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Southern Co. CEO sees huge increase in demand for electricity

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Southern Co.'s David Ratcliffe says new technologies are needed.

The Southern Co. will need to produce 20 to 30 percent more electricity over the next two decades to meet its expected demand, the company's chief executive officer told members of the Buckhead Business Association recently.

"It is clear that the economy that we enjoy and the lifestyle we enjoy thrive on electricity," Southern Co. CEO David Ratcliffe told about 200 business and civic leaders who attended the association's quarterly luncheon meeting. "One of the things we have been faced with is an increasing demand for energy and that is not likely to go away. We are going to need more."

He told the group the way the company needs to do this is through a portfolio of technological options for producing electricity.

"We don't have a silver bullet when it comes to producing electricity," Ratcliffe said. "One particular technology will not provide all the capacity that we as a nation are going to need. We should not try to pick a particular technology. What we really need is a portfolio of technologies."

That portfolio, he said, should include renewable sources of energy – such as windmills, solar panels and biomass – as well as gas, new and improved nuclear technologies, and cleaner-burning coal.

"You really expect us to keep the lights on all the time," said Ratcliffe, chairman and president of the parent company of Georgia Power Co.

"One of the things we know is that you get pretty unhappy when they go out. We understand that we have about 48 hours before you get really ugly."

Ratcliffe said the Southern Co. is "excited about the prospect of providing more service and more product than we provide day in and day out. We are going to have to find new ways to produce electricity," he stated. "Clearly, we are going to see a society that is going to continue to expand."

While Ratcliffe said he is committed to providing electricity as the lowest possible cost to consumers, "it will cost more money.

"Ours is one of the most capital-intensive industries in the entire economy," he said. "We spend a lot of money on infrastructure."

Ratcliffe said that over the next 10 years, the U.S. electric power industry will need \$1 trillion in new capital.

"About half of that money will be spent on new generating capacity. We also will spend a lot of it on distribution of electricity," he said.

"We are continuing to invest in a cleaner footprint as an industry. We will spend an estimated \$17 billion on environmental controls on existing facilities."

Ratcliffe said the Southern Co.'s capital budget for the next three years totals about \$14 billion.

"The easy monthly payments on that is pretty significant," he said. "We will spend about \$2.5 billion in the next three years on completing an environmental cleanup program on our existing coal facilities. We will have spent about \$9 billion over the past 10 years on producing more electricity with significantly less emissions from our coal-fired power plants," he explained.

Today, there are only two large companies in the energy industry that are listed as single A or better for investments, he said. The Southern Co. is one of those two, according to Ratcliffe. "That is the good news for us in the Southeast. We are in a position of significant financial needs with a condition of strength. We are in good shape as we begin this process."

He said the company generally peaks in terms of demand in the summer time because of the air-conditioning load.

"Over the past 20 years, by virtue of different rate structures and different initiatives, we have been able to shave about 3,000 megawatts of capacity off of that peak" between 3 to 4 in the afternoon, he said.

Ratcliffe told the group at the 103 West event facility on West Paces Ferry Road "there is a mindset that if we just install enough windmills and solar panels we can produce all this needed capacity."

"We have installed a lot in other parts of the country where wind velocities are much greater than they are here," he said.

"What we found about wind velocity is that the wind does not blow at my peak period of time. The wind best blows at night, which is when I don't need the capacity."

"The best resource we have is biomass —growing something, harvesting and burning it to make electricity. We think we can take the wood waste from the timber industry and use that to make electricity," he said.

The company has proposed, and the Public Service Commission has agreed, to convert a coal plant in Albany to burn wood waste. That would produce about 90 megawatts of capacity in one of the largest plants of its type in the nation.

"These are important steps for us," he said, "but they will not be huge suppliers of capacity."

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