



**STATE OF ALABAMA**  
PUBLIC SERVICE COMMISSION  
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CHRIS "CHIP" BEEKER, JR., ASSOCIATE COMMISSIONER

**ALABAMA POWER COMPANY,**  
**Petitioner**

**In re: For evaluation and approval of the  
Anniston Army Depot Solar Project and the  
Fort Rucker Solar Project.**

**Docket No. 32382**

**ORDER**

BY THE COMMISSION:

**I. INTRODUCTION**

On October 2, 2015, Alabama Power Company ("Alabama Power" or "Company") proposed the Anniston Army Depot Solar Project and the Fort Rucker Army Solar Project (collectively, the "U.S. Army Projects") for evaluation and approval pursuant to the requirements of the certificate of convenience and necessity previously granted by Commission order dated September 16, 2015 ("Certificate"). As discussed below, these projects involve the construction of new solar generation facilities at the referenced Army installations, and are expected to yield positive economic benefits to all customers through avoided energy and capacity savings and load retention benefits. In its submittal to the Commission Staff, Alabama Power supplied detailed

information regarding each project to facilitate the evaluation of the merits of the projects and their respective eligibility under the Certificate. Alabama Power also provided the same information to the Office of the Attorney General on October 2, 2015. Upon completion of its review and evaluation, the Commission Staff reports that the U.S. Army Projects satisfy the governing requirements of the Certificate previously authorized in this docket. Accordingly, they are hereby approved.

## II. PROCEDURAL BACKGROUND

On June 25, 2015, Alabama Power filed a Petition with the Alabama Public Service Commission, pursuant to *Alabama Code § 37-4-28*, seeking 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, acquisition and commitments necessary for or incident thereto. In accordance with the requirements of *Alabama Code § 37-4-29*, Alabama Power would be required to begin exercising authority conferred by the Certificate within one year from the grant thereof.

In accordance with statutory requirements, a public hearing was held concerning the Company's Petition on August 12, 2015, (the "hearing"). Participants in the hearing included representatives of the Commission Staff, the Attorney General's office and Alabama Power Company, as well as Alabama Industrial Energy Consumers (AIEC), Southern Environmental Law Center (SELC) on behalf of Alabama Environmental Council (AEC), Gulf States Renewable

Energy Industries Association (GSREIA), JobKeeper Alliance and Southern Alliance for Clean Energy (SACE). The only witness in the proceeding was sponsored by Alabama Power, with the other parties participating through cross-examination.

The record compiled during the course of the hearing reflects that the certificate sought by Alabama Power would authorize the Company, subject to specific qualifying criteria, to secure up to five hundred (500) MW of renewable or environmentally specialized generating capacity, whether through the construction, acquisition, or the entry into a power purchase arrangement (PPA) relating to such facilities, or a combination thereof, with no single project to exceed 80 MW. To the extent the Company does not secure resources up to the authorized 500 MW amount within a period of six (6) years from the date the Certificate is granted, the unused authority would expire and the Company would be required to petition the Commission for a certificate of authority for additional resources.

The testimony of record further reflects that customer interest was the primary driver behind the authority requested by Alabama Power. In particular, the record demonstrates that the Company's federal government customers such as the military are under mandates to shift a certain level of their energy consumption to renewable energy. In addition to meeting the renewable energy needs of the military bases serving the different branches of the armed forces, the record demonstrates that renewable energy projects subsequently approved under the requested authority may provide a secondary benefit in the form of environmental compliance solutions.

As reflected in Alabama Power's petition and the testimony of record, each project submitted under the requested authority would be a renewable energy or environmentally specialized generation resource of 80 MW or less and could not exceed a combined total of 500 MW over a period of 6 years. Each project would be expected to result in a positive economic

benefit for all customers, taking into account the expected cost of the project as compared to Alabama Power's projected avoided cost plus the other positive benefits that may accrue to customers through load growth, load retention, environmental compliance and/or customer specific contributions. The testimony provided in support of the requested Certificate further demonstrates that the procedures requested for approval of such future projects under the Certificate would greatly enhance the ability of Alabama Power to react quickly and efficiently to changing federal policies, customer needs and evolving market conditions.

The Attorney General's office, as well as all other parties, participated in the hearing. As noted previously, each party cross-examined the witness sponsored by Alabama Power and posed a variety of questions concerning the Company's petition. Following the hearing, SELC and GSREIA filed post-hearing briefs for the Commission's consideration, to which Alabama Power filed a response. Neither of the parties articulated express opposition to the petition and both were generally supportive of it.

After full consideration of the record compiled in the hearing and all other relevant information, the Commission Staff recommended approval of the authority sought by Alabama Power, albeit with certain modifications. The Commission adopted the Staff's recommendations in full and issued an order on September 16, 2015, authorizing Alabama Power to secure up to five hundred (500) MW of renewable or environmentally specialized generating capacity, within a period of six (6) years from the date of the Certificate, subject to the terms and conditions set forth below:

1. In order to qualify for inclusion under the Certificate granted herein, each individual project must:
  - a. Be renewable or environmentally specialized generating capacity,
  - b. Be no greater than eighty (80) MW (AC) in size, and

- c. Result in a positive economic benefit for all customers over the term of the project, taking into account the expected cost of the project as compared to Alabama Power's projected avoided cost, plus other positive benefits that may accrue to customers through load growth, load retention, environmental compliance and/or customer specific contributions.
2. Projects totaling no more than 160 MW can be submitted and approved under the 500 MW authority in any given calendar year. Alabama Power may, however, seek an exception to this limitation by way of a written request to the Commission. Such request would be deemed approved unless the Commission notifies the Company, no later than forty-five (45) days following the Company's submission of its written request, that such request is disapproved.
3. To the extent the Company does not secure resources up to the authorized 500 MW amount within a period of six (6) years from the date of the Certificate, the unused authority expires and the Company must petition the Commission for a certificate of authority for additional resources.
4. Alabama Power must issue a generic request for proposal on a biennial basis, beginning in 2016, for projects submitted under the Certificate issued. Such request for proposal must be conducted in a manner consistent with the guidelines set forth in Appendix 1 to the Commission's September 16, 2015 order in this proceeding. It is not necessary, however, for every project submitted to arise from an RFP. Market information and project opportunities can be identified through other means, such as unsolicited offers. Such flexibility will not foreclose the company's ability to act on available market information coming to it from sources other than an RFP.
5. With each project submitted for approval, Alabama Power must provide project details, supporting analysis and other information concurrently to the Commission Staff and the Office of the Attorney General, as a representative of the using and consuming public under *Alabama Code §37-1-16*. Such submissions must comply with the Minimum Informational Requirements set forth in Appendix 2 to the Commission's order entered in this cause on September 16, 2015. All such information must be submitted not less than thirty (30) days prior to the Commission meeting at which the specific project(s) will be considered.
6. Each project submitted for approval shall be approved or disapproved by a majority vote of the Commission at a public meeting.
7. In accordance with the requirements of *Alabama Code §37-4-29*, Alabama Power will be required to exercise the authority conferred for each project approved under the 500 MW block certificate herein granted in this cause within one year from the date the project in question is approved; otherwise, the authority granted will become null and void. This requirement will be satisfied for the full authority granted for each approved project upon the taking of initial action by the Company under the authority granted and provided that such initial action is within one year of the grant of the authority for each project. The circumstances involving the construction or acquisition of a new renewable environmentally

specialized resource, initial action would include activities commensurate with the commencement of construction of a road, line, system or works for the company, or action otherwise consistent with §37-4-29 and previous direction by the Commission. In situations involving a PPA initial action likewise would include activities indicative of an exercise of the certificate of authority (e.g., actual performance under the PPA or the commencement of interconnection efforts related to the resource(s) specified in the PPA).

8. Each project submitted and approved under this certificate of authority shall be authorized for the specified term of each project. Given the unique nature of this authority and the specified approval criteria for the projects submitted thereunder, the Commission requires that any request to extend a specific project beyond its original term shall be subject to the approval process set forth in this docket.

### III. DISCUSSION

The **Anniston Army Depot Solar Project** and the **Fort Rucker Army Solar Project** each encompass a 10.6 megawatt AC solar generation resource to operate over a 29 year term. Both resources, including the associated interconnection facilities, will be constructed and owned by Alabama Power Company. The projects will be sited on land owned by the U.S. government, with the Company being granted all necessary easement rights over a 30 year period to afford access to the two sites and the resources for purposes of construction, operation and maintenance. Each resource is expected to have an initial operating output of approximately 20,000 megawatt hours (AC power), subject to gradual degradation over the life of the resource. Alabama Power is responsible for the interconnection of the solar projects. If approved by the Commission, both projects would be expected to commence commercial operation on or before December 31, 2016, thereby enabling them to qualify for investment tax credit benefits.

As Alabama Power has explained, the primary impetus for the U.S. Army Projects is the establishment of renewable energy goals for all military installations in the United States. Numerous bases across the Southeast already have taken steps to satisfy these targets, while the Alabama installations have been working with the Company to accomplish the same goal.

Alabama Power has further explained that the benefits of the U.S. Army Projects extend beyond their contribution to the bases' ability to comply with federal renewable energy requirements. Over the respective terms of the projects, the resources are expected to yield positive economic benefits to customers, as required for inclusion under the certificate. These benefits include savings associated with avoided energy and capacity, as well as load retention benefits. Specifically, in conjunction with these projects, both Anniston Army Depot and Fort Rucker are agreeing to new, 10-year electric service contracts. These contracts reflect the expected revenues to be derived over their respective initial terms, and consistent with Rate MTU (Military Time-of-Use), include an indefinite roll-over period, subject to the standard two-year notice of cancellation, as well as minimum bill provisions.

As stated at the outset, Alabama Power has provided to the Commission Staff, along with its transmittal letter, detailed information relating to each of the U.S. Army Projects. All components of the minimum informational requirements established as part of the Commission's authorization of the certificate were enclosed, including a draft of the new electric service contract for each base, site configurations, avoided cost projections, project cost data, project bid information, data associated with retained load benefits and certain project cost/benefit sensitivities.

The Commission Staff has reviewed and evaluated the data supplied in connection with the proposed solar projects. In general, the Staff's evaluation focused on four primary areas: 1) the estimated installed cost of the proposed solar projects together with expected annual operation and maintenance costs, 2) Alabama Power's projected avoided costs, particularly its natural gas and coal price forecast and the future impact of current and pending environmental regulations on such forecast, 3) the direct benefits associated with retaining the military bases load by supporting them in meeting federal mandates associated with renewable energy standards, and 4) the indirect

benefits associated with retaining residential and commercial loads that are highly dependent on the economic impact of each military base.

As part of its analysis, the Staff has issued numerous data requests respecting each project and reviewed the Company's response to each of those requests. The Staff has also conducted independent research to corroborate and verify data supplied by Alabama Power in support of the proposed projects.<sup>1</sup>

Based on its review and evaluation, the Commission Staff issued a Report and Recommendation to the Commission, dated October 29, 2015, stating that both projects meet the criteria as specified in the Certificate, specifically, that each project is a renewable energy generating resource, is less than 80 MW in size, and is reasonably expected to result in positive benefits to customers over its term.

#### IV. FINDINGS AND CONCLUSIONS

After full consideration of the information included with Alabama Power's submittal of October 2, 2015, together with the Commission Staff's independent analysis and other information obtained from various sources, the Commission **FINDS** that the proposed solar projects, to be located at the Anniston Army Depot and the Fort Rucker Army Base, satisfy the governing requirements of the Certificate, hence are in the public interest and should be approved. In reaching this conclusion, we recognize the vital importance to the State and its citizens of the continued operation of Anniston Army Depot and Fort Rucker.

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<sup>1</sup> Alabama Power's analysis supporting the military solar projects is necessarily based on numerous variables, which the Staff has evaluated within the context of reasonableness. However, to test the reasonableness of the Company's proposals, the Commission Staff has evaluated many of the data inputs within selected ranges to determine how the projected outcome of the proposed solar projects would be impacted based on reasonable changes in one or more inputs. Specifically, the Commission Staff has evaluated several scenarios with differing views of natural gas prices, carbon prices, direct load retention benefits and indirect load retention benefits.

The Commission **FURTHER FINDS** that, in the event the Anniston Army Depot and/or Fort Rucker Army Base discontinues and/or reduces operations for any reason within the ten (10) year period covered under their respective electric service contracts, Alabama Power shall pursue all available rights and remedies under the electric service contracts, Rate MTU or any other applicable jurisdictional rate or service regulation to enforce the terms and conditions of the contracts over the full term of said contracts, as well as any other obligations that may be owed for the associated commitments reflected therein.

**IT IS, THEREFORE, ORDERED BY THE COMMISSION** that the proposed solar projects, to be located at the Anniston Army Depot and the Fort Rucker Army Base, are hereby approved, pursuant to the Certificate previously authorized in this docket, and as discussed in the body of this Order.

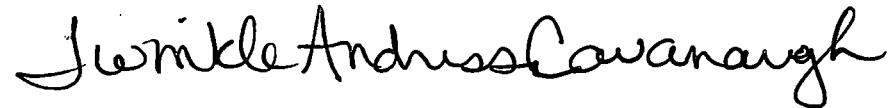
The Commission **FURTHER ORDERS** that, in the event the Anniston Army Depot and/or Fort Rucker Army Base discontinue and/or reduce operations for any reason within the ten (10) year period covered under their respective electric service contracts, Alabama Power shall pursue all rights and remedies under the electric service contracts, Rate MTU or any other applicable jurisdictional rate or service regulation to enforce the terms and conditions of the contracts over the full term of said contracts, as well as any other obligations that may be owed for the associated commitments reflected therein.

**IT IS FURTHER ORDERED BY THE COMMISSION** that jurisdiction is retained over this matter to make such further orders as deemed necessary or appropriate under the circumstances.

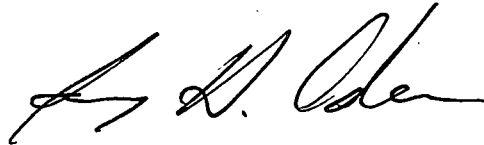
**IT IS FURTHER ORDERED BY THE COMMISSION** that this Order shall be effective as of the date hereof.

**DONE** at Montgomery, Alabama, this 14<sup>th</sup> day of, December, 2015.

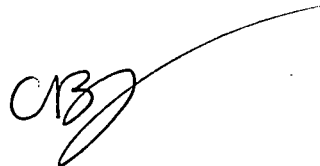
ALABAMA PUBLIC SERVICE COMMISSION



Twinkle Andress Cavanaugh, President



Jeremy H. Oden, Commissioner



Chris "Chip" Beeker, Jr., Commissioner

ATTEST: A True Copy



Walter L. Thomas, Jr., Secretary