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December 22, 2020

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

VIA ELECTRONIC DELIVERY

CAPACITY AND ENERGY PAYMENTS TO COGENERATORS UNDER PURPA	**Docket No. 4822**
GEORGIA POWER COMPANY'S GREEN ENERGY PROGRAM	**Docket No. 16573**
BIOMASS GAS & ELECTRIC, LLC'S PETITION TO ESTABLISH DOCKET REGARDING FORSYTH COUNTY RENEWABLE ENERGY PLANT	**Docket No. 19279**

Dear Mr. McAlister:

We have enclosed for filing on behalf of Georgia Large Scale Solar Association ("GLSSA"), an original and fifteen (15) copies, plus one extra copy of nos. 1 and 2, plus the original filing of no. 3 for the following documents:

1. *Surrebuttal Testimony of John Wilson*

for the above-referenced dockets. GLSSA is simultaneously filing a CD-ROM containing a Microsoft Word version of this letter and the Rebuttal Testimony.

Please return to us the extra copy showing the date of filing of the extra document. If you have any questions concerning this filing, please feel free to contact us.

Sincerely,

William Bradley Carver, Sr.
Attorney for Georgia Large Scale Solar Association

WBC/anq
Attachments

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF GEORGIA

IN RE: **CAPACITY AND ENERGY PAYMENTS TO COGENERATORS UNDER PURPA**	**Docket No. 4822**
GEORGIA POWER COMPANY'S GREEN ENERGY PROGRAM	**Docket No. 16573**
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GEORGIA LARGE SCALE SOLAR ASSOCIATION'S SURREBUTTAL TESTIMONY OF JOHN D. WILSON

COMES NOW, Georgia Large Scale Solar Association ("GLSSA") and hereby files its *Surrebuttal Testimony of John D. Wilson* entered in the above-styled Docket.

Respectfully submitted this 22nd day of December 2020.

HALL BOOTH SMITH, P.C.

WILLIAM BRADLEY CARVER, SR.
Georgia Bar No.: 115529
Attorney for Georgia Large Scale Solar Association

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BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF GEORGIA

IN RE: **CAPACITY AND ENERGY PAYMENTS TO COGENERATORS UNDER PURPA**	**Docket No. 4822**
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the within and foregoing **GEORGIA LARGE SCALE SOLAR ASSOCIATION'S SURREBUTTAL TESTIMONY OF JOHN D. WILSON** via hand delivery and/or by United States Mail, properly addressed with adequate postage affixed thereto, upon the following as reflected:

Reece McAlister Executive Secretary Georgia Public Service Commission 244 Washington Street, SW Atlanta, Georgia 30334-5701 (*Via Hand Delivery*)	

This 22nd day of December 2020.

HALL BOOTH SMITH, P.C.

WILLIAM BRADLEY CARVER, SR.
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Attorney for Georgia Large Scale Solar Association

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BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION

In Re:		
CAPACITY AND ENERGY PAYMENTS TO COGENERATORS UNDER PURPA	)))	**Docket No. 4822**
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SURREBUTTAL TESTIMONY OF
JOHN D. WILSON
ON BEHALF OF GEORGIA LARGE SCALE SOLAR ASSOCIATION

December 22, 2020

Hall Booth Smith, P.C.
191 Peachtree Street NE
Suite 2900
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Table of Contents

I. Identification & Introduction

Q: Mr. Wilson, please state your name, occupation, and business address.

A: I am John D. Wilson. I am the research director of Resource Insight, Inc., 5 Water St., Arlington, Massachusetts.

Q: Did you previously present direct testimony on behalf of Georgia Large Scale Solar Association in these proceedings?

A: Yes.

Q: What is the purpose of your surrebuttal testimony?

A: This surrebuttal testimony updates my direct and rebuttal testimony in response to the testimony of witness panels sponsored by Georgia Power, the PIA Staff, and GIPL et al., as well as Georgia Power's responses to staff data requests.

My surrebuttal testimony is organized around the same issues as my rebuttal testimony, including the

- fuel cost component of Georgia Power's projected avoided energy costs;
- fuel cost multiplier;
- marginal cost multiplier and startup/commitment adder;
- avoided capacity value; and
- cost of new capacity.

Q: What modifications do you recommend to Georgia Power's current avoided cost methodologies?

A: I am restating my recommendations from my rebuttal testimony, with underline notation for an additional recommendation in response to Staff's rebuttal testimony. The Commission should direct Georgia Power to:

- Fully examine fixed transportation and storage costs to determine if any of the costs are misclassified as fixed;
- Develop an avoided storage withdrawal cost which would be available to battery storage and other similar resources, potentially as a modification to the RCB Framework;
- Provide a plant-specific comparison of commodity contract terms with historical and forecast variable cost data to demonstrate full alignment;
- Continue use of the fuel cost multiplier (denying the Company's request to eliminate it), updated to reflect all financial instruments that the Company is using to manage fuel contract costs;
- Utilize the fuel cost multiplier in all forecasts of avoided energy costs;
- Continue use of the marginal cost multiplier (denying the Company's request to eliminate it);
- Revise the commitment/startup cost adder to consider a solar profile, rather than a flat hourly generation profile, for purposes of compensating solar QFs;
- Revise the avoided cost method to apply the fuel cost and marginal cost multipliers to the startup and commitment cost adder;
- Calculate avoided capacity cost based on the Company's forecast reserve margin, thus adding a "discount" avoided capacity cost to

QF rates in order to capture "extraordinary advantage" opportunities that may occur;

- Determine the avoided cost of capacity associated with the retirement of Plant Wansley units 1 and 2 for possible inclusion in the avoided capacity cost;
- Use a transparent, publicly-available Southeast-specific value from the US Energy Information Administration (EIA) for the ECC of a CT when setting avoided capacity cost;
- Study the impact of a shorter lifetime for gas-fueled generation units on capacity cost in the next integrated resource planning proceeding;
- Offer a QF Rated Capacity and Energy PPA standard offer contract, with a minimum term of 15 years; and
- Modify the QF Proxy PPA standard offer contract to also apply to renewable energy RFPs, but with a 10% discount applied to the resulting proxy price in exchange for allowing the QFs to retain environmental attributes.

Q: Would your recommendations have a significant impact on avoided costs?

A: Yes. Although my surrebuttal testimony is not responding to the rebuttal testimony of the Heelstone witness panel, they did provide an estimate of the impact of some of the changes recommended by Georgia Power. Heelstone estimated that Georgia Power's would reduce revenue to solar QFs by 2.75% over the next 10 years.[1]

Heelstone's analysis considered the implementation of the RCB Framework, which is outside the scope of my testimony, but did not consider

[1] Heelstone, rebuttal testimony, p. 21, line 10.

the impact of restoring the marginal cost multiplier, correcting the calculation of the startup/commitment adder, consideration of additional pre-need year capacity value, or utilizing EIA's estimate for capacity cost. Thus, Heelstone may have underestimated the total impact that would result from implementing the recommendations summarized above.

II. Application of fuel cost forecast in Georgia Power's calculation of the avoided cost of energy

Q: Has Georgia Power provided evidence to rebut your finding that the Company's calculation of the avoided cost of energy does not include some relevant costs from its planning forecast and day-ahead costs?

A: No. In my rebuttal testimony, I reviewed evidence that demonstrated:

- Historical "Fixed Transportation & Storage Costs" do not appear to be fixed, demonstrating that Georgia Power is likely making incorrect distinctions between fixed and variable costs.
- Storage withdrawal costs are potentially avoidable by battery storage or any other resource that reduces daily balancing.

I did acknowledge that Georgia Power's response to STF-10-1 provided what appeared to be a reasonable plant-specific forecast of the basis differential, fuel retention, transportation, and tax costs. There were several plants that had significant differences between historical and forecast costs, and the Company also did not provide contract or tariff terms for those costs, so it was not possible to determine if the Company's forecasts have been prepared correctly.

Furthermore, in its response to STF-11, Georgia Power has acknowledged several other costs that appear to be avoidable, including transportation costs to Plant Yates and Plant McDonough, turnback value of firm transportation capacity, and hedging costs and gains. I will discuss hedging costs and gains in the context of the fuel cost multiplier.

Q: Has Georgia Power acknowledged that its natural gas fuel contracts include costs that may not be captured in the spot market price?

A: Yes. Georgia Power's rebuttal testimony states that the Company's gas supply contracts each have their own "terms and conditions," and that "most" (but, tellingly, not all) of the "contract gas is priced based on [terms that align] with the spot market."[2] In its responses to STF-11-7 and STF-11-8, the Company acknowledged contract terms that appear to result in an inverse variable cost for transportation.

Plants Yates and McDonough are fueled by gas supply deals that include a discount to the gas supply cost to cover the pipeline transport expense.[3] While the exact nature of the discount is not specified (e.g., a percentage or a fixed reduction in price), it appears that the pipeline transport expense is volumetric. The larger the actual gas purchase, the greater the discount.

This information supports my rebuttal testimony, in which I found that a portion of the fixed transportation and storage costs appeared to be variable and hence avoidable.

Since STF-11-7 and STF-11-8 asked Georgia Power for a "full explanation" of the contracts, and it did not describe any cap on the discount, it may be possible for the discount to actually exceed the firm transportation cost, resulting in a below-market cost of gas supply.

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[2] Georgia Power, rebuttal testimony, p. 40, lines 17-23.

[3] The structure of these contracts is described in Georgia Power's response to STF-11-7 with respect to Plant Yates. The application of this same contract structure is described in Georgia Power's response to STF-11-8.

Q: Why do you believe the turnback value of firm transportation capacity should be considered an avoidable cost?

A: Georgia Power explains that although there are no provisions for early termination of transportation contracts, whenever pipeline companies are expanding their system, there is an opportunity for Georgia Power to reduce its existing firm transportation contracts.[4] Such a reduction is described as a "turnback" and would result in a lower transportation cost. Also, Georgia Power could release its firm transportation capacity to third parties at a market rate, which could be lower or higher than its contract rate.

If a sufficient quantity of QFs delivered power in a manner that led to Georgia Power determining that it did not need the full capacity of a gas plant, then Georgia Power could make a prudent decision to release or turnback a portion of the transportation capacity serving its gas-fueled plants, especially if the plants (such as the single-cycle gas turbines) are operating primarily for emergency reserve and can operate on oil if spot gas is not available. If Georgia Power is not willing to surrender the capacity permanently, a temporary market transaction might make sense in the event that a gas unit is largely idle for a period of time. If a sufficient quantity of QFs reduce the need for contract gas supply to an existing unit prior to the next capacity shortfall, Georgia Power could obtain some value from the unneeded transportation capacity and offer to sell it for a temporary period to another party.

[4] Georgia Power, response to STF-11-9.

Q: Does this new evidence support your recommendations to the Commission?

A: Yes. While these two contract issues are not likely to result in adjustments large enough to make a major difference to avoided costs, they do indicate that the Company's approach to classifying costs as variable, fixed, or mixed does not fully reflect the implications of specific contract terms.

In my rebuttal testimony, I recommended that the Commission require Georgia Power to provide full details regarding all fixed transportation and storage costs, along with evidence linking the rates to specific contract or tariff terms. This analysis should include a classification as to the variable, fixed, or mixed basis for each cost with a clear justification for the classification.

Requiring Georgia Power to produce this information will enable the Commission to direct a more accurate assessment of which costs should be included in the avoided cost of energy and capacity.

III. Continuation of the fuel cost multiplier in Georgia Power's calculation of the avoided cost of energy.

Q: What is your response to the Staff witness panel's rebuttal testimony on the fuel cost multiplier?

A: The Staff witness panel supports retaining the fuel cost multiplier based on the continuing impact of coal contracts on fuel costs. I agree with Staff's analysis of the role of coal contracts, but maintain my testimony that the Company's calculation fails to adequately consider additional costs that the Company may incur in its natural gas fuel contracts and hedging operations. I also maintain my testimony that where a forecast of the avoided cost of energy is used, it should include an extrapolated value for the fuel cost multiplier.[5]

Q: Why do you believe that hedging costs and gains are avoidable?

A: Hedging costs and gains are avoidable because the amount of hedging that Georgia Power is based on a volumetric metric. The Commission has authorized Georgia Power to "hedge up to 40% of projected monthly natural gas burn utilizing financial instruments."[6]

If Georgia Power signed contracts with QFs that hypothetically reduced its monthly natural gas burn by 10%, then its hedging volume cap would be reduced by 10%. It is reasonable to assume that Georgia Power's hedged volumes are closely related to its forecast monthly natural gas burn, and that the forecast takes into consideration anticipated generation from all QFs that are likely to generate during the forecast period.

Georgia Power argues that hedging settlement costs are not avoidable because they are "indifferent to the volume of natural gas actually burned by any individual generating unit or generating plant in that month."[7] While Georgia Power's statement is factually true, hedging settlement costs are nonetheless avoidable on the time scale that the contracts cover. For example,

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[5] As the Staff witness panel notes, there is similarly no guarantee that coal generation will continue to decline at the current trajectory. PIA Staff, rebuttal testimony, p. 22, lines 14-15. Even if coal generation declines, the Company might need to enter into longer term contracts for coal due to market conditions. This could counteract the effect of declining coal use on the fuel cost multiplier. It is more reasonable to forecast an average of recent fuel cost multiplier values for future years than to assume that they will decline to 1.0.

[6] Georgia Power, response to STF-11-1(a).

[7] Georgia Power, response to STF-11-1(a).

if hedging contracts are placed 6 months in advance, then QFs that are known to be supplying power in 6 months would result in avoided hedging costs.

I was unable to determine the length of Georgia Power's natural gas hedging contracts from its data responses in this proceeding or in materials I reviewed from Docket No. 36938.

Georgia Power's annual hedge settlement costs and gains vary significantly from year to year. Accordingly, I recommend that Georgia Power utilize a four-year average of its historical settlement costs and gains and add this to the numerator when determining the fuel cost multiplier.

If the Commission wished to be more precise, the Commission could direct that two fuel cost multipliers be calculated, one with hedging costs and one without. The fuel cost multiplier without hedging costs could be utilized for new QFs for a period equivalent to the typical length of the Company's fuel hedging contracts. For example, if the Company typically places hedging contracts in 6 months, then new QFs would utilize the fuel cost multiplier without hedging costs for 6 months, and then the standard fuel cost multiplier after that point. This seems unnecessarily complex, but it would provide better alignment with the period of time over which costs are avoidable.

Q: Why do you maintain your testimony that the fuel cost multiplier should use an extrapolated value?

A: Since 2009, the fuel cost multiplier has been greater than 1.0, with an average value of 1.126. Georgia Power has not provided any evidence that the fuel cost multiplier is likely to be 1.0 or lower in the future.

As I discussed in my rebuttal testimony, even though the fuel supply contracts and financial instruments currently in place are likely limited to three years or less, Georgia Power is likely to continue entering into such contracts for the full ten years included in its avoided cost forecast, until all gas and coal power plants are no longer relied upon.

Even when the Company looks out just two years, its fuel cost multiplier generally underestimates the impact of fuel contracts on its fuel costs. As shown in Table 1, Georgia Power's one-year projection of the fuel cost multiplier almost always exceeds the two-year projection (for the same calendar year). For example, in its 2019 filing Georgia Power forecast a 2020 fuel cost multiplier of 1.007. In 2020, the Company calculated that value at 1.059, an increase of 4.2%. For 2009-2020, the average fuel cost multiplier is about 0.043, or 4.3%, greater when it is calculated as a one-year projection, than when it is calculated as a two-year projection.

The fact that the two-year forecast underestimates the one-year forecast is consistent with how Georgia Power views the fuel cost multiplier. It calculates its forecast based on the contracts it has in place at the time, and does not recognize that in the future it will still have contracts. Yet it is evident that this is an incorrect assumption. Georgia Power continues to have fuel supply contracts and financial instruments that increase its fuel supply cost above the Henry Hub spot market price, and all such cost drivers should be recognized in the fuel cost multiplier.

Table 1: Fuel Cost Multiplier Forecast

Year	*Year 1 Forecast*	*Year 2 Forecast*	*Year 1 Forecast – Prior Year's Year 2 Forecast*
1997	0.966	n/a	
1998	1.007	n/a	
1999	n/a	n/a	
2000	0.981	0.978	
2001	0.991	0.998	0.013
2002	0.861	0.942	-0.137
2003	0.992	0.987	0.050
2004	0.985	0.997	-0.001
2005	0.694	0.847	-0.303
2006	0.870	0.895	0.022
2007	0.954	0.953	0.060
2008	0.940	0.961	-0.013
2009	1.064	1.098	0.103
2010	1.173	1.113	0.075
2011	1.153	1.103	0.040
2012	1.232	1.180	0.128
2013	1.212	1.208	0.032
2014	1.218	1.131	0.010
2015	1.123	1.043	-0.008
2016	1.096	1.079	0.053
2017	1.097	1.051	0.018
2018	1.058	1.018	0.007
2019	1.023	1.007	0.006
2020	1.059	1.030	0.052
Average, 2009 - 2020	**1.126**	**1.088**	**0.043**

Sources: Georgia Power attachments to its responses to STF-11-2; Georgia Power Avoided Cost Projections for 2019 and 2020.

IV. Application of marginal cost multiplier and the commitment/startup cost adder in Georgia Power's calculation of the avoided cost of energy.

Q: What is your response to the Staff witness panel's rebuttal testimony on marginal cost multiplier and the commitment/startup cost adder?

A: I agree with the Staff witness panel's critique of the methodological issue with the calculation of the commitment/startup cost adder. However, I do not agree that this is particularly relevant to the question of the marginal cost multiplier, since the purposes of the adder and the multiplier are fundamentally different, as discussed in my rebuttal testimony.

Staff suggests that in order to consider whether the commitment/startup cost adder accounts for the impact that the marginal cost multiplier is designed to quantify, Georgia Power needs to provide additional analysis. I disagree that additional analysis can resolve Georgia Power's conceptual confusion between these two fundamentally different adjustment factors.

The commitment/startup cost adder is intended to capture the effect of an individual QF unit, the multiplier is intended to capture the effect of already existing QFs, in aggregate. No additional analysis can demonstrate that one of these is accounting for the other.

In summary, in response to the Staff witness panel's critique, I recommend that the Commission direct Georgia Power to revise its commitment/startup cost adder to consider a solar profile, rather than a flat hourly generation profile, for purposes of compensating solar QFs. I maintain the recommendations in my rebuttal testimony with respect to the marginal cost multiplier.

Q: What is your response to Georgia Power's assertion that the marginal cost multiplier should not reflect the contribution of energy from QFs that deliver power under the Proxy QF PPA?

A: When the Commission established the marginal cost multiplier in its 1994 Order, its rationale was that the "territorial system lambda systematically underestimates the full costs avoided by the introduction of a QF."[8] Mr. Davie's 1994 testimony made it clear that the marginal cost multiplier is

8 Georgia Public Service Commission, Order in *Capacity and Energy Payments to Cogenerators Under PURPA*, Docket No. 4822-U, October 11, 1994, p. 14.

intended to estimate the correction needed to shift from a system "With QFs" to a system "Without QFs."[9]

Mr. Davie's choice to refer to QFs in the plural is no accident. If the adjustment is made for only a single QF, or for a subset of QFs, then the avoided cost would be based on the cost of serving the utility's available generation resources (which is what Mr. Davie testified is the correct avoided cost) plus the cost of the other QFs (which Mr. Davie testified should be excluded from the cost that the QF helps the utility avoid). A QF does not enable the utility avoid the cost associated with another QF.

Georgia Power's view of the marginal cost multiplier is that only QF contracts governed by Docket No. 4822 should be included in the calculation of the marginal cost multiplier, and that the energy from Proxy QFs that are governed by Docket No. 19279 should be excluded from the adjustment to the system lambda. I do not find any support for this position in the relevant Commission orders, and Georgia Power does not provide any support for its position either. Furthermore, Georgia Power could have chosen to contract with those QFs as dispatchable power resources using a negotiated contract. If the Company had contracted with QFs for dispatch, the energy from those QFs would be avoidable. In my view, the delivery of power to Georgia Power from Proxy QFs is not avoidable and therefore it should be excluded from the calculation of marginal energy costs using the marginal cost multiplier.

Georgia Power confuses this discussion by conflating the Proxy QFs with QFs that deliver power under solicitations such as REDI. While contracts under REDI may be with QFs, those RFPs have not been structured as a

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[9] Georgia Public Service Commission Staff IRP Adversary Team, *Direct Testimony of Douglas E. Davie*, Docket No. 4822-U (May 27, 1994), p. 37.

PURPA-regulated acquisition. The Commission should not extend additional PURPA rate oversight to the REDI program and its predecessors.

V. Application of capacity need forecast in Georgia Power's projection of avoided capacity cost.

Q: Does FERC Order No. 872-A prohibit this Commission from setting an avoided capacity cost above zero outside of an RFP designed to procure capacity?

A: No. Georgia Power's witness panel fails to recognize the importance of qualifying text in FERC Order. No. 872-A, creating the mistaken impression that FERC policy now requires avoided capacity costs to be zero. The regulatory text states:

> To the extent that the electric utility procures all of its capacity, including capacity resources constructed or otherwise acquired by the electric utility, through a competitive solicitation process conducted pursuant to Paragraph (b)(8)(i) of this section, the electric utility shall be *presumed* to have no avoided capacity costs unless and until it determines to acquire capacity outside of such competitive solicitation process. However, the electric utility shall nevertheless be required to purchase energy from qualifying small power producers and qualifying cogeneration facilities.[10]

As the new regulatory text clearly states, the electric utility will have avoided costs when "it determines to acquire capacity outside of such competitive solicitation process." This language gives the Commission flexibility to set an above-zero avoided cost of capacity for the years prior to Georgia Power's need determination for the reasons set out in my prior testimony.

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[10] FERC Order No. 872-A, pp. 230-31 (quoting the new regulatory text in 18 CFR 292.304(c)(8)(ii)). Emphasis in the original.

Georgia Power's panel also emphasizes that, for PURPA purposes, the value must be "capacity that Georgia Power 'would generate or purchase from another source.'" This argument by the Georgia Power panel overlooks one of the two justifications for capacity value that I recommended the Commission adopt, that Georgia Power conduct the necessary studies to determine the avoided cost of capacity associated with the retirement of Plant Wansley units 1 and 2 and use that avoided capacity cost if it is greater than the amount determined by the reserve margin study method. The same would be true of any other resources that could be economically retired, were additional capacity available. This value is certainly within the meaning of the restrictive interpretation that Georgia Power indicates will prohibit this Commission from using the discretion I recommend.

The Georgia Power panel also appears to misdirect this Commission with the insinuation that my recommendations relate to "economic development benefits, environmental benefits."[11] The FERC states that its policy "does not allow the use of non-operational externalities, such as environmental benefits."[12] At no point in my testimony have I suggested the Commission apply non-operational externalities to the determination of avoided costs.

Conflating reliability-related benefits with non-operational externalities, Georgia Power's witness panel states that discussion of "the 'value' to customers of excess capacity above a target reserve margin" does not belong in a PURPA avoided cost proceeding.[13] Conflating these two concepts is unsupported by the FERC text cited by the Georgia Power witness panel, as

[11] Georgia Power, rebuttal testimony, p. 53, lines 4-9.

[12] FERC Order No. 872-A, p. 47.

[13] Georgia Power, rebuttal testimony, p. 53, lines 4-9.

FERC further clarifies that non-operational externalities refers to "non-energy benefits."

To restate my prior testimony, the "value" that I point to is the opportunity for customers to benefit from (a) reduced reliability-related costs, (b) reduced fuel costs due to income that Georgia Power may earn by selling excess capacity on the bilateral market, particularly during periods of regional demand shortages, and (c) retirement of excess capacity and avoidance of associated fixed operating and maintenance costs. Georgia Power's witness panel may not wish to discuss these benefits, but FERC's rules give the Commission the flexibility and prerogative to consider, or dismiss, these values as it determines to be appropriate.

Q: Do FERC Orders 872 and 872-A federalize what has previously been a matter of discretion left to state utility regulators?

A: I do not believe so. Georgia Power's witness panel repeatedly suggests that the new FERC orders provide language that prohibits the Commission from exercising discretion that has previously been its prerogative.[14] FERC states that its "final rule provides states *further flexibility* to better enable states to implement PURPA's statutory obligation that QF rates not exceed the purchasing electric utility's avoided costs. We acknowledge that different states have implemented PURPA differently, but such differences are not prohibited by the statute."[15]

[14] For example, the Georgia Power witness panel would reject my permissive interpretation of the word "can" as reading "too much into a single word," and claims that "FERC makes [it] clear that such a policy discussion does not belong in a PURPA avoided cost proceeding." Georgia Power, rebuttal testimony, p. 52, lines 6-8, and p. 53, lines 6-7.

[15] FERC Order No. 872-A, p. 27. (emphasis added)

My interpretation is that the FERC is rejecting arguments that Commissions must provide capacity payments when capacity is not needed, and also rejecting the inclusion of non-PURPA benefits in avoided costs. The benefits I recommend that Commission consider are clearly within the scope of PURPA, and within its discretion to incorporate benefits that are based on paying for additional capacity only if would be economic for customers if the system carried that additional amount of reserves.

VI. Georgia Power's calculation of the cost of new capacity.

Q: Please respond to Georgia Power's rebuttal testimony on this topic.

A: Georgia Power's witness panel does not provide any specific evidence that its estimate of the cost of a CT is superior to that of the estimate from EIA. They assert that "it should not be expected that EIA's information on deploying simple cycle CT generation within the Southeast would have the same level of precision as an estimate by the Company with the same scope."[16] This assertion is unfounded, and disregards the EIA's opportunity to consider data from a number of utilities and independent power developers that Georgia Power may not have consulted with in forming its estimate.

Q: Please respond to Staff's recommendation that this issue be deferred to the next IRP.

A: Staff agrees with the core substance of my argument, that solar projects provide reliability value of benefit to customers, but that there is no *requirement* under PURPA rules to compensate QFs for that value.[17]

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16 Georgia Power, rebuttal testimony, p. 57, lines 10-12.

17 PIA Staff, rebuttal testimony, p. 47, line 17 and line 14, respectively.

Staff's recommendation is to defer a decision on whether and how to compensate QFs for that value to the next IRP proceeding, where the Commission could consider incorporating in to the RCB Framework.[18]

Deferring this matter is unnecessary and not based on a meaningful distinction. Staff argues that, "Prior to the year of capacity need … there is no avoided utility cost associated with incremental capacity," but that solar capacity instead provides "reliability value." Since the function of capacity is to provide reliability, I do not see that the Staff witness panel has made a meaningful distinction.

Tellingly, staff does not argue that "reliability" should be based on a different metric than capacity. The Staff witness panel agrees that the appropriate amount of capacity provided by a solar resource is determined by the Company, using the CWFT analysis, or potentially by an ELCC analysis, as recommended by Mr. Olsen in his direct testimony.[19] Nowhere in its testimony does the Staff witness panel suggest that "reliability" should be measured using a different metric than capacity.

Since the Staff witness panel agrees that "reliability" may be incorporated as a value provided by solar resources prior to the year of the Company's capacity need,[20] the only question their testimony would leave to the IRP proceeding is the "reliability" value in $/MW terms. This question is entirely within the scope of this proceeding and the method I recommended in my direct testimony is straightforward and based on existing Commission policy and Company practices.

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18 PIA Staff, rebuttal testimony, p. 47, line 17 – p. 48, line 6.

19 PIA Staff, rebuttal testimony, p. 44, lines 4-10.

20 PIA Staff, rebuttal testimony, p. 48, lines 3-6.

If the Commission considers Staff's recommendation to defer this to the 2022 IRP proceeding, it should consider that adopting any changes from the IRP proceeding into the avoided cost methodology would not occur until at least 2023. Adopting my recommendation in this proceeding would not preclude future adjustments since this question is entirely up to the Commission's discretion.

Q: Q: Does this conclude your testimony?

A: Yes.