

**SUPPLEMENTAL ORDER  
IN  
DOCKET NO. 3979-U and DOCKET NO. 11708-U**

**RE: Docket No. 3979-U, Georgia Power Company Interruptible Service Rate, Pilot High Efficiency Lighting Program, and Proposed DSO Regulatory Treatment; and**

**Docket No. 11708-U, Petition for Rule Nisi to Examine Georgia Power Company's Real Time Pricing Structure**

**Background**

On May 31, 1991, in Docket No. 3979-U, this Commission issued an order approving the implementation of an Interruptible Service (IS) Rate as conforming to the terms as stated in that Order and as adjusted by the Commission through the adoption of the Company and Commission Staff agreement appended thereto as Appendix A.

The Commission's order specifically states, "that jurisdiction over this proceeding is expressly retained for the purpose of entering such further order or orders as this Commission may deem meet and proper".

In Docket No. 11708-U, Petition for Rule Nisi to Examine Georgia Power Company's Real Time Pricing Structure, the Commission ordered the examination of Interruptible Service to consider whether IS should be dispatched on an economic (rather than reliability) basis. The Commission ordered the Staff to present the Commission with recommendations such that a policy for the economic dispatch of IS could be implemented by June 1, 2000. To this end, the Staff presented its findings and recommendations to the Commission during the May 10, 2000 Energy Committee.

**Findings of Fact and Conclusions of Law**

In Docket No. 11708-U, evidence was presented that indicated that changing the method for dispatch of Interruptible Service to dispatch on an economic basis would have the affect of reducing Real Time Pricing (RTP) rates in those hours. In Docket No. 11708-U, industrial customers argued that setting an economic trigger for calling IS would require a change in the IS tariff and thus require a formal review by this Commission before changes could be made. Georgia Power Company (GPC) and the

Staff disagreed with this argument. Neither the tariff nor the Commission Order, in Docket No. 3979-U, state under what conditions IS would be called. They only state that IS will be called no more than 10 hours per day, 240 hours per year. Thus the dispatch of IS has been left to the discretion of Georgia Power Company. It is appropriate, at this time, for the Commission to clarify the method for dispatch of IS through a supplement to its original order. That is the principal function of this order.

At the May 10, 2000 Energy Committee, the Commission Staff recommended that the Commission adopt as a policy the more stringent definition of reliability (reliability criteria) as proposed by Southern Company rather than dispatch IS on an economic basis. The Staff recommended that this change occur through an amendment to the Commission's order in Docket No. 3979-U, which initiated the Interruptible Service Tariff. The changes would become effective June 1, 2000. The Staff believed that these changes will improve system reliability and can accomplish the Staff's intended goals without requiring a specific economic trigger for dispatch of IS at this time. Staff's recommended goals are better utilization of the Interruptible Service tariffs of Georgia Power Company, and to the extent possible the other operating companies of the Southern Company, to reduce RTP prices and to extract a value from the IS resource commensurate with the credit being paid. Efficient use of existing resources while planning for future resources in a best cost manner will not only lower RTP prices but will reduce total costs to the system as a whole while maintaining or improving system reliability. The Staff did however believe that an economic trigger for calling IS has merit and recommended that it continue to be considered.

Using the new reliability criteria when procuring purchased power, Southern Wholesale Energy (SWE) will determine if the source or the transmission path is unreliable. If SWE deems the source or the transmission path to be unreliable, no purchase will be made. SWE will notify the Power Coordination and Control (PCC) Center of the level of capacity secured. If the level of capacity is inadequate to operate the system, the PCC will take necessary actions to mitigate the situation. The options available include calling for interruptible load.

The criteria for determining if a source or transmission path is unreliable are as follows:

Criteria for a Source being unreliable:

1. Distance – the number of systems (wheels) the power must span to get to Southern. 1 or 2 wheels are acceptable.
2. Condition of Units.
3. Credit Criteria – Financial depth, does not meet criteria, history of defaults.
4. Source Firmness – ability of source to serve their own load, can source be cut in favor of their own native load.

Criteria for a Transmission Path being unreliable:

1. Ability of line to carry the load – considerations include condition of system and engineering design.
2. Weather – geographic size of the weather pattern and problems in other control areas.
3. Loop flows versus Contract paths – capacity constraints due to loop flows.

Establishing new criteria for defining reliability does not directly consider economics. However, Georgia Power stated that generally, spot market prices will be a factor in determining the availability of reliable purchases because extremely high spot market prices are an indicator of supply shortages in the market. GPC stated that the guideline employed would be to begin examining source and transmission path reliability when purchase power prices are between \$350 and \$500 per MWH. The Staff recommended and the Commission concurs that source and transmission path reliability should be considered for all purchases. There are times when it may be appropriate to make purchases that are not considered firm or are otherwise of a lower degree of reliability. However, the impact of these purchases on the reliability of the system should always be examined.

Because of the uncertainty surrounding the impact a more stringent definition of reliability will have on IS customers, system response to price, and purchase power practices, the Commission Staff recommended the establishment of specific reporting requirements when IS is dispatched or the price of purchase power reaches certain levels. The Commission finds these reporting requirements to be appropriate and necessary. Therefore, if and when an event occurs where IS is called using the new reliability criteria, Georgia Power is required to immediately report to the Commission the following information:

1. Identify the specific hour(s) that IS is called using the new reliability criteria;
2. Identify the IS group(s) called in each hour;
3. Provide details of sources available for purchase at the time IS is called;
4. Provide the Southern System operating conditions that existed at that time the IS call was made. The system conditions should be described based on the criteria established for determination of an unreliable source or and unreliable path.
5. The cost of purchased power in the market at the time the IS call was made;
6. Load response to the IS call.

If and when an event occurs where purchased power is procured at prices above \$350 per MWH and IS has not been called during the same time period, Georgia Power is required to immediately file with this Commission the following information:

1. The amount of energy and capacity purchased above \$350 per MWH;
2. Source of each purchase and reliability of source;
3. The specific prices paid;
4. The specific hours during which the purchase was made;
5. A detailed justification for why the purchase was made in place of calling IS, including details of how the Southern transmission system was functioning during this time with respect to the reliability criteria established for the dispatch of IS.

The Commission believes that information received from these reporting requirements will assist in the evaluation of the effectiveness of these changes. Georgia Power shall provide reports to the Commission as soon as possible after events have occurred and not wait a given month or quarter to file the report. This information will allow the Commission to take more immediate action should results of these changes have detrimental effects on the Southern System or the IS customers.

The Staff recommended that the immediate changes in the way IS is dispatched should be considered only on a temporary basis. This will assist in meeting the intended

purpose of IS for the summer of 2000 while giving GPC time to develop a menu of IS tariff options for filing. The Staff recommended that by September 30, 2000, Georgia Power Company file with the Commission a menu of Interruptible Service Tariffs. The Commission directs GPC to make the recommended filing by the proposed date. In this filing, the menu of tariffs should consider the dispatch of IS at various levels of reliability and economic thresholds, as proposed by the Staff. In development of the tariffs, consideration should also be given to varying the number of hours of interruption, the value of calling IS at these various levels, the value of a faster IS response to curtailments and setting IS credits based on current market price conditions.

Once the filing is made, the Commission will open a docket to review and evaluate these options as well as to allow other interested parties to express their views. The timing of the docket should be such that a Commission decision is made with sufficient time to observe how customers react to the new menu of tariffs and time to consider customer reaction within GPC's January 2001 IRP.

The Staff expressed concern about the Southern System operating practices employed during the summer of 1999. From Staff's discussions with GPC, it appears that the system was allowed to approach an unreliable state while not utilizing the interruptible resource to maintain reliability. The Commission directs the Staff to address this issue in the Commission's current Fuel Procurement Audit of Georgia Power Company.

**WHEREFORE IT IS ORDERED**, that the Commission adopts the Staff's recommendation to dispatch Interruptible Service based on the more stringent definition of reliability as proposed by Southern Company and outlined previously in this order;

**ORDERED FURTHER**, that the Commission adopts the new criteria for defining reliability as set forth previously in this order,

**ORDERED FURTHER**, that the Commission approves the reporting requirements recommended by the Commission Staff and identified previously in this order;

**ORDERED FURTHER**, that Georgia Power Company file with this Commission a menu of Interruptible Service Tariffs, as identified in this order, on or before September 30, 2000 for consideration by this Commission within a formal hearing process;

**ORDERED FURTHER**, that the Commission Staff address the issue of operating practices of the Southern System employed during the summer of 1999 within the Commission's current fuel procurement audit of Georgia Power Company;

**ORDERED FURTHER**, that all ordering paragraphs contained in the original orders in Docket No. 3979-U and Docket No. 11708-U not altered by this supplemental order shall remain in full effect;

**ORDERED FURTHER**, that all findings, conclusions and decisions contained within the preceding sections of this Order are adopted as findings of fact, conclusions of law, and decisions of regulatory policy of this Commission;

**ORDERED FURTHER**, that jurisdiction over this proceeding is expressly retained for the purpose of entering such further order or orders, as this Commission may deem proper;

**ORDERED FURTHER**, that any motion for reconsideration, rehearing, or oral argument shall not stay the effectiveness of this order unless expressly ordered by the Commission.

The above action of the Commission in Administrative Session on the 16<sup>th</sup> of May, 2000.

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Helen O'Leary  
Executive Secretary

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Bob Durden  
Chairman

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Date

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Date