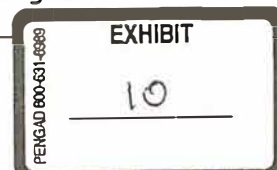
IN RE:

ALABAMA POWER COMPANY DOCKET NO. 32382

PETITION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION OR ACQUISITION OF RENEWABLE ENERGY AND ENVIRONMENTALLY SPECIALIZED GENERATING RESOURCES AND THE ACQUISITION OF RIGHTS AND THE ASSUMPTION OF PAYMENT OBLIGATIONS UNDER POWER PURCHASE ARRANGEMENTS PERTAINING TO RENEWABLE ENERGY AND ENVIRONMENTALLY SPECIALIZED GENERATING RESOURCES, TOGETHER WITH ALL TRANSMISSION FACILITIES, FUEL SUPPLY AND TRANSPORTATION ARRANGEMENTS, APPLIANCES, APPURTENANCES, EQUIPMENT, ACQUISITIONS AND COMMITMENTS NECESSARY FOR OR INCIDENT THERETO

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TESTIMONY AND PROCEEDINGS before the Honorable Scott Morris, Administrative Law Judge, at the Carl L. Evans Chief Administrative Law Judge Hearing Complex, RSA Union Building, 100 North Union Street, Montgomery, Alabama, on Wednesday, August 12, 2015, commencing at approximately 9:05 a.m.; and reported by Kim Pruitt, Registered Professional Reporter and Commissioner for the State of Alabama at Large.



1 APPEARANCES

2 COMMISSION MEMBERS:

3 Ms. Twinkle Andrews Cavanaugh, President
4 Mr. Jeremy H. Oden
5 Mr. Chris "Chip" Beeker

6 FOR ALABAMA POWER COMPANY:

7 Mr. Dan H. McCrary
8 Mr. Scott D. Grover
9 BALCH & BINGHAM, LLP
10 1710 Sixth Avenue North
11 Birmingham, Alabama 35203

12 FOR ALABAMA INDUSTRIAL ENERGY CONSUMERS:

13 Mr. James H. McLemore
14 CAPELL & HOWARD, PC
15 150 South Perry Street
16 Montgomery, Alabama 36104

17 FOR THE PUBLIC SERVICE COMMISSION:

18 Mr. John D. Free
19 Mr. Luther D. Bentley
20 ALABAMA PUBLIC SERVICE COMMISSION
21 100 North Union Street
22 RSA Union Building
23 Montgomery, Alabama 36104

FOR THE ALABAMA ATTORNEY GENERAL:

Ms. Olivia Martin
Assistant Attorney General
OFFICE OF THE ALABAMA ATTORNEY GENERAL
401 Washington Avenue
Montgomery, Alabama 36130

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22
23

1 APPEARANCES continued:

2 FOR THE SOUTHERN ENVIRONMENTAL LAW CENTER:

3 Mr. Keith Johnston
4 Ms. Christina Andreen
5 2829 2nd Avenue South, Suite 282
6 Birmingham, Alabama 35233

7 FOR JOBKEEPER ALLIANCE:

8 Mr. Patrick Cagle
9 JOBKEEPER ALLIANCE
10 441 High Street, Suite 108
11 Montgomery, Alabama 36104

12 FOR THE SOUTHERN ALLIANCE FOR CLEAN ENERGY:

13 Ms. Amelia Shenstone
14 SOUTHERN ALLIANCE FOR CLEAN ENERGY
15 Post Office Box 1842
16 Knoxville, Tennessee 37901

17 FOR GULF STATES RENEWABLE
18 ENERGY INDUSTRIES ASSOCIATION:

19 Mr. Jeff Canton
20 GULF STATES RENEWABLE ENERGY
21 INDUSTRIES ASSOCIATION
22 643 Magazine Street, Suite 102
23 New Orleans, Louisiana 70130

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1 ALJ MORRIS: On the record.
2 Today's date is Wednesday, August 12, 2015,
3 and we're here for a public hearing on Docket
4 32382. The petition is Alabama Power
5 Company. The petition is for a certificate
6 of convenience and necessity for the
7 acquisition of renewable energy and
8 environmentally specialized generating
9 resources and the acquisition of rights and
10 assumption of payment obligations under power
11 purchase agreement arrangements pertaining to
12 renewable energy and environmentally
13 specialized generating resources, together
14 with all transmission facilities, fuel supply
15 and transportation arrangements, appliances,
16 appurtenances, equipment, acquisitions, and
17 commitments necessary for or incident
18 thereto. And before we get into any of the
19 preliminaries, we are going to turn it over
20 briefly to Commissioner Chip Beeker for a
21 word of thanks and a word of prayer.

22 (Invocation.)

23 ALJ MORRIS: I am Judge Scott

1 Morris. I'm joined here on the bench by
2 Commission President Twinkle Andress
3 Cavanaugh, Commissioner Chris "Chip" Beeker,
4 and Commissioner Jeremy H. Oden.

5 Getting back to the matter at
6 hand, this application was filed on or about
7 June 25, 2015, and notice of today's hearing
8 was served on July 14, 2015. Also in that
9 notice it established a deadline for
10 intervention. Petitions to intervene were
11 received on behalf of the Alabama Industrial
12 Energy Consumers, the Attorney General of
13 Alabama, the JobKeepers Alliance, Alabama
14 Environmental Council, Alabama Property
15 Rights Council, L.L.C., the Southern Alliance
16 for Clean Energy, and Gulf States Renewable
17 Energy Industries Association.

18 On or about August 3, 2015,
19 Alabama Power Company filed an objection to
20 the intervention of the Alabama Property
21 Rights Council, the Southern Alliance for
22 Clean Energy, and the Gulf States Renewable
23 Energy Industries Association. Pursuant to

1 procedural ruling, on August 4, 2015, the
2 parties were notified of these objections and
3 given an opportunity to respond. Also in
4 that ruling the petitions for intervention of
5 the Alabama Industrial Energy Consumers, the
6 Attorney General, and JobKeepers Alliance
7 were granted.

8 Responses were received from the
9 Southern Alliance for Clean Energy and Gulf
10 States Renewable Energy Industries
11 Association. Subsequent to that Alabama
12 Power on August 7, 2015, filed withdrawing
13 their objection to the intervention of the
14 Southern Alliance for Clean Energy and the
15 Gulf States Renewable Energy Industries
16 Association. Also on August 7, 2015, the
17 Commission issued a subsequent procedural
18 ruling granting the petitions of the Southern
19 Alliance for Clean Energy and the Gulf States
20 Renewable Energy Industries Association. And
21 the petition for the Alabama Property Rights
22 Council was -- for intervention was denied.

23 Furthermore, in the August 4th

1 procedural ruling the parties were instructed
2 to file a notice soliciting any potential --
3 or any witnesses that they planned to call
4 and a brief summary of the testimony that
5 they intended to give. A notice was filed by
6 Alabama Power Company listing their witness.
7 Also we note for the record that the Gulf
8 States Renewable Energy Industries
9 Association filed electronically a notice of
10 a witness, but they failed to complete the
11 process. The Commission rules require a
12 follow-up of a hard copy within twenty-four
13 hours, and they did not do that. I believe
14 Mr. Canton, who was the witness, is here, is
15 present. It is my understanding, at least
16 according to the electronic filing, they did
17 file a certificate of service. And I did
18 want to make sure that everyone did actually
19 receive a notice of that witness.

20 Mr. McCrary, did the company receive a --

21 MR. McCRARY: Yes, sir, we did.

22 ALJ MORRIS: You did? The other
23 intervenors -- Ms. Martin?

1 MS. MARTIN: Yes.

2 MR. McLEMORE: Yes.

3 ALJ MORRIS: Everyone?

4 Okay. So since this is of a
5 technical nature, I'm inclined to allow the
6 testimony unless there is some objection.

7 But, Mr. Canton, this is the
8 second time this has happened. In your
9 original petition I think you were late and
10 you had some issues. If you're going to
11 participate in this hearing, we need you to
12 follow the rules. And I just want to put you
13 on notice that any further deviation from our
14 rules is not going to be tolerated. We're
15 going to allow you to appear today and to
16 offer your testimony, but we are putting you
17 on notice that if you're going to be here and
18 participate in the process, then you need to
19 follow the rules that everyone has taken the
20 time and the care to follow.

21 MR. CANTON: Okay.

22 ALJ MORRIS: All right. With
23 that, let's begin by taking appearances.

1 First on behalf of the power company.

2 MR. McCRARY: Yes, sir. Your
3 Honor, thank you, and commissioners. My name
4 is Dan McCrary of the law firm Balch &
5 Bingham. I'm representing Alabama Power
6 Company. With me here today is my partner,
7 Scott Grover. Our contact information is
8 already reflected in the pleadings, but we've
9 also provided it to the court reporter for
10 the record.

11 ALJ MORRIS: Thank you,
12 Mr. McCrary.

13 For the staff.

14 MR. FREE: Yes, sir, Your Honor.
15 My name is John Free, director of the
16 Commission's electricity policy division.
17 And with your permission, I'm here today to
18 ask clarifying questions of the witness
19 concerning her testimony and the company's
20 filing.

21 ALJ MORRIS: Okay. Thank you,
22 Mr. Free.

23 MR. BENTLEY: Luke Bentley,

1 commission staff.

2 ALJ MORRIS: Thank you,
3 Mr. Bentley.

4 And for Alabama Industrial
5 Energy Consumers.

6 MR. McLEMORE: Yes, sir. I'm
7 Jimmy McLemore, a local lawyer here with
8 Capell & Howard. I represent the Alabama
9 Industrial Energy Consumers. We've
10 intervened in the proceeding and participate
11 as we see appropriate.

12 ALJ MORRIS: Thank you,
13 Mr. McLemore.

14 And for the Attorney General.

15 MS. MARTIN: I'm Olivia Martin.
16 I'm here on behalf of the Attorney General.

17 ALJ MORRIS: Thank you,
18 Ms. Martin.

19 Let's move down our line for --
20 I'm doing this really on order of
21 intervention. Next will be JobKeepers
22 Alliance, and I believe that's Mr. Cagle.

23 MR. CAGLE: My name is Patrick

1 Cagle, executive director of JobKeeper
2 Alliance.

3 ALJ MORRIS: Thank you,
4 Mr. Cagle.

5 Alabama Environmental Council.

6 MR. JOHNSTON: My name is Keith
7 Johnston. I'm managing attorney of the
8 Southern Environmental Law Center in the
9 Birmingham office. And here with me is my
10 colleague Christina Andreen from the Southern
11 Environmental Law Center. And we are
12 representing the Alabama Environmental
13 Council.

14 ALJ MORRIS: Thank you,
15 Mr. Johnston.

16 Next is Southern Alliance for
17 Clean Energy.

18 MS. SHENSTONE: Your Honor, I'm
19 Amelia Shenstone. I'm the campaigns director
20 with the Southern Alliance for Clean Energy.

21 ALJ MORRIS: Thank you,
22 Ms. Shenstone.

23 And for Gulf States Renewable

1 Energy Industries Association.

2 MR. CANTON: My name is Jeff
3 Canton, president of Gulf States Renewable
4 Energy.

5 ALJ MORRIS: Thank you,
6 Mr. Canton.

7 With that, I believe we are
8 about ready to begin. Are there any
9 preliminary matters that we need to address
10 before we start? Do you have anything,
11 Mr. McCrary?

12 MR. McCRARY: Yes, sir, Your
13 Honor, just one preliminary matter. I assume
14 that for purposes of this hearing we'll be
15 following the customary rules regarding
16 friendly cross-examination, prohibiting
17 friendly cross-examination?

18 ALJ MORRIS: Yes.

19 MR. McCRARY: That's all we
20 have, Your Honor.

21 ALJ MORRIS: Okay. With that,
22 Mr. McCrary, I believe you have a witness.

23 MR. McCRARY: Yes, sir, we do.

1 I would call Ms. Noel Cain to the stand.

2 ALJ MORRIS: Ms. Cain, if you
3 would have a seat up here, but before you do
4 that I need to swear you in.

5 Mr. McCrary, are you ready to
6 proceed?

7 MR. McCRARY: Yes, sir. Thank
8 you.

9 NOEL CAIN,
10 having been first duly sworn, was examined
11 and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. McCRARY:

14 Q. Would you state your name and
15 business address for the record, please?

16 A. Yes. My name is Noel Cain. I
17 work at 600 18th Street North in Birmingham,
18 Alabama.

19 Q. And by whom are you employed
20 Ms. Cain?

21 A. Alabama Power Company.

22 Q. What's your position with
23 Alabama Power?

1 A. I'm the regulatory policy
2 manager.

3 Q. Could you please briefly
4 overview your primary responsibilities as
5 regulatory policy manager?

6 A. Yes. Alabama Power, as a
7 regulated utility, has oversight and
8 regulation from numerous federal and state
9 agencies. My role as regulatory policy
10 manager serves as one of a few main points of
11 interface between the company and the
12 Commission staff, primarily focused on items
13 of state and national policy as they affect
14 our industry and our company.

15 Q. How long have you served in this
16 role?

17 A. Since June of 2014.

18 Q. Would you briefly review your
19 educational and professional background prior
20 to that time?

21 A. Sure. I have a degree in
22 electrical engineering from the University of
23 Alabama at Birmingham. And I began with the

1 company in 2001 in Southern Company services.
2 I've had various positions of increasing
3 responsibility across, namely, the operations
4 organization, including wholesale analysis,
5 market structuring, engineering and
6 construction services, mostly across that
7 operations organization.

8 Q. Ms. Cain, are you familiar with
9 the petition filed by Alabama Power in this
10 proceeding on June 25, 2015?

11 A. I am.

12 Q. And are the representations in
13 that petition true and correct to the best of
14 your knowledge, information, and belief?

15 A. Yes, they are.

16 Q. Would you generally describe
17 what the company is requesting from this
18 commission through its petition?

19 A. Sure. The petition is
20 requesting authorization for the construction
21 or the acquisition through either a PPA or a
22 purchase of an asset of renewable or
23 environmentally specialized generation

1 resources in order to meet customer interest
2 in renewable energy.

3 Q. And I see the petition also
4 includes a reference to various things,
5 support facilities and so forth, and
6 appurtenances. Could you explain what that
7 term generally refers to?

8 A. Appurtenances would be sort of
9 everything else associated with the delivery
10 of that electricity. So outside of just the
11 generator itself you have procurement of land
12 and right-of-ways and transmission
13 facilities. The actual delivery of that
14 electricity requires more than just the
15 generator itself.

16 Q. Would the interconnection
17 facilities associated with a project fall
18 within that category?

19 A. Yes, they would.

20 Q. How does Alabama Power propose
21 to handle the construction, ownership, and
22 maintenance related to interconnection
23 facilities for these projects?

1 A. Under Alabama law Alabama Power
2 Company has the right to own any transmission
3 facilities that interconnect to our system.
4 So on a self-build asset, obviously, we would
5 own that interconnection. On anything that
6 was a third-party ownership, a PPA, Alabama
7 Power has the right to own that
8 interconnection facility but may also waive
9 that right if it's in the best interest of
10 the customers, subject to commission
11 approval.

12 Q. So would Alabama Power choose to
13 elect or would Alabama Power want to elect
14 whichever alternative in that situation was
15 most beneficial to customers?

16 A. That's correct.

17 Q. Are there any conditions
18 associated with the company's requested
19 authority in its petition?

20 A. Yes. Obviously, we're talking
21 about renewable or environmentally
22 specialized generation. So that's item one.
23 I failed to mention that the company is

1 seeking authorization for smaller scale
2 renewable projects. So there's a limitation
3 on the size of each individual project and
4 can only be up to 80 megawatts.

5 Other restrictions are a limit
6 on the total amount that we're requesting an
7 authorization for. That would be up to 500
8 megawatts.

9 And then each and every project
10 under this certificate authority would be
11 required to demonstrate projected positive
12 economic value for customers in terms of
13 electricity price.

14 Q. And, again, would the authority
15 requested here be limited just to self-build
16 projects for the company?

17 A. No, there wouldn't be a
18 limitation on self-build. It would be
19 self-build or PPA on a case-by-case basis.

20 Q. And you've mentioned a couple of
21 megawatt limitations, the 80 megawatts per
22 project up to and then the 500 megawatt
23 aggregate total. Is that size measured in AC

1 or DC?

2 A. That would be AC.

3 Q. Are there timing limitations
4 incorporated in the petition in the requested
5 authority from the Commission?

6 A. There are. The -- upon granting
7 of the authority, the company would need to
8 initiate action on the first project within
9 one year of the granted certificate. And
10 then within six years the company would have
11 that amount of time to exercise the full
12 amount. Should 500 megawatts worth of
13 projects not materialize within that six-year
14 window, then any unused portion of the
15 certificate would expire.

16 Q. What about any exercised
17 authority under the petition? What would be
18 the term for those projects?

19 A. Once those projects were
20 approved under the certificate within that
21 six years, they are certificated for the life
22 of the project. So on self-build that would
23 be the life of the asset. For a PPA it would

1 be the term of a contract.

2 Q. All right. Ms. Cain, now that
3 we've kind of taken a general overview of the
4 company's petition, let's spend a little bit
5 of time looking at the circumstances that led
6 to the company's filing. Are you familiar
7 with those?

8 A. Yes, I am.

9 Q. What's the primary factor that
10 prompted Alabama Power to seek the authority
11 requested in this -- in the petition?

12 A. What brings us here today is
13 primarily driven from customer interest,
14 namely military requirements for renewable
15 energy, but we've also seen interest in the
16 private sector as well. Along those lines,
17 in order to meet that interest, the company's
18 identified a need for -- for these smaller
19 scale projects to have a kind of structured
20 efficient process that we can transact
21 quickly to meet these customer requests.

22 Q. Can you identify any secondary
23 benefits that might potentially attach to the

1 authority under the certificate?

2 A. Yes. While not the primary
3 driver, the certificate request is really a
4 function of customer interest in that
5 renewable energy, but there is a secondary
6 benefit that the renewable energy could help
7 with environmental compliance in the future.

8 Q. Now, Ms. Cain, let's go back to
9 the primary driver, the customer interest
10 that you identified a moment ago. Is that
11 interest in the governmental sector, is it in
12 the private sector, or both?

13 A. It's both. Both sectors.

14 Q. As far as Alabama Power is
15 concerned, initially what's the -- has the
16 interest primarily surfaced in the
17 governmental arena or in the private arena?

18 A. Well, primarily we're here about
19 the governmental arena, the military
20 requirements that I mentioned.

21 Q. And what's your understanding of
22 the reasons for the military's interest in
23 renewable projects?

1 A. That requirement that the
2 military has actually dates back to the
3 National Defense Authorization Act of 2007
4 where that law actually required the
5 Department of Defense to set goals and
6 targets for themselves that they would use 25
7 percent of their energy consumption from
8 renewable resources by 2025. After that act
9 there was a series of executive orders that
10 sort of reinforced that, the most recent
11 being in March of this year.

12 And that executive order
13 actually went beyond just the Department of
14 Defense and applies to all federal agencies.
15 It set an interim goal in addition to that
16 2025 time frame of about 10 percent by 2016
17 or 2017 for all federal agencies. So the
18 military is working in response to those
19 mandates from the federal government.

20 That executive order -- it's
21 interesting to note that it actually even
22 references suppliers of those federal
23 agencies, which is another example of

1 reaching into that private sector.

2 Q. Now, Ms. Cain, I would assume
3 that the interest Alabama Power has seen from
4 the military has been with respect to
5 military installations within its service
6 territory; correct?

7 A. That's correct.

8 Q. To your knowledge is there
9 similar interest being exhibited by other
10 military installations across the southeast?

11 A. Yes, definitely. We've seen
12 military installations across Georgia,
13 Florida, Mississippi, the Carolinas where the
14 military bases in those states have worked
15 with utilities to exercise renewable
16 projects.

17 Q. To your knowledge how have those
18 installations worked with their
19 jurisdictional utilities to meet their needs?

20 A. They're a combination of PPAs
21 and self-build. Our understanding is that
22 some of those applications actually require
23 the utility to be the owner and operator of

1 the renewable generation, primarily from a
2 timing requirement in order for the Army to
3 meet their time line. Many of those
4 contracts have been implemented under the
5 General Services Agreement with their
6 jurisdictional utility, and that agreement
7 requires the utility to be the owner and
8 operator.

9 Q. Now, you also mentioned that
10 there was interest in renewables in the
11 private sector, did you not?

12 A. That's correct.

13 Q. Is there publicly-available
14 information that you can point us to that
15 would demonstrate that interest in the
16 private business sector?

17 A. Certainly. There are a number
18 of pieces of evidence that sort of support
19 that. One that comes to mind is that nearly
20 half of the nation's Fortune 500 companies
21 actually have renewable mandates or goals of
22 some kind. One example is just February of
23 this year there was what's called a corporate

1 renewable buyers guide, which was sort of a
2 conglomerate of about
3 twenty-five-trillion-dollar-worth-of-revenue
4 companies across several industries,
5 manufacturing, retail, technology that have
6 basically documented their commitment to
7 renewable energy. Some companies have
8 actually said they want to be 100 percent
9 renewable, like Google and Wal-Mart.

10 Q. Can you give some examples of
11 private companies acting on these goals in
12 other parts of the country?

13 A. Again, there are several
14 examples of that. I'll give you a couple
15 that come to mind. In Iowa MidAmerican
16 Energy has worked with Facebook and Google to
17 build in a partnership over 500 megawatts of
18 wind energy that supplies that wind energy to
19 brand new data centers, that those companies
20 cited renewable energy being a main factor in
21 their choosing to locate those facilities in
22 Iowa.

23 Another example is Apple has a

1 couple of agreements with jurisdictional
2 utilities to serve their data centers. The
3 Salt River project in Arizona had a
4 70-megawatt solar deal with Apple. Sierra
5 Pacific is another utility that worked with
6 Apple to bring renewable energy to their
7 portfolio. And that one was in Nevada.

8 Amazon is another good example.
9 They recently announced an 80-megawatt
10 facility in Virginia. Those are a few
11 examples that come to mind.

12 Q. And what about closer to home?
13 Can you identify any examples in the
14 southeastern region?

15 A. Yeah. Even here in the
16 Southeast we've seen some examples of private
17 sector companies who are demonstrating that
18 they're willing to put their money where
19 their mouth is so to speak. And just north
20 of us in Chattanooga is a good example where
21 the Volkswagen facility has built about a
22 10-megawatt solar installation there at their
23 manufacturing facility.

1 And closer to home even is the
2 Google announcement in North Alabama just a
3 few weeks ago where Google cited the
4 renewable energy option where they're working
5 with TVA, the local provider, to -- as a
6 major factor in deciding to locate their
7 facility in Alabama.

8 Q. How do these private companies
9 such as those you've just been discussing,
10 how do they undertake to achieve their goals?

11 A. Well, many of them prefer to
12 work with their jurisdictional utility. They
13 have a relationship there, a history of that
14 utility providing their reliable electric
15 service, and many have come out and said they
16 have no desire to be in the energy management
17 business. That's what the utility does.
18 That's their expertise. And they would
19 rather focus their resources on their own
20 products. So they certainly prefer to work
21 with the utility companies.

22 Q. You mentioned related to
23 customer interest a need to move quickly and

1 efficiently to respond to this interest. Why
2 is that an important consideration here?

3 A. Well, as I mentioned, most --
4 the reason we're here is in response to
5 customer interest, and we have a need to be
6 able to move quickly and efficiently. If we
7 are certificating individual small-scale
8 projects, there are costs associated with
9 that and resources that are utilized, so it
10 just makes sense -- it's economical to have a
11 process that's less costly and burdensome.

12 It also makes sense for it to be
13 able to offer it quickly in order to respond
14 to those customers. Those customers are not
15 regulated utilities. That's kind of a brand
16 new world for them. They would prefer to be
17 able to make decisions and move forward. So
18 to the extent that there are delays caused
19 from the regulatory process they may choose
20 to locate their expanded operations or new
21 data centers elsewhere where there may be
22 less of a timing constraint.

23 Another reason is from a market

1 conditions standpoint. The renewable
2 industry is an ever-changing market and --
3 for instance, the federal tax credit that
4 is -- currently allows for a 30 percent
5 reduction in costs would drop to a 10 percent
6 credit if any projects can't be in service by
7 the end of 2016. So there's a need there to
8 move quickly to effectively take advantage of
9 certain market conditions.

10 Q. What's the effect of an
11 uncertain time frame as it relates to, for
12 example, vendor offers with respect to a
13 project?

14 A. That's another -- again, an
15 example where moving quickly is beneficial to
16 customers as a whole, as well as the
17 customer-specific application where vendors
18 are hesitant to quote pricing that is sort of
19 evergreen or out -- you know, hanging out
20 there as long as the company may need. And
21 to the extent that that -- an original offer
22 from a vendor expires, they certainly can
23 come back with a higher price. Or if we are

1 to negotiate with a vendor and try to get
2 them to quote a firm price for an extended
3 period of time, they're going to price a
4 certain amount of risk into that bid or quote
5 and, therefore, increasing the ultimate cost
6 in that market environment.

7 Q. Ms. Cain, how would an inability
8 to move quickly in these kinds of
9 circumstances potentially harm retail
10 customers?

11 A. Well, again, there would --
12 there could definitely be some repercussions
13 on the cost basis, but another problematic
14 situation is that if these customers who we
15 are trying to work with on projects were
16 interested in expanding operations in our
17 state or locating some new operations in our
18 state, typically we're competing for that
19 growth in our economy with some other
20 jurisdiction or some other state or even
21 another country. Some operations may be
22 exploring in Canada, for example. So to the
23 extent that there are delays or uncertainty

1 in that process those companies view that as
2 a risk, and all things being equal, they --
3 that could deter them from wanting to locate
4 and work with Alabama Power if there's an
5 easier option elsewhere and all things are
6 equal.

7 Q. Now, lastly, you mentioned that
8 the requested authority could help the
9 company comply with environmental laws and
10 mandates. How would the authority enable the
11 company to accomplish that goal?

12 A. Renewable energy added to our
13 generation would necessarily reduce some
14 other form of generation. So to the extent
15 that any renewable energy is generating in a
16 given hour it may be offsetting some other
17 generation. So that reduction in generation
18 could help to reduce emissions in further
19 environmental regulations.

20 The Clean Power Plan is another
21 great example. Obviously, the company hasn't
22 worked through the details of that plan since
23 it's well over fifteen hundred pages and was

1 just finalized last week. Additionally, the
2 state implementation of that plan is yet to
3 be determined. But it's safe to assume that
4 renewable energy will help in some way with
5 that -- with compliance with that plan.

6 Q. Ms. Cain, let's turn to the
7 specifics of the company's petition. Why
8 does the company seek authorization to both
9 construct facilities as well as enter into
10 PPAs?

11 A. The company needs to have the
12 flexibility to do whichever thing is the best
13 application for our customers. So on
14 specific customer needs where we have been
15 approached by a customer who's interested and
16 places a priority on that renewable
17 generation like some of those military
18 applications, there could be a requirement
19 that the company own and operate it. So
20 self-build would have to be an option there.

21 There could be other instances
22 where due to certain timing or siting
23 restrictions that self-build or PPA may be

1 the only viable option that will meet that
2 customer's needs. And -- but in cases where
3 there aren't limitations there needs to be
4 the flexibility to do whichever option is in
5 the overall best interest of all customers.

6 Q. In either case, Ms. Cain,
7 whether it be self-build or a PPA, would the
8 project be held to the same requirements set
9 forth in the petition?

10 A. Absolutely. Regardless of
11 whether a project is self-build or PPA,
12 ultimately, in order to qualify under the
13 petition, every project has to be
14 demonstrated to provide projected economic
15 value to all customers.

16 Q. Now, the company is proposing an
17 80-megawatt limitation -- an up to
18 80-megawatt limitation on individual
19 projects; correct?

20 A. That's right.

21 Q. What's the basis for that?

22 A. 80 megawatts has long been sort
23 of the standard of small-scale generation.

1 That was sort of solidified by the PURPA
2 rules of 1978. It meets that definition
3 under those requirements for small scale.

4 It also is a reasonable size
5 based on interest that we've seen and
6 projects that have been transacted in other
7 jurisdictions in other parts of the country.

8 Q. A similar question with respect
9 to the 500 megawatt total cap. What was the
10 basis for that?

11 A. Again, it's just a reasonable
12 amount given the customer interest that we've
13 seen thus far. And based on, you know, with
14 our existing customers that have come to us
15 and said they're interested in renewable
16 energy, we've identified potentials of around
17 that amount, that range.

18 And in addition, given the fact
19 that it could attract new customers to the
20 state, we think 500 megawatts is a great
21 starting point at least.

22 Q. Now, is the company obligated to
23 utilize that full authorization, 500

1 megawatts?

2 A. Not at all. It's an up-to
3 amount. So any projects that meet that
4 criteria that was set forth may be brought
5 forward for approval, but to the extent that,
6 as I mentioned earlier, 500 megawatts worth
7 of qualifying projects don't materialize, the
8 company wouldn't transact on something that
9 didn't meet that criteria.

10 Q. And I think you touched on this
11 earlier, but just since we're walking through
12 the specifics, how long would the requested
13 authorization and certificate last?

14 A. That would be six years.

15 Q. And is that with respect to
16 projects under the certificate or just the
17 authorization to transact?

18 A. The authorization would be six
19 years. Any projects that were approved under
20 that authorization and certificated through
21 this process would be certificated through
22 their life.

23 Q. And after six years what would

1 happen to any unexercised authorization?

2 A. That would expire. And in order
3 for the company to do anything further at
4 that point it would require a brand new
5 authorization.

6 Q. Now, Ms. Cain, apart from the
7 size and time limitations, could you discuss
8 the criteria for a project to qualify under
9 the certificate related to positive benefits?

10 A. Yeah. Those positive benefits
11 would be quantifiable calculations based on
12 aggregating the total expected cost of the
13 facility and comparing all of those total
14 costs to the total benefits the company would
15 realize and pass along to customers. So
16 those benefits would be in terms of the
17 avoided costs that the renewable generation
18 entails, as well as any other benefits that
19 are able to be quantified in terms of
20 electricity price savings. So that can be
21 customer contributions based on that specific
22 project. It may be in terms of a fee or a
23 direct payment stream from a customer who's

1 willing to pay an extra price. Or if it's an
2 amount that can be quantified from benefits
3 of retaining load that was maybe at risk of,
4 as I mentioned, locating to some other state
5 or operation or attracting new load and
6 growth to our territory, that would help to
7 put downward pressure on rates. Other
8 benefits could include, as I mentioned,
9 environmental compliance once we see how that
10 shakes out.

11 Q. Now, a moment ago you mentioned
12 avoided costs. Could you provide a little
13 more detail about what you mean by that?

14 A. Yeah. The avoided costs would
15 be all of the costs that are -- that the
16 company would otherwise incur but for the
17 generation that's being analyzed. So to the
18 extent that it displaces energy in the stack
19 every hour that the unit is running would be
20 an hour of reduced energy from some other
21 unit. So the marginal price, the dispatch
22 cost of that unit, would be an avoided energy
23 component.

1 There is avoided capacity costs.
2 However, those are quite small relative to
3 the energy value since Alabama Power has
4 sufficient capacity to meet its reliability
5 needs until 2030.

6 Furthermore, to the extent that
7 any of this renewable energy is intermittent
8 in nature, that would further diminish the
9 avoided capacity cost value.

10 Any other avoided costs that the
11 company could directly identify and attribute
12 to the actual renewable project being
13 evaluated would also be included.

14 Q. Now, you mentioned a moment ago
15 that other quantifiable benefits would
16 include load growth and load retention;
17 correct?

18 A. That's right.

19 Q. How does load growth and load
20 retention benefit all customers?

21 A. Well, let's start with load
22 growth. As I mentioned, if we were able to
23 attract new load to the state, new

1 operations, that load, aside from just being
2 great for the state's economy and creating
3 jobs in the state of Alabama potentially from
4 an electricity price standpoint, the company
5 would calculate the incremental costs of
6 serving that load. And to the extent that
7 the company has already invested in fixed
8 cost assets, transmission, generation,
9 distribution, but may not change or only
10 increase marginally to serve that additional
11 load, then those incremental costs would
12 likely be less than the incremental revenues
13 expected to be received from that customer.
14 Therefore, they would -- that customer would
15 be helping to spread out those fixed costs
16 across a greater amount of electricity sales,
17 which, therefore, puts downward pressure on
18 everybody's rates. So it's a good thing for
19 electricity price in terms of all customers
20 benefiting.

21 The same is true for retaining
22 load. If a certain amount of load is at risk
23 of maybe relocating operations into another

1 state, that -- the removal of that load, that
2 energy would, therefore, no longer be helping
3 to contribute toward recovery of those fixed
4 costs. And that fixed cost would get shifted
5 to other customers, which would be -- you
6 know, it would go the other direction. So
7 retaining that load helps keep downward
8 pressure on rates.

9 Q. How would Alabama Power seek to
10 estimate these growth and retention benefits?

11 A. Well, again, for a -- for an
12 existing customer we have historical
13 information that helps us understand their
14 operation profile and their energy needs and
15 how much that customer is contributing to the
16 cost base for that electricity price
17 calculation.

18 For a new customer we would work
19 with that customer to understand those energy
20 needs based on design parameters of that
21 operation or similar facilities or things of
22 that nature to project that estimated energy
23 need and, therefore, project those

1 incremental costs and revenues that would
2 ultimately result in that downward pressure.

3 Q. What kinds of showings and
4 underlying information would be reflected in
5 the company's analysis of those various
6 factors and considerations?

7 A. Each project, upon submittal for
8 approval, would be given to -- all the
9 analysis and underlying information in that
10 economic analysis would be given to the
11 Public Service Commission staff and the
12 Office of the Attorney General as that
13 representative for the using and consuming
14 public. The company would submit information
15 of that analysis, along with all the
16 supporting details and documentation behind
17 any major assumptions. You know, that would
18 include all of the calculations of total
19 costs and total benefits and all the
20 supporting information that went into
21 quantifying those costs and benefits.

22 Q. Can you discuss a little bit
23 about the nature of the information that

1 would be incorporated in those showings by
2 the company?

3 A. Right. That information, in
4 terms of the costs and the benefits, would
5 necessarily contain highly-sensitive and
6 proprietary information for both our business
7 as the power company, as well as that
8 specific customer we may be working with on
9 that project. So, therefore, it would be
10 very detrimental to either company for that
11 information to be released. On the customer
12 specific application it could give away
13 information about their business plans or
14 their siting projections and things of that
15 nature, that when working with the power
16 company, that customer is expecting that
17 information to be held confidential.

18 Q. Ms. Cain, would either the
19 Commission staff or the Attorney General be
20 required to accept the company's analysis of
21 a project?

22 A. Not at all. The information the
23 company would present to the staff and the

1 AG's office would support the economic
2 analysis that the company has performed, but
3 it would be up to them to review the
4 information and ask any detailed follow-up
5 questions that the company would respond to.
6 And ultimately they would present their
7 review of that information to the Commission
8 with their recommendation of approval.

9 Q. In closing, Ms. Cain, in your
10 opinion is the proposal as set forth in the
11 company's petition an effective and
12 reasonable means of meeting the goals that
13 we've been discussing here today?

14 A. Yes. This petition is a -- is a
15 way to allow Alabama Power Company to respond
16 to that customer interest that we've seen in
17 renewable generation in a way that doesn't
18 create any subsidies across customers who
19 maybe aren't as interested in renewable or
20 certainly don't put the cost priority on it
21 that other customers do. So it's a smart way
22 forward for Alabama Power in bringing more
23 renewable energy options to our customers.

1 MR. McCRARY: Judge Morris, I
2 believe that completes our direct testimony.
3 We would respectfully reserve the right to
4 recall the witness for redirect as need be.

5 ALJ MORRIS: Okay. Thank you,
6 Mr. McCrary.

7 I'm going to start with Mr. Free
8 and Mr. Bentley on behalf of the staff.

9 MR. FREE: Thank you, Your
10 Honor.

11 CROSS-EXAMINATION

12 BY MR. FREE:

13 Q. Good morning, Ms. Cain, thank
14 you for being here today. We appreciate your
15 testimony. We have several questions to
16 follow-up with concerning the company's
17 petition and your testimony.

18 And we'll start with the basis
19 for the actual filing. You stated earlier, I
20 believe, that it's not expected -- the
21 projects that you would file under this
22 authority, it's not expected to have a huge
23 capacity benefit. And so -- is that

1 correct --

2 A. Yes.

3 Q. -- first of all?

4 A. That's true.

5 Q. So the authority that Alabama
6 Power is requesting is not based on a need
7 for additional capacity or some reliability
8 need but rather is driven by customer
9 requests, preferences of that nature; is that
10 correct?

11 A. That's correct.

12 Q. Okay. Speaking to the broad
13 authority of the request, is Alabama Power
14 aware of any regulatory approvals elsewhere
15 in the country that involve renewable
16 energy -- renewable certificate authority
17 similar to what the company has requested
18 here which focuses on an aggregate megawatt
19 hours or the 500 megawatts rather than
20 project-specific approvals?

21 A. Yes. One example references the
22 example that I used with Mr. McCrary of the
23 500 megawatts of wind energy in Iowa. Those

1 two projects with Google and Facebook were
2 actually the result of a bigger block of
3 generation that MidAmerican Energy had
4 secured with their authority of, actually, up
5 to 1000 megawatts of unidentified wind
6 projects that were intended to serve as --
7 as, at least in some part, an economic
8 development action for the state.

9 Another good example is in
10 Georgia. There have been a couple of sort of
11 block approvals, if you will, of unidentified
12 solar projects that the company has
13 transacted on.

14 Q. Thank you.

15 Let's talk about the certificate
16 parameters just for a minute. In this
17 petition Alabama Power is requesting
18 certificate authority to construct, acquire,
19 or purchase renewable energy and
20 environmentally specialized generating
21 resources. Can you please clarify the types
22 of resources that would qualify as renewable
23 or environmentally specialized?

1 A. Yeah. Renewable resources are
2 actually defined under Alabama Code, so I may
3 not get all of them, but it refers to wind,
4 solar, hydroelectric, geothermal, biomass.
5 Those are renewable energy per the Alabama
6 Code. I think there are applications of
7 tidal currents. I may not have listed all of
8 them, but those are the mainstream.

9 The environmentally specialized
10 basically refers to resources where
11 they are recycling in nature. So landfill
12 gas or combined heat and power applications
13 where you harness the waste heat from maybe
14 an industrial process and then use that waste
15 to -- heat to create actual electricity
16 production.

17 Q. Okay. So in the context of
18 Alabama Power's proposed certificate
19 authority what is the company's position
20 concerning battery power installations and
21 how -- or if such installations may be
22 employed as part of a renewable and/or
23 environmentally specialized generating

1 resource?

2 A. Well, a battery in and of itself
3 is not really a generator. It stores and
4 discharges electricity. So it's really one
5 of those otherthings that may go along with a
6 power production facility. So to the extent
7 that certain projects may combine with a
8 battery, that would sort of be a part of the
9 project, but batteries themselves wouldn't be
10 a generator. So they wouldn't fall under
11 that --

12 Q. So it's your testimony that the
13 battery would not qualify on a stand-alone
14 basis but might could be grouped with other
15 renewable projects to make a complete
16 project?

17 A. Potentially --

18 Q. Potentially?

19 A. -- that could be a use.

20 Q. In its petition also Alabama
21 Power is proposing that no single project
22 should exceed an installed capacity of 80
23 megawatts. Is the company proposing a

1 minimum size for any project to qualify under
2 the proposed certificate authority?

3 A. There wouldn't be a limitation
4 on the minimum amount of megawatts. Each
5 project would just be required to provide
6 positive economic value.

7 Q. Okay. And also in the petition,
8 as you stated earlier, Alabama Power is
9 proposing certificate authority for up to 500
10 megawatts, a small scale renewable and
11 environmentally specialized generating
12 resources over a six-year period. Is the
13 company proposing a maximum amount that can
14 be submitted and approved for any given year?

15 A. No. Just the six-year window is
16 the only timing constraint.

17 Q. So you could have 400 approved
18 in one year and 100 in another or vice versa,
19 a variety of approvals?

20 A. That's correct. So long as the
21 projects meet that economic benefit criteria,
22 it would be in the best interest of customers
23 for the company to transact on them.

1 Q. And having that flexibility
2 would be a good thing?

3 A. That's correct.

4 Q. Does the certificate authority
5 that you've requested here restrict the type
6 of customer that might be involved in a
7 project?

8 A. The petition would not limit the
9 type of customer; however, the company thus
10 far has seen interest from the larger scale
11 customers in order to make those project
12 economics work.

13 Q. Yes. Thank you.

14 Moving to the self-build
15 acquisition or purchase power decisions, how
16 would the company determine whether to pursue
17 a project as a self-build option or a power
18 purchase agreement? You may have touched on
19 this earlier, but can you explain that
20 further?

21 A. Yeah. As I mentioned first,
22 when a customer interest is brought to the
23 company, we would need to understand any

1 siting restrictions or timing limitations or
2 parameters that -- that from that customer's
3 standpoint would restrict or limit the type
4 of application able to be used. So that
5 could set the stage for whether there was a
6 self-build or a PPA type project.

7 To the extent that there weren't
8 any limitations that drove the company in one
9 direction or another, then all options would
10 be considered and determine which option best
11 fits that need and is in the best interest of
12 all customers.

13 Q. Which option best fits that
14 need. When all the options are available and
15 they're on the table, how would that decision
16 be made?

17 A. In general the lowest cost
18 option.

19 Q. Right.

20 A. But there can be reason -- you
21 know, credit quality or any reliability risks
22 or things of that nature where, you know, all
23 things being equal, you would go with the --

1 Q. The economic decision?

2 A. -- you would go with the
3 economic decision. But I'm hesitant to say
4 we would always go with the lowest price if
5 there were -- you know, if there were some
6 counter-party risks associated with those.

7 Q. Exactly. Everything has to be
8 evaluated at the same time?

9 A. Exactly.

10 Q. Okay. So how will the company
11 know that the costs of a plan project are
12 reasonably consistent with market-related
13 alternatives that might be viable for that
14 particular application?

15 A. The company would have a gauge
16 on the market, if you will. That may come
17 from unsolicited offers if we've got a true
18 gauge of the market, because there are a
19 number of unsolicited offers on the table,
20 and, you know, if they are obviously set in
21 the range, they're not skewed one direction
22 or another, then it's reasonable to assume
23 that that's a good representation of the

1 market. To the extent that the company
2 doesn't have good market data, that
3 information could be attained through an RFP
4 or other market indications.

5 Q. The next couple of questions are
6 related to intermittent resources. Are there
7 unique challenges, you know, associated with
8 some of these renewable-generating facilities
9 that are intermittent in their output of
10 generation? Are there challenges there for
11 the company to integrate these type of
12 resources into a system?

13 A. Yes. You know, renewable
14 intermittent resources, solar and wind
15 basically, are newer applications, and across
16 the industry experts are still trying to
17 understand exactly what that means for
18 operating a system. So to the extent that
19 there are large magnitudes of renewable
20 intermittent energy added to a system there
21 are certainly implications there. And to the
22 extent that those can be quantified and
23 attributable to a specific project, these

1 would be included in that ultimate
2 aggregating of the total cost.

3 To the extent that maybe some
4 small project is insignificant in that
5 regard, then there would be no -- there would
6 be no significant challenge associated with
7 that intermittency.

8 Q. So to summarize, there may or
9 may not be costs associated with integrating
10 intermittent resources?

11 A. There are essentially costs
12 associated with integrating intermittent
13 resources to some extent. The threshold is
14 really still under evaluation. At what point
15 does that cost become material and
16 quantifiable?

17 Q. And to the extent you can
18 identify those and they are material, they
19 would certainly be included in the project
20 evaluation?

21 A. That's correct.

22 Q. Does Alabama Power anticipate
23 that each project submitted under the

1 requested authority will be located in the
2 company's service territory? And I guess I
3 ask that question because it was contemplated
4 that the projects would have a close nexus
5 with Alabama Power customers. And so I'm
6 asking the question as if anticipated that
7 they would be located within your service
8 territory, the projects that are submitted
9 under this proposed authority.

10 A. Many of them may be. That's a
11 great question in that in response to
12 specific customers, they may want generation
13 on their site or very close to their
14 operations or in the state of Alabama so that
15 they can see it and feel it and know that
16 it's there, but the petition itself wouldn't
17 limit projects to only being located in the
18 state of Alabama.

19 Q. So you don't want to preclude
20 projects such as PPA projects located outside
21 of your service territory; you would like to
22 retain the flexibility to enter into PPAs; is
23 that correct, for those type situations?

1 A. Yeah. To the extent that it
2 meets the needs of that customer and meets
3 their interest in renewable generation and
4 passes the qualifying test of applying under
5 this certificate authority --

6 Q. Right.

7 A. -- then it would put downward
8 pressure on rates and produce positive value
9 for customers, and, therefore, it would be in
10 their best interest, so there's no need for a
11 limitation in the company's opinion.

12 Q. Is it correct that if it was an
13 out-of-state project or even a project just
14 outside your territory that it would
15 necessarily involve one or more transmission
16 agreement -- service agreements to get the
17 power to your service territory?

18 A. To the extent that any projects
19 brought forth under this authority were not
20 located within our transmission territory,
21 the contract protections would be in place
22 such that that energy would be delivered to
23 the company's -- to the company's network and

1 avoid any transmission risks being placed on
2 the company, on our customers.

3 Q. Through the terms of the
4 contracts?

5 A. Right.

6 Q. But they probably would become
7 part of the total cost of the project for the
8 party -- the third party you're contracting
9 with?

10 A. That's correct. That would be
11 up to that counter party to price in their
12 cost recovery for actually getting the energy
13 to our network.

14 Q. Generally speaking, are -- and
15 you touched on this a little bit in your
16 earlier testimony, but generally speaking,
17 are interconnection facilities between the
18 generator and the grid, are they generally
19 considered part of the transmission system?

20 A. Yes. The Alabama law that I
21 referred to actually defines transmission as
22 anything over, I believe, 35,000 volts, 35
23 kV. So interconnection facilities are at

1 that level or above and connect to our
2 system; therefore, they're -- they are a part
3 of --

4 Q. Technically -- yeah.
5 Technically considered transmission
6 facilities?

7 A. Right. Right.

8 Q. Is it the company's view that a
9 waiver of its right under the law to own,
10 construct, and operate and to maintain
11 interconnection facilities will be in the
12 best interest of customers?

13 A. A waiver would -- for these
14 types of interconnection facilities where
15 it's basically acting like an extension cord
16 to the system, certain applications may be
17 more impactful to the reliability of our grid
18 than others. So to the extent on a
19 project-by-project basis the company
20 determines that it's in the best interest of
21 customers for the company to have the right
22 to own that facility versus waiving that
23 right and allowing the third party to own it

1 would need to be explored for each project.
2 So in cases where it makes more sense for the
3 third party to own it the company would
4 request a waiver for that right of ownership.

5 Q. Okay. So it's, I guess, a fair
6 statement that the company -- they seek
7 waivers, but they may not apply in all
8 situations?

9 A. That's correct. The company
10 would choose the option that makes the most
11 sense for customers and is in their best
12 interest.

13 Q. You talked a little bit earlier
14 in your testimony with Mr. McCrary about the
15 projected avoided cost calculations?

16 A. Uh-huh.

17 Q. Can you explain the process the
18 company goes through to calculate its
19 projected avoided costs?

20 A. The energy projected avoided
21 costs are based on a complex process that
22 actually calculates the hourly dispatch price
23 of the system in each hour of the year. It's

1 8,760 hours worth of data for each year of
2 the analysis. That projects that marginal
3 unit, the last unit in the dispatch stack
4 that is set in the margin. It's made up
5 of -- it's a simulation engine that basically
6 mimics realtime operations. So it has data
7 associated with fuel price, heat rates, unit
8 characteristics, maintenance outages, things
9 of those nature, load projections to develop
10 and create that marginal dispatch price in an
11 hour.

12 On the avoided capacity side of
13 the equation the capacity costs on -- the
14 capacity costs rate that would be avoided is
15 based on market analysis. And as I
16 mentioned, since the company is in a position
17 that it has enough capacity to reliability
18 meet its needs until 2030, that amount is
19 very small in the near term years and is much
20 less significant than the energy component.

21 Q. So fuel prices are a part of
22 that calculation?

23 A. That's correct.

1 Q. If we pulled out a couple of
2 those, such as your projection of coal prices
3 or projection of natural gas prices, can you
4 tell us a little bit more detail on how you
5 would pursue those estimates and arrive at
6 those estimates?

7 A. Yeah. So for the fuel price
8 component -- those are all fuels, so the
9 company utilizes a third-party vendor to run
10 what's called macroeconomic models where it
11 takes into account the GDP and what's going
12 on in the economy and the interface of how
13 those -- how a projected gas price in the
14 future would impact that economy, so it has
15 that feedback we've taken into account. So
16 those fuel prices are natural gas. And it's
17 basically estimated at the Henry Hub in
18 Louisiana and is -- is utilized, you know,
19 for many applications. There's not a lot of
20 variability in that commodity in terms of its
21 heat content and its quality, wherein on coal
22 pricing and coal forecasting, those can vary
23 drastically from one type of coal to another.

1 So those are quantified at each basin, each
2 mine now. And then the company takes that
3 third-party information and uses their
4 expertise to calculate and quantify the
5 transportation adder on each of those fuels.
6 So from each basin to each plant that burns
7 that type of fuel -- and from that Henry Hub
8 they use a pipeline basin adder to calculate
9 the transmission -- transportation cost that
10 ultimately result in a delivered-fuel
11 forecast for each and every plant.

12 Q. So the energy budget is broken
13 down into a short-term projection and a
14 long-term projection, and these fuel prices
15 fall into both of those categories. The
16 third-party consultant that you use, can you
17 tell who that is, or is that confidential?

18 A. The -- much of their work is
19 confidential, but the name itself, the vendor
20 is called Charles Rivers Associates.

21 Q. And they are highly respected in
22 the industry for putting together these type
23 of analyses?

1 A. Absolutely. They're well known
2 in the industry and have been working with us
3 for years.

4 Q. Has the calculation process that
5 you just described, projecting avoided costs,
6 has that been developed specifically for the
7 purpose of evaluating projects under the
8 proposed certificate filing?

9 A. No, not at all. That's a good
10 question. This avoided cost process, this
11 complex simulation model, is the result of
12 months worth of work across numerous
13 departments and a lot of analysis, analysts
14 and engineers. And that process has been in
15 place for years and years. It's the means by
16 which we evaluate numerous business decisions
17 in terms of fuel budget or, you know,
18 procurement and generation decisions, all
19 aspects of business operations in which, you
20 know, the price of electricity is concerned.
21 So it's -- it's a process that's well
22 established and has been utilized by the
23 company for decades.

1 Q. Thank you.

2 I believe in the -- your
3 testimony and also in the petition we've
4 mentioned that Alabama Power will compare the
5 cost of each project to the company's
6 expected avoided costs, plus other
7 project-specific benefits to determine the
8 value of each project. In this comparison
9 what will be included as part of the project
10 costs?

11 A. The project costs themselves
12 will depend on what the application is. So
13 for a self-build project that would include
14 all of the projected revenue requirements
15 associated with the installation and ongoing
16 operation of that facility.

17 For a PPA application that would
18 include all of the projected contract
19 payments under that PPA. So any energy
20 payments or fees or O&M streams that are
21 ascribed under that contract would be
22 evaluated and considered in the total cost,
23 as well as any other quantifiable cost

1 parameters, such as the intermittency that we
2 discussed previously. To the extent that
3 additional costs to the company are
4 identified associated with that particular
5 project, those costs would be included as
6 well.

7 Q. If it's under a PPA arrangement,
8 is it anticipated that the cost streams that
9 are part of that contract will be hardwired
10 into the contract, or will there be any
11 guesses on escalation rates and things of
12 that nature?

13 A. The specific terms of a contract
14 are negotiated on a case-by-case basis. They
15 will depend greatly on the different counter
16 parties and the types of generation that
17 we're discussing. Some providers may be
18 willing to lock in a rate and to just charge
19 an energy payment for the entire stream.
20 Some may have an O&M stream as I mentioned.
21 It could depend whether it was an
22 intermittent resource or if it was
23 environmentally specialized or biomass. So

1 it would be negotiated on a case-by-case
2 basis. But in all aspects the company
3 strives to negotiate the lowest price and
4 least risk as possible.

5 Q. Okay. In the complete equation
6 to do this there's the block for other
7 project-specific benefits. So under that
8 falls customer loads, you know, retaining
9 those loads, retaining expansions or losing
10 loads. So how would the company quantify the
11 value of retaining or growing customer load
12 for that part of the evaluation?

13 A. Well, retaining and growing load
14 helps contribute to fixed costs of the
15 company where we've incurred, in our
16 long-term business -- invested in large
17 assets like generation and transmission and
18 distribution facilities. So to the extent
19 that that load is retained or we grow
20 additional load, it helps contribute to those
21 fixed costs. As long as the marginal
22 incremental cost of serving that new load or
23 continuing to serve the load that exists

1 today that may be at risk, as long as that
2 cost is smaller than the additional revenues
3 that the company would receive from keeping
4 or growing that load, then it helps
5 contribute to those fixed costs and,
6 therefore, puts downward pressure on rates.
7 You kind of think of it as cost in the
8 numerator and energy sales in the
9 denominator. So any project that raises the
10 denominator by more than it raises the
11 numerator, then that rate would -- would
12 decrease.

13 Q. Earlier y'all were discussing in
14 your earlier testimony the -- some of the
15 data that would be provided to the staff in
16 support of your filings under this requested
17 authority. In the past we've kind of
18 referred to those as minimum filing
19 requirements in certain cases. Can you
20 elaborate on, at this point, you know, what
21 you would plan to include in the minimum
22 filing requirements for projects submitted
23 under this petition?

1 A. In general, it would be all of
2 the information that went into that
3 calculation, the total cost and total
4 benefits. So those would, at the least, be
5 broken down in terms of what's going into
6 that fixed cost or the total cost of the
7 project. So if it were revenue requirements
8 on the actual installation of a self-build or
9 projected contract payments under a PPA,
10 those details would be broken down in that
11 calculation,.

12 Now, on the benefit side there
13 would be the avoided costs benefits, as well
14 as the other quantifiable benefits, and then
15 any of the major assumptions supporting that
16 information. The fuel forecast is one of
17 those major assumptions that you brought up.
18 So supporting documentation behind the
19 company's fuel forecast that went into that
20 analysis would be provided along with those
21 details.

22 The other benefits that we've
23 discussed, that will necessarily have a lot

1 of assumptions and documentation behind it to
2 demonstrate that those are prudent,
3 reasonable assumptions associated with that
4 load benefit.

5 Q. And together with that you would
6 be able to provide the source of the
7 information provided?

8 A. That's correct.

9 Q. Just a couple more questions.
10 Currently Alabama Power has a
11 renewable energy credit program that provides
12 customers the opportunity to participate in
13 the purchase of renewable energy. With this
14 program in place why does the
15 company need an additional renewable offering
16 such as the requested 500-megawatts
17 certificate authority?

18 A. We do have a program under rate
19 OPS. We will sell renewable energy
20 certificates to any customer who signs up for
21 them. That is a cost effective way of
22 customers procuring renewable energy on their
23 behalf. However, some customers want more

1 than that. They don't -- they don't view the
2 REC market as tangible, if you will. They
3 may prefer having an actual, you know, hard
4 physical asset on the ground that they can
5 point to and say, you know, I caused that to
6 be built, where the REC program is more of a
7 tradable commodity market, and so it meets
8 the needs for some customers as a cost
9 effective way to gain access to renewable
10 energy, but other customers want more
11 options.

12 Q. Okay. So if the requested
13 certificate authority of 500 megawatts is
14 approved, the company does plan to continue
15 to offer the REC program; is that correct?

16 A. Yes, that's correct.

17 MR. FREE: Your Honor, that's
18 all I have at this time.

19 ALJ MORRIS: Okay. Mr. Bentley,
20 did you have --

21 MR. BENTLEY: I do have a few
22 follow-ups.

23 ALJ MORRIS: Okay.

1 CROSS-EXAMINATION

2 BY MR. BENTLEY:

3 Q. Good morning, Ms. Cain.

4 A. Morning.

5 Q. I'd like to start with a few
6 questions about what you referred to as the
7 primary factor in making this filing, and
8 that was the customer interest. And you said
9 it was mainly the military interest?

10 A. That's right.

11 Q. So have representatives from
12 Alabama Power met with any representatives
13 from the Department of Defense regarding the
14 construction of renewable generation
15 facilities at military bases in Alabama?

16 A. Yes. The company has been in
17 discussions with the military bases in our
18 service territory.

19 Q. What bases?

20 A. We have -- we serve Anniston
21 Army Depot, Ft. Rucker, and the
22 Maxwell-Gunter Air Force Bases.

23 Q. And there have been

1 conversations already about all three of
2 those bases?

3 A. There have, yes.

4 Q. Is there any -- is there a
5 written agreement that reflects those
6 conversations or reflect any agreements that
7 have occurred between Alabama Power and any
8 of those bases?

9 A. There's no agreement in terms of
10 there's no -- there's been no commitments
11 made. I am aware of an MOU between the
12 company and the military, but my
13 understanding is that that's -- that's sort
14 of an agreement to have discussions, if you
15 will. It's pretty customary when entering
16 into conversations with a counter party that
17 the parties may enter into a memorandum of
18 understanding, an MOU.

19 Q. Do you know who the parties to
20 that MOU are?

21 A. Honestly, I haven't -- I haven't
22 seen it. I assume that it's Alabama Power
23 and that military base.

1 Q. Could we get a copy of that MOU?

2 A. The agreement is between the
3 company and the customer, so I don't think it
4 was entered with the intent to be shared, but
5 I would -- I would ask my legal counsel.

6 MR. McCRARY: Your Honor, we're
7 not in a position right now to say whether it
8 can or can't be. So if that's important, we
9 can pursue that, but we're not in a position
10 right now to indicate whether we can or can't
11 share the MOU.

12 ALJ MORRIS: Okay. We'll have
13 that as a potential follow-up item. You can
14 get back with us once you've had an
15 opportunity to research that.

16 MR. McCRARY: Yes, sir. Thank
17 you.

18 ALJ MORRIS: Thank you.

19 Q. (BY MR. BENTLEY) And earlier
20 you mentioned several federal requirements or
21 federal mandates related to renewable energy
22 that apply to the DoD and other federal
23 agencies. You mentioned the National Defense

1 Authorization Act, executive orders,
2 particularly the one that was -- the recent
3 one in March of this year. And in your
4 opinion would granting the certificate assist
5 the DoD in meeting these goals and
6 requirements in Alabama?

7 A. It will. It would be able to
8 meet that mandate in a timely manner for
9 those bases, which will help better situate
10 them in our state to remain viable and
11 operating in the future.

12 Q. Would they meet these
13 requirements by receiving the RECs? Is that
14 one way to meet the requirements?

15 A. Yes.

16 Q. In that March executive order of
17 the things that was mentioned was making
18 federal facilities more resilient and energy
19 security. Do you anticipate that any of
20 these projects would contribute to making
21 military bases in Alabama more resilient or
22 to energy security -- improving energy
23 security?

1 A. Alabama Power is responding to
2 that customer's request of adding the
3 renewable generation to their site. Having
4 energy there at the base would -- it
5 certainly takes, you know, part of the
6 delivery out of the equation. Solar, if that
7 is the path forward for the military -- and
8 across the Southeast that has been the type
9 of renewable installation that the military
10 bases have chosen -- is intermittent in
11 nature as we've discussed. So the energy
12 would only be as secure as the sun shines.

13 Q. Do you anticipate that part of
14 the deal or part of the agreement would be
15 that the military installation could have
16 exclusive use of that generation facility?

17 A. The facility would be
18 interconnected to our system under normal --
19 under our standard interconnection processes.
20 So currently it would not be treated
21 differently than any other company-owned
22 asset, to my knowledge.

23 Q. In the Alabama Power petition

1 there was indication of the possibility of
2 another round of base closures or the base
3 realignment and closures with the BRAC
4 process. In your opinion how would this
5 proposal affect the BRAC process in Alabama?

6 A. We believe that it helps make
7 those bases in our territory more viable.
8 There's mandate. And many of the military
9 installations across the country are working
10 to meet that mandate. So particularly in the
11 Southeast, when you look around at the other
12 states in the Southeast who have secured some
13 amount of renewable generation, it's
14 reasonable to assume that those bases would
15 be looked upon more favorably in BRAC than
16 bases that have not met the mandate.
17 Therefore, Alabama Power must strive to do
18 anything reasonably practical and to the
19 benefit of all customers to use whatever
20 means possible to help preserve those bases'
21 viability.

22 Q. Okay. Like I say, I was asking
23 that line of questions because you did list a

1 primary factor in the --

2 A. That's correct.

3 Q. -- military interest.

4 Now, skipping to what you refer
5 to as the secondary factor for this filing,
6 and this is potential to assist in meeting
7 the environment compliance. And you also
8 reference the Clean Power Plan, which we all
9 know is a -- came out just last week. So I
10 have a few questions about that, and I don't
11 expect you to know the details of that long
12 document. There was discussion about PPAs
13 and discussion about PPAs with generating
14 source outside of Alabama. Can you speak to
15 whether that having a generation -- a PPA
16 with a generation source outside of Alabama
17 would contribute to Alabama's compliance with
18 the Clean Power Plan compared to having a
19 generation on-site in Alabama?

20 A. My very brief understanding --
21 and this is very brief -- is that the EPA in
22 their final rule did potentially allow some
23 form of credit of that nature for

1 out-of-state resources, but I would caveat
2 that with those details are still very fuzzy,
3 and it's still up to the state implementation
4 plan.

5 To the extent that the company
6 across this six-year period that that -- that
7 those guidelines and requirements in that
8 state plan take shape, the company would only
9 be quantifying those renewable -- or those
10 environmental compliance benefits to the
11 extent that they were known and able to be
12 evaluated. So in the current state the
13 company's economic analysis would not be able
14 to quantify that economic compliance value
15 until there's a little more clarity around
16 how that compliance would work.

17 It would, however, regardless of
18 the in state versus out of state, to the
19 extent that that renewable energy offsets
20 some other generation, even from an
21 out-of-state perspective, it could lower the
22 generation actually coming out of our current
23 resources.

1 Q. And I believe there was also a
2 new portion of the -- that was in the file on
3 Clean Power Plan that wasn't in the close
4 version that rewards quicker or faster
5 compliance of some of the renewable energy
6 goals. Would the projects contemplated in
7 this filing contribute to helping Alabama or
8 improve compliance by having renewable faster
9 than anything required by the Clean Power
10 Plan? I know that was an awful question. If
11 you do it -- the Clean Power Plan now says
12 you can be rewarded for having renewable
13 generation faster. Do you anticipate that
14 this filing will help Alabama have renewable
15 generation faster?

16 A. This filing will definitely help
17 Alabama Power to move quickly toward meeting
18 customer needs and, again, transacting on
19 that federal tax credit that is drastically
20 reduced at the end of 2016. Any additional
21 benefits associated with the Clean Power Plan
22 compliance, to the extent that the final
23 implementation at the state level of that

1 rule passes along those benefits, then
2 there's potential that it could -- that being
3 an early mover could be helpful, but we'll
4 have to see how that shakes out.

5 MR. BENTLEY: That's all I have
6 for now.

7 ALJ MORRIS: We'll move next to
8 Ms. Martin on behalf of the Attorney General.

9 CROSS-EXAMINATION

10 BY MS. MARTIN:

11 Q. I have a few questions just
12 based on your prior testimony. You mentioned
13 that Georgia and Iowa had done -- you
14 mentioned -- just going back to some of your
15 prior testimony you mentioned that Georgia
16 and Iowa had developed a procedure similar to
17 the one you're requesting here. What about
18 the state of Florida? How are they handling
19 these projects?

20 A. Those two examples came to mind.
21 I wouldn't say that we've done an exhaustive
22 search in all jurisdictions, so I'm not aware
23 of something similar in Florida. That

1 doesn't mean there's not one. We just
2 haven't come across it.

3 Q. But they are adding these
4 customer-specific projects, similar to ones
5 that you're asking for, but they're not
6 asking for the same type of process that
7 you're requesting. Are you aware of any
8 projects in Florida?

9 A. I'm aware of their military
10 bases. They have -- I believe that they're
11 Air Force bases. They've done two projects,
12 and they -- they had known projects that were
13 requested for certification. That's my --
14 that's my understanding of it.

15 Q. Well, you mentioned Florida, so
16 -- but didn't include them in this type --

17 A. That's right.

18 Q. -- of process, so I was curious
19 as to how they were handling it.

20 Just for comparison purposes,
21 would you tell us the total number of
22 megawatts that Alabama Power has in its
23 system?

1 A. I want to say about 12,000.

2 Q. And when you're doing a project
3 of this kind, what is the construction time
4 frame that you have? How long does it take
5 to build a project?

6 A. The actual construction of the
7 project, I'm actually not sure, because there
8 are so many processes on the front end. So I
9 mentioned we need to move quickly for the tax
10 credits. And basically every day wasted is a
11 day that a new project may or may not be able
12 to meet that tax credit. It depends on how
13 quickly all of the other approvals that go
14 along with a project can be implemented, the
15 agreements worked out with the vendors, the
16 interconnection agreements, the permitting
17 requirements from an environmental
18 perspective. So it would be difficult to say
19 an exact timeline, but probably somewhere in
20 the twelve- to eighteen-month range.

21 Q. So if you're looking at a two
22 thousand --

23 A. I'm sorry. Maybe eight- to

1 eighteen-month range.

2 Q. So if you're looking at a 2016
3 deadline, you don't have any extra days, do
4 you?

5 A. We will -- for projects to meet
6 that 2016 timeline we will be needing to move
7 quickly.

8 Q. So if you're going to try to
9 meet that deadline and it's going to take you
10 approximately eighteen months to get all of
11 the agreements and contracts and suppliers
12 and things together, you have already
13 identified projects that would immediately go
14 into -- you would begin immediately working
15 on this once approval is granted?

16 A. That's correct.

17 Q. And so how many of those
18 projects do you have that are known today?

19 A. Well, I wouldn't say any
20 projects are known with any certainty. I
21 mentioned with Mr. Bentley's line of
22 questions that the military has been in
23 discussions with Alabama Power. So there's

1 nothing firm and known about those projects,
2 but it's anticipated that they would -- that
3 they would probably be the first projects out
4 of the gate.

5 Q. And how many megawatts would
6 those projects be?

7 A. That's uncertain at this time.

8 Q. Is there a range that could be
9 contemplated?

10 A. I would say less than 15
11 megawatts.

12 Q. And we're talking about three
13 bases, three military bases?

14 A. Three bases in total. Actually,
15 Maxwell and Gunter Air Force Base are two
16 bases, but we would be looking more at the
17 Maxwell side.

18 Q. And have you had any requests
19 from any other federal agencies?

20 A. We have had some interest from
21 some other federal agencies. And, again,
22 that's in conjunction with that executive
23 order.

1 Q. And could you give us a number
2 of how many?

3 A. I don't have a number, but we do
4 serve a number of federal agency buildings,
5 VA hospitals, the Social Security
6 Administration, areas of those nature. All
7 federal agencies are affected by the
8 executive order I mentioned.

9 Q. Have you had any interest from
10 suppliers of federal agencies?

11 A. In the private sector we have
12 seen interest from a number of parties. To
13 my knowledge they haven't specifically cited,
14 you know, the executive order itself. Some
15 of them are companies, as I mentioned, that
16 fall into that category of wanting renewable
17 options like the Fortune 500s and the
18 conglomerate of the companies that release
19 the corporate -- corporate buyers report.

20 Q. Your petition says that to
21 qualify under the petition the project has to
22 have projected economic value to all
23 customers. And so could you talk a little

1 bit more about that? I know you talked about
2 avoided costs, but I'm primarily interested
3 in how we would -- how rate payers who would
4 be sure that this would be a positive
5 economic value. And specifically what I'm
6 interested in is would rate payers under any
7 of these conditions be required to pay for
8 their electricity?

9 A. Well, under every project the
10 projected economic savings would have to be
11 there. They are projections, and necessarily
12 in a long-term business, such as the utility
13 investments require, those forecasts are
14 based on the best information that's
15 available at the time. So they will vary
16 necessarily, up and down. So the company
17 utilizes these processes that I mentioned to
18 Mr. Free that have been in place for decades
19 and utilizes expertise from third-party
20 vendors and, you know, analytical and
21 economic -- econometric information that
22 inform those decisions. So I guess to
23 directly answer your question there's not a

1 firm protection that those forecasts may not
2 vary.

3 However, the interesting thing
4 in forecasting and making decisions off of
5 the best information available is if projects
6 demonstrate, based on those calculations,
7 that there would be economic value for
8 customers, not acting on those decisions, it
9 would be a decision -- it would be a decision
10 to forego those expected benefits. So every
11 decision that the company makes or doesn't
12 make impacts the long-term price of
13 electricity.

14 Q. You mentioned on the processes
15 that the company has to project these
16 benefits or analyzing prior to the time of
17 the project. Do you also have a process in
18 place to look back at a project and see if
19 those positive economic benefits were
20 actually incurred?

21 A. We could always compare the
22 avoided cost metrics that were used to --
23 there is an actual avoided cost that is

1 documented for each hour of operation on our
2 system. Those -- those energy avoided costs
3 can be compared. And some assumptions can be
4 made associated with, you know, whether
5 assumptions came to fruition or not. There
6 are others that -- to use a good analogy, you
7 can't unscramble an egg. So sometimes
8 whatever happened in reality was a result of
9 numerous decisions. So you -- there are
10 certain metrics that may not be able, you
11 know, to be quantified against reality
12 because you don't know exactly which variable
13 led to that outcome.

14 Q. Okay. But my question really is
15 -- you said you could do this, but I'm
16 curious whether the company does do this when
17 you do you a project like this where a lot is
18 unknown, both to you and to us, but is there
19 a process that is already in place where you
20 would go back and check and have a periodic
21 check on how projects were going, did they
22 meet your -- sort of an evaluation of a
23 project, you know, after it was begun and

1 started and you had some experience with it,
2 was it -- is there a process already in place
3 for doing that at the company?

4 A. There is on other renewable
5 projects that we have.

6 Q. And what is that process?

7 A. Once a year we look at that
8 actual realized avoided energy costs on the
9 system and compare it to the contract
10 payments under those renewable energy
11 contracts, PPAs.

12 Q. And there's more than just the
13 avoided energy costs that goes into a
14 project. So there are the other factors that
15 you mentioned?

16 A. Right. Right.

17 Q. So those were not -- are not
18 evaluated on an annual basis?

19 A. No. They are. Those specific
20 renewable contracts, namely, quantified the
21 energy benefits and some capacity cost
22 benefits. So those are evaluated on a
23 historical basis and compared to all the

1 costs of that contract. So for the wind
2 contracts in Oklahoma and Kansas those did
3 have some transmission payments. So those
4 payments are quantified there in the total
5 cost analysis. And those payments and
6 benefits are compared historically.

7 Q. Does the Public Service
8 Commission have access to those analyses that
9 you do?

10 A. Yes. Every year we sit down
11 with Mr. Free and the staff and discuss the
12 performance of those PPAs.

13 Q. Is that a part of the RSE or the
14 ECO evaluation every year, or does that take
15 place -- it's a particular meeting that you
16 have, or does it just happen informally every
17 year?

18 A. It does not happen in that RSE
19 process. It's -- it's been done in February
20 of each year, and it's in a meeting.

21 Q. So there is a time that that is
22 done and the Commission staff has that
23 information?

1 A. That's correct.

2 Q. Has there been any study that if
3 you do the 500 megawatts about what
4 generation might be displaced if the total
5 amount is used?

6 A. We have -- I'm sorry. Ask me
7 that question again.

8 Q. Well, has Alabama Power done any
9 studies that if they add this 500 megawatts
10 in renewable generation about what other
11 generation might be displaced?

12 A. Since the exact projects under
13 that 500 megawatts are unknown, there's not
14 been something to evaluate. It depends on,
15 you know, how these projects take shape and
16 form. So as I mentioned, the process of
17 calculating that avoided cost is constantly
18 under development and takes into account all
19 of the assumptions known at that time and all
20 of the information that goes into those unit
21 operations and characteristics. But the
22 projects then compared to those avoided costs
23 are unknown at this time, so to directly

1 answer your question, no.

2 Q. Okay. I guess one of the
3 questions I have is why you want to ask for
4 this much generation when a lot is unknown to
5 you and a lot is unknown to the people here
6 today when you could have asked for an
7 expedited process before the Public Service
8 Commission. And did you consider asking for
9 an expedited process before the Public
10 Service Commission?

11 A. There are a number of reasons
12 that we chose to petition for this requested
13 authority for up to the 500 megawatts.
14 Number one, as I mentioned, is the customer
15 requests and the inquiries that we've had
16 associated with these specific projects, that
17 we need to be able to move quickly. Again,
18 with the potential eighteen-month timeline we
19 may be behind the eight ball if we don't get
20 moving right away and end up more on the
21 smaller end of that eighteen-month timeline.
22 So the efficiency and the speed at which
23 we're able to accommodate those requests was

1 a major driver.

2 But it's also costly to go
3 through an individual certificate process one
4 project at a time when we're talking about
5 very small-scale projects. So the -- you
6 know, in general it's the avoidance of costs
7 that helps with sort of bundling that package
8 together as much as the speed and efficiency
9 that we discussed.

10 Another reason is the customer
11 aspect of these projects. So we're talking
12 about working specifically with individual
13 customers and their information and their
14 data and their proprietary business plans
15 that make the nature of the proceeding and
16 the showings around that documentation highly
17 confidential. And this authority process
18 helps protect that information and make the
19 projects more viable to the state of Alabama
20 rather than those companies taking that
21 development elsewhere.

22 Q. So do you believe that a major
23 driver of this project is competition with

1 other states?

2 A. To the extent that customer
3 interest is in those load growth and load
4 retention applications we would be competing
5 for data centers like Google and shipping
6 facilities like Amazon has built in other
7 territories. So, yes, I think the better we
8 can -- we -- Alabama Power can situate the
9 state of Alabama to compete with those other
10 jurisdictions, the better off our customers
11 and our state will be.

12 Q. Do you have any concerns about
13 the Public Service Commission being able to
14 keep information confidential and
15 proprietary?

16 A. As a regulator they and yourself
17 in the petition that we've -- that we've
18 submitted necessarily have to see that
19 information. We are regulated by the Alabama
20 Public Service Commission, and we do -- we do
21 request protections of that confidential and
22 proprietary information and will seek that
23 that information remain confidential.

1 Q. But have any of your customers
2 expressed concerns about this, the
3 confidentiality of the information?

4 A. Our customers in general aren't
5 familiar with that entire regulatory process,
6 so it's -- those delays and uncertainties are
7 sort of unfamiliar to them.

8 Q. So there haven't been customer
9 concerns about that that you know of?

10 A. They've not specifically -- that
11 I know of. And I'm not the one who actually
12 meets with many of those customers. But that
13 I know of they've not specifically expressed
14 the concern with sharing with the commission,
15 but absolutely they are very protective of
16 their data and don't expect it to be shared
17 with outside parties.

18 Q. You mentioned in your testimony
19 that you would expect -- after sharing this
20 information with our office and with the
21 Public Service Commission staff, you would
22 expect the staff to make a recommendation of
23 approval to the Commission. And how do you

1 anticipate -- what form would that
2 recommendation take?

3 A. Our petition mentions that the
4 staff would report that information to the
5 Commission. As far as the company is
6 concerned, that's up to the Commission to
7 decide how that reporting would take place.

8 Q. Would you consider that that
9 would be confidential and -- because of the
10 proprietary nature of the project, or would
11 it be a public recommendation?

12 A. The information contained in the
13 documentation and the supporting information
14 would be confidential. What the Commission
15 chooses to do with the recommendation would
16 be up to them.

17 Q. Do you anticipate there would be
18 a Commission vote on this issue?

19 A. In the company's petition it
20 didn't specifically require a vote. We feel
21 that the report of that information to the
22 Commission and the Commission would vote to
23 disapprove a project, so there would be the

1 engagement there. We feel that that's
2 sufficient, but, again, the Commission can
3 choose to operate how they see fit.

4 Q. This is just a question I had.
5 I sort of finished my questions. But when
6 you were talking with -- I think it was
7 Mr. Free -- about the interconnection to your
8 service territory, how you have a contract
9 that would specify that people would, I
10 think, bring the electricity to your service
11 territory, are those contracts filed at the
12 Public Service Commission?

13 A. I'm --

14 Q. The interconnection contracts,
15 would they be filed? Did I understand that
16 correctly?

17 A. The inter -- we had a couple of
18 conversations about --

19 Q. If you have -- if you have a
20 resource that's located outside your
21 territory --

22 A. Uh-huh.

23 Q. -- and you said the contract

1 would provide that they would bring it to
2 your territory?

3 A. Right.

4 Q. Are those contracts for
5 transportation --

6 A. Uh-huh.

7 Q. -- or transmission or
8 interconnection, are they filed at the Public
9 Service Commission?

10 A. They would be -- the terms of
11 that contract would be submitted as part of
12 that -- as part of supporting documentation
13 there that would be submitted along with that
14 approval package, but it would be highly
15 confidential and protected.

16 Q. But they -- but the PSC staff
17 would have access to that information?

18 A. That's correct.

19 MS. MARTIN: I have no further
20 questions.

21 ALJ MORRIS: Thank you,
22 Ms. Martin.

23 All right. We're going to move

1 next to Mr. McLemore.

2 MR. McLEMORE: Thank you, Judge,
3 Commission.

4 CROSS-EXAMINATION

5 BY MR. McLEMORE:

6 Q. Good morning, Ms. Cain.

7 A. Good morning.

8 Q. I'm Jimmy McLemore. I represent
9 the Alabama Industrial Energy Consumers.

10 I'll try not to tread
11 on Ms. Martin's questions, but I want to go
12 into the review process a little bit. You're
13 familiar with the fact that the Alabama Power
14 Company has previously approached the Alabama
15 Public Service Commission for approval of a
16 block of authority of 25 megawatts for
17 renewable energy PPAs about five years ago in
18 what we've called the Westervelt Project.
19 Are you familiar with that?

20 A. I'm familiar with it.

21 Q. Generally?

22 A. Uh-huh, generally.

23 Q. Okay. It's similar to this

1 proceeding in the sense that in that petition
2 the company was looking to get pre-approval
3 or authority for a block of authority for
4 which it would then fill up with later
5 projects; right?

6 A. Yes, that's my understanding.

7 Q. And we participated in that,
8 along with Ms. Martin. And I think we were
9 breaking the ice on changing the procedure
10 about how some projects can be reviewed
11 before the Commission. And in that Docket
12 Number 31301 the Commission did order that
13 that procedure was consistent with Alabama
14 Code Section 37-4-28, but that nonetheless,
15 it was a different -- as it described, a
16 novel and innovative alternative to the more
17 traditional processes, which was caused by,
18 as the Commission ordered, environmental
19 concerns, changing federal statutes, and a
20 new environment generally in the area of
21 utility rate making. Isn't that correct?

22 A. That's my understanding --

23 Q. That's your --

1 A. -- in general.

2 Q. -- understanding. And in this
3 instance, coming before the Commission today,
4 the company is seeking for the Commission to
5 approve a bit of a modified procedure than
6 traditional processes because of the unique
7 circumstances that we're facing in the
8 changing federal statutes and the executive
9 proclamations; isn't that right?

10 A. Primarily it's driven from that
11 customer interest, which has sort of
12 resonated in part from the executive orders
13 and federal directions. There is
14 environmental compliance benefit, but that's,
15 I would say, secondary to the customer
16 interest.

17 Q. When I say the developing
18 concerns, the Clean Power Plan, the concern
19 about the military installations' stability
20 in the state of Alabama, those are driving
21 influences too?

22 A. I would kind of separate -- I
23 agree with you, but I would separate the

1 military requests from the Clean Power
2 Plan --

3 Q. Right.

4 A. -- in terms of customer interest
5 versus environmental compliance.

6 Q. That's right. Those are
7 different. I don't mean to lump them all
8 together --

9 A. Right.

10 Q. -- except to say that those are
11 concerns --

12 A. Yes.

13 Q. -- that, as you've testified and
14 this petition says, require us to look closer
15 to the needs for efficiency, expediency,
16 customers' concerns for a quicker approval of
17 this process.

18 A. Correct.

19 Q. So the power company is seeking,
20 by this 500 block -- 500-megawatts block of
21 authority, a specific procedure tailored to
22 these particular circumstances; correct?

23 A. That's right.

1 Q. That's right. And I say that
2 because the next time the power company comes
3 with another block of authority I may take a
4 different position about things. So I
5 appreciate the concerns that you've testified
6 to, and we applaud the company's going into
7 this venture at this particular time, but
8 that doesn't mean we're always going to be in
9 that situation.

10 A. I understand.

11 Q. Let me ask you this, because
12 this procedure is different than the
13 Westervelt procedure. And go back to
14 Ms. Martin's questions a little bit. You say
15 that as part of this procedure you will
16 submit to the Public Service Commission staff
17 and to the Attorney General, as the
18 representative of all consumers of
19 electricity, the information -- all of the
20 information that the company submits in
21 support of the project. Is that correct?

22 A. Correct.

23 Q. Am I clear that the Attorney

1 General will be getting all of the same
2 information that's being made available to
3 the Public Service Commission staff?

4 A. That's right.

5 Q. Okay. The staff will then make
6 a recommendation with Ms. Martin's or the
7 Attorney General's office participation to
8 the Public Service Commission itself, the
9 three commissioners, as to whether to approve
10 or disapprove a particular requested project;
11 correct?

12 A. That's correct.

13 Q. You were a little unclear on
14 what you anticipate that the Commission may
15 do with that. You suggested they can decide
16 to do with it what they want. But the
17 petition itself specifically contemplates
18 that the Commission is going to take some
19 action because the staff is required to make
20 a report to the Commission; correct?

21 A. That's correct. The staff -- in
22 our petition the company feels that -- has
23 proposed what we feel is an adequate means

1 toward -- toward reaching that approval
2 process, and the Commission staff and the
3 Attorney General would make the
4 recommendation to the Commission.

5 Q. Right.

6 A. And the Commission, absent a
7 disapproval vote, the project -- the project
8 would be approved.

9 ALJ MORRIS: Let's take a little
10 short break. Let's see if we can get your
11 microphone fixed here.

12 (Off-the-record discussion.)

13 A. So a Commission report would
14 take place, and a vote would be required for
15 the Commission to disapprove the project.

16 Q. I've got you, but the petition
17 of the company contemplates that the report
18 being made to the Commission, that the
19 Commission will, in fact, deliberate on
20 whether or not that project is acceptable to
21 it. And it may not vote affirmatively to
22 approve it; it certainly has the authority to
23 vote to disapprove it?

1 A. That's correct.

2 Q. But even if it doesn't
3 disapprove it, your understanding is that the
4 Commission will have reviewed it, deliberated
5 it, and make a determination whether it's
6 acceptable or not?

7 A. That's the contemplation under
8 our request.

9 MR. McLEMORE: That's all I
10 have.

11 ALJ MORRIS: Thank you,
12 Mr. McLemore.

13 I'm sorry. Let's move ahead.
14 I'm just at this point going down the list in
15 order of intervention. So next on the list
16 would be Mr. Cagle on behalf of JobKeepers.
17 And if you would, Mr. McLemore, if you could
18 pass that microphone back to the table behind
19 you.

20 MR. McCRARY: Your Honor, excuse
21 me. I'm sorry. The witness has been on the
22 stand now for --

23 ALJ MORRIS: Would you like to

1 take a break?

2 MR. McCRARY: Well, I know I
3 would, and I'm guessing that she might.

4 ALJ MORRIS: Let's take about a
5 ten-minute recess.

6 MR. McCRARY: Thank you, Your
7 Honor.

8 (Brief recess.)

9 ALJ MORRIS: Okay. Let's go
10 back on the record. I believe next up is
11 Mr. Cagle on behalf of JobKeepers Alliance.

12 CROSS-EXAMINATION

13 BY MR. CAGLE:

14 Q. My only question, briefly, is
15 related to the economic development aspect of
16 this filing. You've stated that the purpose
17 of this is -- one of the benefits of this is
18 to support economic development and
19 industrial recruitment; is that correct?

20 A. Right. The primary driver for
21 the petition is the customer interest in
22 renewables. And the economic evaluation
23 considers the electricity price impacts of

1 that potential load growth or retention among
2 other things, which, as we quantified in our
3 economic evaluation, it's about electricity
4 price, but certainly any load additions to
5 the state likely will come with jobs and
6 boost to the economy for the state of
7 Alabama, which is a good thing for customers.

8 Q. Well, as you know, any
9 industrial recruitment effort is highly
10 competitive and confidential. You know, its
11 projects generally are not discussed, you
12 know, under an agreement until they're
13 executed and made public. Under the type of
14 process that Ms. Martin was asking about, an
15 expedited process or some process other than
16 what this filing contemplates, would that
17 require a public notice and new docket to be
18 created?

19 A. It's difficult to say exactly
20 what that process would look like. We really
21 can only talk about what we're petitioning
22 here today. And the company feels that what
23 we've requested protects the interest of

1 those customers and customers as a whole to
2 the extent that it facilitates these projects
3 being completed, which would by definition be
4 good for all customers.

5 Q. Under any, I guess, theoretical
6 process other than what's contemplated, could
7 you -- would listing any -- even if the
8 company name that's involved is redacted,
9 location, capacity, could that hurt Alabama's
10 industrial recruitment efforts as far as if
11 we were competing with Mississippi and I knew
12 Alabama -- you know, I'm an economic
13 developer in Mississippi and knew that
14 Alabama was competing for a project, even
15 disclosing what kind of capacity -- if they
16 were able to figure out that this is related
17 to that?

18 A. The predicament there is that
19 even with a redacted filing, so much
20 information would be redacted in order to
21 preserve the proprietary nature around all
22 the data that if there are any hints in there
23 of being able to infer that business, there

1 are people who for a living try to glean and
2 gather all of the competitive information
3 intelligence that they can. So to the extent
4 that everything that would be pertinent to
5 that competitive information is redacted, you
6 are really left with nothing.

7 Q. And the process requested by the
8 certificate that the company's requested
9 alleviates that by producing those filings to
10 the Commission and to the Attorney General's
11 representative; correct?

12 A. That's correct.

13 MR. CAGLE: That's it. Thank
14 you.

15 ALJ MORRIS: Thank you,
16 Mr. Cagle.

17 Moving next to Mr. Johnston.

18 CROSS-EXAMINATION

19 BY MR. JOHNSTON:

20 Q. Hey, Ms. Cain, how are you?

21 A. Good.

22 Q. Thank you for your testimony.

23 I'm Keith Johnston with the Southern

1 Environmental Law Center, and we're here
2 today representing the Alabama Environmental
3 Council.

4 I just want to follow-up on some
5 of those questions about the Westervelt
6 Project of 25 megawatts of renewables. Are
7 you aware that at the end of that process
8 there was an agreement among all the parties
9 involved that there would be a competitive
10 bidding process that would be part of that?

11 A. I'm familiar with the
12 Commission-approved RFP guidelines associated
13 with that.

14 Q. And so with that be competitive
15 bidding process, do you foresee that being a
16 part of entities' projects here?

17 A. To the extent that the company
18 utilizes an RFP process to gather that market
19 information that I discussed with Mr. Free,
20 we would reference those RFP guidelines.

21 Q. And so do you have -- or can you
22 say at this point which projects will be part
23 of the RFP process or some sort of

1 competitive bidding process?

2 A. At this point I can't say
3 specifically which ones, but what I can say
4 is that to the extent that the company
5 doesn't have enough market information from
6 maybe these unsolicited offers, then we would
7 certainly procure that market information
8 through an RFP process.

9 Q. Okay. Is there going to be any
10 sort of public notice as these projects roll
11 out?

12 A. There would likely be the
13 announcement of a project if we're moving
14 ground on something, in those terms, but just
15 as I answered Mr. Cagle, typically if we're
16 talking about these economic development
17 projects, those are not announced until, you
18 know, both parties are ready to go public
19 with that information.

20 Q. Again, so it would be safe to
21 say at that point it would sort of be a done
22 deal before the public found out about these
23 projects as they rolled out?

1 A. Yeah, essentially. The
2 announcement would be when there was an
3 agreement with the company.

4 Q. I want to talk a little bit
5 about the military installations. So it
6 seems like -- because it seems like those may
7 be some of the first projects that are going
8 to be rolled out potentially. And I just
9 wanted to clarify something that I wasn't
10 quite understanding. You said that those
11 projects are going to be the same projects
12 that you typically do, I guess, in those
13 instances; is that correct? Like is there --
14 as far as they were connected to the grid?

15 A. I'm sorry. I --

16 Q. Let me rephrase that. That was
17 a complicated question. Are the projects for
18 the military installations, as much as you
19 know now, will they provide energy to --
20 directly to the military installation?

21 A. Under this certificate the
22 generation would be part of Alabama Power's
23 either owned or contracted generation. So it

1 wouldn't deliver that specific energy to that
2 specific customer. It would all be delivered
3 to the grid in terms of every -- you know,
4 any other generation project.

5 Q. So it -- that answered my
6 question. Thank you. So does that provide
7 energy security for the military
8 installation?

9 A. It can to the extent that that's
10 what -- you know, to -- I answered
11 Mr. McLemore's question, I think it was,
12 along these lines in that we are working --
13 we're in discussions with the military in
14 order to help them meet the renewable aspect
15 of their mandate. It's the federal
16 government that deemed that the renewable
17 energy adds the security to the base. So it
18 -- to a certain extent electrons flow where
19 they want to flow. You know, if you spill
20 water on the table, it's going to go wherever
21 the water wants to go, wherever it's not
22 blocked. So to the extent that that
23 generation is located on the base, then those

1 electrons will -- you know, at least some
2 amount of that energy will be there on the
3 base before it transmits to other areas.
4 It's not necessarily the company's -- the
5 security aspect of the renewable generation
6 is the mandate from the federal government.
7 The company is coming at the projects with
8 the aspect of working with the customer to
9 secure their renewable energy needs.

10 Q. And are those facilities going
11 to be owned or leased by the military? Are
12 they going to be owned or leased by Alabama
13 Power? How does that work?

14 A. I mentioned in my previous
15 testimony that on the Army customers, the
16 Army base customers, under the General
17 Services Agreement there is a constraint that
18 in order to execute the agreement under that
19 General Services arrangement, it requires the
20 utility, the jurisdictional utility to be the
21 owner and operator of that equipment. That's
22 not necessarily the case for every single
23 base and nor for every customer under this

1 certificate authority. Whenever there's not
2 a restriction of that nature the company will
3 explore whichever is in the best interest of
4 all customers.

5 Q. I want to talk a little bit
6 about -- you had discussed sort of the
7 general benefits of this renewable petition
8 and what flows out of it. And I want to talk
9 some -- a little bit about some of the other
10 benefits that I don't think you mentioned.
11 And is there a benefit to the company having
12 increased energy diversity, sort of increased
13 energy portfolio?

14 A. There -- the company has
15 always -- at least in my tenure with Southern
16 Company Services and Alabama Power has been
17 in favor of diversity, diversity as to the
18 reliability and cost effectiveness of the
19 fleet. To the extent that any value can be
20 attributable to that diversity, it's
21 quantifiable in the form of the economic
22 evaluation. When we look at the avoided
23 costs and the fuel price forecast that I

1 discussed with Mr. Free, if there are any
2 sensitivities to that fuel forecast, the
3 changes in the economics of the project and
4 how it impacts overall price of electricity,
5 that's where that value is sort of
6 quantified.

7 Q. So you do have those -- you do
8 have those benefits that you can quantify in
9 certain instances?

10 A. In the form of sensitivities
11 associated with the analysis.

12 Q. One other thing that Mr. Free
13 touched on during his cross-examination was
14 the intermittency of the power and the
15 problems that presents with solar power in
16 this instance. Let's just take that for
17 example. Are there other benefits that may
18 offset that in some ways? For instance, if
19 the sun is shining and it's most intense --

20 (Brief interruption.)

21 Q. So basically the other benefits
22 that are associated with some of these
23 renewable sources such as solar ware, maybe

1 at the time of generation in the hottest part
2 of the day solar may be working the hardest,
3 are there benefits there?

4 A. Yes. Those are quantified,
5 somewhat in terms of that avoided energy cost
6 calculation. To the extent that the expected
7 profile of the generation output from that
8 solar facility occurs during that peak part
9 of the day, well, that's when generally
10 prices of electricity are the highest, that
11 marginal price that it displaces. So it
12 receives benefit there from the energy --
13 avoided energy cost evaluation.

14 As well as I did mention
15 capacity costs, avoided capacity costs.
16 Since we're in a period where the company has
17 enough capacity to reliably meet its demand,
18 that capacity component is small through that
19 2030 time frame, but there is some value
20 there. And I also mentioned intermittency
21 reduces that value, but, again, there is
22 still some value there. So how the company
23 determines that avoided capacity cost value

1 is sort of a problematic approach to what are
2 the chances that when we need the reliable
3 output that the sun is shining and that
4 generator is producing. And, therefore, an
5 equivalent capacity is calculated, and that's
6 where some small capacity component is
7 introduced into the mix.

8 Q. But that would go into your --

9 A. Yes.

10 Q. -- avoided costs, those sorts of
11 -- and is there -- I guess this added
12 diversity, as I'm framing it, to your
13 portfolio, does that -- is there a benefit
14 there for customer choice just generally?

15 A. The -- well, that's one reason
16 we're here today, is that we're trying to
17 respond to customer interest in the renewable
18 generation, but the policy of our company and
19 this Commission is to offer those renewable
20 resources to customers who want them without
21 being subsidized from customers who are not
22 willing to place that priority or that
23 premium on those resources. So this petition

1 does just that. It allows those customers
2 who want to choose renewable energy to commit
3 to that resource in a manner that doesn't
4 cause subsidization to other customers; it
5 benefits everyone.

6 Q. And are you going to look at the
7 avoided costs of these projects and make sure
8 they come in below -- the avoided costs would
9 be below your normal costs?

10 A. Again, as I mentioned to
11 Ms. Martin, the Commission currently
12 regulates, you know, many aspects of our
13 business and evaluated what our avoided cost
14 realities are relative to our projections.
15 It's just one of those many areas of
16 oversight. So we'll continue to do that.
17 There is no guarantee that those projects
18 exactly hit that mark. There can be upsides
19 and downsides, and that's just a part of
20 forecasting.

21 Q. And I guess going back to what
22 you testified about some of the research you
23 had done on the businesses that need this

1 type of energy resource or demanding it at
2 this point, some of your customer demand,
3 would it be fair to say that if you didn't
4 have these opportunities in Alabama, it could
5 hurt business development and economic
6 development in the state?

7 A. We've not had any customer or
8 potential customer to my knowledge say, we
9 don't want to locate in Alabama because you
10 don't offer renewables, but what we have seen
11 is several examples such that I quoted, you
12 know, Google being one, Apple, Amazon,
13 companies that have said renewables are very
14 important to them. So it's one of many
15 offerings that Alabama Power Company can make
16 utilizing this process that will help all
17 customers and better situate the state to
18 have more arrows in the quarter so to speak.

19 Q. And I want to address the 500
20 megawatt request. I think you ID'd that
21 there were existing customers that were
22 interested -- the reason -- or the reason you
23 came up with 500 megawatts is because you've

1 ID'd customers that may be interested, or you
2 had discussions with those customers, and
3 their aggregate load actually exceeded 500
4 megawatts and that that didn't actually take
5 into account businesses that may bring -- or
6 customers that may bring it to the state.
7 Considering that and sort of those statements
8 in the petition and you went -- you have
9 responded to our interrogatories about, would
10 there be room for more than 500 megawatts?

11 A. The certificate authority would
12 be up to 500.

13 Q. Right.

14 A. Nothing would prohibit us from
15 asking for more if that entire amount is
16 exhausted. There would be another proceeding
17 at that point.

18 There's also nothing that
19 prohibits us from doing a project outside of
20 this certificate authority. It just would
21 be, you know, its own -- its own request, its
22 own docket. Does that answer your question?

23 Q. That did. Thank you.

1 Did the company in the
2 evaluation of this 500 megawatts, when you
3 pinned that down, did they evaluate different
4 alternative scenarios, like, let's say, a
5 gigawatt of renewable power or 200 megawatts
6 of renewable power?

7 A. We arrived at the 500 based, as
8 I mentioned, on customer interest. It just
9 seems like a reasonable amount. And since
10 it's not a requirement, the 200 falls lower
11 than that, and since there's no -- there's
12 nothing to prohibit us from requesting more,
13 1,000 can be something that we explored
14 later, so it's a -- it's really gauged on
15 that customer interest.

16 I mentioned that we've
17 identified customers whose load is in excess
18 500 megawatts in the aggregate. The reason
19 that that doesn't exactly translate to
20 needing to secure more than the 500 at this
21 time is that that's a -- you know, that would
22 assume that every single megawatt that we've
23 identified is executed. And I mean, just

1 sales and marketing 101, that may not be the
2 case.

3 Q. And I know that you put a cap of
4 80 megawatts per project in this petition.
5 Is there a -- is there an advantage to having
6 smaller renewable blocks of energy like that?

7 A. In regards to this
8 application --

9 Q. Right.

10 A. -- where we're working with
11 specific customers?

12 Q. Right.

13 A. If the projects -- they're
14 envisioned to be smaller scale under that
15 80-megawatt threshold because that --
16 something much larger than that may start
17 exceeding the customer's interest. So, for
18 example, these military applications, you
19 know, I mentioned that those projects would,
20 based on current discussions, be no greater
21 than fifteen megawatts each. So to the
22 extent that most applications are in that
23 range, it makes sense to limit that scenario

1 in some way.

2 Also, part of the reason for
3 having this authority sort of bundled
4 together is the efficiencies of the process
5 in that requesting certificates for
6 individual small projects over and over -- I
7 mentioned to someone at this table about the
8 cost of doing that, the cost and resources it
9 takes to continue seeking certifications.
10 Part of that is due to the smaller size. So
11 once we -- you know, if there are larger
12 projects than 80 megawatts, as I just said,
13 this petition wouldn't prohibit us from
14 seeking approval for those projects; it just
15 wouldn't be a part of this.

16 Q. So you would go through another
17 -- you would petition for another
18 certificate --

19 A. That's correct. If there's --

20 Q. -- for a specific project?

21 A. If there's a larger project
22 identified that created value for customers,
23 we would consider that under a separate

1 process.

2 Q. And are you aware of other
3 projects that are greater than the
4 80-megawatt threshold that you guys are
5 seeking here? Are you aware of other
6 projects?

7 A. There have been some --
8 I referenced some in my example, the wind
9 deals in Iowa, the MidAmerican Energy, those
10 are both greater than the 80-megawatt
11 threshold.

12 Q. And you state -- or I think this
13 was in the petition actually -- about a
14 notable example of renewable energy
15 development has been next door in Georgia
16 where they're seeking 1000 megawatts through
17 various programs at the PSC there. Are you
18 aware of why those programs in Georgia have
19 sought such a higher total megawatt capacity
20 for this, renewables?

21 A. I'm familiar that they have. I
22 can't really speak to why -- you know, what's
23 driving their decisions versus ours. What we

1 are doing here today is in the best interest
2 of our customers and working under our
3 legislative and regulatory environment.

4 Q. And are you aware if those
5 projects were open to competitive bidding?

6 A. I remember that there was some
7 portion of it that was, but I don't know --
8 I'm not familiar with the details.

9 Q. To your avoided costs, some of
10 your testimony on avoided costs, I think you
11 had testified to this in Mr. Free's questions
12 or potentially in some of your other
13 testimony, but did you talk about how fuel
14 costs as far as renewables would be
15 calculated there, in your avoided costs?

16 A. The cost of the actual renewable
17 generation that's being evaluated?

18 Q. Right.

19 A. Would go into that total cost
20 bucket. And then the avoided energy cost is
21 offsetting part of that process. The extent
22 that there is a fuel payment, if we're
23 talking about a biomass, you know, for

1 instance, then there would be a fuel cost
2 associated with the generating of that
3 electricity. And part of that -- that would
4 go into that total cost bucket that's
5 compared to the avoided cost savings benefit.

6 Q. If there was a solar project,
7 for example, would there be -- what would be
8 the fuel cost for the --

9 A. There is no fuel cost. The
10 total cost bucket would be all of the fixed
11 costs of installing and maintaining those
12 panels.

13 Q. And the same for a wind project;
14 correct?

15 A. Uh-huh.

16 Q. And the company plans to recover
17 costs through the rate recovery mechanisms,
18 ECR and CMP and RSE, but you also talk about
19 in the petition customer-specific projects.
20 So are there -- in those customer-specific
21 projects will the costs be recouped through
22 those rate bases, or will there be specific
23 contracts just with those customer-specific

1 projects?

2 A. Will you ask me that one more
3 time so I can be sure I --

4 Q. I'm sorry. That was a
5 complicated question.

6 For the customer-specific
7 projects that you mentioned in the petition,
8 how will those costs be recouped?

9 A. If there are customer-specific
10 benefit, then it's actually -- it's actually
11 not a cost for the company to recoup; it's a
12 benefit coming from the customer to the
13 company that gets distributed to the other
14 customers. So it's -- we can't say exactly
15 at this time because there's not a specific
16 project. There are a couple of examples of
17 how those customer specific contributions
18 could happen. And to the extent that there
19 is a customer contribution being counted in
20 that economic evaluation, the company will
21 utilize -- will seek a contract with that
22 specific customer. So to the extent that it
23 was a dollar payment stream from the customer

1 to the company, there would be a contract
2 there. If it were a load growth application,
3 we would generally seek to try to implement
4 some sort of minimum build provision that
5 would ensure revenues from that specific
6 customer application that are helping to
7 contribute to the overall cost of the company
8 that help all other rates.

9 Q. And in that scenario you
10 describe, would that be considered a premium
11 for that electricity?

12 A. It would take many different
13 forms. For instance, there may be customers
14 who are willing -- if they're not -- if a
15 customer comes to us seeking renewable energy
16 and is a customer whose load is not going to
17 grow based on this renewable application or
18 they're not at risk -- the company is not at
19 risk of losing that load with or without the
20 renewable generation, then there wouldn't be
21 those load growth and retention benefits to
22 speak of. So any customer contribution in
23 that case would be that that customer places

1 a priority on the renewable energy and is
2 willing to compensate the project enough to
3 get it to meet that hurdle of providing the
4 positive economic value.

5 Q. But if there are load growth or
6 retention advantages there, that would go --
7 that would be recouped through your normal
8 rate -- through your normal mechanisms,
9 through your normal cost recovery mechanisms?

10 A. There wouldn't necessarily be a
11 direct payment stream from every customer
12 contribution. Those contributions could be
13 in the form of downward pressure on rates to
14 the extent that the information and the data
15 supports those assumptions.

16 Q. I'm checking off the questions
17 that you've already answered.

18 You may have answered this, and
19 I'm sorry if I'm repeating here, but the RECs
20 that are going to be created by this, are
21 they included in the avoided costs?

22 A. That actually would depend on
23 the type of arrangement with each specific

1 customer on a case-by-case basis. So if a
2 customer that we're working with on a project
3 says, I, you know, want to partner with you
4 and cause this renewable project to be built
5 and I want to retain the RECs, then -- then
6 one of two things could happen. Either the
7 market value of those RECs would go over in
8 the benefit bucket, but then you would have
9 an offsetting cost in the cost bucket because
10 the company wouldn't retain the value of
11 those RECs, because the contractual agreement
12 with the customer would be giving them to
13 that customer.

14 Some customers may say, I just
15 want to see that this renewable energy is
16 built, you do what you want with the RECs.
17 In that case the company may quantify a
18 market value of those RECs in that benefit
19 bucket of costs, of the analysis. And on the
20 cost side the costs were just the cost of the
21 contract or the facility, so it could add
22 some value if the company were retaining
23 those RECs. Did that answer your question?

1 Q. So in --

2 A. It's going to depend on a
3 case-by-case situation.

4 Q. So it's a project-by-project
5 call whether the RECs are going to be
6 included in the --

7 A. Right.

8 Q. -- avoided costs?

9 A. Right. If the company passes on
10 the value of those RECs to the specific
11 customer, then it would be double counted if
12 it tried to count those benefits in the
13 analysis. But if the company retained access
14 to those RECs, then the proper value would be
15 ascribed.

16 Q. And has the company completed
17 anything such as a REC utilization plan which
18 would forecast or provide the model for how
19 you're going to treat these RECs?

20 A. Will you ask me that again?

21 Q. Has the company completed a REC
22 utilization plan which provides sort of a
23 model on how the company will treat these

1 RECs under this petition?

2 A. We do have a REC program. I
3 mentioned under that -- under rate OPS that
4 the company offers REC purchases to any
5 customer who chooses to sign up for it. In
6 terms of any excess RECs they do have a shelf
7 life. So to the extent that the company has
8 any excess RECs they do go and try to
9 optimize their value in the market.

10 Q. And we talked a little bit about
11 the competitive bidding process and how that
12 may play out under this petition. In the
13 event that there is some sort of competitive
14 bidding process for these projects, is there
15 any sort of third-party evaluator who looks
16 at these competitive bids and determines, you
17 know, which one is the best value for the
18 customers?

19 A. The Commission-approved RFP
20 guidelines don't require an independent
21 evaluator as the Commission and the staff
22 does oversee that process.

23 Q. So there won't be a third-party

1 evaluator?

2 A. It wouldn't be required.

3 Q. And in your experience do
4 competitive bidding process usually --
5 competitive bidding processes usually result
6 in the best deal for the customer?

7 A. In my experience I don't have
8 any evidence of that, actually. The
9 market -- to the extent that the company has
10 market information that seems to be good
11 proxy of the market, there's no guarantee
12 that an RFP would produce lower cost results
13 than that. And in fact, there is a cost
14 associated with performing an RFP; therefore,
15 the company would evaluate that benefit at
16 the time to determine whether an RFP would
17 result in value for customers.

18 Q. You said there was a cost in
19 even going through the RFP process?

20 A. That's correct. There is a
21 number of resources required on the company's
22 behalf to conduct and evaluate the terms and
23 put together the bid package and host

1 workshops and things of that nature. There
2 is resources that are utilized to go through
3 an RFP process.

4 Q. But would it be fair to say that
5 customers could save money on the back end of
6 that going through the RFP process if you
7 spend the money on the front end to do that
8 process?

9 A. Not necessarily.

10 Q. And some of these
11 customer-specific projects that you talk
12 about and the close nexus, I think that you
13 mentioned in your petition, would community
14 solar projects fall under that? Are you
15 familiar -- I guess, first, are you familiar
16 with community solar projects?

17 A. I am. I'm sure they can take
18 many shapes or forms, but that is certainly
19 an industry topic that I'm aware of.

20 Q. And would those fall under this
21 petition? Is that -- is there a potential
22 there?

23 A. Nothing in the petition would

1 prohibit that at this time. Currently we
2 envision it to be focused on a little
3 larger-scale customers, but community solar
4 could be an option.

5 Q. And I think you've testified and
6 the company has said there's not specific
7 projects in mind at this time, although
8 there's been discussions with military
9 installations or DoD about particular
10 projects, but are there any size, new load,
11 or any other sort of restrictions dictating
12 how customers can actually participate in
13 this -- in a project falling under this
14 certificate? So what are the --

15 A. Any size limitations?

16 Q. Are there other parameters
17 besides the ones that we've mentioned
18 limiting customers' participation?

19 A. The only limitations would be
20 those that we've discussed.

21 Q. Yeah. Okay. As far as the wind
22 projects that you've mentioned that Alabama
23 Power has entered into PPAs for, Chisholm

1 View and Buffalo Dunes, are those typical
2 projects -- are those projects typical
3 projects that might fall under this
4 certificate? I guess they're above the
5 megawattage, but --

6 A. Yeah. I was going to --

7 Q. -- is that the only limiting
8 factor there?

9 A. To the extent that -- that some
10 future wind project is available and meets
11 the criteria that we've discussed, then it
12 would certainly be considered under the
13 evaluation. So those specifically are too
14 large for this project, but under an
15 80-megawatt threshold where they provide
16 positive economic value for customers, then
17 they would be eligible.

18 Q. Have those projects provided
19 positive economic value for customers in
20 Alabama?

21 A. Well, we're a couple of years
22 into a twenty-year contract, so it's
23 difficult to say exactly -- you know, I mean,

1 until you look at the meat of the life of
2 that project then it's hard to say that they
3 -- the delivered energy price under those
4 contracts has produced energy savings for
5 customers on that avoided energy cost basis.

6 Q. And do you anticipate renewable
7 projects of that nature producing those sort
8 of savings for customers across Alabama in
9 your territory?

10 A. Any projects that are brought
11 forth under this petition, yes, they would be
12 expected to provide savings.

13 Q. And you said under the -- you've
14 done some -- or -- well, you've talked about
15 the Clean Power Plan and how those federal
16 mandates may affect how the company is
17 reacting and what they're doing now. And the
18 company -- I guess you've testified or the
19 company has said they haven't developed a
20 compliance plan yet; is that correct?

21 A. For the Clean Power Plan, no.

22 Q. For the Clean Power Plan. But
23 is the company running scenarios about

1 potential compliance with the Clean Power
2 Plan and how that will happen?

3 A. My understanding is that the
4 company is still kind of -- I mean, the rule
5 was finalized -- what was it -- last Monday.

6 Q. Right.

7 A. Maybe the week before. They're
8 still, you know, processing and absorbing the
9 information and talking with state
10 environmental regulators, you know, gathering
11 their thoughts. So they're not in -- they're
12 still processing the rule.

13 Q. But a petition like this or a
14 certificate of this nature would help in
15 compliance of the Clean Power Plan, assuming
16 that that --

17 A. That's a logical assessment.

18 Q. And does the projects -- do the
19 projects that come under this petition or
20 certificate, would they assist in compliance
21 with other environmental laws such as NACS or
22 MATS rule?

23 A. They certainly could. I think I

1 mentioned in my direct testimony any benefits
2 would be quantifiable to the project to the
3 extent that they can be isolated. But
4 definitely, at the very least, any renewable
5 energy that is offsetting other generation
6 overall reduces emissions from that
7 generation. So it's helpful in that regard
8 in the least.

9 Q. And you -- I mean, the petition
10 asks for renewable energy resources, and I
11 think you have testified to the fact that in
12 the statute that includes numerous things,
13 biomass, black liquor, small irrigation
14 projects under the statute. So could any of
15 those projects, biomass, black liquor, small
16 irrigation, that fall under that definition,
17 could those projects come under this
18 petition?

19 A. They would meet the criteria
20 under the petition in terms of the definition
21 of renewable resources, but they must also
22 meet that criteria of positive economic
23 value. So to the extent those meet that

1 threshold they could be part of this
2 certificate.

3 Q. Can you explain to me what black
4 liquor is because I really want to know?

5 A. I understand it is basically
6 biomass. It's like the leftover pieces of
7 pulp in paper mill processes, but I'm not an
8 expert on that by any means.

9 Q. Okay. Thank you. I appreciate
10 that.

11 So would you agree that the
12 additional -- the addition of renewable
13 resources to Alabama Power's portfolio adds
14 to energy diversity?

15 A. Yes.

16 (Brief interruption.)

17 A. So your question was do
18 renewable resources add diversity?

19 Q. Would the projects under this
20 petition add to energy diversity?

21 A. Yes. Any -- any variety in fuel
22 sources would add to energy diversity in our
23 fuel mix.

1 Q. And security, energy security?

2 A. To the extent that -- to some
3 extent, yes.

4 Q. Yeah. And customer choice?

5 A. Yes.

6 Q. And the ability to promote
7 economic growth?

8 A. Yes.

9 Q. In addition to helping the
10 environment?

11 A. Yes.

12 Q. One last question, and then I'm
13 done.

14 A. Okay.

15 Q. Will any of the projects under
16 this certificate be for the general public
17 and added to the general rate base?

18 A. Ask me that again.

19 Q. So will any of the projects that
20 come under this certificate, will those be
21 available for the general public and added to
22 the rate base?

23 A. All of the --

1 MR. McCRARY: Could I -- excuse
2 me. Could I ask a clarification by what
3 available -- what does available to the
4 general public mean? Could I ask for a
5 clarification to your question?

6 MR. JOHNSTON: That the public
7 can participate in the renewable program.

8 Q. So as Alabama Power has a REC
9 program now that the general public can
10 participate in -- correct? Is that correct?

11 A. Yes.

12 Q. -- are there projects under this
13 petition and certificate where the general
14 public will be able to participate in and
15 then that gets -- you get compensated through
16 the rate base, through --

17 A. All of the projects under
18 this -- under this petition will be serving
19 and useful to the entire rate base. That's
20 where the avoided cost calculations come into
21 play. And all of that energy from these
22 resources is served to Alabama Power
23 customers as a whole.

1 In terms of a generic rate that
2 any customer could sign up for under this
3 program, each project brought forth under the
4 certificate would have to meet that -- that
5 positive economic value threshold. So as I
6 mentioned right now, we envision that to
7 really require a larger kind of anchor in it,
8 if you will, but there's no limitation on the
9 size of those projects. So to the extent
10 that projects come forward that -- you know,
11 I mentioned the community scale could --
12 would not be prohibited under this authority.

13 Q. Okay. I think that's it. Will
14 you give me one second just to make sure that
15 I've covered everything?

16 A. Sure.

17 Q. We're done. Thank you very
18 much.

19 ALJ MORRIS: Thank you,
20 Mr. Johnston. If you would, pass the
21 microphone across to Ms. Shenstone.

22 CROSS-EXAMINATION

23 BY MS. SHENSTONE:

1 Q. Good morning. I'll try to wrap
2 it up while it's still morning. My name is
3 Amelia Shenstone. I'm with the Southern
4 Alliance for Clean Energy. And I want to
5 applaud the company for this petition to
6 bring more renewable energy online and to do
7 it in a very cost conscious way.

8 So I just wanted to ask just to
9 clarify. My understanding is that it's
10 impossible that any project undertaken under
11 this petition could put upward pressure on
12 rates; is that correct?

13 A. The projected economic benefits
14 would have to result in positive value. I
15 mentioned a couple of times we can't
16 guarantee any forecast, but from a
17 forward-looking perspective no projects would
18 place upward pressure on rates.

19 Q. So maybe impossible is the wrong
20 word, but the program is designed so that
21 there would be no upward pressure on rates?

22 A. That's correct.

23 Q. Is it possible that projects

1 under this program could put downward
2 pressure on rates?

3 A. That's the intention, yes.

4 Q. Excellent.

5 Could you envision that some of
6 the projects you've mentioned, that there may
7 be a customer contribution in order to make
8 those feasible in a way that the net effect
9 is a positive one? Is it possible that some
10 of those projects may not require a customer
11 contribution in order for the economics to
12 work out favorably?

13 A. That is possible. And,
14 obviously, those wouldn't be excluded because
15 that would meet the criteria.

16 Q. Thank you.

17 Are you at all familiar with the
18 Advanced Solar Initiative at Georgia Power,
19 our neighboring sister utility?

20 A. I'm familiar with it. I doubt
21 I'll be able to speak in much detail.

22 Q. I wondered if you're familiar
23 with the request for proposals process there

1 whereby parameters are set for what would be
2 a reasonable proposal and then the market is
3 basically set free to assure not just a net
4 positive value to the protect but the most
5 value for the project. I wonder if that
6 might be considered as a model for selecting
7 projects or carrying the projects out under
8 this program.

9 A. Our company's position -- and so
10 I don't want to speak to details of that
11 program that I'm not familiar with. But our
12 company's position is to negotiate the best
13 possible price on any given project so that
14 customers will benefit from all the savings
15 that were available to be attained.

16 As I mentioned in the previous
17 testimony the company would utilize the
18 Commission-approved RFP guidelines to the
19 extent that an RFP is the best approach to
20 gaining that market information. There can
21 and will be times that -- as I mentioned,
22 we're under the gun here to meet that 2016
23 tax credit. So an RFP takes time. We

1 wouldn't necessarily have an RFP to the
2 extent that we have enough market information
3 to have a gauge on what a reasonable price
4 is. So we would utilize a combination of
5 those processes to ensure that the projects
6 we're entering into are providing the most
7 economic value possible to our customers.

8 Q. And I'm imagining that if this
9 is approved there could be many customers
10 coming to you and saying, we would like to
11 have renewable projects under this
12 certificate. How will you prioritize which
13 projects to devote the company's attention to
14 most expediently? Will it be first come,
15 first served or in order of size or a case
16 that the customer brings to you and
17 suggesting that it will have a good positive
18 value? How will that be prioritized?

19 A. The company will use all the
20 resources available to ensure that we're
21 meeting the needs of all the customers. So
22 I'll have to say I don't know. The priority
23 will be associated by many factors, I'm sure.

1 Q. Thank you.

2 ALJ MORRIS: Mr. Canton, do you
3 have any questions of the witness?

4 MR. CANTON: Just a couple.
5 I'll make them quick. I know we're all ready
6 to move on.

7 EXAMINATION

8 BY MR. CANTON:

9 Q. I guess being a trade
10 association, we're obviously very happy to
11 see Alabama Power looking into renewables and
12 good job opportunity for the state and the
13 customers.

14 Specifically to the benefits to
15 -- the program is going to provide to
16 Alabama, you know, downward pressure on the
17 rates, economic opportunities, specifically
18 the idea of whether projects need to be sited
19 in Alabama or not when we're talking about
20 what the economic benefits are to Alabama --
21 I'm still here. Okay -- specifically to the
22 access to perform some of the work in -- that
23 would be involved in these projects by

1 Alabama companies and workers. So if there's
2 a chance that projects are out of state,
3 obviously, it makes it harder for these
4 companies and workers to participate. So as
5 much as we have the economic development
6 potential of these companies that were
7 retaining -- the corporations retaining and
8 attracting possibly to Alabama, what is being
9 done and what is -- what can be done to
10 provide opportunity for the workers and
11 companies of Alabama who actually participate
12 in the deployment of these projects?

13 A. Okay. I think you asked what
14 this petition will do for the state of
15 Alabama to ensure that some of that economic
16 value is retained in the state. Is that a
17 fair assessment?

18 Q. Well, specifically to Alabama
19 workers being able to perform the
20 construction, maintenance, design of the
21 projects themselves.

22 A. As the utility provider, our
23 mission is to provide reliable cost effective

1 electricity to our customers. So to the
2 extent that a project under this certificate
3 meets that criteria of provided value for
4 customers, then it would qualify for approval
5 under the certificate as we've requested it.

6 As an occupant of the state and
7 a company who's been dedicated to the state
8 of -- and to the economy and the -- and the
9 good of the state of Alabama for a hundred
10 years, we believe that this petition helps
11 better position our state for some of the
12 opportunities that you and Mr. Cagle have
13 discussed, growth and jobs and that type
14 thing. But as written, the petition doesn't
15 require the construction of those facilities
16 to be in Alabama. In that -- as long as it's
17 in the best interest of our customers from an
18 electricity-price standpoint, then it's
19 something that should be pursued.

20 Q. Okay. And just the example
21 would be similar to Georgia next door that
22 has several thousand jobs that are associated
23 with their Advanced Solar Initiative program,

1 you know, their effort to bring renewables
2 into the state, I don't believe it was tied
3 specifically to job creation, but it did have
4 the benefit of encouraging local job growth,
5 specifically in those construction
6 industries. So I guess this isn't
7 specifically written for that, but it -- it
8 does anticipate -- is there a sense of some
9 percentage of the projects will be based in
10 Alabama, where the work will be conducted
11 here versus we're buying PPAs from Kansas or
12 from out of state?

13 A. There wouldn't be a requirement
14 for that under this petition, but there's --
15 in my opinion there is a likelihood that many
16 of those projects would be located in the
17 state. For instance, the military bases are
18 the -- you know, one of the reasons that
19 we're here. And those projects would be
20 located on the bases in the state of Alabama.
21 So my opinion is that many other customers
22 may have this similar type siting restriction
23 as well.

1 Q. So it would be kind of customer
2 specific?

3 A. That's right.

4 Q. We'd like it on our property or
5 the vicinity of our property?

6 A. That's right. Or if -- or if
7 they don't restrict it to we want it to be on
8 our property, if there is some other site in
9 Alabama that provides the most cost effective
10 resource, then that one would compete and
11 would be chosen as well. So there's not a
12 preference by any means for it to be outside
13 of the state. Outside of that
14 customer-specific preference and meeting that
15 customer's interest and needs, the company
16 would utilize the most effective resource
17 from a cost and reliability perspective.

18 Q. And I guess similarly the
19 process of acquiring a contractor or somebody
20 to perform the actual work, as I understand
21 it now, there's an agreement made with -- a
22 customer of Alabama Power that would approach
23 the company and ask, we'd like to do

1 renewables under this program, we imagine
2 it's going to be this size, there's some
3 agreement that's come to, and then the
4 project is announced, and then there's an RFP
5 process, either internal, external, or
6 possibly no RFP process to actually acquire
7 the power itself, the -- either the facility
8 or the PPA? Does that make sense? So I'm
9 trying to understand the steps that are going
10 to be involved from a customer's perspective.
11 I'm a giant Wal-Mart or a series of
12 Wal-Marts, and I want to put solar in our
13 facilities. I approach the company and ask
14 we'd like to be able to do this on some
15 number of our facilities. And the company is
16 going to come back. We might negotiate terms
17 of that, and in that process Wal-Mart has
18 typically wanted it on their facilities. And
19 so they need to deploy 5 megawatts worth of
20 actually on-site solar PV generation. The
21 process for the company to actually deploy
22 that would be -- be possibly an RFP but
23 possibly just using resources that they've

1 already identified?

2 MR. McCRARY: Your Honor, if
3 I might interpose an objection and a request.
4 There was a lot in that, and I lost count on
5 how many questions there were. If you
6 could -- if you could sort of narrow the
7 focus of your question and serve up one
8 question at a time for the witness, I think
9 that would be helpful for the record.

10 MR. CANTON: Okay.

11 Q. I'm sorry. I was thinking more
12 of it from a customer's perspective what are
13 they going to experience when they do this,
14 because, you know, we're trying to represent
15 some of the folks that are members of our
16 organization. How -- if a facility -- a
17 customer of Alabama Power has decided with
18 Alabama Power to deploy generation under this
19 program, how will, say, a contractor be
20 chosen by Alabama Power to perform the work?
21 I believe that may have been answered in part
22 by an RFP process, but it may be --

23 A. It's difficult to answer

1 directly because it will vary, you know, on a
2 case-by-case depending on the level of
3 customer interest and their limitations.
4 They could have size or timing or site
5 restrictions. So to the extent that the
6 company is working with a customer there
7 wouldn't necessarily -- the company would
8 examine what tools they have in the toolbox
9 to meet that customer's needs. And those
10 tools could be that we already have
11 information in hand that it's a good gauge of
12 the market for maybe a generic site. So if
13 we were aggregating in several Wal-Mart's
14 loads and meeting their needs off-site, that
15 may be one approach. If some store
16 requested, like the military, that, you know,
17 this needs to be on my site and for some
18 reason, like the General Services Agreement
19 it has to be a self-build on that site where
20 the company has to own and operate and
21 maintain that equipment themselves --
22 ourselves, there still would be a bidding --
23 a procurement process. The company has

1 procurement processes surrounding, you know,
2 all types of activities or things that we
3 secure, you know, from office supplies to --
4 you know, supply chain management. So that
5 bid process would be followed and adhered to
6 under a self-build application.

7 And under the PPA application,
8 again, we would choose from either the market
9 data that we have on hand from unsolicited
10 offers. Or to the extent that those offers
11 don't give a good representation of the
12 market we would go through the RFP guidelines
13 as approved by the Commission.

14 Q. As far as participation, it
15 sounds like you anticipate larger customers
16 participating. Is there the opportunity for
17 smaller and mid-size, say, companies and
18 other customers to participate, and what
19 would their process be? What would they do?

20 A. There's nothing in the petition
21 that limits the size of the customer. So the
22 hurdle, if you will, is the economic value
23 screen. So to the extent that a smaller

1 customer is -- that we're able to work with a
2 customer to identify a project that meets
3 their needs and passes that economic
4 evaluation, then it would not -- there would
5 be no limitation on that size under the
6 certificate authority.

7 Q. And sometimes on a smaller
8 scale, multiple installations -- say, if it
9 was something in the sense of a PV system,
10 multiple installations can make the economics
11 work better, so perhaps a one-by-one rather
12 than that. Is there the possibility of a
13 program that makes a certain cookie cutter
14 system available to multiple mid-size and
15 smaller customers that allows them to take
16 advantage of the program but keeps it cost
17 effective for everyone?

18 A. As I mentioned in answer to
19 Mr. Johnston's question, I believe, on
20 community solar, to the extent that we
21 aggregate enough interest and line the stars
22 all up just right, that we could bring a
23 project that had interest from multiple

1 customers all packaged together, you know, as
2 long as that project met the criteria, then
3 it would be a viable project under the
4 certificate.

5 Q. Is that something that an
6 outside group could bring an opportunity,
7 like an aggregation of customers and say,
8 here's a chance that we may be able to make
9 something work under the program, that this
10 many customers that are interested in,
11 similarly to a community solar, but Alabama
12 Power may not want to put together a
13 community solar program?

14 A. I don't think I can exactly
15 speak to that hypothetical because there
16 would be, you know, a lot of complex details,
17 I imagine, with that. So, you know, as long
18 as the -- as a project met the criteria
19 outlined here, where it was small scale, up
20 to 80 megawatts, and provided positive
21 economic value for customers, then it would
22 not be prohibited.

23 Currently, the customer (sic)

1 envisions working with the larger customers,
2 but over this six-year process other packages
3 may be designed that meet that criteria.

4 Q. And just one last kind of
5 question and a half on the capacity side of
6 renewables and the intermittency and storage.
7 The question had been asked before about
8 storage, and, you know, by itself it's not a
9 renewable product, but the market for that is
10 changing extremely rapidly. And as
11 renewables are deployed, right now they're
12 primarily a fuel offset, but as your access
13 to storage and combined storage and renewable
14 projects improves, you can deploy -- you
15 know, what is perceived in the market is you
16 can deploy renewables in a way that does have
17 a higher capacity value because the storage
18 evens out the ups and downs of the power. So
19 whether it's in straight-up new projects that
20 are renewables, do you anticipate over time
21 in this program actually being able to add
22 some capacity value to these projects as they
23 go out, or will it just be, you know, we're

1 putting it out and not giving really any
2 capacity value to it?

3 A. The capacity value is determined
4 -- I think I covered this a little bit, but
5 I'll elaborate. Capacity value is determined
6 by that probability basically that that --
7 that generation will be available when you
8 need it. So to the extent that resources are
9 intermittent, wind and solar for example,
10 there's a certain amount of generation that
11 you could assume is going to occur during
12 hours that you need it but not necessarily to
13 its maximum. So outside of just battery
14 storage, which you've asked about, but any
15 parameter of the design of that facility that
16 helps optimize or increase the probability
17 that that generation will be flowing at the
18 optimal level when you need it, then it
19 increases the evaluation of that capacity
20 value.

21 There are a number of ways to do
22 that, specifically with solar and with wind,
23 based on -- for wind, you know, how tall the

1 mast is -- that the blades are spinning on or
2 angle of the blades, and the solar, you know,
3 the tilt and whether it attracts the sun or
4 doesn't attract the sun, which way it's
5 facing. I've heard of clipping where the
6 inverter, you know, behaves differently.
7 Batteries are just another component of the
8 design features of each generating facility
9 that is evaluated individually based on it's
10 likelihood of being there when you need it.

11 Q. And in that specific case, too,
12 you have the -- where the renewables, they're
13 implemented as -- with some level of
14 intermittency with a fairly low capacity
15 factor, and over time, as the Clean Power
16 Plan comes online, is there the possibility
17 of additional retirements as a result of the
18 Clean Power Plan that are not foreseen right
19 now?

20 A. Well, the --

21 Q. And would that -- I guess I'm
22 translating that into would that benefit from
23 the additional capacity that you can have by

1 adding storage to the renewable projects that
2 have been deployed already?

3 A. The company's environmental
4 compliance plan is really an evergreen
5 process, and we actually have a meeting here
6 every December to discuss the company's plans
7 to meet environmental compliance. And as I
8 mentioned, the Clean Power Plan is still
9 taking shape. So I can't -- I can't exactly
10 speak to what that will mean for our
11 generating resources. But to the extent that
12 it starts to become clear and any
13 environmental compliance value associated
14 with these renewables can be identified and
15 captured in the analysis, then it will be.

16 Q. That's all I have. Thank you.

17 ALJ MORRIS: I've just got a few
18 from the bench, and then, Mr. McCrary, I'll
19 let you do any redirect.

20 CROSS-EXAMINATION

21 BY ALJ MORRIS:

22 Q. First of all, one of the quick
23 questions we have is a -- really a timing

1 issue and kind of what start days and all
2 that. And I know we've got a couple of
3 things in there we're about. You have the
4 one-year period after the approval of this or
5 after the approval of a project to actually
6 begin construction. You've got your tax
7 credit 2016 in operation. Can you give us
8 just a little bit more details about what
9 that means specifically in terms of the
10 commission-imposed one-year deadline? Is
11 that met when the first dirt is turned, when
12 the first contract is signed? What is kind
13 of the key that starts that process? And
14 then on the other hand, on the tax credit
15 issue, is it operation, is it construction?
16 What is the -- kind of the deadline there?

17 A. Those are good questions. The
18 one-year initiation of a project, it's
19 basically dirt being turned. If it's a
20 cell-phoned asset, then it would be us
21 getting out there and turning the dirt. If
22 it was a PPA, it would be the counter party
23 turning dirt. And, of course, there are

1 definitions around what turning dirt means,
2 but it's physical initiation of construction.

3 Q. Okay.

4 A. The tax credit deadline, a
5 facility has to be in commercial operation in
6 December 2016 to receive the tax -- the 30
7 percent.

8 Q. The 30 percent. And after that
9 it goes to 10 percent --

10 A. It goes --

11 Q. -- correct?

12 A. -- down to 10 percent.

13 Q. Okay. Another question. This
14 is regarding the federal agencies and their
15 procurement policies. And I know DoD is kind
16 of its own animal, DoD and in many cases the
17 services to their own procurement, but for
18 the other agencies are they doing it
19 individually, or are they it doing through
20 GSA, Governmental Services Administration?

21 A. So far interest in discussions
22 with those customers has been individually.

23 Q. Okay. Another one, we talked a

1 little bit about the security and the ability
2 of -- I guess to isolate a particular
3 location. I know we've talked about this
4 initially in terms of the military bases, but
5 in the event of emergencies in -- you know, a
6 military base under this project would be a
7 good example, but it would not be the only
8 example. You know, a hospital or large
9 medical complex, like, you know, the downtown
10 Birmingham medical complex, if there was a
11 project supporting that -- and I know a lot
12 of times there are, you know, distribution
13 and transmission topography issues that
14 govern this, but is it possible in the event
15 of an emergency, if there is a local or
16 on-site generation source to island those
17 particular critical facilities and perhaps
18 give them more security in terms of their
19 energy flow than just a normal facility?

20 A. I'm going to have to say I don't
21 know to that. I do know that in storm
22 restoration processes priority is given to
23 customers like, you know, hospitals and areas

1 that have a high need to serve the public and
2 be there and able to run. I'm not sure about
3 islanding practices, actually.

4 Q. Okay. Yeah. So it gets into
5 the weeds a little bit.

6 A. Good follow-up.

7 Q. Just one final for me, and then
8 I'll turn it over to the Commission up here
9 if they have anything.

10 Since this -- I guess this
11 petition has been announced and made public,
12 has the company received any new inquiries or
13 interest about pursuing one of these projects
14 if this were approved?

15 A. Yes. The company, since the
16 notice of this petition was made public, have
17 had an increase in inquiries on top of these
18 we already had received from several
19 customers, as well as developers. So those
20 unsolicited offers and gauge of the market
21 that I spoke of, those have increased as
22 well.

23 ALJ MORRIS: Okay.

1 Commissioners, any questions?

2 Mr. McCrary?

3 MR. McCRARY: Yes, sir, Your
4 Honor. Thank you. I do have a few scattered
5 redirect questions. I'll try to be brief.

6 REDIRECT EXAMINATION

7 BY MR. McCRARY:

8 Q. Ms. Cain, I believe Mr. Free and
9 Mr. Johnston both asked you about the REC
10 program and asked you about RECs that might
11 be -- that would be produced under projects
12 pursuant to this certificate. Do you recall
13 those questions?

14 A. Yes.

15 Q. To the extent that the RECs were
16 not transferred to a counter party, to the
17 customer under a separate agreement, would
18 the company then hold the RECs produced by
19 the project?

20 A. Hold them and use them in the
21 best interest of the customers.

22 Q. Right. And specifically, would
23 the company retain the right to either sell

1 the RECs or retire the RECs, depending on
2 what's best for customers?

3 A. Correct.

4 Q. Because that --

5 MR. McCRARY: And, Your Honor,
6 just for the sake of the record, I would not
7 want this dialogue to inadvertently result in
8 a retirement of the RECs because the record
9 is not clear. The company receives RECs and
10 retains the right under its PPAs and under
11 this program, I believe, to either retire the
12 RECs for the benefit of local load service or
13 to separate the RECs from the energy and to
14 market the energy separately from the RECs or
15 the RECs separately from the energy. So we
16 do not want the record to suggest that we are
17 in any way retiring the RECs associated with
18 these projects or any other projects of the
19 company absent an intentional decision to do
20 so.

21 Q. Ms. Cain, in response to some
22 questions from Ms. Martin you indicated that
23 the military base projects would be something

1 in the order of 15 megawatts, give or take;
2 is that right?

3 A. They would be less than 15
4 megawatts each.

5 Q. Okay. But that's not in the
6 aggregate; that was the part that was --

7 A. Right. And I don't think I
8 added the word each.

9 Q. And also in response to some
10 questions from Ms. Martin, when she was
11 asking you about what the Commission might
12 choose to do with the report that it would
13 receive from the staff and from the Attorney
14 General indicating whether they felt that a
15 project met the criteria established by the
16 Commission or not. And you indicated that
17 the Commission would decide what it would do
18 with that report; correct?

19 A. Yes.

20 Q. All right. Did you mean to
21 suggest in your response that that would also
22 apply to the underlying details and analysis
23 associated with a given project?

1 A. No. The report was what I was
2 calling the sort of assessment by the AG and
3 the Commission staff that says, you know,
4 we've reviewed this information and we
5 recommend approval or disapproval. That
6 would be the report in the form that the
7 Commission could do what they want with.

8 Any of the confidential
9 information that was given to the staff and
10 the AG would remain confidential. That needs
11 to be clarified.

12 Q. Now, in response to some
13 questions from Mr. Johnston, I believe, he
14 was asking you about the possibility of
15 community solar projects; correct?

16 A. Uh-huh.

17 Q. And you indicated that community
18 solar might potentially fall within the
19 petition or, at the very least, it's not
20 prohibited by the petition?

21 A. Correct.

22 Q. Is it correct that whatever
23 project might fall within the parameters,

1 that project would have to satisfy the same
2 criteria as every other project as set forth
3 in the petition?

4 A. That's right.

5 Q. Similarly he was asking you
6 about the diversity benefits associated with
7 renewable generation. Do you recall those
8 questions?

9 A. Yes.

10 Q. And did I understand you
11 correctly that whatever diversity benefits
12 there are relative to renewables or any other
13 form of generation are captured in the
14 company's quantifications that you've
15 described here today?

16 A. Yes.

17 Q. Would you please explain?

18 A. As I was mentioning, the value
19 of diversity, not just renewables but with
20 any fuel source, is that you're spreading
21 your portfolio, just like you would, you
22 know, maybe your financial portfolio. And so
23 the quantification of that diversity value is

1 seen in sensitivities performed on those
2 avoided cost calculations. A
3 well-diversified project is more isolated
4 from swings and things like fuel forecasts
5 and operational parameters. So these would
6 be captured through those sensitivities on
7 the analysis.

8 Q. Okay. Mr. Canton, I believe,
9 asked you about what effect pairing storage
10 technology with a solar resource, for
11 example, might have on the capacity of that
12 resource. Do you recall those questions?

13 A. Yes.

14 Q. Would that pairing impact the
15 value of the capacity associated with that
16 resource, or would it impact the amount of
17 capacity that would be deemed associated with
18 that resource?

19 A. The value in terms of a rate,
20 dollar per kilowatt year value of the
21 capacity, is determined based on the market
22 conditions. It would be the amount of
23 capacity that can be counted as what we would

1 call equivalent capacity value. So if a
2 resource is capable of delivering the full 80
3 megawatts under the small-scale size
4 limitation but may not be expected to deliver
5 that 80 megawatts during hours when you need
6 it, perhaps only 10 percent of that capacity
7 is counted and quantified as value. So a
8 battery or some other design feature of a
9 project that boosts the reliability of that
10 generator would increase the amount of the
11 equivalent capacity value, not the market
12 condition or the rate that that capacity has
13 presented value.

14 Q. And finally, in response to some
15 questions from the bench, Judge Morris was
16 asking for some clarification about what
17 would constitute an exercise of authority
18 under the certificate through a given
19 project. Do you recall those questions?

20 A. Yes.

21 Q. And you indicated with respect
22 to the -- a company facility, that would be
23 turning of dirt so to speak?

1 A. Right.

2 Q. In the context of a PPA would
3 the execution of a binding PPA by the company
4 represent an exercise of the authority under
5 the certificate by the company?

6 A. I believe it would. That would
7 be a company-initiating action, but I would
8 follow-up with my counsel to see if that
9 meets the code definitions. Some of those
10 PPAs may be in terms of projects that are
11 already on the ground, so there would be no
12 turning dirt.

13 Q. Thank you.

14 MR. McCRARY: That's all we
15 have, Your Honor.

16 ALJ MORRIS: Yes, Ms. Martin.

17 RE CROSS-EXAMINATION

18 BY MS. MARTIN:

19 Q. I would just like to clarify
20 with respect to the confidential and
21 proprietary information. With this project
22 we're talking about a lot of information that
23 no one knows. And I just want to make sure

1 that the company will still mark as
2 confidential and proprietary anything that it
3 considers confidential and proprietary. It's
4 not that everything associated with this
5 project is confidential. You know, we're not
6 deciding today that that's confidential and
7 proprietary. But you will continue to mark
8 that information?

9 A. Yes, ma'am, of course.

10 ALJ MORRIS: Any other re-cross?
11 Mr. Bentley?

12 RECROSS-EXAMINATION

13 BY MR. BENTLEY:

14 Q. And to follow-up with
15 Ms. Martin's question. Some of the other
16 questions that addressed proprietary and then
17 the question about notice, particularly with
18 the form -- how you present projects to the
19 Commission, how -- for the individual
20 projects, how would they be presented to the
21 Commission staff? Not the substance of
22 what's in there but the form. Is it a
23 filing? Is it just submitted to the staff?

1 At least how is that contemplated in the ---
2 in your petition?

3 A. In the request we would submit
4 the information, and it would likely be a
5 summary packet or a binder of information
6 that has the overall economic evaluation
7 assessment and then all of the supporting
8 materials behind that in the submission.

9 Q. Is there a piece of that that's
10 a public filing? As I understand it, in your
11 petition you have -- there's thirty days --
12 the Commission has thirty days to decide to
13 disapprove it. What's available to whom when
14 you make the initial proposal?

15 A. As requested, it would not be a
16 public filing. It would be a submission to
17 the Attorney General and the Public Service
18 Commission staff.

19 ALJ MORRIS: Anybody have
20 anything else?

21 If not, Ms. Cain, thank you very
22 much. You're excused.

23 THE WITNESS: I thank everyone.

1 ALJ MORRIS: I believe next is
2 Mr. Canton. I believe you have some
3 testimony that you would like to present to
4 the Commission or --

5 MR. CANTON: I have been advised
6 to put that in the form of a question, so I
7 pretty much got everything I need on there.
8 I appreciate that.

9 ALJ MORRIS: Okay. So you're --
10 with that, then it appears that we have
11 reached the end of the portion where we take
12 evidence in this.

13 I am anticipating getting this
14 on the September docket, which would mean --
15 let's see. The meeting is on the 8th, so our
16 agenda is due on the 1st.

17 I'm assuming the company is
18 willing to pay the cost for an expedited
19 transcript on this, or do you request one, or
20 are you -- it is a timing issue for us
21 generally.

22 MR. McCRARY: Yes, Your Honor.
23 I think it's clear from the testimony and

1 from the petition that we do need to move
2 forward as quickly as we can. And I'm told
3 that the company would bear the cost of the
4 expedited transcript.

5 ALJ MORRIS: Okay. Because that
6 can become an issue as we get close to these
7 commission meetings, and that just makes it a
8 lot easier.

9 Normally -- okay. Well, the
10 Commission -- that even makes it even more
11 imperative. The Commission meeting is on the
12 1st. I was under the impression -- and I
13 guess I was wrong -- it was on the 8th. So
14 it's on the 1st. And what is my date? Oh,
15 yes, that moves things up considerably. Yes.
16 If anyone has any filings that they wish to
17 make -- I'm certainly not requesting them. I
18 think we probably have all the information we
19 need. But if anyone feels compelled, we are
20 on a very tight schedule. So I would say
21 that if anyone wishes to make any post
22 hearing filings that those would need to be
23 done within probably the next seven days.

1 And any replies after that would probably
2 even need to be in a more expedited schedule.
3 Let's see. Probably be due by the 24th. So
4 the 19th for any post hearing briefs. And
5 the 24th for any replies to those briefs.

6 And with that, we will take
7 this -- Commissioners, do y'all have anything
8 else before we conclude?

9 Mr. McCrary?

10 MR. McCRARY: Yes, sir. Just to
11 be clear, you're not directing the parties --

12 ALJ MORRIS: No.

13 MR. McCRARY: -- to file
14 anything --

15 ALJ MORRIS: I'm not directing
16 the parties to file anything. I am
17 leaving -- of course, the rules leave that
18 option open to any party, so -- but I do need
19 to put some time constraints on that because
20 of the nature of getting this before the
21 Commission at the next commission meeting.
22 So I'm going to ask that any comment or any
23 initial briefs or comments be filed by the

1 19th and any replies by the 24th.

2 MR. McCRARY: Yes, sir. Thank
3 you.

4 ALJ MORRIS: And with that we
5 will take this under advisement, and this
6 hearing is concluded. Thank you very much.

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(Adjourned 12:30 p.m.)

1 C E R T I F I C A T E

2

3 STATE OF ALABAMA)

4 MONTGOMERY COUNTY)

5 I hereby certify that the above and
6 foregoing proceedings were taken down by me
7 in stenotype, and the questions and answers
8 thereto were transcribed by means of
9 computer-aided transcription, and that the
10 foregoing represents a true and correct
11 transcript of said proceeding.

12 I further certify that I am neither
13 of counsel nor of kin to the parties to the
14 action, nor am I in any way interested in the
15 result of said cause.

16 I further certify that I am duly
17 licensed by the Alabama Board of Court
18 Reporting as a Certified Court Reporter as
19 evidenced by the ACCR number following my
20 name below.

21

22

23

KIM PRUITT, ACCR #280

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