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## Georgia Public Service Commission

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**Docket No. 42516**

**EXECUTIVE SECRETARY  
G.P.S.C.**

**In Re: Georgia Power Company's 2019 Rate Case**

**DOCKET# 42516  
DOCUMENT# 179856**

**ORDER ADOPTING  
SETTLEMENT AGREEMENT AS MODIFIED**

Record Submitted: November 27, 2019

Decided: December 17, 2019

### APPEARANCES

On behalf of Georgia Public Service Commission Public Interest Advocacy Staff:

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On behalf of Georgia Power Company:

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On behalf of the City of Atlanta:

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ALAN R. JENKINS, Esq.

On behalf of Georgia Association of Manufacturers:

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On behalf of Georgia Industrial Group:

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On behalf of Georgia Interfaith Power & Light, Southface Energy Institute, and Vote Solar:

KURT EBERSBACH, Esq., and JILLIAN KYSOR, Esq.

On behalf of Georgia Solar Energy Industries Association, Inc.:

NEWTON M. GALLOWAY, Esq., and TERRI M. LYNDALL, Esq.

On behalf of Georgia Restaurant Association:

PERRY J. MCGUIRE, Esq., and VICKIE C. RUSEK, Esq.

On behalf of Georgia Watch:

LIZ COYLE

On behalf of The Kroger Company:

KURT J. BOEHM, Esq., and JODY KYLER COHN, Esq.

On behalf of Metropolitan Atlanta Rapid Transit Authority:

ROBERT B. BAKER, JR., Esq.

On behalf of Resource Supply Management:

JIM CLARKSON

On behalf of Sierra Club:

ROBERT JACKSON, Esq., and ZACHERY M. FABISH, Esq.

On behalf of U.S. Department of Defense and other affected Federal Executive Agencies:

EMILY W. MEDLYN, Esq.

**BY THE COMMISSION:**

**I. GEORGIA POWER COMPANY'S 2019 RATE CASE STATEMENT OF PROCEEDINGS**

Pursuant to the Rate Plan approved by the Georgia Public Service Commission (“Commission”) in the December 17, 2013 Order Adopting Settlement Agreement in Docket No. 36989-U, Georgia Power Company’s 2013 Rate Case, the Commission ordered Georgia Power Company (“GPC” or “Company”) to file by July 1, 2016, a general rate case for dealing with any changes in revenue requirements. Subsequent to that decision, the Commission established in its April 14, 2016 decision on the Joint Request of Atlanta Gas Light Company, AGL Resources Inc., and The Southern Company for a Finding that Southern Company’s Merger with AGL Resources Complies With Applicable Law And SouthStar Energy Services LLC d/b/a Georgia Natural Gas: Application for a Natural Gas Marketer Certificate of Authority filed respectively in Dockets 39971 and 9574 that the current 2013 Georgia Power accounting order would continue in effect until December 31, 2019 and Georgia Power would file its next retail rate case, or request for an accounting order, on July 1, 2019.

On May 21, 2019, in accordance O.C.G.A. § 50-13-13, the Commission entered a Procedural and Scheduling Order (“PSO”) to govern the hearings. On June 28, 2019, pursuant to the PSO, Georgia Power Company filed its 2019 Rate Case. On September 24, 2019, Georgia Power filed an errata to reflect the revenue requirement impacts from various items included in the amended Stipulation approved by the Commission in the Company’s 2019 Integrated Resource Plan (“IRP”) and DSM Certification proceedings in Docket Nos. 42310 and 42311 (“Errata”).

Georgia Power’s 2019 Rate Case filing, as amended by the Errata, requested approval to continue the three-year alternate rate plan (“ARP”) structure and requested rate increases of \$560 million, \$144 million and \$233 million to be effective January 1, 2020, 2021 and 2022, respectively. These proposed increases included a one-time levelized adjustment for traditional base rates and Environmental Compliance Cost Recovery (“ECCR”) tariffs and annual increases to recover compliance costs associated with ash pond closure as well as the Demand Side Management (“DSM”) and Municipal Franchise Fee (“MFF”) tariffs. Hearings on Georgia Power’s direct case in support of its filing were held September 30, 2019 through October 2, 2019.

In addition to the Commission’s Public Interest Advocacy Staff (“PIA Staff”), which has a statutory right to participate in this proceeding, interventions were filed by a number of interested parties. These interested parties included the City of Atlanta; the Commercial Group; Concerned Ratepayers of Georgia; the U.S. Department of Defense (on behalf of all Other Federal Executive Agencies) (“DOD/FEA”); Georgia Association of Manufacturers (“GAM”); Georgia Industrial Group (“GIG”); Georgia Interfaith Power & Light, Inc. (“GIPL”), Southface Energy Institute, Inc. (“Southface”), and Vote Solar, Inc.; the Georgia Solar Energy Association, Inc. (“GSEA”) and Georgia Solar Energy Industries Association (“GSEIA”); Georgia Restaurant Association (“GRA”); Georgia Watch; The Kroger Company (“Kroger”); Metropolitan Atlanta Rapid Transit Authority (“MARTA”); Resource Supply Management (“RSM”); and the Sierra Club. Thereafter, on October 17, 2019, PIA Staff and Intervenors filed testimony and exhibits presenting their

respective direct cases. With the exception of Concerned Ratepayers of Georgia, GSEIA/GSEA, and Georgia Watch, all other parties to this case filed testimony in this proceeding. Hearings on PIA Staff and Intervenors' direct cases were held November 4, 2019 through November 6, 2019.

The Company filed its rebuttal testimony on November 15, 2019 in response to the positions advocated by PIA Staff and various Intervenors. The Company presented its rebuttal case on November 25, 2019, at which time the hearings in this matter were concluded. On December 4, 2019, parties in this matter filed proposed orders and briefs.

At each phase of the hearings of evidence in this case the Commission also heard from numerous public witnesses who expressed their views on the Company's application, either individually or on behalf of specific groups.

## **II. COMMISSION ACTION**

Following its rebuttal testimony, the Company filed a proposed Settlement Agreement ("Proposed Agreement") intended to resolve the issues in the case except for the return on equity ("ROE") to be assumed in setting the Company's retail rates and the appropriate level of equity in the Company's capital structure. Other than those two issues, the Proposed Agreement provided that Company's filing would be accepted with the modifications contained in the Proposed Agreement. The Proposed Agreement was executed on behalf of the Company and several Intervenors. The following parties executed the Proposed Agreement: the Commercial Group, GIG, GAM, the City of Atlanta, MARTA, and Kroger.

Under the Proposed Agreement, rates would go into effect January 1, 2020 using a three-year ARP with an earnings band of 9.50% to 12.00%. Rates under the ARP would be set as described in the Settlement Agreement using an ROE and capital structure to be set by the Commission. The Proposed Agreement further provided for the continuation of the ECCR Tariff which would collect certain environmental costs that will be incurred by the Company including compliance with Coal Combustion Residual Asset Retirement Obligations ("CCR ARO"). The Proposed Agreement further provided for an increase in the MFF tariff as well as an increase in the DSM tariffs.

The Proposed Agreement also provided that the traditional base tariffs would be adjusted in 2021 and 2022 to recover the revenue requirements for traditional base rates, the ECCR tariff, the DSM tariffs, and the MFF tariff. The Proposed Agreement also provided for continuation of the Interim Cost Recovery ("ICR") mechanism approved in the 2010 Rate Case in Docket No. 31958 throughout the term of this ARP utilizing the earnings band in Paragraph 6 of the Proposed Agreement. For Annual Surveillance Reporting ("ASR") purposes, beginning January 1, 2020, the earnings band would be set at 9.5% to 12.0% ROE and the Company would report earnings based on the actual historic cost of debt and approved capital structure. The Company would not file a general rate case unless its calendar year retail earnings are projected to be less than 9.5% ROE.

At its regular Administrative Session held on December 17, 2019, the Commission voted to adopt a Commissioner Motion (“Motion”) to accept the Proposed Agreement with certain modifications set forth in the Motion, set the ROE at 10.50%, and set the capital structure at 56% equity and 44% debt (referred to herein as the “Settlement Agreement as Modified”). At its regular Administrative Session held on February 4, 2020, the Commission clarified its decision to explain that the 32 MW threshold for installed rooftop solar capacity relating to Behind the Meter netting was for newly installed capacity and did not include existing installed rooftop solar capacity.

## **FINDINGS OF FACT**

1.

The Commission finds that the resolution of the matters raised in this docket, as provided in the Settlement Agreement as Modified, is appropriate and in the best interest of the State of Georgia. It is supported by testimony and other evidence in the record and will result in just and reasonable rates. In discussing the individual components of the Settlement Agreement as Modified, the Commission remains mindful that the Proposed Agreement reflected a compromise among a number of parties with disparate interest, and that the Settlement Agreement as Modified must be considered as a whole. It is plain from reviewing the resolution that no party to the proceeding, including every party that signed on to the Proposed Agreement, prevailed on every issue. However, the Settlement Agreement as Modified offers a fair resolution to the full range of issues presented in this docket.

2.

As set forth in the Motion, the Commission finds that rates shall be set using a 10.50% ROE, which appropriately balances the interests of the Company and its customers, and which the Commission finds to be just and reasonable. The difference between the respective ROE recommendations of Georgia Power and those of PIA Staff and other Intervenors represented the largest dollar amount of any single issue in the case. Georgia Power recommended a ROE of 10.9%.

PIA Staff recommended a 9.2% ROE with a range of 9 - 9.4%. PIA Staff argued that authorization of a ROE of 9.2 percent would be consistent with the principles set forth in *Bluefield Waterworks and Improvement Co. v. Serv. Comm'n*, 262 U.S. 679 (1923), and *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). PIA Staff stated that their proposed ROE would reasonably balance just and reasonable rates to customers, the financial integrity of the Company and fair compensation to investors. PIA Staff further stated that the Company’s witness’ comparable earnings analysis should be rejected because the analysis does not measure the market required return appropriate for the investment risk of Georgia Power. PIA Staff pointed to the Federal Energy Regulatory Commission’s (“FERC”) decision in Docket EL14-12-003, where FERC concluded that relying on the comparable earnings model would not satisfy the requirements of the *Fed. Power Comm'n v. Hope Natural Gas Co.* decision. (Tr. 2575).

DOD/FEA recommended a ROE of 9.1%. The witness for DOD/FEA also stated that the financial risk adjustment is not needed because the difference between Georgia Power's book-value and capital structure and the proxy group's market-value capital structure is already captured in the various market-based ROE methodologies.

The Commission finds and concludes that a ROE of 10.5% will allow the Company continued access to the capital markets at competitive rates and will allow the Company to construct infrastructure necessary to serve customers and comply with environmental regulations. Accordingly, the Commission finds that the appropriate ROE for setting rates is 10.50%.

3.

Additionally, the Commission approves a capital structure of 56% equity and 44% long term debt for the test period. Georgia Power proposed that a capital structure containing approximately 44% debt and 56% common equity be used for ratemaking purposes in this proceeding. The Company maintained that the proposed ROE and 56% equity ratio will ensure that Georgia Power has access to capital whenever necessary, provide the opportunity to earn a fair return for its investors and will do so at rates favorable to customers.

PIA Staff proposed a capital structure for the Company composed of 49% long-term debt and 51% common equity. (Tr. 1510). PIA Staff stated that the capital structure proposed by its witness will comfortably support the Company's current investment grade bond rating, but do so at a much lower cost to ratepayers than the Company's proposed ratemaking capital structure. PIA Staff also argued that its witness's proposed ratemaking capital structure is consistent with the industry mix of debt and equity that is supportive of the Company's current investment grade bond rating. (Tr. 1508).

Based on the evidence presented, the Commission finds and concludes that a capital structure of 56% common equity level is just and reasonable, and will help to mitigate the risk of a credit rating downgrade.

4.

PIA Staff's witness recommended a 4.07% cost of debt as shown in Staff Exhibit\_(RS/RT-2), Schedule D of Smith-Trokey Testimony. PIA Staff's witness adjusted GPC's bond issues made in August 2019 to the actual interest rates GPC received and adjusted the bond issues interest rates to 3.65% for the period of March 2020 through October 2022, (Gorman Direct Testimony, Table 7).

The Company stated in its brief that PIA Staff's witness' adjustments were neither necessary or appropriate adjustments. The Company argued first, PIA Staff's recommended adjustment to the cost of debt revises only one component of the Company's filing impacted by interest rates and creates inconsistencies with the interest rate assumptions throughout the remainder of the Company's filing. (Tr. 2629.) And second, PIA Staff's adjustment of projected cost of debt to 3.65% for the projected issuances beyond March 2020 is inappropriate for forecasting the Company's future cost of debt. (GPC Post Hearing Brief p. 17)

The Commission was not sufficiently swayed by PIA Staff's position, therefore, PIA Staff's recommendation is denied.

5.

The Proposed Agreement provides that, effective January 1, 2020, the Company shall (1) not increase its traditional base rate tariff in 2020, any increases in base rates in 2021 and 2022 shall not be levelized but adjusted year by year, (2) collect an additional \$12 million through the DSM tariffs, and as adjusted during the term of this ARP based on the DSM True up process agreed to by the Company and Commission Staff with projected increases of \$1 million effective January 1, 2021, and \$1 million effective January 1, 2022 and (3) collect an additional \$12 million effective January 1, 2020, \$5 million effective January 1, 2021, and \$9 million effective January 1, 2022 through the MFF tariff, which dollar amount will change as total revenues change as allowed by this ARP, as well as with any future Fuel Cost Recovery ("FCR") changes and future Nuclear Construction Cost Recovery ("NCCR") changes. (Proposed Agreement Provisions 1, 3 and 4).

The Commission finds these tariff changes to be reasonable; therefore, the changes are approved as provided for in the Proposed Agreement.

6.

The Proposed Agreement provides that the revenue requirement amount related to coal ash pond AROs shall be collected through the ECCR tariff effective January 1, 2020. ECCR shall include the cost for compliance with CCR ARO. The collection of CCR AROs through ECCR will be in addition to compliance costs already included in the ECCR tariff. For purposes of settlement, the forecasted contingency for CCR AROs and traditional ECCR has been removed from the annual expenditure projections. For rate setting purposes the full weighted average cost of capital will be applied to the under recovered balance of CCR AROs. Effective January 1, 2020, it was estimated that the ECCR tariff would be adjusted to collect an additional \$324 million, an estimated \$115 million effective January 1, 2021, and \$180 million effective January 1, 2022. These estimates will be adjusted in setting actual 2020 ECCR tariff rate and in the Company's compliance filings to incorporate the capital structure and rate setting return on equity approved by the Commission. The projection of CCR ARO cost will be updated in 2020 and 2021 through compliance filings to set the actual ECCR tariff rates for 2021 and 2022. (Proposed Agreement Provisions 2 & 5).

PIA Staff's recommended CCR ARO revenue requirement deficiency for 2020 is \$104.6 million, which is \$53.5 million less than the Company's proposed amount. (Tr. 1212). PIA Staff did not object to the one-third amortization per year approach for cost recovery proposed by the Company, but recommended three modifications to the Company's proposal. First, PIA Staff recommended that the Commission not pre-approve a level of cost recovery for 2021 and 2022 because the actual costs may vary from the Company's estimates. Instead, PIA Staff recommended that the Company's annual compliance filing as approved in the 2019 IRP. Second, PIA Staff

recommended that the Commission not approve contingency dollars included by the Company in the estimates that the Company used to derive its requested CCR ARO compliance revenue requirements for the test year, and for plan years 2020 through 2022. They argued removal of the contingency dollars is appropriate here because the Company's estimates included a substantial contingency, the Company will have the opportunity to mitigate and offset costs, and some portions of the Company's contingency estimates have a low probability of being incurred. (Tr. 1207-1208). Finally, PIA Staff recommended that the Company receive a carrying cost allowance based on the cost of long-term debt with no ROE component, rather than a full rate base return (including an equity return and income tax gross-up) on the CCR ARO amounts while they are being recovered.

DOD/FEA recommended that given the substantial size and uncertainty of the amount of CCR costs to be recovered, the Commission should order that Georgia Power recovers these costs through an exact cost recovery rider designed as a percent of base revenue structured in a similar fashion as Georgia Power's current base-rate recovery riders tariff, e.g. Nuclear Construction Cost Recovery tariff. DOD/FEA further recommended that if the Commission does not think transparency is necessary in relation to billing of CCR ARO costs, hence that cost recovery through a new rider is unwarranted, the Commission should order CCR ARO costs to be recovered through the ECCR tariff.

Sierra Club recommended that the Commission deny the Company's request to recover \$525 million from its ratepayers for its CCR costs stating that Georgia Power failed to demonstrate that its costs are just, reasonable and prudent. Sierra Club stated that the Company failed to provide a cost accounting, cost breakdown or list of line item expenses breaking down how or when the \$525 million will be spent. Sierra Club also asserted that the CCR costs should be disallowed as those future costs are uncertain. Since the Georgia EPD has yet to approve Georgia Power's CCR closure plans, Sierra Club argued that the Company is attempting to recover, from ratepayers, costs that are indefinite, uncertain and could change.

This Commission has carefully considered the evidence and testimony presented on these issues and finds that it is just and reasonable for Georgia Power to recover CCR ARO compliance costs as provided for in the Proposed Agreement.

7.

For ASR purposes, beginning January 1, 2020, the earnings band shall be set at 9.5% to 12.0% ROE and the Company shall report earnings based on the actual historic cost of debt and approved capital structure. The Company shall not file a general rate case unless its calendar year retail earnings are projected to be less than 9.5% ROE. (Agreement Provision 6).

PIA Staff has recommended an earnings band from 9.20 to 10.50% and recommended that earnings above the band be applied to deferred costs instead of being split between customers and the Company. (Tr. 1316.)



DOD/FEA's witness recommended narrowing the ROE earnings band to +/- 50 basis points around the authorized ROE based on the assumption that it would reduce the risk to the Company. (Tr. 1015.) This assumption, however, fails to recognize that by reducing the risk to the Company it would necessarily increase the risk to customers. (Tr. 2636.) Increasing the risk to customers alters the fundamental nature of the ARPs that have been in place for the last 25 years. (*Id.*) Georgia Power has proposed an earnings band approximately +/-100 basis points around the proposed ROE, consistent with the structure of the earnings bands previously approved by the Commission for the last several decades.

The Commission finds that the earnings band for ASR purposes and the Company's agreement not to file a general rate case unless its calendar year retail earnings are projected to be less than 9.5% are reasonable and is hereby approved.

8.

The Proposed Agreement provides that subsequent to finalization of PIA Staff's review of the respective ASR, any retail earnings above 12.0% ROE shall be shared, with forty percent (40%) being applied to regulatory assets in the following priority: Accumulated CCR ARO, Retired Generating Plant, Obsolete Inventory, Environmental Remediation, and Storm Damage, forty percent (40%) being directly refunded to customers, allocated on a percentage basis to all customer groups including the base revenue contribution of Real Time Pricing ("RTP") incremental usage, and the remaining twenty percent (20%) retained by the Company. The Commission finds that it is fair and reasonable that in the event the Company is earning above the top end of the earnings band, sharing occurs in accordance with the Settlement Agreement. (Proposed Agreement Provision 7).

The Commission finds this provision of the Proposed Agreement to be reasonable and is hereby approved.

9.

The Proposed Agreement provides that the Company shall make its ASR filings for this ARP by March 15th of the following year. The Commission will consider the ASR filing and determine any direct refunds and reduction of regulatory assets by July 31st of that year. (Proposed Agreement Provision 8).

The Commission finds this provision of the Proposed Agreement to be reasonable and is hereby approved.

10.

For purposes of the 2021 and 2022 rate adjustments, the Company shall make compliance filings of the updated tariffs at least ninety (90) days prior to the effective date of the tariffs. The Company's compliance filings will include the following updates including updated estimates to

incorporate the capital structure and rate setting return on equity approved by the Commission on December 17, 2019:

- a) Effective January 1, 2021, (i) the traditional base tariffs shall be adjusted to collect an additional estimated \$93 million. This estimate shall be adjusted in the Company's compliance filing to incorporate the capital structure and rate setting return on equity approved by the Commission; (ii) the ECCR tariff shall be increased based upon the Compliance filing with updated CCR ARO costs as filed in the most recent semi-annual report for calendar year 2020; (iii) the DSM tariff shall be increased to reflect the additional approved DSM costs for calendar year 2021 as approved in Docket No. 42311 and as adjusted based on the DSM True up process agreed to by the Company and PIA Staff; and (iv) the MFF tariff shall be adjusted to collect the municipal franchise fee cost incurred by the Company. The 2021 increase to traditional base rate tariffs, ECCR tariff, DSM tariff will use the most current kWh sales forecast for the applicable year to set the rates.
- b) Effective January 1, 2022, (i) the traditional base tariffs shall be adjusted to collect an additional estimated \$197 million. This estimate shall be adjusted in the Company's compliance filing to incorporate the capital structure and rate setting return on equity approved by the Commission; (ii) the ECCR tariff shall be increased based upon the Compliance filing with updated CCR ARO costs as filed in the most recent semi-annual report for calendar year 2021; (iii) the DSM tariff shall be increased to reflect the additional approved DSM costs for calendar year 2022 as approved in Docket No. 42311 and as adjusted based on the DSM True up process agreed to by the Company and PIA Staff; and (iv) the MFF tariff shall be adjusted to collect the municipal franchise fee cost incurred by the Company. The 2022 increase to traditional base rate tariffs, ECCR tariff, DSM tariff will use the most current kWh sales forecast for the applicable year to set the rates.

The Commission finds that the Proposed Agreement is reasonable as it pertains to the above rate adjustments and compliance filing requirements.

11.

The Proposed Agreement provides that for book accounting and ASR purposes, the schedule for the Nuclear Decommissioning Trust – Tax Funding (reference the “Proposed Supplemental Order – Nuclear Decommissioning Costs” attached to the Proposed Agreement) are approved. (Proposed Agreement Provision 10).

The Commission finds and concludes that the proposed Supplemental Order – Nuclear Decommissioning Costs is reasonable and approved.

12.

Regarding earnings that the Company has reported above the earnings band in 2018 to the Commission through the ASR process in Docket No. 36989, the Proposed Agreement provides that fifty percent (50%) of the customer share (approximately \$51 million) of earnings above the band in 2018 shall be utilized to reduce the December 31, 2019, storm damage regulatory asset. Regulatory assets are to be written down in the following priority: Obsolete Inventory, Environmental Remediation, Accumulated CCR ARO, Retired Generating Plant, and Storm Damage. The remaining fifty percent (50%) of the customer share shall be refunded to customers in 2020 with a special line-item on the bill. (Proposed Agreement Provision 11).

In the Proposed Agreement, the Company anticipates earnings in excess of the earnings band in 2019. The Company shall forego its share of the 2019 earnings over the top of the earnings band. Fifty percent (50%) of all the earnings over the 2019 band shall be refunded to customers with a special line item on the bill, and fifty percent (50%) shall be used for the early retirement of regulatory assets including \$49 million spent to investigate the Stewart County site and other regulatory assets in the following priority: Accumulated CCR ARO, Retired Generating Plant, Obsolete Inventory, Environmental Remediation, and Storm Damage. (Proposed Agreement Provision 12).

The Commission finds that the treatment as set out in the Proposed Agreement for the earnings above the band in 2018 and 2019 are reasonable and approved.

13.

The Proposed Agreement also provides that the Company shall accelerate amortization of an estimated \$88 million in regulatory assets in 2020 in the following priority: Accumulated CCR ARO, Retired Generating Plant, Storm Damage, Obsolete Inventory, and Environmental Remediation. The actual amount accelerated may be different than estimated in this paragraph depending upon the capital structure and rate setting return on equity approved by the Commission. The estimated \$88 million shall be adjusted to reflect the updated projected revenue sufficiency by incorporating the capital structure and rate setting return on equity approved by the Commission and will be reflected in the Company's compliance filing. (Proposed Agreement Provision 13).

Additionally, the Proposed Agreement provides that, in the event the Company determines that an asset is impaired or the Commission approves the retirement of a retail generation asset as a result of any environmental regulation or legislation, the Company may request that costs associated with such impairment or retirement be deferred as a regulatory asset. (Proposed Agreement Provision 14).

The Commission finds that Proposed Agreement provisions 13 and 14 are reasonable and approved.

14.

The ICR mechanism approved in the 2010 Rate Case in Docket No. 31958 is continued throughout the term of this ARP utilizing the earnings band of 9.5% to 12.0% as set for the ASR. (Agreement Provision 15). Under the ICR mechanism, if at any time during the term of the ARP, the Company projects that its retail earnings will be lower than 9.50% retail ROE for any calendar year, based on the most recent budget, including the latest projections regarding rate base, revenues, expenses, changes in projected debt and preferred security costs, it may petition the Commission for the implementation of an ICR tariff which will be used to adjust the Company's earnings back to 9.50% ROE. Any ICR tariff approved by the Commission shall expire at the earlier of the date upon which the next general rate case takes effect or the end of the calendar year in which the ICR tariff becomes effective. Continuation of the ICR mechanism also maintains certain procedural guidelines regarding the filing of any request for implementation of an ICR tariff, and further maintains that in lieu of requesting implementation of an ICR tariff, or if the Commission chooses not to implement the ICR, the Company may file a full rate case. Georgia Power must file its request to implement the ICR tariff no less than 90 days prior to its proposed effective date.

As with prior Commission-approved plans, PIA Staff's proposed ARP would also permit the Company to petition the Commission to increase rates up to the lower end of the band if its projected earnings would fall below the lower band over the upcoming calendar year. (Tr. 1301). As discussed above, however, PIA Staff's recommended earnings band was 9.2% ROE to 10.5%. (Tr. 1305).

The Commission finds that the portion of the Proposed Agreement allowing for continuation of the ICR mechanism during the term of the rate plan is just and reasonable.

15.

The Proposed Agreement provides that, with the exception of easements and right of ways, Generation and Transmission property in Plant Held for Future Use ("PHFFU") that has been held in PHFFU account for 15 consecutive years shall undergo review during the first IRP proceeding following the 15<sup>th</sup> year that such property has been held in PHFFU. Distribution property in PHFFU that has been held in PHFFU account for 15 consecutive years shall undergo review during the first base rate proceeding following the 15<sup>th</sup> year that such property has been held in PHFFU. In the respective proceeding, the Company will be required to present the specific plan for the property(s) that has exceeded 15 consecutive years in PHFFU. The Commission will decide the matter in that proceeding. (Agreement Provision 16).

PIA Staff cited three major concerns for the property held in PHFFU. First, there is a substantial dollar amount of PHFFU in rate base. Second, the overwhelming majority of the land in PHFFU is not expected to be used and useful in the provision of electric service for a considerable amount of time. Third, the expected use dates are routinely being pushed further into the future. Due to those concerns, PIA Staff proposed that, prospectively starting with this rate

case, the Commission order that if PHFFU has been held for more than 15 years and has not yet been placed into service, that such PHFFU be removed from rate base until it is placed into service.

Additionally, PIA Staff recommended that gains and losses on the sale of land held in PHFFU be shared with ratepayers based on the amount of time the land was held in PHFFU compared to the total time the land was held by the Company up to a maximum sharing of 80% for customers. (Tr. 1255.)

The Commission finds that the method for reviewing PHFFU as laid out in the Proposed Agreement is reasonable and makes no changes as it relates to the Commission's treatment of gains and losses on sales of property.

16.

The Proposed Agreement provides that beginning in 2021, with the adjustment to traditional base rate tariffs, the rate increase shall be allocated by rate group, except as otherwise provided in Proposed Agreement, with adjustments for balancing. Rates in Medium Business and Large Business rate groups will receive 85% of the overall base rate increase with the resulting revenue deficiency being spread to the other rate groups excluding the Small Business, Lighting and Marginal rate groups which will receive the overall base rate increase. (Agreement Provision 17).

The Commission finds this provision of the Proposed Agreement to be just and reasonable, and is hereby approved.

17.

The Proposed Agreement provides that the Basic Service Charge ("BSC") for all tariffs in the Domestic Group shall increase by \$2 in 2021 and another \$2 in 2022. Further, effective January 1, 2021, the BSC for all tariffs in the Medium Business, Large Business and Marginally priced tariff groups shall be increased to 100% of the levels shown in the Company's Exhibit LTL-1 column labeled "Period 1 Cost of Service Study Customer Related Costs" rounded to the nearest dollar. The remainder of tariff groups, with the exception of the Domestic Group addressed in Paragraph 18 of the Proposed Agreement, shall have its BSC adjusted as proposed by the Company in Exhibit LTL-1 column labeled "2021 Estimated Alternative Rate Plan Basic Service Charge" starting in 2021. The kWh and/or demand charges in each rate shall be correspondingly adjusted to collect the revenue requirement. (Agreement Provisions 18 & 19).

PIA Staff proposed an increase in the monthly BSC from \$10.00 to \$12.00 to become effective January 1, 2021. (PIA Staff Post Hearing Brief p. 46). However, PIA Staff did not recommend any further increase. PIA Staff contended that any large increase should not be accelerated so that it is all assessed in the first year, but instead to adhere to the concept of gradualism and slowly increase the amount of the BSC. Regardless of what was decided as the appropriate amount for the BSC, PIA Staff asserted that multi-year phase-in should reflect an even dollar increase over a period of up to 3 years, as opposed to the accelerated schedule proposed by the Company. (*Id.*)

Sierra Club argued that the BSC should remain at \$10. They stated that a change from \$10 to \$17.95 is not necessary or in the public interest as it will result in rate shock, hurt low-usage and low-income customers disproportionately, reduce customer control over their bill, and reduce incentives for energy efficiency, conservation and distributed generation. (Sierra Club Post Hearing Brief p. 3-6).

GIPL/Southface/Vote Solar also maintained this position. The parties agree that a higher fixed charge will more significantly impact customers that use less electricity. (See Tr. 707, 1670, 2049). It will result in disproportionate bill increases for low-income customers. (Tr. 2049-50). Low-income customers tend to use less energy on average than the average residential customer, as data provided by Georgia Power shows. (Tr. 2050). GIPL/Southface/Vote Solar state that Georgia Power's current residential BSC is equal to the national median fixed charge among IOUs and just below the national average. (Tr. 2039, 2079-80; GIPL/Southface/Vote Solar Resp. to Hearing Req.). GIPL/Southface/Vote Solar argued that Georgia Power is requesting an almost \$8/month increase in the residential BSC compared to the median fixed charge increase among IOUs during the last five years at \$0.50/month and the average increase is just below \$2/month. (Tr. 2040, GIPL/Southface/Vote Solar Post Hearing Brief p.7). They state that this increase will result in rate shock.

The Commission concludes that the \$2 increase in the BSC for 2021 and again in 2022 should alleviate some of the concerns voiced by PIA Staff and Intervenors because these increases are more directly tied in with the concept of gradualism. The Commission finds that the \$2 increase to the BSC in 2021 and 2022 in the Proposed Agreement are reasonable and adequately weigh the interests of both the Company and its ratepayers.

18.

The Proposed Agreement states that the Company will maintain the Residential Service tariff, the R tariff, as a rate option available to all residential customers for the term of the ARP. The Proposed Agreement also provides that the Company and Commission Staff shall collaborate in 2020 to increase marketing of the TOU-RD rate. Beginning January 1, 2021, the Company shall utilize the TOU-RD rate as the default rate for newly constructed residential premises. The Company will report back to the Commission at the time of its next base rate case regarding the adoption of TOU-RD and its use as the default rate for newly constructed residential premises. (Proposed Agreement Provisions 20 & 21).

In its initial case, Georgia Power proposed to eliminate the R tariff as an option for customers in new premises. GIPL/Southface/Vote Solar stated in its brief that Georgia Power proposes to limit customer choice by transitioning a sizeable fraction of residential customers – those moving into new premises – away from its most widely used tariff (the standard R tariff). They argued further that the Company pushes this paradigm shift despite having done little in recent years to promote its time-varying rates and despite having no defined plans to equip customers with the tools and data needed to make informed decisions. Therefore, GIPL, Southface & Vote Solar recommended that the Commission reject Georgia Power's proposal to eliminate the

R tariff as an option for customers in new premises. GIPL/Southface/Vote Solar further recommended that the Commission “direct the Company and Staff to design a comprehensive, specific, and measurable plan to promote voluntary customer adoption of modern rate design that send accurate price signals, are cost-reflective and align utility and customer interests.”

PIA Staff also opposed the Company’s proposal to discontinue offering the R Rate to new premises after January 2020 arguing that as the monopoly utility provider in the service territory, eliminating a choice for customers is contrary to the public interest. PIA Staff recommended that if the Commission were to close Rate R for any residential customer, in keeping with the ratemaking principles of gradualism and customer satisfaction, PIA Staff proposed to either exempt existing (prior to January 2020) Georgia Power customers from this new Rate R foreclosure provision, even if they move to a new premises, or allow any existing Rate R customers in Georgia Power territory that are moving into new premises an ability to opt-in to Rate R.

The Commission finds that it is appropriate to maintain the R Tariff as a rate option available to all residential customers for the term of the ARP with the TOU-RD tariff becoming the default rate for newly constructed residential premises in 2021. Further, the Commission finds and concludes that it is reasonable to allow a collaborative process as outlined above.

19.

The Proposed Agreement also requires the Company to work with Commission Staff to develop options for customer access to usage data and submit those options to the PSC for approval. Stipulating Parties will be provided an opportunity to provide comments on the options proposed and upon approval, the Company will strive to implement the provisions of the plan no later than January 1, 2022. The cost for providing additional options for access to customer usage data shall be deferred as a regulatory asset and recovered in a future base rate proceeding. (Proposed Agreement Provision 22).

PIA Staff recommended that the Commission require the Company to continue its investigation of the costs and benefits of providing hourly usage information to its residential customers and within six months provide an updated cost estimate to provide hourly usage data to all residential customers.

GIPL/Southface/Vote Solar recommended that the Commission require Georgia Power to work with PIA Staff and interested Intervenors to develop a data access implementation plan and data privacy policy, and to submit the plan and policy to the Commission for approval by June 30, 2020 for implementation no later than January 1, 2021.

The Commission finds that the requirements in the Proposed Agreement sufficiently address the recommendations on this issue.

20.

The Proposed Agreement provides that within ninety (90) days of the Final Order in this docket, the Company, Georgia Watch, and Commission Staff shall collaborate on a process to consider potential options for the expansion of income qualified discount opportunities to assist customers. This process will allow for parties to provide input on the options to be considered. The Proposed Agreement further provides that within 270 days of the Final Order in this docket, the Company after having taken input from other parties will report back to the Commission on their findings and may recommend additional action. Any potential program options must consider cost impacts to non-participating customers as well as the impacts of any revenue erosion. (Proposed Agreement Provision 23).

The Commission approves the process set out in the Proposed Agreement.

21.

The Proposed Agreement provides that the Company agrees to further promote Project Share to customers and increase the Company's matching to 150% of customer contributions up to \$1.5 million annually. (Proposed Agreement Provision 24).

The Commission approves the Company's promotion of and increased contribution to Project Share.

22.

The Proposed Agreement provides that the Electric Transportation ("ET") tariff shall be allocated 70% of the base rate increase in 2021 and 2022. The revenue deficiency for this adjustment shall be accounted for within the Governmental/Institutional tariff group. (Proposed Agreement Provision 25).

The Commission finds and concludes that this tariff change is reasonable.

23.

In accordance with the Proposed Agreement, the Time of Use – Medium Business ("TOU-MB") rate shall be made available to all food services and drinking places identified as 722 of the North American Classification System (NAICS). A franchise with multiple accounts shall no longer be an applicability requirement. Any existing customers on TOU-MB not qualifying as 722 will be considered grandfathered on TOU-MB and allowed to remain on the rate. During the term of the ARP, qualifying food services and drinking places will be accepted on TOU-MB on a first come, first allowed basis until the number of accounts on the rate equals 6,000. The rate will be reviewed in the next base rate case. Any revenue erosion from the TOU-MB rate conversion during the term of the ARP will be captured in a regulatory asset account and recovered through rates in 2021 and 2022. All revenue loss resulting from the implementation of this provision shall be recovered by the Company from the TOU-MB rate. (Agreement Provision 26).



GRA stated in their post hearing brief that it is unfair and anti-competitive for the TOU-MB rate schedule to only be offered to large chain restaurants. (GRA Post-Hearing Brief at p. 1). GRA also requested that the TOU-MB rate be frozen until the next rate case in order to move towards parity. (*Id.*).

The Commission concludes that by opening the TOU-MB rate schedule to all food service and drinking places identified as 722 of the NAICS, smaller restaurants will be able to be more competitive with larger chain restaurants. GRA stated in their brief that there are currently approximately 3,000 customers currently on the TOU-MB rate. (*Id.* at 2). By allowing approximately 3,000 more customers to join the rate, the Proposed Agreement allows for smaller restaurants to be more competitive while balancing the interests of other ratepayers. As such, the Commission finds this provision of the Proposed Agreement to be reasonable.

24.

The Proposed Agreement provides that the Company agrees to evaluate an enhanced demand response program for Industrial Customers (spinning reserves, etc.) to determine if such a program would provide any value to all customers. The Company will provide the results of the evaluation to interested Stipulating Parties within 180 days of the Order date. The Company's evaluation will include analysis quantifying the potential benefits and costs to interested customers including whether any additional steps are justified by the results of the evaluation. If interested Stipulating Parties and the Company agree that an enhanced demand response program brings value to all customers, the Company agrees to seek Commission approval for a pilot program at least 12 months prior to the 2022 IRP. (Agreement Provision 27).

The Commission finds and concludes that this evaluation process is reasonable.

25.

The Proposed Agreement provides that the tariff language changes proposed by the Company to the RTP Tariff in the Company's filing shall be modified as follows: The definition for "Existing Load" shall be defined as load previously served by Georgia Power and shall include load moved from one location to another provided that the operation at the new location is substantially identical to the operation at the former location. The definition of "New Load" shall mean load not defined as "Existing Load." "New Load" shall also include load at a location that has been vacant less than twenty-four months provided that the operation is not substantially identical to the previous operation at that location. Finally, CBL reductions shall be allowed to reflect the impact of equipment removal/replacement and energy efficiency improvements implemented during the initial Term of Contract that result in measurable reduction in electric power demand and/or energy usage, provided that the Company's financial requirements are met. This language shall be incorporated into the appropriate places within the RTP tariff. (Proposed Agreement Provision 28).

DOD/FEA requested that the Commission deny the Company's request to lengthen the time period for an RTP customer to establish a lower CBL without approved load removal. DOD/FEA stated that the increased time period requirement is unnecessary because a customer must remove itself from the RTP tariff for twelve months, which serves as sufficient credible commitment that it has achieved the reduced load.

RSM recommended that for every 1000 MW of solar in the system the Company utilize 150 MW of customer response via the marginal cost pricing mechanism already in place with its RTP rate. (RSM Brief at p. 1).

The Commission finds and concludes that the Proposed Agreement's modifications to the RTP Tariff language changes are reasonable. The proposal to extend the length of time a customer must stay off RTP before rejoining RTP and setting a new CBL is also approved.

26.

The Proposed Agreement provides that the Multiple Load Management ("MLM") rate shall be eliminated as proposed by the Company, and customers moving from MLM will be moved in a revenue neutral manner to the Time of Use – Revenue Neutral ("TOU-RN") tariff. If a customer on MLM with RTP prefers to move their CBL to a rate other than TOU-RN, they will be permitted to select any tariff for which they meet the applicability requirements and move their CBL to that rate in a revenue neutral manner. (Proposed Agreement Provision 29).

The Commission finds and concludes that this tariff change is reasonable.

27.

The Proposed Agreement provides that funds for electric vehicle infrastructure will be allowed as proposed by the Company with an additional \$6 million per year to be invested in support of wire and transformer upgrades for customer sited charging stations. (Proposed Agreement Provision 30). The Commission finds and concludes that the projected capital and Operation & Maintenance ("O&M") costs associated with electric vehicle ("EV") infrastructure proposed in the Company's filing should be included in the Company's cost of service. In addition, the Company should invest an additional \$6 million per year in support of wire and transformer upgrades for customer sited charging stations. Whether costs for electric vehicle charging facilities or costs for infrastructure supporting such facilities should be included in the Company's cost of service is a matter of policy to be decided by this Commission. This Commission finds that such costs must not be examined in isolation: EV charging stations serve as much more than an additional source of revenue for the Company or any other business for that matter. EV charging stations provide public benefits above and beyond dollars and cents. For example, the overall grid benefits from EV drivers who routinely shift their load and place a positive benefit onto the grid. In addition, evidence presented by the Company indicates that residential and business/workplace rebate programs have positive rate impact measure ("RIM") values, which helps all customers by putting downward pressure on rates.

The Sierra Club argued that the \$6 million per year in spending is just, reasonable, and prudent. (Sierra Club Post Hearing Brief p. 13). The Sierra Club also agree that sufficient public charging infrastructure provides a “backbone of infrastructure” necessary to support the emerging demand for EVs. (Tr. 2648; Porocho Rebuttal at 34.)

PIA Staff opposed the inclusion of EV related spending in rate base and cost of service and asserted that “the [public] charging stations will not generate enough revenue to cover O&M expense and depreciation and allowing rate recovery would mean non-EV drivers would be subsidizing investments that only benefits EV-driving ratepayers.” (Tr. 1228; Smith and Trokey Direct at 73).

The Commission concludes that this policy decision extends beyond cost considerations and accordingly, finds that allowing the proposed EV charging station costs, as well as the additional supporting infrastructure costs, into rate base strikes the right balance between the monetary and non-monetary benefits associated with EV infrastructure deployment.

28.

The Proposed Agreement provides that the method for bi directional metering utilized by Georgia Power under the Georgia Cogeneration and Distributed Generation Act of 2001 (“Cogen Act”) O.C.G.A. § 46-3-51, to be considered as part of the PIA Staff review of the Company’s methodology and computation of avoided cost in Docket No. 4822 that was provided for in the Commission’s Final Order issued in Docket Nos. 42310 and 42311. It further provides that to the extent Parties continue to raise such issues, the Commission will consider the Company’s bi-directional metering practice as part of that review. (Agreement Provision 31).

During the proceeding and in their Post Hearing Brief, GIPL/Southface/Vote Solar maintained that the Cogen Act required monthly netting. They argued that monthly netting allows solar customers to properly receive full value from their private investments. (GIPL/Southface/Vote Solar Post Hearing Brief p. 15).

GSEA/GSEIA stated that the Company’s Renewable and Non-Renewable (“RNR”) tariffs, including RNR-10 if approved, are consistently silent on netting and that since RNR tariffs never identified a netting methodology, the Company cannot credibly claim that its netting methodology was approved as a part thereof. GSEA/GSEIA urged the Commission to reject the Company’s instantaneous netting methodology and direct it to implement monthly netting consistent with normal metering practices during the billing period as required by the Co-Gen Act.

Georgia Power stated that the Company’s implementation of the RNR tariff is compliant with the Co-Gen Act and should not be overhauled to institute policy changes to increase payments to customer generators as argued by Intervenor.

The Commission finds and concludes that the Proposed Agreement should be modified to provide that the “Behind the Meter” netting period length shall be changed from instant to monthly

for the first 5000 rooftop solar ratepayers or until the new installed capacity reaches 32 MW, whichever comes first. Following that, any new rooftop solar ratepayers would be subject to the current scheme of instant net metering. This will be re-evaluated in the next rate case.

29.

The Commission finds that the Proposed Agreement should be modified to provide that the fee for Analog Meter Ratepayers shall be dropped by \$1.00 per month. The Commission will reevaluate the fee and this change in the next rate case.

The Commission finds and concludes that this reduction to the analog meter fee is reasonable.

30.

In its filing, which the Proposed Agreement accepts by reference, the Company proposed to convert the basic service charge in the tariffs within the Domestic Group to a daily amount. Currently, a bill can be generated with the service period ranging from 25 to 36 days without being prorated. This means that customers that experience a 36-day bill period incur the same basic service charge as a customer whose bill only includes 25 days of service. Conversely, if a bill is calculated using a daily basic service charge amount, the result will be based on the exact number of days of service, which will make this portion of the bill more accurate and simpler for customer to understand. (Tr. 757).

PIA Staff stated that the Company had not justified its request to prorate the BSC on a daily basis. Currently, the BSC is the same for each month; it does not vary based on the number of days in the month. (Tr. 2919). PIA Staff contended the Commission should require the Company to continue the standard practice of 12 evenly monthly payments for customers who pay monthly bills. (PIA Staff Brief at p. 46).

GIPL/Southface/Vote Solar stated that the Commission should reject the Company's request to switch from a monthly BSC to a daily BSC. Changing to a daily basic service charge would "exacerbate monthly bill volatility, result in a charge that is less transparent and less understandable for customers," and the Company "did not identify any clear need for the change." (Tr. 2082). Further, the Company stated that over the course of a year, any differences in billing period will even out-meaning, all customers will ultimately pay the same total amount in basic service charges without a switch to a daily charge. (Tr. 2920).

The Commission finds that converting the BSC in the tariffs within the Domestic Group to a daily amount is reasonable is thus accepted.

31.

Although PIA Staff accepted the Company's proposed \$63.5 million for the projection of storm damage charges for the test year and ARP years, they recommended a review of the recovery

mechanisms and that the Company's storm damage costs be reviewed in detail. PIA Staff also adjusted the Company's estimate of the December 31, 2019 deferred storm damage cost balance using actual charges for January through June 2019 in place of the Company's estimates for those months. The adjustment resulted in a slightly lower December 31, 2019 balance, which PIA Staff recommended be amortized over a three-year period. (Tr. 1158; Smith and Trokey Direct at pp. 85-87).

PIA Staff's recommendation that the Company's storm damage costs be reviewed in a separate investigation apart from the rate case stems from the fact that the Company's deferred amount has built up to over \$400 million and most of that from storms occurring in recent years since the Company's 2013 rate case. The Company argued that a separate review and audit is unnecessary because existing internal and external review channels provide sufficient opportunity for the Company and Commission to audit the Company's storm damage account balance.

DOD/FEA recommended that the Commission approve an annual deferred cost recovery mechanism and recovery rider for storm damage costs, rather than the past and proposed Company practice in which it incorporates storm damage recovery directly in base rates. (DOD/FEA Brief at p 9).

The Commission finds that it is appropriate to approve the continuation of the current ratemaking treatment of such costs.

32.

PIA Staff recommended that the Company's revenue requirement be adjusted by \$272,000 on a retail jurisdictional basis to reflect interest credits on minimum bank balances stating that these interest credits offset its bank fees. The Company did not reflect these interest credits in its rate case filing because the amount of the credits is uncertain since it cannot exactly predict the minimum bank balances. (Tr. 309, 1226-27). PIA Staff argued that since the bank fees the Company must pay are included in revenue requirement and collected from ratepayers, it would be unfair for the Company to be able to keep the interest credits that offset the bank fees.

The Proposed Agreement does not include this adjustment and the Commission finds that the Settlement Agreement as Modified is reasonable as a whole. Therefore, PIA Staff's recommendation is denied.

33.

The Company stated that the total compensation plan, including stock-based at-risk compensation is market competitive and appropriately balances operational with financial focus for both short-term and longer term to drive employee behavior in ways that balance the interests of customers and shareholders alike. (GPC Post Hearing Brief pp. 49-55). Furthermore, the Company stated that moving at-risk pay to base pay would not be in the best interest of customers, however, as it would encourage employees to focus solely on short-term operational performance with no balance or accountability to long-term operational costs and efficiencies. (*Id.*). Therefore,

the Company believes that stock-based compensation should be included in the Company's revenue requirements and recovered in retail rates.

PIA Staff stated in its post hearing brief that the Company incurs the costs of these incentive compensation programs in an effort to improve the Southern Company financial performance for the benefit of shareholders, not for the benefit of ratepayers. "For instance, the purpose of these incentives is not to improve customer service or meet other regulated utility service requirements. To the contrary, the objectives of maximizing shareholder value on the one hand and minimizing costs to ratepayers on the other hand, are generally opposed to each other. And the fact that maximizing shareholder value frequently does not serve the ratepayer interest of lower rates for the service shows the fatal flaw in the argument that these financial incentives should be seen as merely part of a compensation package, and as such, should be recovered from ratepayers."

The Proposed Agreement does not include this adjustment and the Commission finds that the Settlement Agreement as Modified is reasonable as a whole. Therefore, PIA Staff's recommendation to remove the stock compensation plan from rate base is denied.

In conjunction with its adjustment to remove stock-based compensation, PIA Staff recommended that the Company's proposed ARP payroll tax expense be reduced by \$1.484 million, \$1.629 million and \$1.732 million in 2020, 2021 and 2022, respectively. (Tr. 1239, PIA Staff Exhibit 9).

For the same reasons that PIA Staff's adjustment to remove stock-based compensation was not adopted by the Commission, the corresponding payroll tax expense adjustment is denied.

34.

PIA Staff recommended removal of expenses related to Georgia Power's executive financial planning program, which provides personal financial planning, estate planning, investment advice and tax planning and preparation to Georgia Power's Chief Executive Officer, Chief Operating Officer, Vice-Presidents and Directors. (Tr. 1234). PIA Staff's position does not prohibit the Company from offering its program to top executives. The Company's position is that ratepayers should pay for this cost for its top executives as those executives provide value to the ratepayers. PIA Staff recommends that shareholders be held responsible for paying for the program because this program is not necessary for the provision of safe and reliable electric service.

The Proposed Agreement does not include this adjustment and the Commission finds that the Settlement Agreement as Modified is reasonable as a whole. Therefore, PIA Staff's recommendation is denied.

35.

PIA Staff recommended that the Commission reject the Company's requested uncollectibles expense stating that it is inconsistent with its experience in recent years. Even

though the Company has incurred less than \$12 million in uncollectibles expense in 2017 and 2018, it requested an uncollectibles expense of \$13.445 million in the test year, \$14.003 million in 2020 and 2021 and \$14.004 million in 2022. (Tr. 1240). PIA Staff argued that the Company failed to identify a key driver for the inconsistency.

The Proposed Agreement does not include this adjustment and the Commission finds that the Settlement Agreement as Modified is reasonable as a whole. Therefore, PIA Staff's recommendation is denied.

36.

PIA Staff proposed an adjustment to revenue requirement for property tax true-up. Georgia Power has booked a property tax true-up in 14 of the past 17 years. (Tr. 1235, 2718). Yet, Georgia Power declined to account for such a true-up in its rate case filing because it claimed that the true-up cannot be predicted with certainty. (Tr. 2715). PIA Staff argued that the Company's approach is inconsistent both with Commission precedent and with how the Company has addressed other items within this very rate case. The Commission adopted an adjustment for property tax refunds in the 2010 rate case (Docket No. 31958). Therefore, the PIA Staff recommended that the Commission adopt PIA Staff's recommended \$2.604 million adjustment to reflect a reduction in the Company's revenue requirement equal to the 17-year average for property tax refunds received by Georgia Power.

The Proposed Agreement does not include this adjustment and the Commission finds that the Settlement Agreement as Modified is reasonable as a whole. Therefore, PIA Staff's recommendation is denied.

37.

PIA Staff's proposed recommendation regarding sharing of responsibility for the CCR ARO amount for Plant Kraft and the benefits of donating Plant Kraft land to the Georgia Port Authority stems from the authorization received by the Company from the Commission, in Docket No. 36989, to donate a parcel of land at Plant Kraft to the Georgia Ports Authority. PIA Staff argued that both the State of Georgia (through the receipt of the land by the Ports Authority) and Georgia Power (through a boost to its reputation as a good corporate citizen) will benefit from the donation of the land. PIA Staff argued that ratepayers should receive a benefit as well. The Plant Kraft land that is to be donated includes the site of the coal ash pond which appears to have been remediated. In order to provide some benefit to ratepayers as well as the Company and the State, PIA Staff recommended that the Commission and the Company should consider applying some of the donation-related tax savings that would otherwise be assigned below-the-line to addressing the Plant Kraft ash pond clean-up cost. In the alternative, if the full benefit of donating that land is to be retained by shareholders, PIA Staff's alternative recommendation was that the related ash pond remediation costs also be allocated to shareholders. PIA Staff asserted that this is equitable because the clean-up appears to have increased the market value of the plant land that is to be donated and that it would be unfair for ratepayers to pay for the clean-up and shareholders reap

the full benefit of donating the land that increased in value as a result of the clean-up. (PIA Staff Brief p. 37)

The Company proposed to follow the accounting requirements and process outlined in the Commission's October 16, 2018 Order Approving Donation of Tract-1 Land at Plant Kraft in Docket No. 36989, which the Company argued approved the Company's donation and the proposed accounting treatment for the Plant Kraft land. See Order on Georgia Power Company's 2016 Annual Surveillance Report, Docket No. 36989 (Jan. 19, 2018) at 2.

The Proposed Agreement does not include this adjustment and the Commission finds that the Settlement Agreement as Modified is reasonable as a whole. Therefore, PIA Staff's recommendation is denied.

38.

The Company used the minimum distribution system ("MDS") methodology in its Cost of Service Study ("COSS") to separate customer-related distribution system costs from demand-related costs that customers place on the system. The Company explained that the MDS is a key input of its COSS as it separates the cost of line transformers, primary and secondary lines, and equipment, into demand-related costs, which are directly related to customer's peak load requirements, and customer-related costs, which are independent of customers' peak load requirements. Company Witness Vogt explained that Bonbright, NARUC, and several utilities around the country acknowledge MDS as an acceptable method for allocating customer-related distribution costs.

PIA Staff, GIPL/Southface/Vote Solar, and Sierra Club recommended that the Commission require that the Company use the Basic Customer Method instead of MDS. PIA Staff disagreed with the Company's use of MDS for determining distribution costs caused by the need to serve customers separate from customer demand placed on the system. Citing Bonbright, PIA Staff faults the MDS technique because it does not vary with the number of customers and loads customers with more fixed system costs. PIA Staff estimated that close to \$8 of the \$20.87/month customer costs calculated in the COSS are MDS related. PIA Staff recommended the Company remove the allocation of the MDS costs to customer service or strip out the MDS effects on the monthly basic service charge it proposes.

The Company, in its rebuttal testimony, argued that MDS is more comprehensive than the Basic Customer Method. According to the Company, MDS includes the costs identified using the Basic Customer Method, and also includes the cost of equipment necessary to provide safe and reliable service, which is not based on a customer's demand and should be allocated as customer-related. (See Tr. 2870.) The Company opposes classifying or collecting fixed customer-related costs through the variable energy portion of customer rates. The Company requests permission to continue relying upon the MDS methodology arguing that this approach yields a fair and equitable assignment of costs to customers.



Commission approval of the Settlement Agreement as modified allows for the Company's continued use of the MDS methodology to determine the customer-related portion of distribution costs.

39.

PIA Staff recommended that the Commission "require Georgia Power to perform an evaluation of the use of monthly coincident peaks to reflect more precisely the months where there is the potential for summer and winter peak demands to occur." PIA Staff further explained that "this could be done by utilization of an up to 8 CP approach, reflecting a proper balance of assignment of fixed costs to both summertime and wintertime peaks." (PIA Staff Brief at pp. 43-44).

The Company refutes the idea that a non-coincident peak is an inappropriate base for setting a demand charge. There are multiple demand costs to cover in a demand charge, including distribution costs, which are based on a non-coincident peak. (Id.) Using the Company's existing time of use price signal keeps the rate simpler and easy to understand and helps customers avoid extreme bill swings in summer months. (Id.) (Company Brief at p. 70).

The Commission accepts the Settlement Agreement as modified and requires no changes at this time as it relates to this issue.

40.

PIA Staff requested that the Commission "order the Company to revise its wintertime declining block rates to a flat energy rate. Just as the inclining block rate structure during the summer sends a price signal that as consumption increases, so likely do system costs, a declining block rate structure sends the opposite price signal that as consumption increases, system costs decline." (PIA Staff Post Hearing Brief at p. 44).

In response to PIA Staff, the Company stated that it "originally designed the residential rate to reflect the seasonality of costs to serve residential customers." (Tr. 2889.) "The increasing price blocks in June through September reflect the fact that the Company's costs are higher in the summer months. (Id.) The declining block structure in the non-summer months recognizes that off peak costs are lower and provides price signals to reflect this reality. (Id.) The prices are set to more than cover the Company's marginal costs and resulting revenues place downward pressure on rates for all customers. (Id.) The Commission should reject requests to change the declining block rate structure." (Company Brief at p. 61).

GIPL/Southface/Vote Solar witnesses argued that Georgia Power should eliminate the non-summer declining block portion and replace it with a flat tariff.

The Commission finds that non-summer declining block portion is reasonable as filed and thus any change is denied.

41.

The Company has proposed several changes in the wording of its Flat-5 tariff. PIA Staff stated that the Company's proposed changes would remove the 12-month history requirement. The effect would require "new Georgia Power customers, when establishing their account, to choose the FlatBill tariff and be charged a monthly bill based on that premises, another household's, previous 12- month usage." (Tr. 2924). PIA Staff recommended that "the Commission reject these proposed revisions because the customer could end up with a higher or lower bill as compared to the Residential service rate because usage is not based on that resident's actual historical 12-month usage." (PIA Staff Brief at p. 49).

GIPL/Southface/Vote Solar believe that "FlatBill encourages wasteful use of electric service contrary to basic principles of rate design." GIPL/Southface/Vote Solar go on to argue that the "flat monthly amount is determined by billing under the R tariff (plus a "risk" adder of up to 10%), the very tariff the Company considers "antiquated" and proposes to move away from." (Tr. 1955). GIPL/Southface/Vote Solar further recommend that the Commission "reject these less than 'modern' proposals." (GIPL/Southface/Vote Solar Brief at pp. 8-11).

In accordance with the Commission's approval of the Settlement Agreement as Modified, the Company's proposed changes are accepted.

42.

The Commission finds that the date on which the rates pursuant to the Settlement Agreement as Modified shall become effective is January 1, 2020.

43.

The Commission finds that a three-year term for the Settlement Agreement as Modified ending December 31, 2022 is reasonable. By July 1, 2022, the Company shall file testimony and exhibits required in a general rate case along with supporting schedules required by the Commission to support a "traditional" rate case. The test period utilized by the Company in its rate case filing shall be from August 1, 2022 to July 31, 2023. The Company may propose to continue, modify or discontinue this Alternate Rate Plan. The Company shall also file projected revenue requirements for calendar years 2023, 2024, and 2025. (Proposed Agreement Provision 32).

## CONCLUSIONS OF LAW

1.

The Georgia Public Service Commission has general ratemaking jurisdiction over Georgia Power Company under O.C.G.A. Ch. 2, T. 46. The Georgia Public Service Commission has general supervision over electric light and power companies. O.C.G.A. §§ 46-2-20(a) and 46-2-21. The Commission has “exclusive power to determine what are just and reasonable rates and charges to be made by any person, firm, or corporation subject to its jurisdiction.” O.C.G.A. § 26-2-23; see also O.C.G.A. §§ 46-1-1(5), 46-2-24, 46-2-25, 46-2-26.1, and 46-2-26.2.

2.

The Settlement Agreement as Modified complies with the test year statute for electric utilities which provides in relevant part:

In any proceeding to determine the rates to be charged by an electric utility, the electric utility shall file jurisdictionally allocated cost of service data on the basis of a test period, and the commission shall utilize a test period, consisting of actual data for the most recent 12- month period for which data are available, fully adjusted separately to reflect estimated operations during the 12 months following the utility's proposed effective date of the rates. After the initial filing and until new rates go into effect, the utility shall file actual cost of service data as they become available for each month following the actual data which were filed. The utility shall have the burden of explaining and supporting the reasonableness of all estimates and adjustments contained in its cost of service data.

(O.C.G.A. § 46-2-26.1(b))

Georgia Power filed the requisite data on the basis of a test period, and the Settlement Agreement as Modified uses the test period as a starting point and then makes necessary and appropriate adjustments to reflect operations during the 12 months following the utility's proposed effective date of the rate. The test period data serves as the benchmark from which adjustments are made for each year of the Alternative Rate Plan. This methodology is consistent both with the statute and with Commission precedent in rate case proceedings dating back to 1998.

3.

The rates resulting from the Settlement Agreement as Modified are fair, just and reasonable. By adopting the Settlement Agreement as Modified, the Commission retains its jurisdiction to ensure that the Company's rates are fair, just and reasonable.

4.

The remaining terms and conditions of the Settlement Agreement as Modified are reasonable and appropriate. By adopting the Settlement Agreement as Modified, the Commission adopts a reasonable resolution of the remaining issues in this docket.

5.

The Commission retains its jurisdiction to ensure that the Company abides by and implements the rates, terms and conditions set forth in the Settlement Agreement as Modified adopted herein, and to issue such further order or orders as this Commission may deem proper.

### III. ORDERING PARAGRAPHS

**WHEREFORE, IT IS ORDERED**, that the Settlement Agreement as Modified shall be and the same hereby is adopted, that its terms and conditions are fully incorporated herein, and that Georgia Power Company shall comply with said terms and conditions.

**ORDERED FURTHER**, that the terms and conditions set forth in the Settlement Agreement as modified are just and reasonable and shall take effect for service rendered from and after January 1, 2020.

**ORDERED FURTHER**, that the tariffs implemented by Georgia Power to implement the aforesaid annual rate increase in the years 2020, the adjustments contemplated in 2021 and 2022, as well as the terms and conditions of the Settlement Agreement as Modified shall be subject to review by the Commission to ensure that such tariffs, as implemented, are proper and just.

**ORDERED FURTHER**, that for purposes of the rate increase in the year 2020, Georgia Power shall file compliance tariffs within 30 days of the issuance of this Order, reflecting rates to implement the rate increases ordered herein. These tariffs shall reflect the rate allocations adopted in this Order, and shall be subject to the Commission's review for final approval.

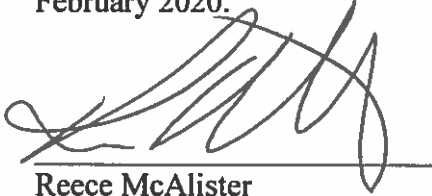
**ORDERED FURTHER**, that for purposes of the rate adjustments specified in the Settlement Agreement as Modified, the Company shall make compliance filings of the updated tariffs at least 90 days prior to the effective date of the tariffs. Compliance filings shall be served upon all parties of record to this proceeding. Upon receipt of such compliance filing, parties may offer input relative to the filing to the Commission.

**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.

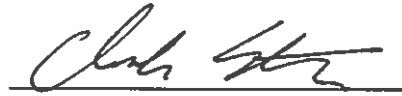
**ORDERED FURTHER**, any motion for reconsideration, rehearing, or oral argument shall not stay the effectiveness of this order unless expressly ordered by the Commission.

The above by action of the Commission in Administrative Session on the 17th of December, 2019, as clarified by action of the Commission in Administrative Session on the 4th of February 2020.



Reece McAlister  
Executive Secretary

2-6-20  
Date



Chuck Eaton  
Chairman

2/6/20  
Date