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July 27, 2005

Project No. 2165
Warrior River Project
Application for New License

Ms. Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D. C. 20426

Dear Ms. Salas:

Alabama Power Company (APC) is pleased to submit the enclosed application for a new fifty year license for its Lewis Smith and Bankhead hydroelectric developments on the Warrior River (Project No. 2165).

Included in this filing are an original and one paper copy of the application, along with two additional copies on CD ROM. Attachment A to this transmittal letter contains a detailed description of the filing and the information being submitted.

This submittal is the culmination of more than five years of a relicensing process designed by APC within the context of the Commission's Alternative Licensing Process to include all interested stakeholders in every facet of issue identification, study and discussion, and resolution. The enclosed application, and more particularly the Alabama Power Enhancement Proposal (the preferred alternative evaluated in the applicant-prepared environmental assessment (APEA)), reflects a consensus-based plan to protect and enhance both environmental and recreation resources associated with the project while ensuring the continuation of reliable hydroelectric generation that is the hallmark of these seven developments.

APC is particularly pleased that the Enhancement Proposal described in detail in the Final Application and APEA addresses the various ecological, land and recreation issues, and reflects a consensus among the vast majority of the stakeholders who participated in both the ecological and recreation groups formed during this relicensing effort. We gratefully acknowledge the invaluable participation and contribution of the many stakeholders who have worked in partnership with APC throughout the application development process. These stakeholders, which include federal and state resource agencies, lake and recreation organizations, homeowner associations, local and national non-governmental organizations and interested individuals, have worked diligently and cooperatively alongside APC to evaluate and resolve the full range of issues that are addressed in this application.

APC is also delighted to include in this application a certification from the Alabama Department of Environmental Management that there is reasonable assurance that the operation of the Coosa developments in the new license term will meet state water quality standards. As described in detail in the application and the APEA, APC plans to install various types of equipment that will help ensure that these state water quality standards are met. APC will also monitor water quality for three years as required by the certification to confirm that the Warrior River developments are meeting the relevant state standard.

Though all of the measures proposed in this application are consensus-based, for some issues there is not unanimity among all stakeholders. Notably, three coordinated entities -- American Rivers, Alabama Rivers Alliance and the World Wildlife Fund -- have not agreed with the other stakeholders and APC that the measures proposed herein fully address the issues discussed throughout the past five years. Instead, these organizations have proposed their own alternative for the licensing of this Project, which differs markedly from the consensus proposal that forms the basis of this application and APEA. Unfortunately, two of these organizations have participated only minimally in the alternative licensing process designed by APC and accepted by the stakeholders and FERC. Though these organizations submitted their proposed licensing alternative to APC on June 3 (less than two months before APC's statutory deadline for filing its application with FERC), APC has included an evaluation of this alternative in its APEA as a courtesy to these organizations in recognition of their interests in and recent efforts with respect to the Warrior River Project. Given this abbreviated time frame, however, APC has analyzed this alternative to the best degree possible.

As fully described in the application, the Alabama Power Enhancement Proposal includes a substantial number of environmental, recreation and operational changes to the Project that will enhance these resources for decades to come. Although not an exhaustive list, these proposed enhancements include: a comprehensive shoreline management plan that calls for shoreline protection and enhancement as well as preservation of undeveloped lands; a partnership agreement with state and federal resource agencies for a habitat enhancement program and aquatic culture facility; barrier-free hunting areas; a trout stocking program in the Smith tailrace; a new minimum flow release from Smith Dam; a recreation plan that includes facility and access improvements; and an agreement with the United States Forest Service that will provide significant improvements to existing parks and substantial environmental enhancements. These measures, together with other proposed project enhancements, represent a commitment by APC of over \$43,000,000 over the life of the new license. APC believes strongly that this level of investment in project enhancements fully justifies the issuance by the Commission of a fifty year license for the new Project 2165. This justification is particularly compelling given the consensus resolution of these complex issues among the vast majority of such a diverse group of stakeholders.

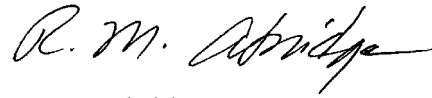
Though the filing of this application represents a significant milestone in the Warrior relicensing process, much work remains. Over the next six months, APC will finalize the agreement with the Forest Service. In addition, in the coming months, we will be finalizing an agreement with the Alabama Department of Conservation and Natural Resources and the United States Fish and Wildlife Service consistent with a term sheet, agreed to by APC and the agencies, that is included in the enclosed application. This agreement, once executed by the parties, will also be filed as a supplement to this application. Lastly, APC will prepare draft license articles that reflect the various measures proposed in the Alabama Power Enhancement Proposal. These draft articles will be provided to the Commission for its consideration in preparing a new license order for Project 2165 that it may issue consistent with the consensus alternative.

Finally, APC wishes to express its appreciation to the Commission staff members who have participated in this relicensing process over the past five years. Staff's assistance, expertise and guidance throughout this process have been invaluable to APC, and we believe to all of the stakeholders. We sincerely thank them for their contributions.

Again, APC is pleased to submit this application for a new license for the Warrior River Project. We look forward to working with FERC over the next two

years as it evaluates this application, and trust FERC will contact us should it have any questions or need additional information.

Yours very truly,

A handwritten signature in black ink, appearing to read "R. M. Akridge". The signature is written in a cursive style with a long, sweeping underline.

R. M. Akridge
General Manager
Hydro Generation

Enclosures

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