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RE: DOCKET NO. 42315: **Atlanta Gas Light Company's Georgia Rate Adjustment Mechanism ("GRAM"): 2022 Revenue True Up ("RTU") Filing: Statement of Confirmation**

I. Background

O.C.G.A. § 46-2-20(a) provides that the Georgia Public Service Commission ("Commission") has general supervisory authority over gas companies.

O.C.G.A. § 46-2-23 provides that the Commission has exclusive power to determine what are just and reasonable rates and charges to be made by any person, firm or corporation subject to its jurisdiction. The rates for firm distribution service and ancillary services rendered by an electing distribution company must be established in accordance with Article 5 of Title 46, O.C.G.A. §§ 46-4-151 *et seq.*

On February 21, 2017, the Commission approved a Stipulated Agreement between the Staff and Atlanta Gas Light Company ("AGL") for an alternative form of ratemaking in accordance with O.C.G.A. §46-2-23.1. The process was called the Georgia Rate Adjustment Mechanism ("GRAM"). In the February 14, 2020 Final Order in Docket No. 42315, AGL's 2019 rate case, the Commission approved that AGL could continue to use the GRAM with modifications from the originally approved GRAM ratemaking process.

O.C.G.A. § 46-2-23.1(c)(d), provides the following:

(c) After notice and hearing the commission may approve the plan, or approve it with modifications, if the Commission determines that the application is in the public interest and will produce just and reasonable rates, after taking into consideration the extent to which the application:

(1) Is designed to and is likely to produce lower prices for consumers of natural gas in Georgia;

(2) Will provide incentives for the gas company to lower its costs and rates;

(3) Will provide incentives to improve the efficiency and productivity of the gas company;
(4) Will foster the long-term provision of natural gas service in a manner that will improve the quality and choices of service;
(5) Is consistent with maintenance and enhancement of safe, adequate, and reliable service and will maintain or improve preexisting service quality and consumer protection safeguards;
(6) Will not result in cross-subsidization among or between groups of gas company customers;
(7) Will not result in cross-subsidization among or between the portion of the gas company's business or operations subject to the alternative form of regulation and any unregulated portion of the business or operations of the gas company or of any of its affiliates;
(8) Will reduce regulatory delay and cost; and
(9) Will tend to enhance economic activity in the affected service territory.

(d) Performance based regulation adopted by the commission as an alternative form of regulation shall provide for the following:

(1) Equal and symmetric opportunities to earn above and below the performance standard;
(2) Performance incentives based upon conditions within the control of the management of the gas company; and
(3) Adjustments from time to time for the net effect of changes in tax rates, other costs imposed by law, and the cost of capital.

II. 2022 Revenue True Up Filing

As provided in AGL's Tariff Section 26.6, during the Rate Effective Period, generally January through December of the following year, the Company shall track actual base rate revenues collected to be compared to the projected base rate revenues as follows: By March 1st following each Rate Effective Period, the Company shall file with the Commission an RTU Filing consisting of schedules that compare (a) the preceding Forward Looking Test Year base rate revenue projections whose rates were in effect during the Rate Effective Period with (b) actual base rate revenues related to amounts billed during the Rate Effective Period for services that have been provided. These schedules shall exclude SEED Contract, special contracts, and revenues from authorized riders. If such actual base rate revenues (excluding the RTU as provided for in this Section 26.6, if any) during the preceding Rate Effective Period exceeded the base rate revenue projections for the Forward-Looking Test Year, the RTU Filing shall include an adjustment calculated to lower base rates over a 12-month period by the amount that such actual base rate revenues exceeded projections. If the Company's actual base rate revenues (excluding the RTU as provided for in this Section 26.6, if any) during the preceding Rate Effective Period were below the base rate revenue projections for the Forward-Looking Test Year, the RTU Filing shall include an adjustment calculated to increase base rates over a 12-month period by the amount that such projected base rate revenues exceeded actual base rate revenues.

On March 1, 2023, AGL filed its 2022RTU related to the actual revenues collected for the Rate Effective Period of January 1, 2022 through December 31, 2022. AGL listed 20 Distribution Revenue accounts with $796,823,098.21 in actual revenue collections, and AGL listed 16 Miscellaneous Revenue accounts with $32,565,321.70 in actual revenue collections. The actual Total Base Rate Revenues reported was $829,388,419.91. The 2022 GRAM approved estimated revenues were $825,529,354.09. The variance between the actual revenues and the estimated revenues was an over-collection of $3,859,065.82. Additionally, during year 2020-2021 in Docket No. 43115, the Commission approved base charge credits for marketers that reduced the 2021 RTU revenue over-recovery. During 2022, and as a part of the 2022 RTU filing, a marketer had returned $15,976.40 to AGL related to the 2020-2021 base charge credits. This increased the 2022 RTU credit to $3,875,042.22. Additionally, AGL estimated Interest Carrying Charges – Debt in the amount of $67,235.70 and Interest Carrying Charges – Equity in the amount of $310.833.56 for total interest of $378,069.27. This increases the credit to $4,253,111.49. The interest is then applied to the 2022 RTU credit through the period ending December 31, 2023.

III. Staff's Analysis

Throughout 2022, Staff tracked the Distribution and Miscellaneous revenue accounts in the quarterly GRAM reports. Later in the same year, Southern Company Gas/AGL changed its enterprise software application from PeopleSoft to Oracle. Starting with the 3rd Q 2022 GRAM Report filing, changes were apparent to several of the prior PeopleSoft GL accounts related to the new FERC account presentations. When the 2022 RTU was filed, Staff reviewed AGL's filing focusing on the numbers in Worksheet-1. On March 31, 2023, Staff wrote a memorandum with four items that were sent to AGL. The first item was related to Damage Billing Gas and Non-Gas. The two accounts were no longer broken out for tracking and review in the income statement. The second item was Purchase Gas Expense and what was included in this Cost of Sales cost category. The third item was LNG Trucking Revenues because the actual revenues in the income statement was $1,605,495.56, but AGL has listed revenues totaling $1,594,945.56, or $7,550.00 lower revenues than actual. The fourth and final item was the inclusion of $15,976.40 related to marketer base charge credits in Docket No. 43115.

On May 2, 2023, Staff met with AGL on the four items in Staff's memorandum. AGL's response to the first was it had provided separate details on the Outside Services accounts that provided the breakout for the Damage Billing account items. AGL agreed to provide this Outside Services breakout as part of each quarterly GRAM report filing. AGL's response to the second item on the Purchase Gas Expense was this was for odorant that is injected into the natural gas pipelines. This cost is for the purchase of the odorant. The Staff found O&M accounts for odorant, and AGL stated this account was for the labor to inject it into the pipelines. AGL's response to the third item was focused on why a portion of the revenues was considered non-jurisdictional. AGL stated that the tanker used to transport the liquified natural gas must be cooled down prior to injecting the LNG into the tanker. This process is considered non-jurisdictional because it is related to interstate transportation by FERC. AGL's response to the fourth item was that Georgia Natural Gas ("GNG") refunded $15,976.40 to AGL. This refund

was provided because GNG had received payments from its customers, and GNG returned those funds back to AGL.

The Staff had no objections to the information provided by AGL on these four items.

IV. Statement of Confirmation

On March 1, 2023, AGL filed its 2022 RTU with a 2022 GRAM revenue over-collection of $3,875,042.22. As part of the 2022 RTU filing, AGL applied $378,069.27 in interest charges for a total credit of **$4,253,111.49**. The Staff and AGL agree with the total 2022 RTU credit of **$4,253,111.49** that will be applied as a reduction to revenue requirement in the 2024 GRAM filing on Schedule-11a to be filed on July 1, 2024.

Sincerely,

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March 18, 2023