SUMMARY REPORT
ON
GEORGIA POWER COMPANY'S
2020 ANNUAL RETAIL
SURVEILLANCE REPORT

PREPARED BY
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AND THE
GEORGIA PUBLIC SERVICE COMMISSION
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Background and Overview

The Georgia Public Service Commission's ("GPSC" or "Commission") Short Order Adopting Settlement Agreement as Modified in Docket No. 42516, dated December 17, 2019, adopted a Settlement Agreement among Georgia Power Company ("Georgia Power", "GPC", or "Company") and the (1) City of Atlanta, (2) Commercial Group, (3) Georgia Industrial Group ("GIG"), (4) Georgia Association of Manufacturers ("GMA"), (5) Metropolitan Atlanta Transit Authority ("MARTA"), and (6) Kroger Company, which, among other things, established a three-year Alternative Rate Plan ("ARP") with rates that became effective on January 1, 2020 and originally set to continue through December 31, 2022.[1] For Annual Surveillance Reporting ("ASR") purposes, a provision of the Settlement Agreement established that beginning January 1, 2020, an earnings band range between 9.50% and 12.00% for retail return on equity ("ROE"). Specifically, Paragraph 4 (pages 5-6) of the Commission's Short Order Adopting Settlement Agreement as Modified stated that:

> For Annual Surveillance Reporting ("ASR") reporting 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.
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> 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")

[1] The Commission subsequently issued its Order Adopting Settlement Agreement as Modified on February 6, 2020 in Docket No. 42516.

> incremental usage, and the remaining twenty percent (20%) retained by the Company. The Commission finds that is fair and reasonable that in the event the Company is earning above the top end of the earnings band, the portion of the excess earnings not flowing to the Company's shareholders be devoted to customer rate reductions.

Georgia Power makes its ASR filings in order to determine its earned ROE and to address the return of excess amounts above the 12.00% upper end of the earnings dead band. As shown on page 1 of Section 1 of the Company's 2020 ASR filing, Georgia Power reported a Retail Return on Equity of 11.89% for 2020 on its ASR.

The Company indicated that its retail surveillance report for 2020 has been prepared in accordance with the ratemaking principles established by the Commission in Dockets 4007, 6292, 6739, 9355, 14000, 18300, 19758, 25060, 31958, 36989, and 42516.

Pursuant to the Settlement Agreement and the GPSC's Short Order Adopting Settlement Agreement as Modified dated December 17, 2019, issued in Docket No. 42516, earnings above the upper limit of the 9.50% to 12.00% ROE range are subject to sharing, with 40% being applied to regulatory assets, 40% directly refunded to customers and the remaining 20% retained by the Company.

For the twelve months ended December 31, 2020, the Company reported earnings of 11.89% ROE, with no earnings in excess of the 12.00% equity range. However, the Company's 2020 ASR filing no longer includes an adjustment to remove stock-based compensation expense that had previously been included in ASRs in accordance with Settlement Agreements with the Company that were approved by the Commission in prior rate cases. The Public Interest Advocacy Staff ("Staff") evaluated the impact of this change and determined that, if an adjustment to remove stock-based compensation expense had been made for 2020, the ASR results would be an equity return of 12.05%, which is above the top end of the earnings range.

PIA Staff and the Company have discussed this issue. Although Staff and the Company agree that there should be no adjustment for stock-based compensation in this ASR, the Company has stated its disagreement with the inclusion of Staff's calculation to remove stock-based compensation, even if included just for informational purposes. The Company further stated that such information is not germane to the ASR and should not be included in it. PIA Staff disagrees with the Company's position as explained in more detail below. However, the Commission is not being asked to resolve this disagreement in this ASR.

Scope of Review and Recommendations

The Staff conducted an extensive review of the Company's 2020 ASR filing in order to:

- replicate and verify the Company's return on equity calculation to ensure it placed within the Commission's ordered ROE band,
- ensure that the Company's regulatory adjustments were made in compliance with Commission orders, and
- identify issues and/or adjustments to the Company's filing as appropriate.

Staff's review implemented the following procedures, amongst others, to make its determination with respect to the Company's reported Return on Equity:

- compared rate base and operating income components year over year, identified changes in adopted accounting methodologies, and identified new transactions,
- identified variances as a foundation for discovery questions, and
- prepared multiple rounds of discovery questions and reviewed responses.

Georgia Power Financial Reporting

The Company's 2020 ASR filing, at Section 5, Schedule 12, which relates to major accounting and tax changes, states the following with regard to GPC's financial reporting:

> On March 12, 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04) providing temporary guidance to ease the potential burden in accounting for reference rate reform primarily resulting from the discontinuation of LIBOR, which is currently expected to begin phasing out on December 31, 2021. The amendments in ASU 2020-04 are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The new guidance provides the following optional expedients: (i) simplifies accounting analyses under current GAAP for contract modifications; (ii) simplifies the assessment of hedge effectiveness and allows hedging relationships affected by reference rate reform to continue; (iii) allows a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform. An entity may elect to apply the amendments prospectively from March 12, 2020 through December 31, 2022 by accounting topic.
>
> Georgia Power currently references LIBOR for certain debt and hedging arrangements. Contract language has been, or is expected to be, incorporated into each of these existing agreements to address the transition to an alternative rate for agreements that will be in place at the transition date. While existing effective hedging relationships are expected to continue, Georgia Power will continue to evaluate the provisions of ASU 2020-04 and the impacts of transitioning to an alternative rate. The ultimate outcome of the transition cannot be determined at this time, but is not expected to have a material impact on Georgia Power's financial statements.

Based on the Company's explanation, it does not appear that the expiration of LIBOR had any impact on the 2020 ASR results. Staff recommends that Georgia Power report in its 2021 ASR on the impacts on its rate base and operating expenses related to the expiration of LIBOR and its replacement with an alternative interest rate.

Stock-Based Compensation

The Commission had previously adopted a Settlement Agreement in its Order dated December 23, 2013 in Docket No. 36989. In the Findings of Fact section of that Order, the Commission identified adjustments that had been recommended by Staff in GPC's 2013 rate case and included as provisions of the Settlement Agreement. One of these adjustments related to stock-based compensation expense. The Commission directed that this adjustment be reflected in the Company's next ASR filing. Specifically, on page 9 of the its Order adopting the Settlement in Docket No. 36989, the Commission stated:

> Paragraphs 2 and 3 of the Settlement Agreement describe and provide that the Annual Surveillance Report ("ASR") will be filed by the Company by March 15 of the year following the reporting year. The Commission finds that the adjustments to the Company's initial filing agreed to in the Settlement Agreement, itemized in Exhibit A to the Settlement Agreement and further described above, shall be applied for ASR filing purposes for each year of the ARP. Specifically, to be included in the ASR are the Stock Based Compensation adjustment (line 11) … The Stock Based Compensation adjustment would be reported as the actualized amount...

GPC had reflected the adjustment to remove stock-based compensation in its previous ASR filings in accordance with the Commission's Order.

Upon reviewing the Company's 2020 ASR filing, we noted that GPC did <u>not</u> include an adjustment to remove the costs associated with stock-based compensation from operating expenses and the associated ADIT, as it had done over the past several years in accordance with the Commission's Order in Docket No. 36989. In response to STF-ASR-3-28, as to why stock-based compensation costs were <u>not</u> removed from the 2020 ASR filing, the Company stated:

> The 2019 base rate case settlement in Docket No. 42516 approved by the Commission provided for the inclusion of stock-based compensation from retail

> cost of service under the 3-year alternate plan. Specifically, paragraph 33 in the Commission's Order adopting the Stipulation states, "…PIA Staff's recommendation to remove the stock compensation plan from rate base is denied." The Commission also found that "the Proposed Agreement does not include this adjustment and the Commission finds that the Settlement Agreement as Modified is reasonable as a whole." Consequently, the revenue requirement approved in the settlement reflected full recovery of stock-based compensation expenses.

It should be noted that the PIA Staff was not a party to the Company's 2019 rate case settlement. In the 2019 Rate case it was PIA Staff's position 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. Conversely, it was the Company's position 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. Ultimately, the Commission allowed for the inclusion of stock-based compensation in retail rate base and found the Settlement Agreement as Modified to be reasonable as a whole. As a result, stock-based compensation expense, which had previously been borne by shareholders, would now in 2020be borne by ratepayers.

With regard to the 2020 ASR, we requested that the Company provide a breakout of the components of stock-based compensation included in retail operating income as well as the related ADIT in retail rate base. In its initial response to STF-ASR-3-28, the Company stated that it did not calculate the amount of stock-based compensation included in the 2020 ASR since it was allowed to include such costs as part of the 2019 base rate case settlement in which Staff was not a signatory. In its supplemental response to STF-ASR-3-28, the Company provided the following breakout of 2020 stock-based compensation:

Description	Amount $000's
Retail Rate Base	
ADIT Balance (Account 190)	$ 1,465
Retail Operating Income	
Generation - Fixed	$ 4,589
Generation - Fuel and Variable O&M	$ 130
System Control & Load Dispatching	$ 260
Transmission	$ 1,377
Distribution	$ 1,554
Customer Accounting	$ 680
Customer Assistance	$ 470
Energy Services	$ 1,127
Administrative & General	$ 14,415
Total Retail Operating Income	$ 24,601
Income Taxes	
Federal Income Taxes Payable	$ (2,607)
State Income Taxes Payable	$ (687)
Deferred Income Taxes	$ (2,930)
Total Income Taxes	$ (6,223)
Source: STF-ASR-3-28 Supplemental	

As shown in the table above, the Company's 2020 ASR filing includes a debit amount of ADIT in FERC Account 190 in rate base totaling $1.465 million. In addition, the 2020 ASR retail operating income includes pre-tax stock-based compensation expense totaling $24.601 million and the related income taxes totaled $6.223 million.

For informational purposes, Staff calculated what the impact would be if the components of stock-based compensation shown in the table above were removed from the 2020 ASR retail rate base and retail operating income. Specifically, removing stock-based compensation from the 2020 ASR would increase the Company's Return on Investment – Retail from 8.26% to 8.35%.

This in turn would increase GPC's reported 2020 ASR retail ROE of 11.89% to 12.05%, which would put the Company in excess of the high end of the earnings range of 12.00% for the 12 months ended December 31, 2020.

The result of exceeding the earnings range (i.e., a retail ROE of 12.05%) from the removal of stock-based compensation costs would trigger the sharing specified in the Commission's Order Adopting Settlement in Docket No. 42516. As noted above, such sharing would include (1) 40% being applied to regulatory assets, (2) 40% being refunded to ratepayers, and (3) the remaining 20% being retained by the Company. The impact of the sharing specified above is shown in following table:

Description	**Amount $000's**
Retail Rate Base	$ 20,776,045
Weighted Average Cost of Capital @ 12.00% ROE	8.32%
Required Return @ 12.00% ROE	$ 1,729,324
Retail Operating Income	$ 1,735,163
Income (Surplus)/Deficit	$ (5,838)
Tax Expansion Factor	0.74704
Revenue (Surplus)/Deficit	$ (7,815)
Applied to Regulatory Assets - 40% of Revenues over 12.00% ROE	$ (3,126)
Customer Refund Portion -- 40% of Revenues over 12.00% ROE	$ (3,126)
Company Portion -- 20% of Revenues over 12.00% ROE	$ (1,563)

As shown above, the impact of removing the costs associated with stock-based compensation from the 2020 ASR, thus increasing the retail ROE to 12.05%, would result in an earnings surplus of $7.815 million above the top end of the earnings band. In accordance with the sharing percentages discussed above, the $7.815 million surplus would result in (1) $3.126 million being applied to the

Company's regulatory asset balances, (2) \$3.126 million being refunded to ratepayers, and (3) \$1.563 million being retained by the Company.

The Company and PIA Staff agree that no adjustment should be made in this ASR for stock-based compensation. However, the Company's position, as provided to Staff, is that:

> … the calculation performed by PIA Staff showing the impacts of removing stock-based compensation from the 2020 ASR, when that issue has been explicitly settled in the 2019 rate case, is not germane to the ASR. PIA Staff and the Company agree that the Stipulation approved by the Commission in the 2019 rate case resolves and balances a number of issues, while also fully considering the merits of the issues decided. Stock-based compensation was one of those issues. Therefore, the Company questions the value of PIA Staff performing a calculation that conflicts with the treatment of stock-based compensation actually ordered by the Commission.

For the all the reasons previously articulated in this section, PIA Staff disagrees with the Company on this issue. However, as explained below, no adjustment is being made to the ASR for stock-based compensation, and PIA Staff and the Company agree that the upcoming rate case affords the next opportunity to address any disagreement over the rate treatment for stock-based compensation.

Recommendation

Staff is not proposing any adjustments to remove the costs associated with stock-based compensation from the 2020 ASR filing, since stock-based compensation was not removed in the rate case settlement approved by the Commission. However, PIA Staff may argue for a return to the prior treatment for Stock-based compensation in a future rate case.

Plant Held For Future Use

As shown in Section 2, page 1 of GPC's 2020 ASR filing, the Company included FERC Account 105, Plant Held For Future Use ("PHFFU"), totaling $116.981 million in rate base. Staff requested that the Company identify how much of this PHFFU was related to projects that were (1) not included in the 2013 Integrated Resource Plan ("IRP"), (2) not included in the Company's 2016 IRP, and (3) not included in the Company's 2019 IRP. In its response to STF-ASR-3-54, the Company provided an attachment that provided the requested PHFFU information, which Staff has replicated in the table below:

Line No.	Description	Year of Anticipated Use in Providing Electric Service	13-Month Average	Anticipated In Service in 2040 or Later
		(A)	(B)	(C)
1	South Dahlonega - Clermont Junction 500kV Transmission Line Site	>2040	$ 28,188,653	$ 28,188,653
2	South Dahlonega - Clermont Junction 230kV Transmission Line Site	>2040	$ 17,268,413	$ 17,268,413
3	Dawson Crossing - South Dahlonega 500kV Transmission Line Site	>2040	$ 10,977,832	$ 10,977,832
4	Dawson Crossing - South Dahlonega 230kV Transmission Line Site	>2040	$ 6,702,908	$ 6,702,908
5	Bethabara - East Walton 230kV Transmission Line Site	>2040	$ 3,708,308	$ 3,708,308
6	Wallace Dam - Klondike 500 KV	>2031	$ 3,628,989	
7	South Hall - Winder Transmission Line Site	>2035	$ 883,035	
8	Boyd Avenue Substation Site	>2040	$ 1,334,192	$ 1,334,192
9	New Hampstead Substation Site	>2040	$ 53,836	$ 53,836
10	Utoy Springs Substation Site	>2040	$ 594,185	$ 594,185
11	McDonough - East Point 230 KV	>2040	$ 89,188	$ 89,188
12	St. Joe Timber Land/Stewart County	>2030	$ 23,220,730	
13	Savannah Portside International- Old River Road Substation Site	>2040	$ 30,266	$ 30,266
14	Northwest Region Operating HQ Site	2022	$ 529,886	
15	Piedmont Substation Site	>2040	$ 12,933,362	$ 12,933,362
16	Coal Mountain Substation Site	2021	$ 2,011,950	
17	Coal Mountain 230kV Transmission Line Site	2021	$ 1,315,310	
18	Carpenter Flat Substation Site	2021	$ 522,687	
19	Medical Arts Center Substation Site	2023	$ 1,236,066	
20	Lewiston Road Substation Site		$ 1,514,146	
21	North Thomson Substation Site		$ 237,058	
	Total		$ 116,981,000	$ 81,881,143
Source: STF-ASR-3-54				

As shown in the table above under column B, the Company included PHFFU totaling $116.981 million in the 2020 13-month average jurisdictional ASR rate base. The Company provided the following explanations with regard to why these items were not included in its 2013, 2016 and/or 2019 IRPs:

- **Lines 1-7**: Items were not addressed in the Company's 2013, 2016 and 2019 IRP because they fell outside the 10-year Transmission planning horizon. These amounts total $71.358 million. Of that $71.358 million, $66.846 million is not anticipated to be in use to provide electric service prior to 2040.

- **Lines 8-9**: Items were included as part of the Company's 2013 IRP. The use dates of these items have subsequently changed and they were not addressed in the 2016 or 2019 IRP because the anticipated use date fell outside the 5-year Area planning horizon. Those projects, which total $1.388 million, and included in 2020 ASR rate base, is not anticipated to be in use prior to 2040.

- **Lines 10-11**: Items were inadvertently omitted from the Company's 2013 and 2016 IRP filings. The projects associated with these items were subsequently provided in the Company's response to 2016 IRP data request STF-2-25. Items were not addressed in the Company's 2019 IRP because the anticipated use date fell outside the 10-year Transmission planning horizon and the 5-year Area planning horizon. Those projects, which total $683,373, are not anticipated to be in use prior to 2040.

- **Line 12**: Item was not addressed in the Company's 2013 IRP. This item was addressed in the Company's 2016 IRP in Technical Appendix Volume I and Appendix G in the Resource Mix Study and addressed in the Company's 2019 IRP in Attachment G in the Main Document.

  This item is the $23.221 million of Stewart County land which GPC had initially indicated was purchased for a new nuclear plant site. No "new nuclear" beyond Vogtle Plant Units 3 and 4 are presently authorized for GPC. If some other type of new generating plant, such as a natural gas fuel combined cycle unit, is eventually built on this site, it is unclear whether the full amount of acreage needed for a new nuclear unit would be needed. Thus, there is a concern that some of the land purchased for a new nuclear unit may end up being surplus land that is not needed, if a different type unit ends up getting built on the site.

- **Line 13**: Item was not addressed in the Company's 2013 or 2016 IRP because the land was donated to the Company in 2018 by the Effingham County Industrial Development Authority to be used as a future substation site to support anticipated load growth in the area. Item was not addressed in the Company's 2019 IRP because the anticipated use date falls outside the 5-year Area planning horizon. The $30,266 for this site is not projected to be in use prior to 2040.

- **Line 14:** Item was purchased in 2019. It was not addressed in the Company's 2019 IRP as it is not directly associated with any specific Transmission or Distribution line and substation projects nor affiliated with any Generation projects.

- **Line 15:** Item was addressed in the Company's 2013 or 2016 IRP. The use date of this item has subsequently changed and it was not addressed in the Company's 2019 IRP because the anticipated use date fell outside the 5-year Area planning horizon. The $12.933 million for this site is not projected to be in use prior to 2040.

- **Lines 16-17:** Items were not addressed in the Company's 2013, 2016 or 2019 IRP because they fell outside the 10-year Transmission planning horizon. However, the need dates were recently moved within the 5-year Area planning horizon.

- **Line 18:** Item was included as part of the Company's 2013 IRP. The use date of this item has subsequently changed and it was not addressed in the 2016 or 2019 IRP because the anticipated use date fell outside the 5-year area planning horizon. However, the need date was moved within the 5-year planning horizon after 2019 IRP was filed.

- **Line 19:** Item was inadvertently omitted from the Company's 2013 and 2016 IRP filings. The project associated with this item was subsequently provided in the Company's response to 2016 IRP data request STF-2-25. The item was included in the 2019 IRP referenced in Volume 3 [F].

- **Line 20:** Item was not addressed in the 2013 or 2016 IRP because it fell outside the 5-year area planning horizon. It was included in the 2019 IRP referenced in Volume 3 [F].

- **Line 21:** Item was not addressed in the Company's 2013 IRP because it fell outside the 5-year area planning horizon. It was included in the 2016 and 2019 IRP referenced in Volume 3 [F].

The issue of PHFFU was addressed in the Company's recent rate case in Docket No. 42516. Pursuant to the Settlement Agreement reached in that case and as noted in Section 9 (pages 8-9) of the Commission's Short Order Adopting Settlement as Modified:

> 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 15th 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 15th 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.

As shown in the table above under column C, the Company included PHFFU totaling $81.9 million in the 2020 13-month average jurisdictional ASR rate base that is not anticipated to be placed into service until 2040 or beyond.

Recommendation

Based on the foregoing passage from the Commission's Short Order Adopting Settlement Agreement as Modified, Staff is not proposing any adjustments to PHFFU in the 2020 ASR filing. However, Staff recommends that the Company continue to address land held in the PHFFU account by having quarterly meetings to re-evaluate the intended uses of the land to determine if and when it will be used. If it is determined that a parcel of land will not be used, it should be reclassified into non-utility property.

Vegetation Management

Upon reviewing Section 5, Schedule 6 - Actual to Budget Non-Fuel O&M Expense Comparisons from the 2020 ASR filing, Staff noted that the budget to actual comparisons for the Transmission and Distribution functions reflected the following budget to actual variances:

Function	Actual ($000's)	Budget ($000's)	Variance ($000's)	Percent
Transmission	$ 98,819	$ 125,911	$ (27,092)	-21.52%
Distribution	$ 263,857	$ 279,114	$ (15,257)	-5.47%
Totals	$ 362,676	$ 405,025	$ (42,349)	-10.46%
Source: Section 5, Schedule 6 from 2020 ASR Filing (totals are computed)				

As shown in the table above, the Transmission function reflected an under-spending variance of $27.092 million, or 21.52% lower than the amount budgeted. In addition, the Distribution function reflected a favorable variance of $15.257 million, or 5.47% lower than the amount budgeted. For

2020, for Transmission and Distribution combined, the Company under-spent for vegetation management expense by $42.349 million or 10.46% lower than budgeted Under the Explanation of Variances column of Schedule 6, the Company stated that, among other things, the variance for Transmission was primarily attributed to underruns in asset management and vegetation management. In addition, among other things, the variance for Distribution was primarily attributed to underruns in asset management that were partially offset by overruns in vegetation management. These general explanations from the Company are not very helpful in understanding in detail the reasons for the 2020 under-spending.

Staff requested that GPC provide the 2020 budgeted and actual amounts for (1) Distribution Asset Management, (2) Distribution Vegetation Management, and (3) Transmission Vegetation and Right of Way Management. In its response to STF-ASR-3-18, the Company provided the requested information, which is summarized by total in the table below:

Description	2020 Actual ($000's)	2020 Budget ($000's)	Variance ($000's)	Percent
Distribution Asset Management	$ 2,610	$ 4,653	$ (2,043)	-43.91%
Distribution Vegetation Management	$ 38,704	$ 36,682	$ 2,022	5.51%
Transmission Vegetation and Right of Way Management	$ 21,361	$ 27,797	$ (6,436)	-23.15%
Totals	$ 62,675	$ 69,132	$ (6,457)	-9.34%
Source: STF-ASR-3-18 (totals were added for the above information)				

As shown in the table for 2020 (1) Distribution Asset Management reflected an under-spending variance of $2.043 million, or 43.91% lower than budget; (2) Distribution Vegetation Management reflected a variance of $2.022 million, or 5.51% higher than budget; and (3) Transmission Vegetation and Right of Way Management reflected a variance of $6.436 million, or 23.15% lower than budget. In total, for 2020, the vegetation management expense budget was underspent by $6.457 million, or 9.34%.

The Company's vegetation management plan during 2020 consisted of the following activities:

> **Transmission Herbicide** – Work plan consists of one-third system miles to be sprayed each year.
>
> **Reclearing** – Work plan is based on approximately one-sixth of system miles.
>
> **Yard Tree Removal** – Scheduled based on the forester's assessment of the condition of lines within their territories, with respect to planted incompatible species on the ROW. Lines that are most heavily impacted, and where conductor clearance is approaching critical are prioritized highest. In highly urbanized areas, yard tree removal should be performed approximately every ten years.
>
> **Danger Tree** – At least one patrol on all transmission lines.
>
> **Transmission Side Tree Trimming** – Established work plan determined by due date of next scheduled activity for each line and the criticality of the line; critical lines are high voltage bulk lines. Cycle is 8-12 years based on vegetation type and right of way conditions.
>
> **Transmission Urban Tree Trimming** – Established work plan determined by due date of next scheduled activity for each line. Cycle is average of three years based on vegetation type and right of way conditions.
>
> **Distribution Herbicide** – Work plan is based on a two-year cycle where approximately half of the system miles are sprayed each year.
>
> **Distribution Tree Trimming** – Cycle typically ranges from 24-60 months, with an average of approximately three and a half years. Cycles are based on vegetation type and right of way conditions.

Staff requested that GPC identify and document all Company decisions in 2020 to defer or delay distribution and transmission vegetation management and right of way management. In response to STF-ASR-3-18, the Company stated the following with regard to distribution vegetation management:

> Distribution Vegetation Management backlog increased from approximately 4,300 miles of Tree Trimming at the beginning of 2020 to approximately 6,900 miles at the end of 2020. The primary driver for the increase in backlog in 2020 was due to the contract renewal for vegetation management in 2019, which increased prices by 13% on average. This cost was not contemplated in rates in the 2019 base rate case.

As it relates to Company decisions to defer or delay transmission vegetation and right of way management, the Company stated:

> Transmission Vegetation Management backlog increased from 0 miles at the beginning of 2020 to 68 miles of Side Trimming on 115kV and 46kV systems at the end of 2020.

<u>Recommendation</u>

Staff is not recommending an adjustment to Vegetation Management expense included in the 2020 ASR. However, Staff remains concerned about the growing Distribution related backlog in terms of the potential impacts on reliability in areas of dense terrain and also from the standpoint of the future costs associated with allocating the additional resources that will be necessary to eliminate the backlogs. Therefore, Staff recommends that the Company explain in detail its plans to address and eliminate the Distribution Vegetation Management and Transmission Vegetation and Rights-of-Way Management backlogs.

<u>Covid-19 Deferrals</u>

Section 1 of the Company's 2020 ASR filing, and specifically Item No. 39 of the Summary of Ratemaking Principles, states the following with regard to Covid-19 deferrals:

> Pursuant to the Commission's Order in Docket No. 42516, the incremental cost of bad debt resulting from the suspension of disconnects for nonpayment due to COVID-19 and certain other incremental COVID-19 costs are deferred to a regulatory asset with recovery of such costs to be determined in the Company's next base rate case.

Based on the language in the foregoing passage from GPC's 2020 ASR filing, we requested that the Company confirm that the 2020 ASR filing (1) does not include the Covid-19 related regulatory asset in retail rate base, and (2) does not include any incremental Covid-19 related costs in retail operating income. In response to STF-ASR-3-83, the Company stated:

> The incremental COVID-19 related costs are not included in retail operating income, but the Company included the regulatory asset balance of the deferred COVID-19 costs in retail rate base. The language in the Company's Summary of Ratemaking Principles regarding recovery is only intended to address the amortization of the regulatory asset to be recovered in rates in the next base rate case. Pursuant to the Commission's Order in Docket No. 42516, the incremental cost of bad debt resulting from the suspension of disconnects for nonpayment due to COVID-19 and certain other COVID-19 costs that were approved for deferral by the Commission in Docket No. 42516 to the storm damage regulatory asset are appropriately reflected in retail rate base until they are fully amortized as directed by the Commission. There is no language in the Commission's Order in Docket No. 42516 approving the deferral of these costs and including them in a regulatory asset that would suggest they should not be included in retail rate base as these costs have already been incurred by the Company and are subject to future recovery.

A summary of the Covid-19 deferrals recorded in 2020, broken out between Non-Bad Debt incremental costs and Bad Debt related deferrals is shown in the table below:

Non-Bad Debt Primary Drivers	Cost Category	March 2020 $000's	April 2020 $000's	May 2020 $000's	June 2020 $000's	July 2020 $000's	August 2020 $000's	September 2020 $000's	October 2020 $000's	November 2020 $000's	December 2020 $000's	Total $000's
Cleaning Supplies / Personal Protective Equipment (PPE)	Supplies/PPE	$ 186	$ 1,895	$ 2,197	$ 1,800	$ (196)	$ 820	$ 304	$ (360)	$ 773	$ 45	$ 7,464
Overtime	Labor	$ 39	$ 713	$ 760	$ 543	$ 207	$ 87	$ 415	$ 620	$ 149	$ 308	$ 3,842
Meal vouchers deployed to front line workers (April)	Expenses	$ 42	$ 993	$ 33	$ 52	$ 10	$ 19	$ 50	$ 22	$ 21	$ 32	$ 1,273
Transportation, Printing Services	Internal Services	$ 18	$ 222	$ 284	$ 230	$ 57	$ 11	$ 15	$ 8	$ 4	$ 11	$ 860
Cleaning Services, Sleeper Trailer Rental - April (Plant Bowen, potential sequestration)	Contract services	$ 40	$ 233	$ 75	$ 452	$ 32	$ 201	$ 207	$ 137	$ 152	$ 117	$ 1,644
Total Non-Bad Debt Covid-19 Incremental Costs		$ 324	$ 4,056	$ 3,350	$ 3,077	$ 111	$ 1,137	$ 991	$ 427	$ 1,099	$ 513	$ 15,084
Bad Debt		**March 2020 $000's**	**April 2020 $000's**	**May 2020 $000's**	**June 2020 $000's**	**July 2020 $000's**	**August 2020 $000's**	**September 2020 $000's**	**October 2020 $000's**	**November 2020 $000's**	**December 2020 $000's**	**Total $000's**
Monthly Comparison of Actual Chargeoffs to Risk Adjusted Budget					$ (1,965)	$ (840)	$ (788)	$ 127	$ (368)	$ (583)	$ (597)	$ (5,013)
50% of IPP Enrollments and 60+ Days Arrears as of July 14, 2020						$ 28,040						$ 28,040
Total Bad Debt Related Covid-19 Deferral Costs					$ (1,965)	$ 27,200	$ (788)	$ 127	$ (368)	$ (583)	$ (597)	$ 23,026
Total Bad Debt and Non-Bad Debt Incremental COVID-19 Deferral Costs		**$ 324**	**$ 4,056**	**$3,350**	**$ 1,112**	**$27,311**	**$ 350**	**$ 1,118**	**$ 59**	**$ 515**	**$ (84)**	**$38,110**

As shown in the table above, the Covid-19 cost deferrals recorded in the regulatory asset in 2020 totaled $15.084 million for the listed categories of non-bad debt related incremental costs and

$23.026 million for bad debt related deferrals for overall Covid-19 deferral costs totaling $38.110 million in 2020.

Staff requested that the Company provide supporting documentation for a number of the larger dollar amounts listed in the table above. Specifically, for the Bad Debt category of Covid-19 deferrals, Staff requested that GPC provide supporting documentation for the $28.040 million charge in July 2020 for bad debt related Covid-19 deferrals. In its response to STF-ASR-5-1a, the Company provided the following breakout of the bad debt Covid-19 deferrals as of July 2020:

Description	Amount		Number of Accounts
60+ days arrears as of July 14, 2020 - Residential	$ 18,965,164		96,609
60+ days arrears as of July 14, 2020 - Business	$ 8,460,306		9,010
IPP Enrollments as of July 14, 2020 - Residential	$ 26,359,177		53,076
IPP Enrollments as of July 14, 2020 - Business	$ 2,294,837		1,277
Total	$ 56,079,484		159,972
	50%	*	
Amount recorded (debited) to the regulatory asset account	$ 28,039,742		
*As ordered by the Commission on COVID-19 Bad Debt Deferrals in Docket No. 42516.			
Source: STF-ASR-5-1			

As shown above, the $28.040 million (and the associated number of accounts) of bad debt Covid-19 deferrals are broken out between (1) residential and business accounts that were over 60 days in arrears as of July 14, 2020, and (2) IPP Enrollments[2] for residential and business customers as of July 14, 2020 for an overall total of $56.079 million. This amount was then multiplied by 50% (per the Commission's Order in Docket No. 42516) to derive the $28.040 million that was recorded to the Covid-19 regulatory asset.

[2] IPP Enrollments relates to GPC's Installment Payment Plan, which was initiated to help customers that were covered by the Governor's shelter-in-place Order that ended on April 8, 2021, but that still may need assistance paying their electric bills.

In STF-ASR-5-1, Staff requested that the Company provide documentation in support of selected monthly dollar amounts included in the Covid-19 regulatory asset in 2020. However, as discussed below, the documentation provided was insufficient to support many of the specific dollar amounts for which supporting detail was requested.

Specifically, Staff requested supporting documentation for the larger dollar amounts shown in the table above for Supplies and PPE[3] for the months of April ($1.895 million), May ($2.197 million), June ($1.795 million), August ($820,000) and November 2020 ($773,000). In its response to STF-ASR-5-1, the Company provided a breakout of the referenced amounts for Supplies and PPE as shown in the table below:

Company	April 2020 $000's	May 2020 $000's	June 2020 $000's	August 2020 $000's	November 2020 $000's	Total
GPC	$ 393	$ 687	$ 1,078	$ 564	$ 67	$ 2,789
SNC	$ 317	$ 448	$ 118	$ 163	$ 676	$ 1,723
SCS	$ 1,184	$ 1,062	$ 599	$ 93	$ 30	$ 2,968
Total	$ 1,895	$ 2,197	$ 1,795	$ 820	$ 773	$ 7,480

As shown above, the amounts for Supplies and PPE are broken between GPC, Southern Nuclear Company ("SNC") and Southern Company Services ("SCS") for an overall total of $7.480 million for the referenced months of 2020. According to the response to STF-ASR-5-1b, the Supplies and PPE purchases included face masks and filters, hand sanitizers and wipes, thermometers, cleaning supplies, gloves, reentry kits and facial safety equipment.

GPC provided two Trade Secret attachments (i.e., Attachments STF-ASR-5-1b and STF-ASR-5-1c), which the Company asserted contained supporting details and invoices for the amounts summarized in the table above. In addition, the Company stated that due to significant volume of

[3] PPE stands for Personal Protective Equipment.

invoices, it provided invoices exceeding $5,000 for each month for supplies and PPE purchased by GPC as well as sample invoices from SNC and SCS.

Upon reviewing the supporting detail and invoices provided in the two Trade Secret attachments, Staff noted that such detail only totaled approximately $1.502 million versus the $7.480 million of costs summarized in the table above. In addition, we noted other issues with this documentation provided, including the following:

- Some instances of duplicate invoices being provided.
- An invoice for food service from Allied Food Service in the amount of $10,636.78 (i.e., it is not clear how food services represents Covid-19 supplies or PPE).
- Invoices totaling $16,131.80 that were shipped to and billed to GPC's affiliate Alabama Power Company. It is not clear why this billing to an affiliate should be a GPC Covid-19 deferred cost.
- An invoice in the amount of $5,032.90 that was shipped to and billed to GPC's affiliate Mississippi Power Company. It is not clear why this billing to an affiliate should be a GPC Covid-19 deferred cost.
- Five invoices totaling $3,263.13 that were issued by Mr. Golf Carts, Inc., which, based on the descriptions on the invoices, relate to parts associated with the repair of golf carts (i.e., not clear how golf cart repairs costs relate to Covid-19 related supplies and PPE).

The Company included overtime labor costs totaling $3.842 million for the period March through December 2020 in the non-bad debt category of Covid-19 regulatory asset. Staff requested that the Company identify and provide supporting accounting detail for the overtime hours and related charges for the months of April, May, June, September and October 2020 as the totals for these months comprised the highest overtime labor costs (i.e., totaling $3.051 million) for the March-December 2020 period. In response to STF-ASR-5-1c, the Company stated:

> The incremental overtime as a result of COVID-19 primarily occurred in Power Delivery and Generation functional areas. For Power Delivery, in an effort to protect our essential workers that usually respond to customer outage events in the hours outside of normal work, the Company scheduled one of the individual teams to the call out team, who extended their "shift" to cover the hours after 3 PM. This ensured the Company's ability to serve its customers while providing protection for the workers by limiting exposure to only those employees in the call out team rather than the broader mixture of normal crews who would be responding under normal circumstances. Likewise, the Company instituted alternative shifts for the employees in Generation to minimize exposure to COVID, which resulted in additional overtime incurred during this time. Below are the overtime hours incurred for the requested months:

Period	Overtime Hours
April 2020	13,106
May 2020	13,628
June 2020	9,890
September 2020	1,421
October 2020	640
Total	38,685
Source: STF-ASR-5-1c	

As shown above, the Company asserted that it incurred 38,685 overtime hours during the months referenced. However, the Company did not provide the supporting accounting detail that was requested by Staff.

Staff requested that the Company identify and provide supporting accounting detail and invoices for meal vouchers charges totaling $993,000 in April 2020. In Trade Secret Attachment STF-ASR-5-1d, the Company provided copies of invoices from [BEGIN TRADE SECRET] [redacted]

[redacted] [END TRADE SECRET]

Staff requested that the Company identify and provide supporting accounting detail and invoices for transportation and printing service charges totaling $222,000, $284,999 and $230,000 in April, May and June 2020, respectively, for a total of $737,000. In its response to STF-ASR-5-1e, the Company stated:

> The majority of expenses in each month was primarily driven by allocated fleet services expenses from the incremental COVID overtime labor hours for their use of the Company vehicles. The remaining charges in the cost category include audio visual and printing services for communicating with customers on the supervision of cut for non-pay as ordered by the Commission.

The Company did not provide the requested supporting accounting detail for the costs totaling $737,000.

Staff requested that the Company identify and provide supporting accounting detail and invoices for cleaning services and sleeper trailer rental costs totaling $233,000 and $452,000 in April and June 2020, respectively, for a total of $685,000. In its response to STF-ASR-5-1f, the Company stated that these expenses are related to outside services used to support Company facilities, and that for April 2020, a large part of the $233,000 incurred was driven by sleeper trailer rentals at Plant Bowen. For June 2020, a large part of the $452,000 incurred was for outdoor lighting repairs. In Trade Secret Attachment STF-ASR-5-1e, the Company provided copies of two invoices associated with these charges. The first invoice from [BEGIN TRADE SECRET] [redacted] [END TRADE SECRET] The Company did not provide any supporting documentation for the remaining $355,772.57 ($685,000 - $329,227.43). In its response to STF-ASR-5-1f, the Company stated that the remaining charges in this cost category includes cleaning/maintenance services for its facilities and fueling at Company-owned gas storage locations.

Recommendation

Staff is not recommending any adjustments Covid-19 regulatory asset at this time. However, as discussed above, the Company has provided insufficient detail in support of the Covid-19 regulatory asset amounts for which Staff requested supporting documentation. Therefore, Staff recommends that the Commission require the Company to provide adequate supporting documentation for the Company's recorded Covid-19 regulatory asset balance.

McDonough Transformer Fire

On September 6, 2020, there was a fire at the Company's Plant McDonough involving the plant's Unit 3 generator step-up ("GSU") transformer. Specifically, as described in the Event Learning Report (i.e., root cause analysis report) that was prepared by Southern Company, Plant McDonough's 3B Generator Step-Up transformer (3B GSU Transformer) experienced an internal fault which resulted in the fire as well as collateral damage to nearby switchyard equipment. The heat generated from the fire melted overhead 230kV conductors, which caused the lines to fall across the switchyard 230kV Bus #2, which resulted in an unplanned outage of Plant McDonough Units 4, 5 and 6. Units 4, 5 and 6 each consists of two gas turbines and one steam turbine.

According to the response to STF-ASR-1-2, Unit 4's two gas turbines and one steam turbine were offline from September 6, 2020 to September 8, 2020 as a result of the fire. Unit 5's A gas turbine remained online during the fire event and the B gas turbine was offline for planned maintenance beginning on September 7, 2020. The Unit 5 steam turbine was offline from

September 6, 2020 to September 7, 2020. Unit 6's two gas turbines and one steam turbine were offline from September 6, 2020 to September 8, 2020 as a result of the fire. However, the operating capability of Units 4, 5 and 6 were not impacted by the fire, and, as such, have been running at full capacity since the fire.[4]

In terms of filings made to government agencies as a result of the transformer fire, according to the response to STF-ASR-1-10, on September 7, 2020, the Company verbally notified the National Response Center and the Georgia Department of Natural Resources Operations Center pursuant to the requirements of the federal Clean Water Act and O.C.G.A. 12-14-1 (oil or hazardous materials spills or releases). In addition, per the requests of the Georgia Environmental Protection Division ("EPD") and the United States Environmental Protection Agency ("EPA") Region IV, GPC provided daily updates from September 7 through 14, 2020 and also provided a close-out summary on September 14, 2020. Furthermore, on September 7, 2020, the Company filed a Chemical Safety Board ("CSB") Accidental Release Report based on potential property damage that occurred because of the fire. The CSB did not conduct an investigation, nor did it make any safety recommendations as a result of the McDonough fire.

In its response to STF-ASR-3-84, the Company stated that is completed its evaluation of the damages caused by the McDonough fire. Pursuant to that evaluation of the damages, the Company completely replaced the following:

- 3B GSU transformer including the foundation.
- Interconnecting wires from switchyard bus to 3B GSU transformer including dead end support structure and foundation.
- Interconnecting wires from 3B GSU transformer to 3B generator breaker.
- Interconnecting wires from 3B generator breaker to 3B generator.

[4] See the response to STF-ASR-1-3.

- 3B generator breaker and associated switchgear equipment.
- Oil storage building including storage and filter apparatuses.
- Oil water separator system.
- Above ground fuel lines for 3BB combustion turbine including flow measuring instruments and fuel heater.
- Fire deluge system for 3B GSU transformer.

In addition to the foregoing complete replacements, the following items received partial replacement of maintenance:

- Unit 3 control room structure and roof.
- Unit 3 control room HVAC system.
- Numerous control wiring circuits.
- 3BB combustion turbine inlet section structure and roof.
- 3BB combustion turbine enclosure.

With regard to the costs of the McDonough transformer fire incurred during 2020, the Company provided the following breakout of costs in its response to STF-ASR-3-84:

Description	Costs Incurred Through 12/31/2020 ($000's)	
Environmental Response	$	1,500
Testing and Evaluations	$	25
Damaged Equipement Removal	$	17
Unit 4 Equipment Repair	$	30
Unit 3 Equipment Replacement/Repair	$	354
Total	$	1,926
Source: STF-ASR-3-84		

As shown in the table above, the Company incurred fire related costs totaling $1.926 million through December 31, 2020. According to the response to STF-ASR-5-2, of this amount, the Company included a retail jurisdictional amount of $309,000 in the 2020 ASR which was recorded to O&M expense in FERC Account 553, Maintenance of Generating and Electric Plant. In addition, the Company included the following amounts in the 2020 ASR retail rate base:

FERC Account	Description	Amount ($000's)
108	Cost of Removal	$ 3
242	Environmental Remediation Reserve	$ 152
190	ADIT's	$ (39)
	Net Rate Base	$ 115
Source: STF-ASR-3-84		

As shown in the table above, the amounts included in retail rate base related to the McDonough transformer fire netted to $115,000. With regard to the $152,000 designated as Environmental Remediation Reserve, in its response to STF-ASR-5-2, the Company stated that as a result of the release of non-PCB mineral oil off-site, it hired environmental contractors in order to mobilize clean-up equipment in the Chattahoochee River. This process involved the implementation of various pieces of equipment, including skimmers, pumps, booms and frac tanks. The Company asserted that all of the materials removed from the switchyard and Chattahoochee River was properly collected and transported for disposal in compliance with environmental regulations.

Recommendation

Staff is not recommending any adjustments related to the McDonough transformer fire at this time. According to the confidential Event Learning Report (i.e., root cause analysis) prepared by Southern Company, the McDonough transformer fire does not appear to be the result of negligence or human error on the Company's part. In addition, the costs related to the fire that are included in the 2020 ASR appear to be reasonable in the context of the total cost of the damages resulting from the fire.

Plant Scherer Unit 4

Plant Scherer is a coal-fired power plant located in Juliette, Georgia. Plant Scherer has four generating units, each capable of producing 930 megawatts. The plant is operated by GPC, but Plant Scherer Unit 4 is owned by Florida Power & Light ("FPL") and Jacksonville Electric Association ("JEA"). In its response to STF-ASR-5-13, the Company stated that on or about September 9, 2020, FPL and JEA notified GPC of their intention to retire their respective ownership interests in Plant Scherer Unit 4 effective December 31, 2021. In its currently pending rate case, FPSC Docket No. 20210015-EI, FPL has claimed that the early retirement of Plant Scherer Unit 4 will save its ratepayers $583 million on a cumulative present value revenue requirement basis as shown in the table below:

Line No.	Component	CPVRR ($ in millions) Scherer Unit 4
1	Scherer Operating Capital	$ (399)
2	Scherer Operating O&M	$ (542)
3	Transmission Charges	$ (227)
4	Post Retirement Common Costs	$ 279
5	Subtotal	$ (889)
6	Fuel Savings	$ (1,025)
7	Emissions Savings	$ (442)
8	Variable O&M	$ 30
9	Replacement Generation Capital	$ 1,408
10	Net System Benefits	$ (28)
11	Payment to JEA	$ 89
12	Transmission System Upgrades	$ 245
13	Subtotal	$ 334
14	CPVRR (Favorable)/Unfavorable	$ (583)
Source: FPSC Docket No. 20210015-EI, FPL Exhibit SRB-11, Page 1 of 1		

With regard to whether GPC evaluated acquiring Plant Scherer Unit 4, in its response to STF-ASR-5-13, the Company stated that it evaluated the potential acquisition of Plant Scherer Unit 4 by comparing the costs and benefits of Plant Scherer Unit 4 to the costs and benefits of Plant Wansley Units 1&2. This analysis compared the incremental energy and transmission benefits to the incremental costs of environmental controls, maintenance capital requirements, and O&M costs the respective generating units assuming both a 10-year and a 20-year remaining useful life. The results of the Company's analysis indicated that replacing Plant Wansley Units 1&2 with Plant Scherer Unit 4 would not be in the best interest of GPC's customers. Staff asked the Company whether the retirement of Plant Scherer Unit 4 will have any material impact on the cost or operations of the other Plant Scherer units. In its response to STF-ASR-5-13c, the Company stated:

> The Company does not expect that the retirement of Plant Scherer Unit 4 will have a material impact on the cost or operations of the other Scherer units, although there may be some effect due to reallocation of certain variable costs associated with Common Facilities. However, it should be noted that the owners of Plant Scherer Unit 4 have taken a position that they should be relieved of paying for most, if not all, Common Facilities' costs. If that approach were to be applied, there would be additional reallocation of such costs. This matter is being discussed among the owners of Plant Scherer and we cannot predict the outcome at this time.

The Company has indicated that the retirement of Plant Scherer Unit 4 should not impact the Company's responsibility for decommissioning, dismantlement and environmental remediation costs at Plant Scherer and the Plant Scherer Unit 4 Operating Agreement will remain in effect even if Unit 4 is retired. As a result, the issue of retiring Unit 4 will continue to be addressed in a manner that is consistent with the terms of the Operating Agreement.[5]

[5] See the response to STF-ASR-5-13.

Recommendation

Staff is not recommending any 2020 ASR adjustments related to the early retirement by FPL and JEA of Plant Scherer Unit 4 (which is operated by GPC) at this time. Staff recommends that GPC address in its next Integrated Resource Plan how the retirement of Plant Scherer Unit 4, and other changes in the costs of operating coal-fired generating plants, impacts the continued ability to operate GPC's owned coal-fired units.

Lake Drive Property

The sale of the Company's property located at 1040 Lake Drive, Marietta, Georgia to Atlanta Gas Company ("AGL") was approved by the Commission in its Order dated May 19, 2020 in Docket No. 42615. However, according to the response to STF-ASR-3-85, pursuant to its rights under the Purchase and Sale Agreement, AGL terminated the agreement and therefore did not purchase the Lake Drive property from its affiliate, GPC.

As a result, GPC did not record a sales transaction, thus did not incur any gain or loss related to the property. As of January 1, 2020, the Company recorded the Lake Drive property in FERC Account 121 – Non-Utility Property, which is where it is currently reflected on the Company's books.

According to the response to STF-ASR-3-85, the Lake Drive property was included in GPC's rate base from 1973 through August 2018. GPC has indicated that no land costs, property taxes, or other costs associated with the Lake Drive property were included in the 2020 ASR retail rate base or operating income. As noted above, since August 2018, GPC has treated this property below-the-line. The Lake Drive land was appraised at $1.825 million on September 16, 2020.[6] In its response to STF-ASR-5-3, the Company stated that it is continuing to evaluate it plans for selling the Lake Drive property.

Recommendation

Staff is not recommending any adjustments related to the Lake Drive property at this time. Staff recommends that the Company report any amounts of gain or loss related to the sale or disposition of the Lake Drive property.

Preliminary Surveys and Investigations

GPC's retail rate base for the 2020 ASR included costs for Preliminary Surveys and Investigations ("PS&I"). In its response to STF-ASR-3-60, the Company stated that the Operating Reserves line item in Section 2, page 1 of 2 in the 2020 ASR includes a 13-month average balance of PS&I costs totaling $25.960 million. Staff requested that the Company specifically identify and explain any amounts included in PS&I costs that relate to (1) Plant Vogtle Units 3 and 4, and (2) pursuing or maintaining an option to build new nuclear plants. As it relates to Plant Vogtle Units 3 and 4, in its response to STF-ASR-3-61, the Company stated that the PS&I accounts do not contain amounts related to Plant Vogtle Units 3 and 4 since that project was certified by the Commission and the capital expenditures recorded to Construction Work in Progress ("CWIP"). In addition, the

[6] See the response to STF-ASR-5-3.

response to STF-ASR-3-61 stated that there are no PS&I accounts included in the 2020 ASR related to preserving an option for new nuclear generation.

The breakout of the PS&I costs included in the 2020 ASR retail rate base (provided in STF-ASR-3-61) is summarized by month in the table below:

Description	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	13 Month Average Total Company	TSA, Wholesale Blocks, and Dalton & Tri-County Solar	13 Month Average Total Retail
Wetlands Mitigation Permits	$ 693	$ 693	$ 693	$ 693	$ 693	$ 693	$ 693	$ 693	$ 693	$ 693	$ 693	$ 693	$ 693	$ 693	$ -	$ 693
New Generation	$ 1,114	$ 1,322	$ 1,435	$ 1,628	$ 1,699	$ 1,802	$ 1,970	$ 2,427	$ 2,702	$ 3,267	$ 3,652	$ 3,762	$ 3,978	$ 2,366	$ (98)	$ 2,268
New Renewable Generation Studies	$ 842	$ 970	$ 1,058	$ 1,115	$ 1,201	$ 1,278	$ 1,357	$ 1,452	$ 1,611	$ 1,807	$ 1,924	$ 2,028	$ 2,135	$ 1,444	$ -	$ 1,444
NOX ERC Certificates	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ (338)	$ 7,807
ELG Studies - Effluent Guidelines	$ 5,068	$ 5,062	$ 5,181	$ 5,207	$ 5,226	$ 5,228	$ 5,395	$ 5,448	$ 5,639	$ 7,586	$ 7,696	$ 7,846	$ 2,242	$ 5,602	$ (232)	$ 5,369
Goat Rock Modernization Project	$ 378	$ 378	$ 378	$ 378	$ 378	$ 378	$ 378	$ 378	$ 378	$ 378	$ 378	$ 378	$ 378	$ 378	$ -	$ 378
316b Compliance Studies	$ 579	$ 579	$ 579	$ 579	$ 579	$ 3	$ 3	$ 3	$ 3	$ 3	$ 12	$ 12	$ 12	$ 227	$ (9)	$ 217
Water Balance Studies	$ 57	$ 57	$ 57	$ 57	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18	$ -	$ 18
Hydro Fleet Modernization	$ 1,308	$ 1,308	$ 1,308	$ 1,308	$ 1,308	$ -	$ -	$ 8	$ 22	$ 77	$ 163	$ 243	$ 342	$ 569	$ -	$ 569
Plt Wansley FGD Waste Wtr Study	$ 423	$ 423	$ 423	$ 423	$ 423	$ 423	$ 423	$ 423	$ 423	$ 423	$ 423	$ 423	$ 423	$ 423	$ -	$ 423
Resiliency Projects	$ -	$ -	$ -	$ 11	$ 16	$ 46	$ 50	$ 59	$ 59	$ 59	$ 59	$ 25	$ -	$ 30	$ -	$ 30
Distribution D.O.T Projects	$ 1,672	$ 1,780	$ 1,867	$ 1,862	$ 1,798	$ 1,906	$ 1,936	$ 1,991	$ 1,940	$ 1,799	$ 1,787	$ 1,680	$ 1,792	$ 1,832	$ -	$ 1,832
Transmission Land	$ 394	$ 473	$ 533	$ 552	$ 650	$ 671	$ 732	$ 821	$ 848	$ 841	$ 977	$ 817	$ 927	$ 710	$ -	$ 710
Miscellaneous Transmission	$ 3,799	$ 3,796	$ 4,293	$ 3,864	$ 3,864	$ 3,879	$ 3,982	$ 4,488	$ 4,451	$ 4,471	$ 4,818	$ 3,898	$ 2,872	$ 4,036	$ (150)	$ 3,886
Trans. Studies (Relocation & Interconn. Cap. Proj.)	$ 287	$ 287	$ 296	$ 291	$ 290	$ 289	$ 289	$ 303	$ 309	$ 322	$ 407	$ 446	$ 426	$ 326	$ (12)	$ 314
FAA Compliance Program	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3	$ 3	$ -	$ -	$ -	$ 1	$ 1	$ (0)	$ 1
Generation Land Acquisition/Surveys	$ -	$ -	$ -	$ -	$ -	$ -	$ 0	$ 1	$ 1	$ 1	$ 0	$ 0	$ 0	$ 0	$ (0)	$ 0
Total PS&I	$ 24,759	$ 25,274	$ 26,247	$ 26,115	$ 26,271	$ 24,742	$ 25,353	$ 26,643	$ 27,229	$ 29,872	$ 31,135	$ 30,396	$ 24,366	$ 26,800	$ (841)	$ 25,960
Source: STF-ASR-3-61 (amounts in thousands of dollars)																

Of the PS&I items listed in the table above, the line item "Resiliency Projects" is a new item included in the 2020 ASR.[7] According to the response to STF-ASR-3-60, this account was created to determine infrastructure feasibility of resiliency projects that were intended to eliminate service interruptions at the Fort Gordon and Robins Air Force Base. Pursuant to the Company's explanation of the resiliency projects, Staff requested that GPC identify the dates and duration of any service interruptions at Fort Gordon and Robins Air Force Base. In its response to STF-ASR-5-8, the Company stated:

> The costs included in the resiliency projects PS&I account in the 2020 ASR were not based on particular service interruptions or service agreements but rather, were incurred more broadly to help the Company develop potentially regulated programs designed to add resiliency support to new and existing commercial and industrial customers. In lieu of using hypothetical installations, the evaluation was performed

[7] See the response to STF-ASR-3-60.

> using two potential projects at Fort Gordon and Robins Air Force Base but the projects were not offered to the customers nor were pursued by the Company.

Pursuant to the Company's explanation shown in the passage above, GPC stated that it is not expecting any contributions or payments from either Fort Gordon or Robins Air Force Base for the resiliency projects evaluations, nor does the Company have any contracts or service agreements with Fort Gordon or Robins Air Force Base.[8] As shown in the table above, the PS&I costs included in the 2020 ASR 13-month average retail rate base for resiliency projects was $30,000.

Recommendation

Staff is not recommending any adjustments for PS&I costs in the 2020 ASR rate base. Since the Fort Gordon and Robins Air Force Base projects are not being pursued, it appears that the Company should remove the related costs from the PS&I account for accounting purposes. The zero dollar amount shown for December 2020 suggests that this may have been done.

Conclusion

Staff has made the following recommendations as a result of its review of the 2020 ASR:

1. Staff is not proposing any adjustments to remove the costs associated with stock-based compensation from the 2020 ASR filing, since stock-based compensation was not removed in the rate case settlement approved by the Commission. However, PIA Staff may argue for a return to the prior treatment for Stock-based compensation in a future rate case.

2. Staff recommends that the Company continue to address land held in the PHFFU account by having quarterly meetings to re-evaluate the intended uses of the land to determine if

[8] See the response to STF-ASR-5-8.

and when it will be used. If it is determined that a parcel of land will not be used, it should be reclassified into non-utility property.

3. That the Company explain in greater detail its plans to address and eliminate the December 31, 2020 Distribution Vegetation backlog of 6,900 miles.

4. Prior to allowing recovery of Covid-19 deferrals, Staff recommends that the Commission require the Company to provide adequate supporting documentation for the recorded Covid-19 regulatory asset balance.

5. Staff recommends that GPC address in its next Integrated Resource Plan how the retirement of Plant Scherer Unit 4, and other changes in the costs of operating coal-fired generating plants, impacts the continued ability to operate GPC's owned coal-fired units.

6. Staff recommends that the Company report any amounts of gain or loss related to the sale or disposition of the Lake Drive property.

7. With regard to PS&I costs included in the 2020 ASR rate base, since the Fort Gordon and Robins Air Force Base projects are not being pursued, it appears that the Company should remove the related costs from the PS&I account for accounting purposes, although the zero dollar amount in December 2020 suggests that this may have been done.