WP 2-8 & Schedule-3: Interest on Customer Deposits – Operating Expense

STF-45-1 **As provided in the Georgia Rate Adjustment Mechanism ("GRAM") quarterly reporting and the 2024 GRAM annual filing, please answer the following:**

a. In FERC 2350000 as an electronic Excel spreadsheet, please list the names of customers, and or marketers, and the deposit dollar amounts from January 2021 to September 2023.

b. Do the dollar amounts listed in FERC account 2350000, customer deposits, include cash housed in a bank account that earns interest?

c. If the dollar amounts are in a bank account, please provide bank statements from January 2021 to September 2023.

d. Are any of the dollar amounts listed in FERC 23500000 in the form of letters of credit, bonds, or other non-cash items? If yes, please list the current dollar amounts and financial instruments.

e. If the dollar amounts listed in FERC 2350000 aren't in an interest bearing account, why does AGL calculate its own interest to apply as an operating expense in the annual GRAM filings?

Historical Rate Base Worksheet – 2024 GRAM

	A	B	CM	CN	CO	CP	CQ	CR
1	Atlanta Gas Light Company (AGLC)							
2								
3								
4								
5	GL Account #							13 Month Average
6	Source		January-23	February-23	March-23	April-23	May-23	May 31, 2023
27	23500000	Customer Deposits Account	(17,936,480)	(17,936,480)	(17,936,480)	(17,946,080)	(10,471,780)	(14,382,480)

GRAM Q-Reporting Balance Sheet

	A	I	J	K	L	M	N
1							
2							
3		2023					
4	Account	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
191	23500000 - Customer Deposits Account	$17,936,480.00	$17,936,480.00	$17,936,480.00	$17,946,080.00	$10,471,780.00	$10,471,780.00
192	23500100 - Tax Accr Ins Tax Fed Account	$0 526 275 20	$12 205 555 80	$12 560 250 80	($377 749 50)	$2 202 502 82	($1 469 406 24)

RESPONSE:

a. Please see Trade Secret attachment 45-1.

b. The customer deposits in account 2350000 are not maintained in a separately held bank account that bears interest. The deposits are used as working capital by AGL.

c. Not applicable based on the Company's response to part b.

d. No.

e. The calculation of the interest on customer deposits is done in accordance with the tariff. Customer deposits are deducted from the Company's rate base, thereby resulting in a reduction in AGL's rate of return on rate base, including interest. AGL pays the marketers for the interest costs AGL incurs, which is an O&M expense. This is prevalent in most, if not all, gas and electric revenue requirement calculations. Further, AGL has included interest on customer deposits as an operating expense in the calculation of its revenue requirement in all prior GRAM filings and rate cases at least dating back to 2000.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

Attachment-B & WP 2-3: AGSC Direct Assigned
STF-45-2 Please provide the following:

a. **Please provide the requested data in Attachment-45-2 as an electronic Excel spreadsheet, with formulas live and intact.**

b. **Please provide the process used by AGSC to allocate capital spending, CWIP, Plant, Accumulated Depreciation, and rate base for the following.**
   i. AGL
   ii. CNG
   iii. VNG
   iv. Nicor

c. **Related to the allocation process or methodology discussed in (b) above, please discussed how this process may have changed from January 2021 – September 2023,and explain, in detail, why it has changed, and by what Commission Authority**

RESPONSE:

Please note that for purposes of the responses in this data request set as well as others in the future, when comparing ASC allocated/direct assigned assets between the i-CDP, GRAM filings and rate cases, or simply in general, the Company considers "allocated" and "direct assigned" synonymous with each other. As a general practice, these terms are used interchangeably when describing and explaining the nature of the assets and the process for which they were allocated/direct assigned.

AGL Service Company (ASC) constructs both enterprise-wide assets as well as assets that are for the benefit and use of the local distribution companies (LDCs). When assets are constructed for the LDCs, those assets are direct assigned to the utilities and included in the utilities' rate base for rate making purposes. Direct assigned assets are assigned ("pushed down") to all LDCs based on the number of end use customers. AGL has included direct assigned assets in all GRAM filings and the Company's 2019 rate case filing as discussed in the Company's response to STF-45-6.

Prior to the implementation of Enterprise Foundations (EF), project costs were direct assigned upon completion of the project. Budgets for direct assigned project spending were prepared and shown at ASC, and actual costs prior to completion of the project were included as CWIP at ASC. Once the direct assigned assets were complete, the project was then moved from ASC CWIP (FERC Account 107) to the LDCs plant (FERC Account 101). Correspondingly, plant and associated impacts to depreciation expense, accumulated reserve and accumulated deferred income taxes were then incurred and appropriately reflected

at the LDC. Enterprise-wide assets not direct assigned remained on the books and records of ASC and were allocated to the LDCs as a ratemaking adjustment to rate base through the ratemaking process, which, for AGL includes annual GRAM filings and rate cases. Additionally, prior to the implementation of EF, assets that would in time be direct assigned to the LDCs upon project completion were included on the books and records of ASC and, therefore, were included as a part of the ratemaking adjustment to allocate ASC assets to the LDCs as a ratemaking adjustment. Therefore, while the process has changed for direct assigned assets in CWIP and how they are included in the rate base of the LDCs, the basic ratemaking principle to include direct assigned assets in rate base, whether as an allocation of the CWIP through a ratemaking adjustment (pre-EF) or directly reflecting the CWIP on the books and records of the LDCs (post EF) has remained the same.

In summary, with the implementation of Enterprise Foundations (EF) in August 2022, direct assign projects are now assigned by ASC to the LDC as costs are incurred on a monthly basis. Capital budgets prepared since the implementation of EF now reflect projects that are direct assigned and budgeted by ASC in the LDC's budgets since cost are direct assigned as costs are incurred. The LDCs books reflect the project costs in CWIP on a monthly basis. Once the project is complete, the financial impact to the LDC is the same as noted above for both pre and post EF implementation. The Company's 2023 GRAM filing was based on the historical test year August 2021 through July 2022 therefore the accounting and process changes were not in place for the 2023 GRAM filing.

See the Company's response to STF 45-4.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-3 **The 2021 GRAM Attachment-B included AGSC Direct Assigned in Plant and CWIP. The 2022 GRAM Attachment-B didn't indicate any AGSC Direct Assigned dollar amounts. The 2023 GRAM Attachment-B didn't indicate that any AGSC Direct Assigned dollar amounts were included. In the 2024 GRAM Attachment-B, it shows that AGSC Direct Assigned dollar amounts are included. In AGL's Integrated Capacity and Delivery Plan ("i-CDP") filing in April and June 2021 in Docket No. 43820, it didn't include AGSC Direct Assigned in the GRAM budgets for 2022 – 2024. The Commission's Final Order dated November 18, 2021, approved AGL's capital budgets based on the Staff and AGL stipulated agreement. Explain why AGL included AGSC Direct Assigned dollar amounts in Plant and CWIP in the 2024 GRAM when it wasn't approved as part of the i-CDP?.**

RESPONSE:

The 2022 GRAM included ASC direct assigned assets in Attachment B, tab GRAM Input, rows 87 through 105. The 2023 GRAM included ASC direct assigned assets in Attachment B, tab GRAM Input, rows 89 through 107. Also, the 2021, 2022 and 2023 GRAM filings also included AGSC direct assigned plant in Attachment A on tab WP 2-1-1 Plant Additions. The breakout of AGSC direct assigned plant were added in Attachment A and subsequently added in Attachment B in the 2022 and 2023 filings, based on the Staff's review of the 2021 GRAM and its request for more information surrounding direct assigned assets pushed down and included in AGL's rate base. The addition of the new tab in Attachment A is provided for in the Company's 2021 GRAM Revised Filing on November 30, 2020, Docket No. 42315.

AGL's i-CDP filing captured $16M of AGSC allocated (direct assigned) capital expenditures for each of the ten years 2022-2031. The capital investments at the service company are for assets that benefit the customers of the AGL. The manner in which AGL has allocated and included the cost of the resources is consistent with the 2019 rate case filing and each subsequent GRAM filing. Consistent with the GRAM/CDP amendment with PSC Staff the Company has limited residential bill impact to 6%.

Please also see the Company's response to STF-45-4, part a., regarding the inclusion of AGSC direct assigned dollars in the 2024 GRAM.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-4 **Regarding the 2024 GRAM Attachment-B, GRAM Input worksheet, the following categories were listed that impacts the 2024 GRAM budget.**

GRAM S & C
GRAM Other
AGSC Direct Assigned
REMOV-Removals
REMOV-Removals (Inactive Services)

Please answer the following:

a. Does AGL believe that as part of the i-CDP November 18, 2021 Final Order in Docket No. 43820 approving the stipulated agreement between the Staff and AGL that AGSC Direct Assigned was approved to be included in the GRAM capital budgets for 2022 - 2024? Show the Commission Authority that supports this belief.

b. AGL believed that ECON-1 Plant wasn't part of the GRAM capital budgets, and in the 2022 and 2023 GRAMs, because ECON-1 wasn't part of the approved i-CDP capital budgets. During the 2022 and 2023 GRAM filings, AGL had concluded that ECON-1 caused it to exceed its 6% Billing Commitment. Since the AGL Direct Assigned related capital spending was greater than ECON-1, does AGL believe it was the primary cause of the 6% Billing Commitment having been exceeded in those GRAM filings for 2022 and 2023, if the AGSC Direct Assigned projects weren't part of the GRAM capital budgets

RESPONSE:

a. Yes. The Commission approved the Stipulation between the Company and Staff which stated on page 19 of 29 of the final order in note 5 that "*The parameters for capital budgets and related O&M spending for capital projects be subsequently incorporated within Annual GRAM Filings, the SRR, and the LNG Tracker as presented within the Amended i-CDP are approved. (emphasis added)"*

The Amended i-CDP budget included both AGL direct and ASC (formerly referred to as "AGSC") direct assigned capital expenditures to AGL, the reference to the total budgeted direct assigned plant can be found in *GRAM-MFR-1&2 2021 i-CDP Capital V4_TRADE_SECRET,* tab AGLC, row 4 *Estimated IT Allocations (Budgeted under AGSC).*

Additionally, the inclusion of IT allocations or direct assigned plant is shown on page 34 of the i-CDP filing document *3 - AGL's Integrated Capacity and Delivery Plan - TRADE SECRET,* in both sections 5.3 and 5.4 as noted in each table *"AGL*

Capital Budget ($ millions) (Includes OH, AFUDC, and estimated IT Allocations).”

b. The Company agrees that ECON-1 wasn’t included or addressed as part of the approved i-CDP.

The Company does not agree that “[*d]uring the 2022 and 2023 GRAM filings, AGL had concluded that ECON-1 caused it to exceed its 6% Billing Commitment.”* First, the Company did not make an adjustment for the 6% Customer Billing Commitment in the Company’s 2022 GRAM filing since the total request did not exceed the customer bill impacted committed to by the Company. Second, the Company did not state that ECON-1 caused it to exceed its 6% Billing Commitment in the 2023 GRAM filing. The Company stated that the ECON-1 was not contemplated as part in the i-CDP (as agreed to above) and, therefore is not included as part of its 6% Billing Commitment. As such, the Company requested a rate adjustment limiting its request to a 6% average residential customer bill impact, as committed to, then included the revenue requirement associated with the ECON-1 investment approved by the Commission which is above and beyond the approved budget parameters in the i-CDP. Finally, the Company does not believe that the AGL Direct Assigned related capital spending was the primary cause of the 6% Billing Commitment having been exceeded in the 2023 GRAM filing.

AGL’s limit to no more than a 6% annual rate increase on residential customers is based on a commitment that AGL made to Commissioners during the i-CDP hearing. Multiple factors affect the need for increases in the Company’s annual O&M and Cap Ex budgets, which in turn create a need for incremental base rate increases.

The Company does not believe that the ECON-1 capital spending moved the Company beyond a 6% base rate increase. The Company has, nonetheless, been consistent in its position that ECON-1 projects are done at the discretion of Commissioners and therefore the Company does not budget for those projects. Consequently, the incremental revenue requirements associated with Commission-approved ECON-1 projects should not be subject to the 6% increase commitment.

Inflationary pressures were the main causes of putting the Company in a position in which it is not earning its authorized return.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-5 Regarding the 2024 GRAM AGSC Direct Assigned Plant, answer the following.

a. Please list all FERC accounts with Direct Assigned AGSC Plant.

b. Does AGL and AGSC share the same FERC accounts?

c. Do these FERC accounts in AGL's 2024 GRAM filing also have assets that aren't Direct Assigned AGSC Plant, comingled with AGL Plant.

RESPONSE:

a. See the 2024 GRAM Attachment B for the 2023 and 2024 direct assigned plant budgeted to FERC accounts 390 and 391.12. See tabs 2023 Direct Assign and 2024 Direct Assign for supporting information. Amounts are summarized in Attachment B on tab GRAM Input, rows 97 through 115. The additions shown in Attachment B are reflected in Attachment A in tab WP 2-1-1 Plant Additions. Account 107 also includes direct assigned project costs from ASC. See Attachment A, tab 2-3 CWIP for direct assigned amounts shown in AGL CWIP. Capital expenditures direct assigned to AGL are shown in Column (d), Line Nos. 36 through 54. For rate making purposes, existing pre-EF projects were moved from ASC CWIP to AGL CWIP, the transfer is shown in Column (c), Line No. 56. Since existing ASC CWIP is transferred to AGL CWIP it is not included in ASC CWIP.
b. Yes, Southern Company Gas utilizes the same chart of accounts (COA) for all affiliates. The basis for Gas' COA is the FERC uniform system of accounts.
c. No, the plant FERC accounts in AGL's 2024 GRAM filing include only direct AGL assets or direct assigned assets from ASC to AGL.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-6 **During the 2019 rate case, 2021 GRAM, 2022 GRAM, and 2023 GRAM, did AGL include any AGSC related Direct Assigned capital dollars in its capital budget, CWIP, or in other areas of ratemaking? If yes, please explain each.**

RESPONSE:

The EAM project discussed in STF-45-10 is direct assigned project costs that are included in AGL's capital budget. Prior to the implementation of EF, no other direct assigned projects were included in AGL's capital budget or CWIP.

Direct assigned assets from ASC were included in the 2019 rate case filing and 2021-2023 GRAM filings. Once direct assigned projects are pushed down (moved from ASC FERC account 107 to AGL FERC account 101) and included in plant-in-service, there are associated impacts to accumulated reserve, depreciation expense and accumulated deferred income taxes. A discussion on direct assigned assets was included in the Company's response to *STF 6-1-Revised* and *Attachment STF 6-1t (Allocated AGSC Rate Base)* filed in the Company's 2019 rate case filing. A copy of the response and attachment is provided as Attachment STF-45-6a and b, respectively. Further, direct assigned assets were also addressed through discussions with Staff in the Company's 2021 GRAM filing resulting in the revisions to Attachment B, and addition of Attachment C and WP 2-1-1 Plant Additions to the 2021 GRAM refiling and all future GRAM filings. Please also see the Company's response to STF 45-3.

Direct assigned assets were further discussed in the 2022 GRAM filing in data request set STF-30. In particular, response STF-30-3 discusses the inclusion of AGSC direct assigned plant in AGL's rate base. A copy of the STF-30-3 is provided as Attachment STF-45-6c.

While the issue of which budget the direct assigned projects should be included is new to this proceeding, the proper inclusion of direct assigned assets in AGL's rate base, namely plant and the associated financial impacts, is consistent and appropriate with the 2019 rate case and prior GRAM filings. Please also see the Company's response to STF 45-2.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-7 As part of the 2024 GRAM filing in WP 2-1 and WP 2-2-1, Accumulated Depreciation, did AGL include any AGSC Direct Assigned?

RESPONSE:

Yes, see the Company's response to STF-45-5.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-8 When reviewing WP 2-3 in the 2024 GRAM filing, did AGL include AGSC Direct Assigned projects in the AGL CWIP?

RESPONSE:

Yes, see the Company's response to STF-45-5.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-9 **When reviewing WP 2-1-5-6 in the 2024 GRAM filing, it appears that AGL included AGSC Direct Assigned capital spending. When reviewing the 2024 GRAM Attachment-B 2024 Capital Budget Summary worksheet, it appears that AGSC Direct Assigned isn't included, but it is included in the GRAM Input worksheet and other areas. Is AGL including AGSC Direct Assigned capital spending in its 2024 capital budget?**

RESPONSE:

Yes. As discussed in the Company's response to STF-45-2, since the implementation of EF, AGL's budget now includes direct assigned assets budgeted by ASC that are now included in AGL's capital budget. For comparison purposes, the Company separated the AGL budget in Attachment B between AGL capital projects and direct assign capital projects.

WP 2-1-5-6 reflects only AGL capital projects and ties to the budget summaries provided in Attachment B, tabs *2023 Cap Budget Summary* and *2024 Cap Budget Summary*. Supporting details for budget summaries is provided in tabs *2023* and *2024*. Direct Assign capital projects are shown in Attachment B in tabs 2023 Direct Assign and 2024 Direct Assign.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-10 **Regarding the file below that was part of AGL's 2021 i-CDP filing, the IT budget information was provided on page 80 - 81, please answer the following.**

a. AGL presented the Enterprise Asset Management capital spending by Southern Company Gas, or AGSC, for 2021 – 2024. The document stated that once the asset is completed and in-service, it would be allocated to each of the Southern Company Gas natural gas utilities by customer count. Does AGL agree that the AGSC Direct Assigned assets are not be built solely for AGL and that they are to provide utility service for all of the Southern Company Gas utility affiliates and allocated based on the TS Allocation Factors worksheet showing the number of customers?

b. Regarding AGL's estimates provided on page 81, it appears AGL's actual AGSC Direct Assigned capital spending has exceeded from what was provided in the i-CDP. Does AGL agree that it can't exceed the AGSC Direct Assigned as approved in the i-CDP?

3 - AGL's Integrated Capacity and Delivery Plan - PUBLIC DISCLOSURE

III. Funding Requirements:

IT-Base Business projected investment levels are shown below.

The development and implementation of the new EAM system will be a multi-year project in support of all Southern Company Gas' regulated utilities. The funding requirements listed below represent the anticipated allocation of the program costs to AGL based on customer count.

Table 38: IT Budget

IT	2018	2019	2020	2021 (GRAM)	2021 (Bud)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
($ millions)	6.7	6.2	16.8	1.0	7.8	16.4	17.8	3.7	3.0	3.0	1.3	1.3	1.3	1.3	1.3
IT-IT (Base Business)	*6.7*	*6.2*	*16.8*	*1.0*	*1.9*	*3.5*	*2.0*	*3.0*	*3.0*	*3.0*	*1.3*	*1.3*	*1.3*	*1.3*	*1.3*
IT-IT (EAM)	*0.0*	*0.0*	*0.0*	*0.0*	*5.9*	*13.0*	*15.8*	*0.7*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

RESPONSE:

a. While ASC direct assign assets may be constructed solely for the benefit of AGL, direct assigned assets are generally constructed for two or more LDCs, costs are allocated based on customer count. The EAM project shown in AGL's i-CDP budget is separate from the IT allocations presented in the i-CDP in *GRAM-MFR-1&2 2021 i-CDP Capital V4_TRADE_SECRET,* tab AGLC, row 4 *Estimated IT Allocations (Budgeted under AGSC)* and on page 34 of the i-CDP filing document *3 - AGL's Integrated Capacity and Delivery Plan - TRADE SECRET,* in both sections 5.3 and 5.4.

As discussed in response STF-45-2, all projects that are direct assigned are budgeted by ASC and are now shown in the LDC's budgets since cost are direct assigned as costs are incurred.

b. The Company does not agree. See the Company's response to STF-45-12.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-11 **Regarding AGL including AGSC Direct Assigned capital spending in the AGL capital budget and in CWIP, please provide a legal reference from the 2019 rate case February 14, 2020 Final Order or the i-CDP Final Order in Docket No. 43820 dated November 18, 2023, that discusses AGL was approved to include AGSC Direct Assigned capital spending in the AGL capital budget and CWIP.**

RESPONSE:

The AGL i-CDP filing included AGSC capital investments that were to be allocated to AGL for the benefit of customers that AGL serves. The Commission approved that filing, which included those allocations.

Recovery on AGSC rate base allocated to AGL, whether as a ratemaking adjustment discussed in STF 45-2 or a direct assigned asset on the books and records of AGL, has been consistent with each AGL rate case filings and GRAM since GAS has had a Service Company.

Also, see the Company's response to STF 45-6.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-12 Does AGL agree that if it includes the AGSC Direct Assigned capital spending in the 2024 GRAM, it is still subject to the capital budget limits approved in the i-CCP Final Order and the 2023 GRAM stipulated agreement?

RESPONSE:

AGL agrees that the i-CDP final order is in effect. Nonetheless, the relevant limitation on AGL's budget is the commitment made to Commissioners, not any limits imposed by the i-CDP final order. The Company committed to Commissioners in the course of the i-CDP hearing that it would not increase residential bills by more than 6% during each of the initial three years of the i-CDP planning horizon, and AGL has adhered to that commitment. The i-CDP final order does not reference the 6% commitment. The budgets within the i-CDP are estimates, as the language in the Stipulation approved by the Commission's Final Order in Docket No.43820 states (see, paragraph 3 of the Stipulation, which states that "The forecasts included within AGL's Amended i-CDP are appropriate estimates of customers' needs for planning purposes during the initial three-year Planning Period of the Amended i-CDP."). Indeed, the same Stipulation provides that "costs incurred by AGL in accordance with an approved i-CDP that was in effect at the time such costs were incurred (or obligations for such costs were incurred) may be recovered by AGL and shall not be disallowed in the absence of fraud, concealment, failure to disclose a material fact, imprudence, or criminal misconduct on the part of AGL; provided, however, that the Commission may disallow and make appropriate adjustments for any costs that were not incurred in accordance with such i-CDP if such costs were not prudently and reasonably incurred to provide utility services. (Stipulation at Paragraph 10). It is the commitment made to limit rate increases to no more than 6% annually for residential customers that has limited AGL's rate increases, not anything included within the Stipulation or the Final Order approving that Stipulation.

The Company managed to provide safe, reliable and resilient service while managing within said constraints.

As stated in STF 45-3 and 4 the Company budgets but is capped at an annual 6% bill impact. The stipulation with PSC Staff did not establish that limit.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas

STF-45-13 Does AGL agree that it isn't allowed to exceed its approved GRAM, SRR, and LNG capital budgets, as approved in the i-CDP Final Order, and AGSC Direct Assigned was never approved as part of those capital budgets?

RESPONSE:

See the responses to STF-45-11 and STF-45-12.

Respondent: Michael Morley
Director, Regulatory Reporting & Strategy
Southern Company Gas