

Altamaha Electric Membership Corporation
and
Altamaha Fiber, LLC
Lyons, Georgia

Cost Allocation Manual

March 26, 2021

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I. Introduction

In 2019, the Georgia General Assembly passed Senate Bill 2 (Georgia Law), which amended Chapter 3 of Title 46. This bill allows electric membership corporations to engage in certain activities in order to facilitate the provision of broadband services; to specifically authorize electric membership corporations and their affiliates to provide broadband services; to provide for and revise definitions; to authorize certain financing and partnerships for the provision of broadband services.

In accordance with Georgia Law:

No electric membership corporation, broadband affiliate, or gas affiliate shall permit cross-subsidization between its electricity services activities, its broadband services activities, or its gas activities. To prevent cross-subsidization between broadband services activities and gas activities and between broadband services activities and electricity services activities, any electric membership corporation with a broadband affiliate that provides retail broadband services shall:

1. Fully allocate all costs of electricity services activities and broadband services activities, including costs of any shared services, between electricity services activities and such broadband affiliate's broadband services activities, in accordance with:
 - a. The provisions of this Code section; and
 - b. The applicable uniform system of accounts and generally accepted accounting principles that are applicable to electric membership corporations under federal and state laws, rules, and regulations;
2. Not charge any costs of electricity services activities or gas activities to the broadband services customers of the broadband affiliate;
3. Not charge any costs of broadband services activities to the electricity services customers of such electric membership corporation or to the gas activities customers of its gas affiliate; and
4. Not use below-market loans or below-market funding from programs that are not intended to support the deployment of broadband facilities or broadband services in order to support broadband facilities or to provide broadband services unless the electric membership corporation or its broadband affiliate imputes the difference between market rates and the below-market loans or below-market funding into the costs of its broadband facilities and broadband services. The provisions of this paragraph shall not apply to loans or funding from programs that are intended to support the deployment of broadband facilities or broadband services.

Furthermore, Georgia Law requires any electric membership corporation that plans to provide retail broadband services through a broadband affiliate to develop and maintain a Cost Allocation Manual describing the electric membership corporation's methods of cost allocation and such other information and policies reasonably required to ensure compliance with Article 4 of Chapter 3 of Title 46 of the Georgia Code, such Cost Allocation Manual to be approved by the Public Service Commission (PSC).

In order to assure compliance with Georgia law, Altamaha Electric Membership Corporation (“AEMC”) has developed and will maintain a Cost Allocation Manual. The Cost Allocation Manual identifies the physical assets, administrative, management and corporate support services provided by AEMC to Altamaha Fiber, LLC, the broadband affiliate and specifies the allocation method used to reasonably assign costs. The manual will be reviewed annually and revised when there are significant changes in cost allocation methodologies. Any changes will be provided to the Public Service Commission (PSC) for approval. In the event of any conflict between the Cost Allocation Manual and state law (including without limitation applicable PSC orders), state law prevails, and nothing herein limits the ability of the PSC to require revisions to the Cost Allocation Manual at any time or the ability of any interested person to file a complaint with the PSC in accordance with state law.

II. Background

AEMC plans to build a fiber optic network and use the network to connect down line devices and substations to improve electric reliability, speed of communication, electric distribution automation and redundancy. Given new advancements in electric infrastructure and the resulting continued installation of smart/electronic equipment, the existing communication infrastructure is not sufficient to meet the volume of anticipated future data to be transmitted over the network or support the redundancy required for high reliability standards of the network. This is due to five primary data-intensive elements necessitating high speed data transport and high reliability:

1. Connecting all substations to a fiber ring or rings for data transmission, distribution automation and reliability, all leading back to the SCADA system at the control center located in each of AEMC’s offices.
2. Moving data from connected smart-switches, fault indicators and reclosers to improve system reliability throughout the power grid which will be directly connected or connected via RF (Radio Frequency over the air) to fiber and to AEMC’s SCADA system.
3. Using the network to carry data in near real-time from over 22,000 AMI meters that would be connected via fiber to transmit data at sub-hourly intervals.
4. Creating improved demand response capability to facilitate the ability for the utility to meet anticipated member demands for the growing number of smart devices, including smart thermostats, electric vehicle to grid charging, batteries and other demand response technologies.
5. Enabling the ability to add distributed generation resources (DG) such as solar and wind technologies to produce electricity closer to the end user of power. DG resources will offer numerous benefits, including avoiding generation capacity costs (e.g., less need to build new centralized generation facilities), avoided transmission costs, reducing the need for backup power, and neutral environmental impacts that will benefit our members and our community.

Excess fiber may be used by communication providers or commercial entities on fair market commercial terms.

Accordingly, the Cost Allocation Manual is designed to fairly allocate costs between AEMC has and Altamaha Fiber, LLC in order to meet all requirements of Senate Bill 2. AEMC has and intends to allocate the cost of retail broadband to assure there is no cross-subsidization.

AEMC and Altamaha Fiber, LLC will maintain separate books of accounts and records that are subject to inspection and compliance with the Cost Allocation Manual as required by Georgia Law.

The costs of forming the broadband affiliate, Altamaha Fiber, LLC, will not be borne by AEMC ratepayers. Altamaha Fiber, LLC is the only broadband affiliate of AEMC, and AEMC has no gas affiliate.

AEMC and Altamaha Fiber, LLC will file a joint statement with the PSC certifying compliance with the approved Cost Allocation Manual each year. Accordingly, AEMC has included in Appendix A, a sample management statement certifying compliance and in Appendix B, a sample report to be provided by AEMC's independent accountant.

The remainder of this manual is devoted to establishing rules for the pricing of transactions between AEMC and Altamaha Fiber, LLC, including the transfer of assets and setting of interest rates for any loans between the two entities.

III. Allocation Methodologies

A. General

The intent of the Cost Allocation Manual is to ensure that cross-subsidizations do not occur between the electric activities of AEMC and the broadband activities of Altamaha Fiber, LLC by, among other things, establishing rules for the pricing of transactions between AEMC and Altamaha Fiber, LLC.

The following principles apply whenever personnel, services, equipment, or tangible and intangible property are provided by AEMC to Altamaha Fiber, LLC:

1. To the extent practicable, the costs are accumulated and charged on a direct basis.
2. Any allocation methods applied provide equitable cost sharing between the parties and prevent subsidization by AEMC of the products or services provided to Altamaha Fiber, LLC.
3. Any allocation methods applied provide equitable cost sharing between the parties and prevent subsidization by Altamaha Fiber, LLC of the products or services provided to AEMC.
4. Transactions between AEMC and Altamaha Fiber, LLC are adequately documented and traceable in the books of AEMC and Altamaha Fiber, LLC. Likewise, any allocation methods utilized are adequately documented.
5. Altamaha Fiber, LLC will enter into a pole attachment agreement with AEMC which conforms with terms, conditions and rates included in the Georgia Public Service Commission's order in Docket # 183713 and Docket # 43453.

Cost is accumulated on AEMC's books in accordance with the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts. Costs that benefit both electric service customers and broadband service customers are allocated in accordance with the information below. Altamaha Fiber, LLC plans to utilize the FERC Uniform System of Accounts for simplicity and clarity. Additionally, consolidated financial statements shall be prepared in accordance with generally accepted accounting principles.

B. Corporate Allocations

1. Corporate Clearing

Clearing accounts have been designed to accumulate shared costs that are allocated to Altamaha Fiber, LLC monthly. The major categories of clearing accounts are Employee Labor, Benefits, Payroll Taxes, Transportation Costs, Materials and Other Costs. Each pool of dollars is allocated to the benefiting entity by a predetermined allocation method. Clearing accounts are included in the FERC Uniform System of Accounts. The clearing accounts related to the Cost Allocation Manual include:

- Employee Benefit Clearing
- Transportation Clearing
- Stores Clearing

Benefits clearing includes all cost associated with labor (PTO, payroll taxes, medical insurance, retirement, etc.) and is allocated to the various accounts based on labor costs. These costs are accumulated in a benefit clearing accounts prior to allocation. All benefits are charged to the appropriate work order or general ledger account in accordance with the FERC Uniform System of Accounts.

Transportation clearing includes all cost associated with vehicles and power operated equipment. These costs are allocated to the various accounts based on the time of the equipment operator. There is a direct charge for electric use and fiber use to the appropriate work order or general ledger accounts.

Stores clearing includes all cost associated with the warehousing and material handling function and is allocated to various accounts based on materials issued to jobs. There is a direct charge of electric materials and for fiber materials to the appropriate work order or general ledger accounts.

2. Broadband Equipment

For equipment solely used by Altamaha Fiber, LLC, costs are charged directly on a per unit basis. This includes the optical equipment and other equipment solely associated with Altamaha Fiber, LLC. For broadband equipment additions and retirements, the entities will follow 7 CFR 1767.16 Electric Plant Instructions for the accumulation of cost and unitization of records. Records will be assigned as electric service, broadband service, or shared.

Broadband equipment used by both AEMC and Altamaha Fiber, LLC consists of the Fiber backbone and conduit constructed by AEMC for the purpose of servicing its electric customers. AEMC will maintain records that track how the fiber strands are utilized, either for electric use or retail broadband.

$$\frac{\text{Number of Fiber Strands Utilized for Retail Broadband}}{\text{Total Number of Fiber Strands}} \times \text{Broadband Equipment}$$

Number of Fiber Strands Utilized for Retail Broadband: The count of fiber strands utilized in providing retail broadband services.

Broadband Equipment: Broadband equipment costs, including optical fibers, optical amplifiers, conduit, fiber to the node, fiber to the premise, wireless equipment, last mile fiber and equipment, and asymmetrical/symmetrical connection equipment.

3. *Facilities*

Depreciation, interest, taxes, repairs, maintenance, utilities, insurance and other costs related to facilities will be allocated based on square footage.

$$\frac{\text{Square Footage Used in Providing Retail Broadband}}{\text{Total Square Footage}} \times \text{Total Facilities Cost}$$

Square Footage Used in Providing Retail Broadband: The square footage of facilities utilized in providing retail broadband.

Total Square Footage: The sum of all square footage.

Total Facilities Cost: Depreciation, interest, taxes, repairs, maintenance, utilities, and other costs related to facilities.

4. *Other Tangible and Intangible Property*

Other intangible property used solely by Altamaha Fiber, LLC is charged directly to Altamaha Fiber, LLC. AEMC has tried to address all tangible and intangible property that may be shared, and it has been addressed in the Cost Allocation Manual. In the event it is determined there is tangible or intangible property that has not been addressed, AEMC will amend the Cost Allocation Manual and submit the revision to the PSC for approval.

5. *Administrative Charges and Services*

Costs for outside services such as audit, legal, consulting, advertising, or marketing fees and direct purchases of office supplies incurred for the benefit of Altamaha Fiber, LLC are charged directly to Altamaha Fiber, LLC.

6. Shared Services

Certain functions within the organization may cost effectively be provided by a centralized organization. To the maximum extent practical, costs for these services are directly billed from the service provider to the entity benefiting from these services.

The primary component of shared services are personnel costs expended for the benefit of Altamaha Fiber, LLC. These costs include payroll, payroll taxes, employee benefits, retirement, PTO, travel and other expenses directly related to the employees of AEMC. To the extent possible, employees charge their time according to the tasks performed for Altamaha Fiber, LLC via individual timesheets. For employees where this is not feasible, a reasonable portion of their time is allocated to Altamaha Fiber, LLC by tracking their time for a representative period or based on the allocation of those working under their supervision in accordance with the FERC Uniform System of Accounts.

In addition to labor and labor related cost, and other cost previously allocated through clearing accounts, these services include supplies, office equipment and expense, third party services, and other expenses. These costs are to be allocated as follows:

- a. Management and Governance - The primary cost is labor and will be allocated based on time reported. Other cost will be charged directly to the extent possible and remaining cost will be allocated based on labor cost.

$$\frac{\text{Labor Charges to Retail Braodband}}{\text{Total Labor Charges}} \times \text{Allocated Costs}$$

Labor Charged to Retail Broadband: Labor charges to retail broadband based on time reporting.

Total Labor Charges: Total labor charges.

Allocated Costs: Management and governance costs not directly charged to AEMC or Altamaha Fiber, LLC.

- b. Accounting and Information Technology - The primary cost is labor and will be allocated based on time reported. Other cost will be charged directly to the extent possible and remaining cost will be allocated based on labor cost.

$$\frac{\text{Labor Charges to Retail Braodband}}{\text{Total Labor Charges}} \times \text{Allocated Costs}$$

Labor Charged to Retail Broadband: Labor charges to retail broadband based on time reporting.

Total Labor Charges: Total labor charges.

Allocated Costs: Accounting and information technology costs not directly charged to AEMC or Altamaha Fiber, LLC.

- c. Marketing - The primary cost is labor and will be allocated based on time reported. Other cost will be charged directly to the extent possible and remaining cost will be allocated based on labor cost.

$$\frac{\text{Labor Charges to Retail Broadband}}{\text{Total Labor Charges}} \times \text{Allocated Costs}$$

Labor Charged to Retail Broadband: Labor charges to retail broadband based on time reporting.

Total Labor Charges: Total labor charges.

Allocated Costs: Marketing costs not directly charged to AEMC or Altamaha Fiber, LLC.

- d. Customer Service - The primary cost is labor and will be allocated based on time reported. Other cost will be allocated based on the number of bills for each entity.

$$\frac{\text{Labor Charges to Retail Broadband}}{\text{Total Labor Charges}} \times \text{Allocated Costs}$$

Labor Charged to Retail Broadband: Labor charges to retail broadband based on time reporting.

Total Labor Charges: Total labor charges.

Allocated Costs: Customer service costs not directly charged to AEMC or Altamaha Fiber, LLC.

- e. Operations and Maintenance - All costs, including labor which is based on time reported, is maintained in separate accounts based on actual cost. Operations and maintenance for broadband, which cannot be charged directly, will be allocated based on the same methodology as *Broadband Equipment*.
- f. Human Resources - All costs, including labor, will be allocated based on the number of full-time equivalents.

$$\frac{\text{Labor Hours Charged to Retail Broadband}}{\text{Total Labor Hours}} \times \text{Human Resources Costs}$$

Labor Hours Charged to Retail Broadband: The number of labor hours charged to retail broadband.

Total Labor Hours: Total number of labor hours.

Human Resources Costs: All costs, including labor, will be allocated based on the number full time equivalents.

C. Transfer of Capital Assets

Capital assets transferred from AEMC to Altamaha Fiber, LLC or vice versa are transferred at fair market value or net book value.

D. Loans

AEMC shall not provide to Altamaha Fiber, LLC below market loans or financing, except for loans or funding from programs that are intended to support the deployment of broadband facilities or broadband services. Stated interest rates will be utilized for loans specifically to support the deployment of broadband facilities or broadband services as described in Georgia law.

E. Pole Attachments

Altamaha Fiber, LLC will pay AEMC for attachments applying the terms, conditions and rates included in the Georgia Public Service Commission's order in Docket # 183713 and Docket # 43453 or as amended in any subsequent orders.

Broadband equipment utilized by both entities that is attached to a pole will be charged as above and allocated as a shared service utilizing the same methodology as broadband equipment.

AEMC will provide to the PSC a summary table that lists all of the charges, space used, and other factors upon which the charges or imputations are based, derived from AEMC's prior year pole attachment agreements with other communications service providers. The communications service providers will not be identified by name.

A copy of the pole attachment agreement between AEMC and Altamaha Fiber, LLC will be filed with the PSC.

F. Non-Cost Declaration

The following non-cost declarations are made in conformance to the Commission's cost allocation order:

1. In accordance with OCGA § 46-3-200.2(b)(1), AEMC will not condition the receipt of electricity services upon, nor provide more favorable terms for electricity services in exchange for, persons that receive broadband services from the electric membership corporation or its broadband affiliate.
2. In accordance with OCGA § 46-3-200.2(b)(2), AEMC will provide access to poles, ducts, conduits and easements owned by AEMC to all communications services providers on rates, terms, and conditions that are just, reasonable, and nondiscriminatory.
3. In accordance with OCGA § 46-3-200.2(b)(3), AEMC will not provide its broadband affiliate or any communications service provider any information obtained from other communication service providers in the pole attachment request and approval process, including without limitation the requested locations for pole attachments, the locations of customers to be served, or any identifying information regarding such customers

4. In accordance with OCGA § 46-3-200.2(b)(4), when a customer or potential customer is seeking to initiate electricity services, and there is an inquiry or discussion regarding the availability of retail broadband services, in the course of the same discussion or transaction in which such assistance is being provided, AEMC will inform such customer or potential customer of other providers offering broadband services in such customers' area based on any service map of a provider of broadband services or similar resource maintained by any department of the state or federal government and inform such customer or potential customer that broadband services may be obtained from Altamaha Fiber, LLC or such other providers of broadband services. Such information shall be provided only with regard to other providers of broadband services that have notified AEMC in writing and in a commercially reasonable manner, that such provider of broadband services is able and willing to provide broadband services to customers located within all or a portion of the AEMC's designated electricity service territory. Such broadband service providers should send the applicable information to:

Altamaha Fiber, LLC
Attention: Romanous Dotson
P.O. Box 346
Lyons, GA 30436

5. In accordance with OCGA § 46-3-200.2(b)(5)(C), AEMC will charge Altamaha Fiber, LLC for all services at the same rates and on the same terms and conditions as any other similarly situated retail customer or communication services provider.

IV. Appendix A

Cost Certification Statement For the Year Ended June 30, XXXX

We hereby certify that to the best of our knowledge and belief Altamaha Electric Membership Corporation and Altamaha Fiber, LLC, its broadband affiliate, have complied with the Cost Allocation Manual approved by the Public Service Commission (PSC). Furthermore, we certify that:

- All costs, including shared services, have been fully allocated between Altamaha Electric Membership Corporation electric activities and the broadband activities of Altamaha Fiber, LLC.
- Any transfer of assets from Altamaha Electric Membership Corporation to Altamaha Fiber, LLC or vice versa has been at fair market value or net book value, whichever is higher.
- Loans from Altamaha Electric Membership Corporation to Altamaha Fiber, LLC have been at market rates, except for loans made specifically for broadband services as described in Georgia law.
- Altamaha Electric Membership Corporation and Altamaha Fiber, LLC maintain separate books and records which are available for inspection as required by Georgia law.
- All costs have been allocated in accordance with the Cost Allocation Manual in order to assure compliance with Georgia law prohibiting cross-subsidization.
- Altamaha Electric Membership Corporation has not conditioned the receipt of electricity services upon, nor provided more favorable terms for, customers of Altamaha Fiber, LLC.

This certification is intended solely for the purpose of satisfying the requirements of the Altamaha Electric Membership Corporation's Cost Allocation Manual and should not be relied on for any other purpose.

Altamaha Electric Membership Corporation

Altamaha Fiber, LLC

V. Appendix B

Independent Accountants Report

We have examined management's assertion, included in the accompanying Cost Certification Statement Required by Altamaha Electric Membership Corporation Cost Allocation Manual that Altamaha Electric Membership Corporation and Altamaha Fiber, LLC complied with cost certification requirements of the Cost Allocation Manual during the year ended June 30, XXXX. Management is responsible for Altamaha Electric Membership Corporation and Altamaha Fiber, LLC's compliance with those requirements. Our responsibility is to express an opinion on Altamaha Electric Membership Corporation and Altamaha Fiber, LLC's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence related to Altamaha Electric Membership Corporation and Altamaha Fiber, LLC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, Altamaha Electric Membership Corporation and Altamaha Fiber, LLC complied, in all material respects, with the aforementioned requirements for the year ended June 30, XXXX.

This report is intended solely for the information and use of the Georgia Public Service Commission, Altamaha Electric Membership Corporation and Altamaha Fiber, LLC and is not intended to be and should not be used by anyone other than these specified parties.

(Signature)

(Date)