27. Economic Development (ECON-1)

1. Purpose

The Economic Development Tariff, or ECON-1, is designed to offer funding to qualified Applicants who are new or existing Firm customers, or a third party that applies on behalf of a new or existing Firm customer, that seek line-extension projects or pressure improvement for natural gas service.

2. Availability

A qualifying Applicant for an ECON-1 Project who is a new or existing Firm natural gas customer, or a third party that applies on behalf of a new or existing Firm customer, that will provide a signed commitment to utilize or increase Firm Commercial natural gas load that will provide the minimum Economic Development Benefit requirements provided in Section 3 to existing Firm customers and the State of Georgia in a manner that increases system utilization; be an existing customer that materially expands its use of natural gas; or, be a new or existing customer that provides minimum Economic Development Benefits requirement within the State of Georgia and that increases system utilization. As projects are identified that meet the minimum economic development benefit requirements for each customer class, AGL may file the projects with the Commission for review.

3. ECON-1 Project Minimum Economic Development Benefit Requirements:

A. R-1 Capital Projects

i. Capital investment, other than by the Company, in excess of $500,000 in new facilities or expansion of existing facilities; and
ii. The new facilities must add no less than 50 meters to AGL's distribution system; and
iii. Add Firm gas load in excess of 10 dekatherms a year.

B. G-10 Capital Projects

i. Capital investment, other than by the Company, in excess of $1 million in new facilities or expansion of existing facilities with a purchase of new equipment; and
ii. The new facilities must add no less than 100 billing units to AGL's distribution system; and
iii. Add Firm gas load in excess of 10 dekatherms a year.

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C. G-11 and G12 Capital Projects

i. Capital investment, other than by the Company, in excess of $1 million in new facilities or expansion of existing facilities with a purchase of new equipment; and
ii. Add a net of at least 10 new jobs within six months of taking gas service; and
iii. Subject to the circumstances at the time of the application, reasonably anticipates an increased tax base by at least $20,000 per year; and
iv. Add connected load on a Firm basis of 10 dekatherms a year.

D. AG-1 or Other Agricultural Purposes Capital Projects

Agricultural Purposes, which is defined as the following activities:

(a) Raising, growing, harvesting, or storing of crops, including, but not limited to, soil preparation and crop production services such as plowing, fertilizing, seed bed preparation, planting, cultivating, and crop protecting services;

(b) Feeding, breeding, or managing livestock, equine, or poultry;

(c) Producing or storing feed for use in the production of livestock, including, but not limited to, cattle, calves, swine, hogs, goats, sheep, equine, and rabbits, or for use in the production of poultry, including, but not limited to, chickens, hens, ratites, and turkeys;

(d) Producing plants, trees, fowl, equine, or other animals;

(e) Producing aquacultural, horticultural, viticultural, silvicultural, grass sod, dairy, livestock, poultry, egg, and apiarian products;

(f) Processing poultry;

(g) Post-harvest services on crops with the intent of preparing them for market or further processing, including but not limited to crop cleaning, drying, shelling, fumigating, curing, sorting, grading, packing, ginning, canning, pickling, and cooling;

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(h) Slaughtering poultry and other animals; and

(i) Manufacturing dairy products.

(i) Capital investment, other than by the Company, in new facilities; or
(ii) Expansion of existing facilities; and
(iii) The purchase of new natural gas equipment; and
(iv) Add Firm gas load in excess of 10 dekatherms a year.

E. The Company may originate projects or execute contracts between the Company and an Applicant for projects to be placed into service. The review of Applicant's qualifications is at the sole discretion of AGL based on system needs and the qualifications listed above. At the discretion of the Commission, it may consider additional projects that do not meet the above requirements.

4. Qualification

The Company shall include the following information with any ECON-1 project proposal:

(a) A detailed description of the project to include the county name, size and type of pipe, estimated cost, estimated number of jobs created, and estimated dekatherms of new gas load added;

(b) An affirmative statement by the Company that the project complies with the ECON-1 tariff requirements and an identification of the applicable ECON-1 Tariff Section (3(A), 3(B), 3(C), or 3(D);

(c) A detailed estimated cost of the project in Excel; and

(d) A map of the proposed project.

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5. ECON-1 Recovery Rider

A. The Commission shall set a rate for the ECON-1 Rider that will ensure the recovery of the ECON-1 revenue requirements and shall be designed to minimize under-recovery or over-recovery of the Company's actual revenue requirement for approved ECON-1 projects. New commitments to fund ECON-1 projects shall not exceed more than $25 million per calendar year, unless authorized by the Commission. Because there are times when funds may be deployed for a single ECON-1 Project during two or more years, this ECON-1 funding limit shall apply to funds committed to such projects within a single year, rather than to funding provided within a single year, unless otherwise authorized by the Commission. (For purposes of illustration, and not a limitation, if AGL were to commit $25 million in the current calendar year, but spend $20 million in the current calendar year and the remaining $5 million in the following calendar year, AGL may still commit an additional $25 million to fund an ECON-1 Project in the following calendar year. Again, the $25 million limit applies to funding committed to ECON-1 Projects in a given calendar year not to the amount of committed funds that are actually expended in a specific calendar year.)

B. Annually on October 1st, AGL shall file a petition with the Commission to support an adjustment of the ECON-1 Rider rate to become effective the following January 1st. Such filing for an adjustment to the ECON-1 Rider rate shall include, but not be limited to, a detailed analysis of the forecasted revenue requirement as determined using the criteria in this Section, as well as the cumulative balance of any over- or under-recoveries from prior ECON-1 Rider rate effective periods. Staff shall provide the Commission with any recommendations regarding the proposed ECON-1 rider rate adjustment so that the Commission may consider an adjustment to the ECON-1 rider rate to be effective January 1st.

C. During the year, if the Commission determines that the ECON-1 Rider rate is not sufficient to recover the ECON-1 revenue requirements, the Commission may authorize an adjustment after considering recommendations from the Staff and AGL.

D. AGL shall recover revenue requirements associated with prudently incurred costs of approved ECON-1 projects. ECON-1 projects previously authorized by the Commission and reflected in AGL's existing rates ("Base Rates" as used herein) as of the effective date of this Tariff provision shall not be included in the ECON-1 Rider rate. Revenue requirements for ECON-1 Projects that are not included within Base Rates (that is, new ECON-1 projects that are incremental to the older ECON-1 projects which have been included within Base Rate

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calculations; the new projects being referred to as "Incremental ECON-1 Projects" as used herein) shall be recovered through an ECON-1 Rider. Any revenue requirements recovered through the ECON-1 Rider shall not be included within another rate (such as Base Rate established through GRAM or Base Rates approved in a general rate case). Revenue requirements for Incremental ECON-1 Rider projects to be recovered through the ECON-1 Rider shall be calculated as follows:

i. Return on Capital * [(ECON-1 Ridder Rate Base plus Plant Additions & Improvements) - (Associated Accumulated Depreciation and less associated accumulated deferred income taxes)] = revenue required for the return on capital.

ii. ECON-1 Rider Rate Base shall mean the beginning balance of the capital accounts for Incremental ECON-1 Projects.

iii. Plant Additions & Improvements shall mean all capital additions in the Cost Year as recorded in the applicable gas plant in service accounts associated with approved Incremental ECON-1 Projects.

iv. Accumulated Depreciation shall mean the beginning balance of Accumulated Depreciation Expense associated with approved Incremental ECON-1 Projects, if any, plus current Depreciation Expense associated with such Incremental ECON-1 Projects. (Tracked Monthly).

v. Accumulated Deferred Income Taxes shall mean the beginning balance of Deferred Income Taxes associated with approved Incremental ECON-1 Projects for the recovery period, if any, for the cost year plus the difference between (Tax Depreciation Monthly – Book Depreciation monthly associated with approved Incremental ECON-1 Projects) x Composite Income Tax Rate (current Commission approved income tax rate) (Tracked Monthly).

vi. Return on capital shall be the applicable overall rate of return (including equity and debt components at the Commission-approved capital structure) for the rate effective period set by the Commission in the Company's most recent ratemaking proceeding, including either a traditional rate case or an alternative form of regulation proceeding.

F. The Company shall be allowed to recover depreciation expense on ECON-1 assets calculated at the latest Commission-approved rate for the Company's like items of plant calculated on the property additions and improvements.

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G. Costs related to the construction of ECON-1 assets shall be capitalized and will accrue in the form of AFUDC from the point that costs are incurred for accounting purposes until such ECON-1 asset is placed in service and depreciation begins.

H. The capital costs described above shall apply to only those costs properly capitalized in the plant accounts as determined by the Commission's Rule 515-3-1-.10 Accounting Requirements (i.e., FERC USOA 18 C.F.R. 511 *et seq*.)

I. The cumulative unrecovered balance of each element of the ECON-1 revenue requirement less cumulative collections shall accrue carrying costs at the above-described cost of capital. Likewise, an over-recovery shall accrue carrying costs at the above-described cost of capital to the benefit of customers.

J. The income deficiency (or surplus) for each element of the ECON-1 revenue requirement, if computed on an after-tax basis, shall be adjusted for the effect of federal and state income taxes in the expansion factor. No other expenses are to be included in the computation of the expansion factor. The results of this calculation shall be the amount of the surcharge, whether positive or negative.

7. ECON-1 Rider Billing Rate

The ECON-1 Rider rate recovery for each rate class shall be as follows:

R-1, G-10, AG-1 and S-51 Customers shall be charged an amount equal to the approved ECON-1 rate.

G-11 Customers shall be charged an amount equal to three times the approved ECON-1 rate.

G12 Customers shall be charged an amount equal to 25 times the approved ECON-1 rate.

8. ECON-1 Quarterly Reporting

Forty-five (45) days after the end of each quarter, AGL shall file with the Commission an ECON-1 quarterly report for all approved ECON-1 projects. The quarterly report will include the following reporting as an electronic Excel spreadsheet with the following worksheets.

(a) Capital Budget Reporting: The comprehensive capital budget reporting shall be for all Commission approved projects.

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(b) Project Costing Ledger: The project costing ledger shall include all the details for the ongoing projects.

(c) ECON-1 Rider Rate Model: An updated comprehensive rate model through the current quarter shall be provided.