



P.O. BOX 109
1265 SOUTH COASTAL HWY.
MIDWAY, GA 31320-0109

912.884.3311
1.800.421.2343
FAX 912.884.2789
CoastalElectric.Coop

November 18, 2021

Ms. Sallie Tanner
Executive Secretary
Georgia Public Service Commission
244 Washington Street, SW
Atlanta, Georgia 30334

Re: Public Service Commission Docket No. 42744

Notice of Filing of Revised Cost Allocation Manual (“CAM”) for Coastal Electric Membership Corporation dba Coastal Electric Cooperative (“Coastal EMC”) and Coastal Fiber, Inc. (“Coastal Fiber”)

Dear Ms. Tanner:

Coastal EMC hereby provides notice to the Georgia Public Service Commission (“Commission”) and encloses for filing in the above-referenced docket the revised CAM of Coastal EMC and its retail broadband affiliate Coastal Fiber. This version replaces the previously filed version, filed on October 25, 2021.

A hard copy of the enclosed filing will be provided to the Commission in compliance with the Alternative Electronic Filing procedures.

Please do not hesitate to contact me if you should have any questions regarding the enclosed CAM filing.

Respectfully Submitted,
Christopher W. Fettes
CEO & Executive VP
Coastal Electric Membership Corporation
dba Coastal Electric Cooperative (Coastal
EMC) and Coastal Fiber, Inc.
1265 South Coastal Hwy, PO Box 109.
Midway, GA 31320
912-884-3311
Chris.fettes@coastalelectric.coop



Coastal Electric Cooperative
and
Coastal Fiber, Inc.
Midway, Georgia

Cost Allocation Manual

November 18, 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 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 must be approved by the Public Service Commission (“PSC”).

In order to assure compliance with Georgia law, Coastal Electric Membership Corporation dba Coastal Electric Cooperative (“Coastal EMC”) 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 Coastal EMC to Coastal Fiber, Inc. (“Coastal Fiber”) 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 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

Coastal EMC 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 Supervisory Control and Data Acquisition (“SCADA”) system at the control center located in each of Coastal EMC’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 Coastal EMC’s SCADA system.
3. Using the network to carry data in near real-time from over 16,000 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 (“DG”) resources 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), avoiding transmission costs, reducing the need for backup power and neutralizing 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 Coastal EMC and Coastal Fiber in order to meet all requirements of Georgia Law. Coastal EMC has and intends to allocate the cost of retail broadband to ensure there is no cross-subsidization.

Coastal EMC and Coastal Fiber 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, Coastal Fiber, will not be borne by Coastal EMC ratepayers. Coastal Fiber is the only broadband affiliate of Coastal EMC, and Coastal EMC has no gas affiliate.

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

The remainder of this manual is devoted to establishing rules for the pricing of transactions between Coastal EMC and Coastal Fiber, 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 Coastal EMC and the broadband activities of Coastal Fiber by, among other things, establishing rules for the pricing of transactions between Coastal EMC and Coastal Fiber.

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

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 Coastal EMC of the products or services provided to Coastal Fiber.
3. Any allocation methods applied provide equitable cost sharing between the parties and prevent subsidization by Coastal Fiber of the products or services provided to Coastal EMC.
4. Transactions between Coastal EMC and Coastal Fiber are adequately documented and traceable in the books of Coastal EMC and Coastal Fiber. Likewise, any allocation methods utilized are adequately documented.
5. Coastal Fiber will enter into a pole attachment agreement with Coastal EMC which conforms with terms, conditions and rates included in Georgia Public Service Commission's Order Implementing House Bill 244 (Document # 183713) in Docket No. 43453.

Cost is accumulated on Coastal EMC'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. Coastal Fiber 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 Coastal Fiber 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

Employee 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 account 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 Coastal Fiber, costs are charged directly on a per unit basis. This includes the optical equipment and other equipment solely associated with Coastal Fiber. 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 Coastal EMC and Coastal Fiber consists of the Fiber backbone and conduit constructed by Coastal EMC for the purpose of servicing its electric customers. Coastal EMC will maintain records that track how the fiber strands are utilized, either for electric use or retail broadband.

$$\frac{\text{Miles of Fiber Strands Dedicated for Retail Broadband}}{\text{Total Miles of Fiber Strands}} \times \text{Broadband Equipment}$$

Miles of Fiber Strands Dedicated for Retail Broadband: The miles of fiber strands dedicated in providing retail broadband services, lit or unlit.

Total Miles of Fiber Strands: The total miles of fiber strands, lit or unlit.

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 Coastal Fiber is charged directly to Coastal Fiber. Coastal EMC has tried to address all tangible and intangible property that may be shared in the Cost Allocation Manual. In the event it is determined there is tangible or intangible property that has not been addressed, Coastal EMC 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 Coastal Fiber are charged directly to Coastal Fiber.

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 Coastal Fiber. These costs include payroll, payroll taxes, employee benefits, retirement, PTO, travel and other expenses directly related to the employees of Coastal EMC. To the extent possible, employees charge their time according to the tasks performed for Coastal Fiber via individual timesheets. For employees where this is not feasible, a reasonable portion of their time is allocated to Coastal Fiber 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.

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

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 Coastal EMC or Coastal Fiber.

- 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.

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

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 Coastal EMC or Coastal Fiber.

- 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.

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

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 Coastal EMC or Coastal Fiber.

- 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.

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

$$\frac{\text{Retail Broad Broadband Bills}}{\text{Total Bills}} \times \text{Allocated Costs}$$

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 Coastal EMC or Coastal Fiber.

- 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 Coastal EMC to Coastal Fiber or vice versa are transferred at fair market value or net book value, whichever is higher.

D. Loans

Coastal EMC shall not provide to Coastal Fiber 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

Coastal Fiber will enter into a pole attachment agreement with Coastal EMC which conforms with terms, conditions and rates included in the Georgia Public Service Commission's Order Implementing House Bill 244 (Document # 183713) in Docket No. 43453.

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.

Coastal EMC 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 Coastal EMC'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 Coastal EMC and Coastal Fiber will be filed with the PSC.

F. Non-Cost Declarations

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), Coastal EMC 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), Coastal EMC will provide access to poles, ducts, conduits and easements owned by Coastal EMC 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), Coastal EMC 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, Coastal EMC 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 Coastal Fiber or such other providers of broadband services. Such information shall be provided only with regard to other providers of broadband services that have notified Coastal EMC 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 Coastal EMC's designated electricity service territory.

Such broadband service providers should send the applicable information to:

Coastal Fiber, Inc.
Attention: Chris Fettes
PO Box 109
Midway, GA 31320-0109

5. In accordance with OCGA § 46-3-200.2(b)(5)(C), Coastal EMC will charge Coastal Fiber 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 December 31, XXXX

We hereby certify that to the best of our knowledge and belief Coastal Electric Membership Corporation dba Coastal Electric Cooperative (“Coastal EMC”) and Coastal Fiber, Inc. (“Coastal Fiber”), 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 Coastal EMC’s electric activities and the broadband activities of Coastal Fiber.
- Any transfer of assets from Coastal EMC to Coastal Fiber or vice versa has been at fair market value or net book value, whichever is higher.
- Loans from Coastal EMC to Coastal Fiber have been at market rates, except for loans made specifically for broadband services as described in Georgia law.
- Coastal EMC and Coastal Fiber 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.
- Coastal EMC has not conditioned the receipt of electricity services upon, nor provided more favorable terms for, customers of Coastal Fiber.

This certification is intended solely for the purpose of satisfying the requirements of Coastal EMC and Coastal Fiber’s Cost Allocation Manual and should not be relied on for any other purpose.

Coastal Electric Membership Corporation dba Coastal
Electric Cooperative

Coastal Fiber, Inc.

V. Appendix B

Independent Accountants Report

We have examined management’s assertion, included in the accompanying Cost Certification Statement required by Coastal Electric Membership Corporation dba Coastal Electric Cooperative (“Coastal EMC”) and Coastal Fiber, Inc.’s (“Coastal Fiber”) Cost Allocation Manual that Coastal EMC and Coastal Fiber complied with the cost certification requirements of the Cost Allocation Manual during the year ended December 31, XXXX. Management is responsible for Coastal EMC and Coastal Fiber’s compliance with those requirements. Our responsibility is to express an opinion on Coastal EMC and Coastal Fiber’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 Coastal EMC and Coastal Fiber’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, Coastal EMC and Coastal Fiber have complied, in all material respects, with the aforementioned requirements for the year ended December 31, XXXX.

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

(Signature)

(Date)