



January 9, 2012

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: Response by Alabama Power Company to FERC letter of August 11, 2011 (Project No. 349-173) Martin Dam

Dear Secretary Bose:

The Lake Martin Home Owners and Boat Owners Association, Inc (HOBOS) requested in a letter to your office on July 12, 2012, that FERC request more detailed information and justification for the PME measures proposed by Alabama Power Company as an alternative to the stakeholder requested rule curve change to require the extension of the summer pool level from September 1, until approximately October 15. In addition, the Lake Martin HOBOS have requested a winter rule curve change that will raise the winter level of the lake by five feet.

To put the HOBOS request in perspective one should consider the relative economic importance of Lake Martin to the surrounding communities and economy of the three county area. The rule curve changes will make the lake more appealing to visitors, more accessible to all boaters, safer due to greater water depth, and economically beneficial to area businesses. For example, according to the Southwick Economic Impact Study (Studies 12g,h), if the lake is raised five feet higher in the winter, 76% of homeowners will be able use their boats and docks whereas only 29% will be able to use their boats and docks under the Alabama Power proposal of a three foot increase in winter level.

Responses Reference Questions in the AIR:

Question 1 – Existing and Proposed Guide Curves

Rationale for Martin's Operating Guide Curve. Since the initiation of the relicensing effort for the Martin Project, stakeholders have inquired about the rationale for the operating guide curve in the current license and have requested an explanation of how this curve (in addition to the flood control guide curve or rule curve) might be affected or changed in a new license. Principals from Alabama Power said they would address these concerns during Martin Issue Group (MIG) meetings and related studies that assessed possible changes to the operation of the Martin Dam Project. However, except for Alabama Power's reference to the amendment made to their license application in 1973 and the brief description provided in its Final Application document of 8 June 2011—no meaningful discussion or analytical basis has been provided to

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explore and assess the impacts of the existing operating guide curve and possible curve alternatives that account for the changes in the Tallapoosa Basin's hydrology and hydraulics owing to the addition of the Harris Project as well as turbine upgrades at Martin that have occurred during the tenure of the current license. In effect, the proposed operating guide curve is nothing but a carryover from the existing license (except for proposed changes for winter-pool months), and it appears to be justified solely upon an agreement made between two rival stakeholder groups and Alabama Power during the last relicensing effort. No justification is offered for this curve that is supported by historical data or studies that have been done, and no other alternatives for an operating curve for the Spring through Fall months were assessed. Several stakeholders engaged in the MIG process recommended that the operating guideline be modified along with any proposed Spring or Fall changes to the rule curve or at least be reassessed according to any PME measures that are associated with it such as the proposed conditional Fall extension. Apparently, Alabama Power ignored these requests.

Description of Current Operations. Alabama Power's AIR response regarding current and proposed operations states that outside of times when conditions necessitate flood control operations, Alabama Power operates the Martin Dam project (in their words) "to maintain the maximum reservoir elevation possible regardless of whether the current elevation is between the Flood Control Guide Curve and the Operating Guide Curve and the Drought Control Guide Curve while still meeting all downstream flow commitments and power system needs." "Releases from Martin are and will be determined by current conditions within the basin and downstream minimum flow requirements."

What is not clear by this description is how much consideration, if any, is given to optimizing the recreation and related socio-economic benefits at and surrounding the Martin Project, compared to what Alabama Power refer to as 'current conditions within the basin.' This is particularly important since Martin was designated in 2011 as Alabama's only 'Treasured Alabama Lake', the State's newest water resource use classification for lakes distinguished by their outstanding water quality and exceptional recreational attributes.

Unfortunately, Alabama Power offers no historical evidence to support their contention that they have and will strive 'to maintain the maximum reservoir elevation possible' according to past and proposed modes of operation. Simple graphical depictions of pool elevations relative to flood and operating guide curves together with accompanying hydrographs of Martin Project inflows versus reservoir discharges could show how well Alabama Power's actual operations did in fact 'maintain maximum reservoir elevation possible..' given past opportunities to do so. We recommend, as shown below in Figures 1a and 1b, that Alabama Power graphically depict the impacts of their operations for the months of August through October for the non-drought years that are listed in their response to Question 9, for conditional criterion 1 and explain how operations were impacted by these guidelines. The years 1998 and 1988 are good contrasting examples of Alabama Power's apparent proclivity to not achieve and maintain the maximum reservoir elevation possible, even when hydrologic conditions indicate that a higher pool elevation could be maintained to accommodate the recreational and related socio-economic beneficial uses of a possible fuller pool.

Figure 1a. Martin 1998 Summer-Fall Pool Elevation vs. Guide Curves

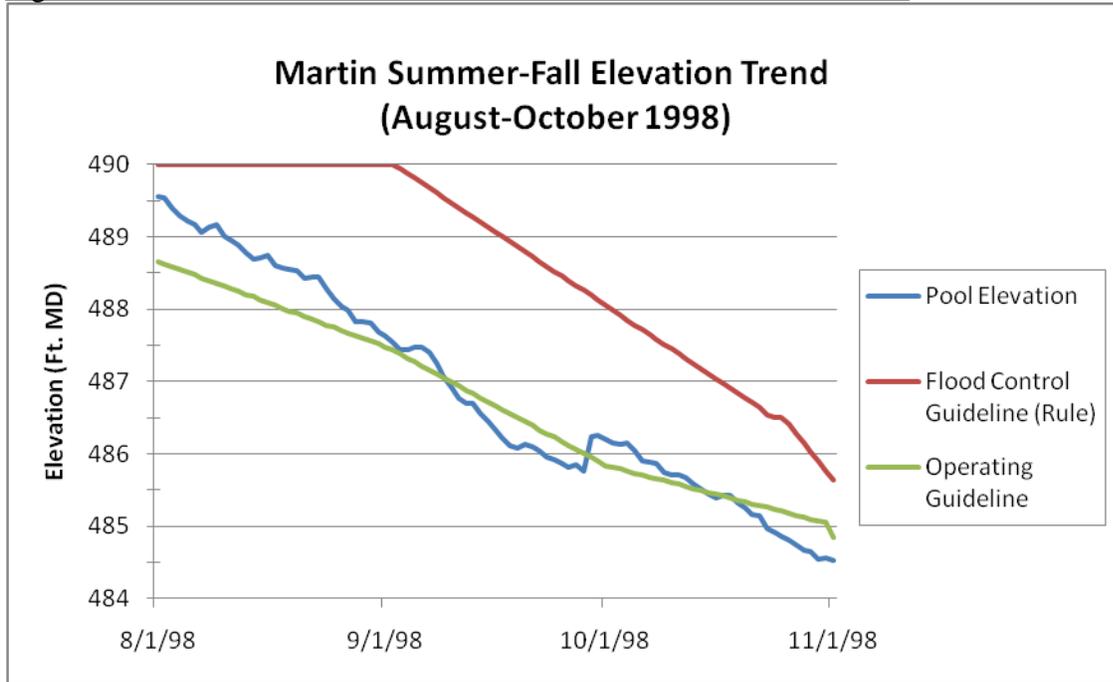
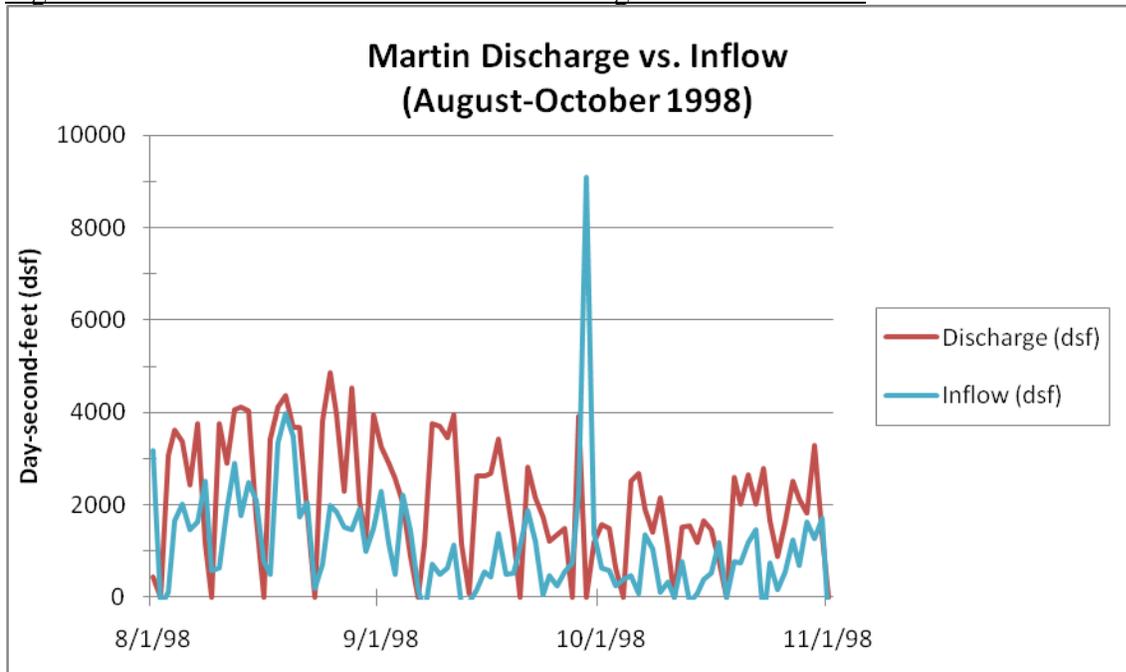


Figure 1b. Martin 1998 Summer – Fall Discharge vs. Inflow Trend



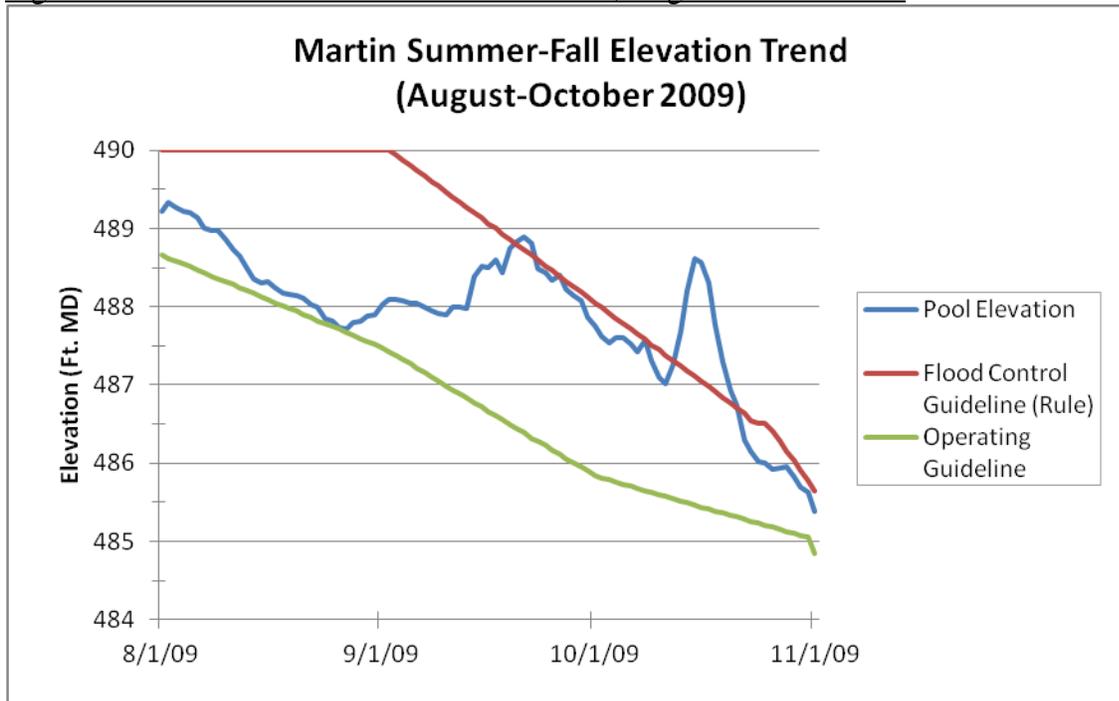
For 1998 and other years with wetter than normal fall seasons, it appears the operating guide curve serves as an operational target so that discharges from generation are increased to offset inflows that might otherwise facilitate the attainment and stability of higher pool levels during this seasonal period.

Question 7 – Historical Reservoir Levels

Contrary to FERC's request, Alabama Power only provided tabular data (Excel spreadsheet) of daily water levels for the past 20 year and did not include graphical formatted data to illustrate reservoir management in sufficient detail, especially during the late Summer – Fall period for which a conditional Fall Extension PME measure is proposed for Martin. The HOBOS recommends that daily reservoir levels be plotted for Martin for the period 1 August through 31 October relative to the daily flood control/rule curve and operating guide curve elevations for this period for each year since 1984. The HOBOS also recommends that the daily inflow and discharge data for the same timeframes be plotted in graphical form to better depict and assess the management of the Martin pool elevation relative to inflows and discharges from the project. This depiction could be done in conjunction with a comparison of the discharge data for Martin with the unimpaired flow data for the Tallapoosa River at the Martin Dam site and would illustrate how Martin Dam operations during the months of September and October significantly increase the magnitude of discharge downstream relative to the natural flow regime for this time of year. This has contributed to large fluxes of fresh water downstream into the Mobile Basin's estuary which do not naturally occur during the low-flow period of the year. Results from preliminary assessments of these data suggest that the current flood control guide curve for September, in effect, forces discharge of storage—lowering the Lake's pool elevation and thereby contributes excess flow downstream. This excessive discharge has been at the expense of retaining water in storage at Martin during September and early October to facilitate on-site and surrounding recreation benefits.

Another related impact the existing (and proposed) rule curve has during the months of the proposed conditional Fall extension (September-October) is a 'yo-yo' pool elevation effect during wetter years. The progressive decrease in elevation of the rule curve requires water to be released for flood control compliance and the pool elevation drops accordingly. But when inflows increase during this period, the lake 'pops' up often above the flood curve and the lake is dropped back down until the next inflow flux. This yo-yo effect disrupts recreation access to the lake and contributes to the damage of floating docks, piers and watercraft subject pool level changes. The most recent example of this is the Fall of 2009 as shown in Figure 2.

Figure 2. Martin Summer-Fall Elevation Trend, August-October 2009



Question 9 – Conditional Fall Extension

APCo's response to AIR Question 9, subparagraph, a, Alabama Power states: "FERC has asked only the number of years that condition 1 was met so that is what Alabama Power is reporting." That is not what FERC stated in their August 11, 2011 AIR letter. FERC specifically asked Alabama Power to summarize the historical data for condition No. 1 to indicate how often the reservoir reached the proposed trigger elevations and to include any modeling results that indicate the approximated number of occurrences likely to occur in the future. Unfortunately, Alabama Power not only failed to comply with FERC's request, they offered a meaningless percentage calculation to characterize the likelihood of the occurrence of condition once in any given year versus a meaningful measure of the total possible number of occurrences based on the historical record. The frequency of daily occurrences for the month of September could have at least been summarized by a number of ways—one of which could be an exceedence curve for September daily pool elevations relative to the elevation of the operating guide curve. Exceedence curves of pool stage from HecRes Sim modeling of fall extension options were discussed at MIG modeling meetings and provided to stakeholders. Additionally, a simple plot of pool elevation relative to the operating guide curve for September could have been compared to corresponding flow rate plots of discharge, inflow, and unimpaired flow flows for the 21 of the 29 years in which the September pool elevation for Martin was above its operating guide curve to better understand past operations, their effect on pool elevation changes and Tallapoosa flows at and downstream of the Martin project.

The information provided by APCo in their response to FERC's request of August 11, 2011, was rudimentary, at best, provided little clarity, and raises additional questions that should be answered prior to declaring the process REA. In the Final Licensing Application (Exhibit B,

page B-6) APCo proposed PME measures in lieu of a rule curve change to accomplish the stakeholder requested changes that would extend the summer pool levels from September 1 until October 15. The APCo proposed PME measures would only be initiated if four criteria were met and enough water flow was available. Criteria number 4 requires that certain lakes on the Coosa River system and Harris Lake (Tallapoosa River) be no less than one foot below rule curve. However, in the letter from FERC to APCo requesting additional information, FERC requested data at one and two feet below rule curve. How did this softening of criteria come about?

The information provided by Alabama Power is insufficient to judge the feasibility and operational impact of all four 'trigger' criteria for their proposed conditional fall extension. Moreover, none of the criteria proposed for a pool elevation enhancement for the September timeframe requires that the flood control guideline or rule curve be less than the full-pool elevation of 491 feet MSL. It begs the question as to why there is a need to contrive an enhancement measure to waive compliance with a flood control rule provision rather than adjust the rule curve by extending at full pool until the end of September and establish operational criteria, as Alabama Power already professes, "to maintain the maximum reservoir elevation possible balancing equitably all competing on-site and downstream needs. Such a balance suggests that both the flood control rule curve and the proposed operating curves should be adjusted for the month of September to better meet these needs.

It is the opinion of the HOBOS that PME measures are not appropriate for this important stakeholder request. The PME measures, as requested by APCo, will not work because Alabama Power would have total control of all criteria and would be able to manipulate the lakes and rivers at its pleasure, to the detriment of Lake Martin stakeholders. APCo officials misrepresented the potential benefit of the PME measures by stating in the news media that the measures would extend the summer pool approximately 25% of the time, and numbers as high as 35% have been discussed; when, in fact, APCo set the criteria with no research, and no idea of the outcome. The answers provided by APC, to question 9, in the AIR response, provide only the historical data of the years when each criterion is met for ONE DAY in September of that year. APCo is clear in stating that even if all four criteria are met there may not be adequate water flow to support an extension. This matter must be further discussed to meet the spirit of the ILP process. This proposal is not ready for the issuance of an REA.

During the ILP Process the HOBOS have made every effort possible to make the relicensing a fair and open exchange of ideas. The requests are simple and obtainable:

1. Increase the winter pool level by five feet.
2. Extend the summer rule curve (and lake level) from September 1 until October 15.

Over the past four years stakeholders have expended a tremendous amount of time and energy to protect the best interests of Lake Martin. Alabama Power has invested significantly in the Lake and has reaped considerable financial rewards over the years, but Lake Martin represents much more to the economic well being of the area today, and times have changed from the days where the lake was considered "backwaters" and the sole property of "power company". The land may belong to the Company, but the water belongs to the Citizens of Alabama. Everyone has a stake in the operation of Lake Martin.

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To better understand the insignificance of Martin Dam generation to Alabama Power (APCo) one need only understand that according to a filing by APCo with FERC on October 27, 2011, the annual generation by Martin Dam yielded 174.5 million KWH. In the 2010 Annual Report, APCo showed corporate annual production of 70.7 Billion KWH, which means Lake Martin's share of total production was 0.246%. The total production of the entire Tallapoosa River system of Harris, Martin, Yates, and Thurlow Dams represent only 0.62% of APCo's generation. It is worth noting that 5.81 Billion KWH/yr (8.2%) was sold to non-affiliated entities, much of it to other out of state utilities, which means that Alabama Power's production far exceeds the power necessary to satisfy Alabama customers. Most importantly, none of the requests made by the stakeholder members will change the production of KWH from Martin Dam; the changes will only alter the timing of releases to better serve all 7,500+ homeowners, plus the many thousands of visitors to the lake.

In addition, the filing of Alabama Power on January 9, 2012, to correct issues with the AIR , filed on December 9, 2011, states that Lake Martin has approximately 4,000 individual docks, yet in the same section APCo states there are 6,901 individual properties. While APCo keeps the files and approves docks it seems improbable that 2,900 homes exist on the lake without docks. Maybe there are 100, but not 3,000.

As always, the Lake Martin HOBOS appreciate the opportunity to participate in the relicensing of Martin Dam, afforded by the Federal Energy Regulatory Commission.

Sincerely,

A handwritten signature in cursive script that reads "Jesse M. Cunningham". The signature is written in black ink and is positioned above the typed name and contact information.

Jesse M. Cunningham

President

Lake Martin HOBOS

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