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DOCKET NO. 42315: 2019 ATLANTA GAS LIGHT COMPANY RATE CASE/AFFILIATE TRANSACTION AUDIT

FINAL ORDER APPROVING ATLANTA GAS LIGHT COMPANY'S 2024 GEORGIA RATE ADJUSTMENT MECHANISM FILING

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.

On February 21, 2017, the Commission approved a Stipulated Agreement between the Staff of the Georgia Public Service Commission ("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. Pre-2024 GRAM Meetings

During the 2023 GRAM process, the Staff and AGL agreed to meet after January 1, 2023, to discuss changes to the GRAM model. From January – June 2023, the Staff and AGL had numerous meetings and phone calls to enhance the GRAM review process. They agreed on changes to create additional schedules to better show the rate design by changing certain workpapers to schedules and moving certain external GRAM attachments into the GRAM model as workpapers. In WP 5 for O&M, AGL switched from O&M using categories to individual FERC accounts to limit long formulas and shorten Staff's review process when confirming dollar amounts The Staff and AGL agreed on an ECON-1 surcharge recovery process that removed ECON-1 recovery out of the GRAM so that it would not impact the GRAM rates. The Staff and AGL agreed to a new Peaking Service Rate Model that decoupled the Peaking Service Rate from the GRAM model to more accurately show the Peaking Service Rate calculation. The Staff and AGL agreed to have additional meetings on the revisions of its tariff related to the GRAM and Peaking Service Rate.

III. 2024 GRAM Filing

On July 14, 2023, AGL filed its 2024 Georgia Rate Adjustment Mechanism ("GRAM") Filing ("2024 GRAM" or "Original Filing") with a Forward Looking Test Year ("FTY") of January 1, 2024 through December 31, 2024. The Rate Effective Period ("2024 REP") for new rates is the same as the forward looking test year. The Historic Test Year ("HTY") was the 12 months beginning August 1, 2022, and ending July 31, 2023. AGL's 2024 GRAM filing had seventeen (17) files. The four (4) primary files were the following:

Attachment-A: 2024 GRAM Model
Attachment-B: AGL's 2024 GRAM Capital Budget Components

Attachment-C: AGSC's 2024 Capital Budget Components
Attachment-D: 2024 Peaking Service Rate Model

The other thirteen (13) files supported the 2024 GRAM Model. Attachment-B and Attachment-C were supported the 2024 GRAM model. The 2024 GRAM model provided the ratemaking items necessary for the Attachment-D 2024 Peaking Service Rate Model. The 2024 GRAM Model was composed of the following items below:

In **Table-1**, it provides the rate base components that are used to calculate AGL's rate base. When all the components are added together, it provides AGL's projected rate base dollar amount through the FTY. Using the approved 56% equity, this is multiplied by the rate base dollar amount to obtain the rate base attributed to equity.

Table-1: Schedule-2 Rate Base Components

WP 2-1	Plant In Service
WP 2-1-1	Plant Additions
WP 2-1-4	Plant Detail
WP 2-1-5-6	CAPEX
WP 2-2	Accum Depr Reserves, averaged
WP 2-2-1	Accum Depr Reserves, detail
WP 2-3	CWIP, monthly balances, averaged
WP 2-4	RWIP, monthly balances, averaged
WP 2-5	Service Company Allocation of Rate Base
WP 2-5-1	Service Company Calculation & Allocation of ADITs
WP 2-5-2	AGSC Allocation Factor
WP 2-6	ADIT, summary 13-month average
WP 2-7	Cash Working Capital
WP 2-8	Customer Deposits

In **Tables 2a** and **2b**, the operating income components are provided. The **Table-2a** components calculate the revenues under current rates through the FTY, and this result is provided in Schedule-4. **Table-2b** provides an estimate of O&M through the FTY, and this result is provided in Schedule-5. This calculation of operating income occurs in Schedule-3 pulling in the necessary components from Schedules 4, 5, 12, 6, 7, 10, WP 2-8, and WP 2-3.

Table-2a: Schedule-2 & 3 Operating Income Components - Rev

WP 4	Revenue at Present Rates
WP 4-1	Customer Adjustments
WP 4-2	Billing Determinant Summary
WP 4-3	Residential Impact

Table-2b: Schedule-2 & 3 Operating Income Components – O&M

WP 5	O&M Expense Detail
WP 5-1	O&M Adjustments Summary
WP 5-1-1	O&M Adjustments Summary Monthly
WP 5-1-2	Civic Participation Adjustment

WP 5-1-3	Marketing Adjustment
WP 5-1-4	Lobbying Adjustment
WP 5-2	Payroll & 401K Adjustment
WP 5-3	Benefits and Retirements
WP 5-3-1	Benefits Budget
WP 5-3-2	Pension & OPEB Budget
WP 5-3-3	Actuarial Report
WP 5-4	Outside Services - Safety & Compliance
WP 5-4-1	Outside Services Budget
WP 5-5	Labor and General Inflation Factor
WP 5-6	Cost Stabilization Workpaper

On Schedule-2, the operating income after income taxes is divided by the rate base attributed to equity, to obtain a ROE calculation projected for activity through the FTY under current rates and ratemaking adjustments. In **Table-3** shown below, the revenue adjustment is calculated based on the projected ROE. If the ROE is below 10.25% there will be a revenue adjustment increase, or rate increase. If the ROE is above 10.25%, there will be a revenue adjustment decrease, or rate decrease.

Table-3: Revenue Adjustment & Rate Calculation Components

Schedule 9	Tax Expansion Factor
Schedule 10	Capital Structure
Schedule 11a	Calculation of Revenue Adjustment
Schedule 11b	Revenue Adjustment Allocation
Schedule 11c&d	Class Revenue Contribution with Percentage Contribution for Customer Charge & DDDC
Schedule 11e	Rate Impact
Schedule 11f	Summary Of Present And Proposed Rates
Schedule 12	Rider Over/Under-Recovery

In **Table-4** below, the Peaking Service Rate Model ("Peaking Model") provides for the same ratemaking components as provided in the GRAM model. The Peaking Model pulls components from the GRAM model to calculate a Peaking Service Rate to be assessed on the customers in the Macon and Atlanta pool groups.

Table-4: Peaking Service Rate Model Components

1. Peaking Service Rate Per DDDC Calculation: Provides the cost of service and rate calculation to be included in the 2024 GRAM.
2. Schedule-2: 2024 GRAM
3. Schedule-9: 2024 GRAM
4. Schedule-10: 2024 GRAM
5. WP 2-1: WP 2-1 from the 2024 GRAM with Plant Associated with Peaking Service Assets

6. WP 2-2: Accumulated Depreciation (Reserves) Associated with Peaking Service Assets
7. WP 4-2 Billing Detail
8. WP 5 O&M: O&M Associated with Peaking Service Assets
9. Schedule 6 Depreciation: Provides support for the Peaking Service Rate Calc Worksheet
10. WP 7 Other Taxes: 2024 GRAM WP 7
11. Peaking %: Peaking % Calculations for WP 2-1, WP 2-2 and WP 6 Depr
12: Property Tax & ADIT Factor: Associated with Peaking Service Assets

A. Rate Base

In the **Table-5** below, in the Original Filing, the rate base components filed by AGL in the GRAM model included the following items. The result was a total Rate Base of **$4,352,584,976**.

Table-5: Original 2024 GRAM model Schedule-2

1	Plant in Service	$7,021,342,593
2	Less: Accumulated Depreciation Reserve	($2,097,729,856)
3	Construction Work in Progress	$400,827,471
4	Service Company Allocation Net Plant and ADITs	$54,857,249
5	Accumulated Deferred Income Tax *(Including EDIT)*	($1,150,115,695)
6	Working Capital Required	$83,307,589
7	Accumulated Customer Deposits	$40,095,625
8	**Rate Base**	**$4,352,584,976**
9	% Common Equity	56.00%
10	**Rate Base Attributed to Common Equity**	**$2,437,447,587**
11	**Net Operating Income Attributed to Equity After Taxes**	**$185,921,163**
12	**Rate Of Return On Common Equity**	**7.63%**

With the 56% equity approved during the 2019 rate case, the Rate Base Attributed to Equity was **$2,437,447,587**. In **Table-6** below, the Peaking Service Rate Model calculation is provided from the Original Filing for the Peaking Service rate for 2024 with a rate base totaling **$190,337,419**.

Table-6: Original 2024 Peaking Service Rate Model

Plant in Service	$381,222,822
Accumulated Depreciation	$136,407,298
Accumulated & Excess Deferred Income Taxes (ADITs & EDITs)	$54,478,105
Rate Base	**$190,337,419**
Return on Rate Base - Interest, Equity & Taxes	$18,137,417
Property Taxes	$1,399,830
Depreciation Expense	$6,752,954
Operations and Maintenance Expenses	$8,451,060
Peaking Services Total Revenue Requirement	**$34,741,261**
Projected Full Year Peaking DDDC	28,815,139

Peaking Service Rate Per DDDC for the 2024 GRAM Filing Schedule-11b	**$1.21**

B. Operating Income

For the 2024 GRAM FTY, AGL calculated revenues and Operation and Maintenance expenses ("O&M"). As provided in WP 4, Schedule-4 and Schedule-3, AGL provided a calculation of adjusted revenues through the FTY under current rates. In WP 5, Schedule-5, and Schedule-3, AGL calculated of adjusted O&M. In **Table-7** below, the operating income calculation is provided with a Net Operating Income total of **$185,921,163**.

Table-7: 2024 GRAM Schedule-3 Operating Income

400	Operating Revenues	890,861,503
807	Purchased Gas Exp	740,000
	Total Margin	**$890,121,503**
401, 402	Operation and Maintenance Expenses	356,190,412
Schedule 12	Under-Recovery Amortization	23,000,000
403, 404	Depreciation and Amortization Expense	171,900,555
408.1	Taxes Other Than Income	39,605,193
431	Total Interest Expense	80,326,032
431	Interest on Customer Deposits	737,102
419, 432	Allowance for Funds Used During Construction	-17,471,117
	Total Operating Expenses	**$654,288,178**
	Operating Income Before Income Taxes	$235,833,325
409.1, 410.1	Income Taxes	49,912,162
	Net Operating Income Available for Equity	**$185,921,163**

C. Proposed Revenue Adjustment

In **Table-8** below, the total 2024 GRAM Proposed Revenue Adjustment is provided. The Operating Income attributed to equity was **$185,921,163**. The reported ROE was 7.63% compared to the approved target ROE of 10.25%. On Schedule-11a, the ROE shortfall was 2.62% that was multiplied by the Rate Base Attributed to Equity percentage, 56%. This produced an operating income deficiency of **$63,917,215**. When this was grossed up for income taxes at 133.86%. The proposed revenue adjustment increase was **$85,560,069**. This was reduced by the 2022 RTU Adjustment, **($4,253,111)**, the 2021 GRAM Carry Forward, **($693,022)**, and the 10% Revenue Adjustment from the i-CDP, **($8,610,992)**. AGL included a 6% Customer Billing Adjustment of **($19,006,054)**. This provided a Total Proposed Revenue Adjustment of **$53,124,980**.

Table-8: 2024 GRAM Schedule-11a Revenue Adjustment

No.	Description	Amount
	(a)	(b)
1	Calculated Return (Schedule 2)	7.63%
2	Adjustment ROE (band from 10.05% - 10.45%)	10.25%
3	Difference (Line 2 - Line 1)	2.62%
4	Equity portion of rate base (Schedule 2)	$2,437,447,587
5	Operating Income Deficiency or (Sufficiency) (line 3 * line 4)	$63,917,215
6	Tax Expansion Factor (Schedule 9)	133.86%
7	**Proposed Revenue Adjustment (line 5 * line 6)**	**$85,560,069**
8	Refund of 2022 RTU	($4,253,111)
9	2021 GRAM Carry Forward	($693,022)
10	10% Revenue Adjustment	($8,610,992)
11	**Adjusted Revenue Adjustment**	**$72,002,943**
12	Adjustment to 6% Customer Bill Commitment	**($19,006,054)**
13	**6% Customer Bill Commitment Revenue Adjustment**	**$52,996,889**
14	ECON-1 Revenue Requirement (Calc on WP 11)	$128,092
15	**Total Proposed Revenue Adjustment**	**$53,124,980**

IV. Staff Analyses

A. The Review

The Staff thoroughly reviewed the Original Filing's 17 schedules, 41 workpapers, and 17 supporting attachments in the GRAM model and 13 worksheets in the Peaking Model. The governance document for the AGL GRAM is tariff Section 26. The Staff reviewed this section of the tariff to ensure that the 2024 GRAM was compliant with the Commission approved tariff. Additionally, the Staff reviewed the 2019 rate case model, the 2021 GRAM model, and the 2022 GRAM model, and the 2023 GRAM model as part of the review to ensure that the 2024 GRAM model was consistent with past filings. Schedule-2 of the GRAM calculated the ROE by dividing Operating Income by Rate Base Attributed to Equity. AGL applied ratemaking adjustments through the FTY under current rates.

The Staff reviewed items that impacted rate base. , which included the Schedule-2 group of workpapers. Afterwards, an issues list was developed that addressed additional information and concerns. On August 29, the Staff issued its 42nd Set of Data Requests to gather information on WP 2-1 Plant in Service and WP 2-2 Accumulated Depreciation. On the same date, the Staff issued its 43rd Set of Data Requests to gather information on WP 2-3 CWIP, WP 2-4 RWIP, and WP 2-5 AGSC Allocated Rate Base. On the same date, the Staff issued its 44th Set of Data Requests to gather information on WP 2-6 ADIT, WP 2-7 CWC, and WP 2-8 Customer Deposits. AGL filed responses to Staff's data requests on September 15th.

The Staff also reviewed items that impact Operating Income, which included the WP 4 and WP 5 group of workpapers. The revenue information is transferred to Schedule-4, and the O&M information is transferred to Schedule-5. The results on those schedules were transferred to Schedule-3 for the Operating Income calculation. Schedule-3 also receives information related to Schedules 6, 7, 8, 9, 10, 12, WP 2-3, and WP 2-8. The Staff also reviewed these items and developed an issues lists.

Additionally, the Staff reviewed the Peaking Model and its supporting components that were transferred from the GRAM model.

B. Staff and AGL Meetings

On August 29th, the Staff and AGL had a meeting to allow the Company to ask clarifying questions related to Staff's 42nd, 43rd, and 44th Sets. The DR's were filed after the meeting.

On September 7, 2023, the Staff and AGL had a meeting to discuss issues with WP 5, to address the O&M presentation. The WP 5 presentation was changed from prior GRAM filings as a result of an agreement between the Staff and AGL during the 2023 GRAM process. However, the Staff and AGL didn't have the opportunity to meet on the new presentation before the 2024 GRAM filing. AGL was able to clarify the new format and the Staff offered suggestions for new headings that better described the dollar amounts and functions.

On October 24th, the Staff and AGL met to discuss the forty-eight (48) items on the issues list. The first 29 items were discussed. On November 9th, the Staff and AGL resumed their meeting to discuss items 30 – 48. The Staff emailed meeting notes to AGL for comment, and AGL provided their comments. The result of the two meetings was forty-five items with issues were resolved. Three items remained unresolved. Of the forty-five (45) items that were resolved, twenty (20) were

clarifications or providing additional data. There were twenty-five (25) items that were agreed on pertaining to the GRAM model and Peaking Model changes. **Table-9** below provides the agreed on twenty-five (25) changes to the GRAM model and Peaking Model. The changes will make both models more accurate and efficient to review.

Table-9: Resolved Issues with Model Changes

Line #	Location	Correspondence	Notes
1	STF-42-1	STF-42-1	Breakout of account 392 forecast
2	S11a & WP 11	STF-43-1	Removal of ECON-1 from Schedule 11a and WP 11
3	WP 2-5	STF-43-13	ASC ADITs, MACRs correction
4	WP 2-5	STF-43-14	WP 2-5 format change
5	WP 2-6	STf-44-5	Adding row label for PRP equity activity
6	WP 2-7	STF-44-15	Actualization of the feds fund rate for customer deposits through July
7			
8	Inputs	Email 7.18.2023	Add years to inputs tab
9	WP 2-7	11-9-2023 Meeting Notes, issue 28	CWC breakout of "Other Operating Expenses"
10	WP 5	Email 7.19.2023	Directly link WP 5 to IS rather than using SUMIF formula
11	WP 5	11-9-2023 Meeting Notes, issue 30	New WP 5 format, TW provided a copy of his proposed changes
12	WP 5	Email 7.10.2023/11-9-2023 Meeting Notes, issue 36: WP 5 L61 FERC 93020000 Misc General Expenses	Change format to WP 5-1
13	Schedules 7 & 3	11-9-2023 Meeting Notes, issue 38	Add FERC accounts to TOTIT Schedule Staff: Ad Valorem & FICA
14	Schedule-2	11-9-2023 Meeting Notes, issue 46	PS ADITs were presented incorrectly, also footnotes to the source of PS adjustments. Peaking Service Model.
15	WP 2-5	11-9-2023 Meeting Notes, issue 20	Addition of AGL allocated ASC costs by FERC in separate tab Staff: After considering this matter further, the Staff would prefer this calculation to appear in the Suppl A-2 Worksheet since it already has the AGSC allocations. AGL can include the AGL allocated amounts on that worksheet, and then provide the calculation of the factor that will be transferred to WP 2-5-2. The Staff can then use the Q-ATR report filings to confirm the rate in WP 2-5-2. The Staff would need to determine if AGL agrees to this proposed change.
16	WP 2-5	11-9-2023 Meeting Notes, issue 25	Copy and paste in tax reports into tab in GRAM model - Staff: Supplemental Exiting Plant Tax Dep AGL & AGSC 2023 & 2023 as a new WP 2-5-2-1

17	Peaking Model	11-9-2023 Meeting Notes, issue 47	Add the updated PS RR tab to Attachment D. RR has been agreed to with Staff Staff: Format presentation change.
18	WP 2-1-4	STF-14-5 (Dkt 41559) - Staff Issue-6	Add in USF CIAC in recorded in August 2023
19		Correspondence with Tony & Staff	Add R&D tax credit to Schedule 8
20	WP 2-5	Staff Meeting	WP 2-5 Change 'Adjustments' to 'Non-Allocable' on Plant In Service and Accum Depr Staff Issue 26
21			
22		New/additional Supplemental Files	
23	WP 2-10	Correspondence with Tony & Staff - Cost of Debt	Cost of debt for Q1 and Q2 Staff Issue 39
24	Schedule-10	Correspondence with Tony & Staff - WP 5 O&M Adj	Source of fixed comp, PPP and 401K adjustments
25	Peaking Model	Correspondence with Tony & Staff - PS Model O&M	Source of Peaking Services O&M Staff Issue 43

C. AGSC Direct Assigned Rate Base Components & AGL's 2024 GRAM Capital Budget

Of the original forty-eight (48) items that were discussed, there were three (3) items that weren't resolved that included the following items:

i. AGSC Direct Assigned Rate Base Components imbedded and recovered in AGL's rate base with no transparency.

ii. AGSC Direct Assigned capital spending imbedded in AGL's 2024 GRAM capital budget but separated as to not impact AGL's 2024 capital budget cap.

iii. AGSC Direct Assigned Rate Base Components comingled with AGL's rate base components with no separate breakout.

During the 2024 GRAM review, the Staff found that AGL was attempting to include what they called AGSC Direct Assigned" rate base components, which AGL also called "Push-Down Assets". The Staff also found AGSC Direct Assigned CWIP in WP 2-3 of the GRAM model. This finding led the Staff to investigate this matter. The term "AGSC Direct Assigned" in this matter "should not" be confused with the AGSC Direct Assigned Costs ("DAC") related to the O&M allocations charged by AGSC to AGL. Likewise, the AGSC Direct Assigned rate base components "should not" be confused with the AGSC allocated rate base approved in the 2019 rate case that appears in WP 2-5 of the rate case December 30, 2019 compliance filing, and the subsequent GRAM filings. The distinction is provided below:

> AGSC Direct Assigned rate base, or Pushed Down assets are assets that are constructed at AGSC and, upon completion of the asset, it is then directly

assigned/pushed down to the books and records of the affiliate or affiliates for which the asset was constructed for their specific use and benefit. These assets are generally specific to one or more of the four regulated utilities of Southern Company Gas.

AGSC Allocated assets are assets that are constructed and remain on AGSC's books and records upon completion. The assets remain on AGSC's books and records since they are generally for the benefit of all affiliates. The Commission has recognized that AGL benefits from the use of AGSC assets and has allowed inclusion of a portion of these costs (included in the 2019 rate case and GRAM filings, WP 2-5 AGSC) in rate base for rate making purposes.

The Staff found that AGL was placing this AGSC Direct Assigned rate base components in its 2024 GRAM capital budget, which hadn't previously occurred in prior GRAM filings. When discussing this with AGL, the Staff found that the 2024 GRAM was the first GRAM filing where AGL attempted to include AGSC capital spending in its budget, **$53.1 million**. Related to AGSC Direct Assigned, AGL stated in prior years that AGSC would provide its own capital spending, and once the asset was constructed, AGSC would allocate this asset between the regulated natural gas utilities using the number of customers as the allocation factor. This asset would appear in AGL's rate base as if it were one of AGL's assets embedded into its FERC accounts.

AGL pointed to the 2022 upgrade from PeopleSoft to Oracle, as the catalyst for this change. AGSC decided for 2024 it would push its capital spending to AGL, and AGL would include AGSC activity in its capital budget. This was further discussed by AGL in its response to STF-45-2. Additionally, the Staff found that in the 2024 GRAM Attachment B 2024 GRAM capital budget summary, AGL didn't present the AGSC capital budget items as part of its presentation, which totaled **$28.2 million**. The Staff found this activity in what was called GRAM Input worksheet in Attachment B. The issue with the presentation was that the AGSC Direct Assigned GRAM related capital spending part of the budget was excluded from the AGL 2024 GRAM capital budget cap as approved in i-CDP. This had two effects. First, the AGSC Direct Assigned capital spending wasn't transparent or disclosed for the Staff to clearly notice. Second, this approach kept the AGSC Direct Assigned activity separate from the 2024 GRAM capital budget cap. During the last i-CDP, the Commission approved **$440.1 million** for a 2024 GRAM capital budget. During the 2023 GRAM, the Staff and AGL reached a stipulated agreement, and as part of the agreement, the 2024 GRAM capital budget had an increase "of up to" 2%[1], or a max of **$448.9 million**. In AGL's 2024 GRAM Attachment B, the 2024 GRAM capital budget summary, it listed **$433 million** as the total capital budget. The Attachment B GRAM Input worksheet showed an additional **$28 million in AGSC capital spending**. When the AGL GRAM capital budget spending is added with the AGSC GRAM capital budget

[1] On November 18, 2021, the Commission authorized the parameter for the 2024 GRAM capital budget in the amount of $440,116,490 as part of the i-CDP in Docket No. 43820. The Staff and AGL agree to a 2024 GRAM capital budget variance of up to 2%, or a potential variance of $8,802,330. Capital budgets for the 2024 GRAM filing will be shown in Attachment B. Page 4 of the Stipulation in DN 42315 approved December 30, 2022.

spending, the actual estimated 2024 GRAM capital budget is increased to **$461.3 million**. This would be **$12.4 million** above the 2023 GRAM stipulated agreement approved by the Commission.

In **Table-10** below, it provides the history of the 2024 GRAM capital budget that was approved as part of the 2021 i-CDP and modified as part of the 2023 GRAM stipulated agreement. As part of the 2024 GRAM filing, the 2024 GRAM capital budget has an approved maximum dollar amount of **$448.9 million**. AGL proposed **$433 million**, but when the **$28 million** in AGSC additional GRAM capital budget spending is added with it, this dollar amount increases to **$461 million.**

Table-10: GRAM 2024 Capital Budget

11/18/2021	DN 43820 i-CDP Approved 2024 GRAM Capital Budget	$440,116,490
12/30/2022	DN 42315 2023 GRAM: Approved 2024 GRAM Capital Budget - Max Amount	$448,918,820
7/14/2023	DN 42315 2024 GRAM: Attachment B 2024 GRAM Capital Budget Summary	$433,097,433
7/14/2023	DN 42315 2024 GRAM: Attachment B GRAM Input Worksheet AGSC Capital Budget Dollar Amount	$28,000,000
2024 GRAM Capital Budget: AGL & AGSC Budget Items		**$461,363,373**
Dollar Amount Above Max Allowed		**$12,444,553**

Staff's Analysis

As part of the Staff's analysis on this issue, the Staff reviewed the following documents:

a. AGL Direct Testimony-2019 rate case
b. Staff's Direct Testimony
c. AGL Rebuttal Testimony
d. Rate Case Transcripts
e. AGL's Proposed Order

f. Commission's Final Order
g. AGL responses to STF-6-1
h. AGL responses to STF-8-6
i. AGL responses to Staff's 45th Set of DRs

As part of its investigation, Staff issued the 45th Set of DRs on October 25th to gather additional information. As part of the November 13th responses in STF-45-2, AGL discussed the difference between AGSC Direct Assigned and AGSC Allocated. This was also discussed in AGL's response to STF-32-1. As part of STF-45-2, the Staff requested a breakout of all AGSC Direct Assigned rate base activity between AGL, CNG, VNG, and Nicor, in Attachment-STF-45-2. AGL filed the response on November 30, 2023. Staff reviewed the items related to the 2019 rate case in Docket No. 42315.

When reviewing all the documentation from the 2019 rate case, AGL did not discuss the AGSC Direct Assigned assets or rate base components, and they never used the term "Push-Down" in the rate case. The only request AGL made was to include AGSC allocated rate base, which appeared in WP 2-5. The Staff opposed this position, but the Commission allowed AGL to include this item as part of its rate base. In WP 2-5, AGL shows a calculation for AGSC rate base, and using a ratio calculated in WP 2-5-2, the allocation to AGL is provided. This result is transferred to Schedule-2 Line-4 where it is added to AGL's rate base for ratemaking purposes. This isn't AGSC Direct Assigned. In STF-32-1, AGL defined both AGSC Allocated rate base and AGSC Direct Assigned, or Push-Down in the following:

RESPONSE

Please see Attachment STF-32-1 for the assets pushed down/direct assigned from AGSC to AGL from January 2019 through January 2022.

Consistent with previous discussions with Staff, "direct assigned/pushed down assets" are assets that are constructed at AGSC and, upon completion of the asset, it is then direct assigned/pushed down to the books and records of the affiliate or affiliates for which the asset was constructed for their specific use and benefit. These assets are generally specific to one or more of the four regulated utilities of GAS.

"Allocated assets" are assets that are constructed and remain on AGSC's books and records upon completion. The assets remain on AGSC's books and records since they are generally for the benefit of all affiliates. The Commission has recognized that AGL benefits from the use of AGSC assets and has allowed inclusion of a portion of these costs (included in the 2019 rate case and GRAM filings, WP 2-5 AGSC) in rate base for rate making purposes. Please refer to the Company's response to STF 32-2 for assets that are on the books and records of AGSC and allocated to AGL for ratemaking purposes.

Respondent: Ken Bevels
Manager, Regulatory Reporting
Southern Company Gas

Furthermore, in AGL's response to STF-8-6 filed as part of the 2019 rate case, as seen below, AGL stated that Plant Assets that are owned by AGSC are recorded on the AGSC books and they are financed by AGSC. What this response shows is at the time of the 2019 rate case, there were no AGSC Direct Assigned rate base components being placed on AGL's books, and this should have been the case after the rate case was concluded. Also, this response confirms that the only AGSC related rate base components that was part of the rate case was the AGLC allocated which was found in WP 2-5 and extensively discussed by AGL in the Morley, Flaherty, and Kim testimonies and addressed in the PIA Staff direct testimony. This was extensively discussed in the rate case transcripts on pages 870 – 876 (Morley) and 1109 – 1119 (Wackerly-Kollen).

STF-8-6 Refer to AGL Exhibit No. ____(MK-1), which is a copy of the AGL Services Agreement between AGL Services Company and the Company. Cite the specific provisions of this agreement that address compensation for the use of capital, e.g., interest or a calculation of rate of return applied to some formulation of a rate base equivalent.

RESPONSE

The AGL Services Agreement between AGL Services Company and the Company (Atlanta Gas Light Company) does not address compensation for the use of capital. AGL Services Company does not charge the Company for its interest expense or calculation of return as part of the amount charged to the Company pursuant to the AGL Services Agreement. The plant assets owned by AGL Services Company are recorded on the books of AGL Services Company and are financed by AGL Services Company and Southern Company Gas. The Company does not issue any equity or debt for the plant assets owned by AGL Services Company. However, these assets are used by employees of both the Company and AGL Services Company and are useful and necessary to the Company's operations. As such, as stated in the pre-filed direct testimony of the Company witness Michael J. Morley, the plant assets owned by AGL Services Company are allocated and included in the Company's rate base, which is consistent with the Company's last case (Docket No. 31647) and the 2017 and 2018 GRAM filing, all of which were approved by the Commission. Depreciation expense associated with the plant assets owned by AGL Services Company is charged to the Company pursuant to the AGL Services Agreement. As stated above, the charge to the Company pursuant to the AGL Services Agreement does not include any interest or return associated with the plant asset owned by AGL Services Company.

Respondent: Matthew Kim
Vice President and Gas Utilities Controller
Southern Company Gas

There are four (4) main issues from the Staff analysis above.

1. As part of the 2019 rate case, AGL did not request, communicate, or disclose any information related AGSC Direct Assigned rate base components being part of its request. There is no information found in AGL's documents. There is no proof or record that the dollar amounts in that rate case included any AGSC Direct Assigned. A process that was not disclosed in testimony or the worksheets that would allow the Commission Staff to render an opinion and recommendation could not have been approved. This item was not disclosed, and therefore, was not part of the record or voted on.

2. As part of the 2024 GRAM filing, AGL included AGSC Direct Assigned components to its capital budget without informing the Staff. As provided by AGL in STF-45-2, AGL had never included AGSC capital spending in the AGL capital budget prior to the 2024 GRAM filing on July 14, 2023. The fact that AGSC Direct Assigned rate base components was never approved as an inclusion in the AGL rate base, further complicates the fact that AGL was shifting AGSC capital spending into its 2024 GRAM capital budget. There was no approval to include AGSC Direct Assigned rate base components in AGL's GRAM rate base, and certainly not in AGL's GRAM capital budget.

3. AGL included the AGSC Direct Assigned capital spending in its 2024 GRAM capital budget without transparency. The AGL GRAM capital budget presentation excluded the AGSC Direct Assigned capital budget from the approved 2024 GRAM capital budget maximum approved dollar amount. When the AGL GRAM capital budget dollar amount is added with the AGSC Direct Assigned capital budget, the overall AGL 2024 GRAM capital budget exceeds the maximum approved by **$12.4 million**.

4. As discussed in C(i) above on page 11, the AGSC Direct Assigned rate based components are imbedded in AGL's FERC accounts with no transparency.

AGL Discussions

First, when discussing this matter with AGL, the Company stated the AGSC Direct Assigned rate base components was included in the 2019 rate case. As part of STF-32-7, seen below, the Staff requested a location in the 2019 rate case where this issue was discussed, the response didn't point to any specific location where this issue was requested or discussed.

Second, as seen in the response to STF-32-7, AGL stated that the 2019 rate case final order stated the following:

> Additionally, please see page 6 of 33 of AGL's 2019 rate case filing final order, docket 42315, for a discussion of AGSC and AGL utility plant in which the Commission finds that AGL's rate base is reasonable. Specifically, on page 31 of 33 the order states *"ORDERED FURTHER, that the updated utility plant in **AGL's rate base is reasonable and appropriate.***

The Staff's response is that the reason the AGSC Direct Assigned wasn't an issue was because AGL never informed the Commission that it existed, and because of that omission, the

PIA Staff couldn't address that issue. It is reasonable to determine that if the PIA Staff was opposed to AGSC Allocated rate base on AGL's books, the PIA Staff would have equally opposed to AGSC Direct Assigned in AGL's rate base. The order did have wording about rate base being reasonable and appropriate on pages 6 and 31, but that was based on what was believed to be known rate base that had been identified, quantified, and presented in a clear and transparent manner, which didn't happen with the AGSC Direct Assigned rate base components, or Push-Down. The Commission was never given the opportunity to hear the AGL request or the PIA Staff's case in this matter because AGL never disclosed that this was an item it had embedded in the rate case worksheets and schedules.

STF-32-7 Please provide a reference in AGL's 2019 rate case where "push down" assets were discussed.

RESPONSE

"Push down" assets were discussed in Staff testimony, Company testimony, discovery, and the Commission's Final Order in Docket No. 42315. The discussions on "push down" assets are accessible on the Commission's website in Docket No. 42315.

For an example of the Company's discovery responses, please see AGL's response to data request STF 6-1 Revised and Attachment STF 6-1t (Allocated AGSC Rate Base) that were submitted in the Company's 2019 rate case filing and are on file with the Commission in Docket No. 42315.

Additionally, please see page 6 of 33 of AGL's 2019 rate case filing final order, docket 42315, for a discussion of AGSC and AGL utility plant in which the Commission finds that AGL's rate base is reasonable. Specifically, on page 31 of 33 the order states *"ORDERED FURTHER, that the updated utility plant in* ***AGL's rate base is reasonable and appropriate.*** *Further the Company shall allocate of AGSC's reserves for injuries and damages and the pension and OPEB liabilities in its cash working capital and a separate allocation of such items is not warranted in this proceeding."* (emphasis added). Further on page of 32 of 33, the order states *"ORDERED FURTHER, that combining all of the proposed adjustments to the Company's rate base, the Commission finds that AGL's projected rate base on July 31, 2020, shall be $3,194,072,320."* (emphasis added). The rate base amount in the order ties to the GRAM Schedules – Compliance Filing 12.30.2019 filing that includes directly assigned AGSC assets.

Respondent: Ken Bevels
Manager, Regulatory Reporting
Southern Company Gas

Third, AGL stated that it had information in STF-6-1 about AGSC Direct Assigned rate base components, see below. The Staff reviewed the response items, and found no information about

AGSC Direct Assigned rate base components. It should be made clear that Attachment STF-6-11 does include O&M related AGSC allocated cost called Direct Assigned, or DAC, but this is O&M related expenses and not related to AGSC Direct Assigned rate base or capital spending.

STF-6-1 Provide a copy of all electronic schedules and workpapers in live format with all formulas intact developed, reviewed, and/or relied on by each of the Company's witnesses for their testimony not already provided. If none, so state for each witness for which there are no additional schedules or workpapers that have not already been provided.

RESPONSE

AGL has no additional materials responsive to this Data Request other than information that is protected by the attorney-client privilege and / or the attorney work product doctrine, was prepared in anticipation of litigation or trial, and / or is otherwise protected by other discovery privileges recognized under the Georgia Civil Practice Act or other laws of the State of Georgia.

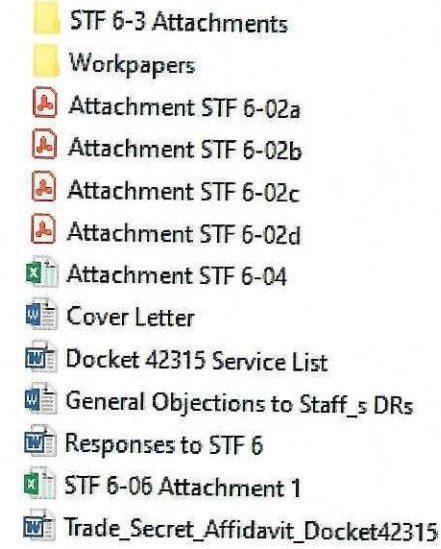
See the table below for references to workpapers for each Company witness.

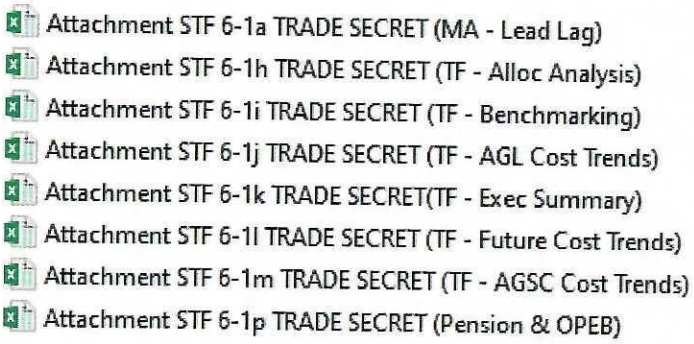
Michael Adams	Attachment STF 6-1a TRADE SECRET (MA - Lead-Lag)
Bryan Batson	None. See support provided for each expert Witness.
Heath Brooks, Kenny Smith	Attachment STF 6-1b (HBKS – Forecast) Attachment STF 6-1c (HBKS – Comm Cost Reg Time) Attachment STF 6-1d (HBKS – Comm Cost OT) Attachment STF 6-1e (HBKS – Residential Cost Reg Time) Attachment STF 6-1f (HBKS – Residential Cost OT) Attachment STF 6-1g (HBKS – WP Ending July 2020)
Steven M. Fetter	None.
Richard B. Felder	None.
Thomas J. Flaherty	Attachment STF 6-1h TRADE SECRET (TF – Alloc Analysis) Attachment STF 6-1i TRADE SECRET (TF – Benchmarking) Attachment STF 6-1j TRADE SECRET (TF – AGL Cost Trends) Attachment STF 6-1k TRADE SECRET (TF – Exec Summary) Attachment STF 6-1k PUBLIC DISCLOSURE (TF – Exec Summary) Attachment STF 6-1l TRADE SECRET (TF – Future Cost Trends) Attachment STF 6-1m TRADE SECRET (TF – AGSC Cost Trends)
David A. Heintz	Attachment STF 6-1n (DH – ACOS WP)
Matthew Kim	Attachment STF 6-1o (MK – Alloc Cost Growth)
Michael J. Morley	Attachment STF 6-1p TRADE SECRET (Pension & OPEB) Attachment STF 6-1p PUBLIC DISCLOSURE (Pension & OPEB) Attachment STF 6-1q (Tax WP)
Murphy, Carter, Rose, Beckman	See the Company's responses to other filed data requests with emphasis on set 4.
Dr. Jim Vander Weide	Attachment STF 6-1r (JW – Multiple Files)
Dane Watson	Attachment STF 6-1s (DW – Multiple Files)

Due to the voluminous nature of the data provided, all referenced attachments have been provided in electronic format only. Trade Secret responses have been redacted in their entirety except for the following for which a Public Disclosure has been provided: Attachment STF 6-1k PUBLIC DISCLOSURE (TF – Exec Summary) and Attachment STF 6-1p PUBLIC DISCLOSURE (Pension & OPEB).

Please note in the preparation of this response, the Company determined that the calculation of AGSC allocated plant for the forecasted period 2019 – July 2020 was overstated. The Company will revise the calculation and file an errata no later than August 31, 2019.

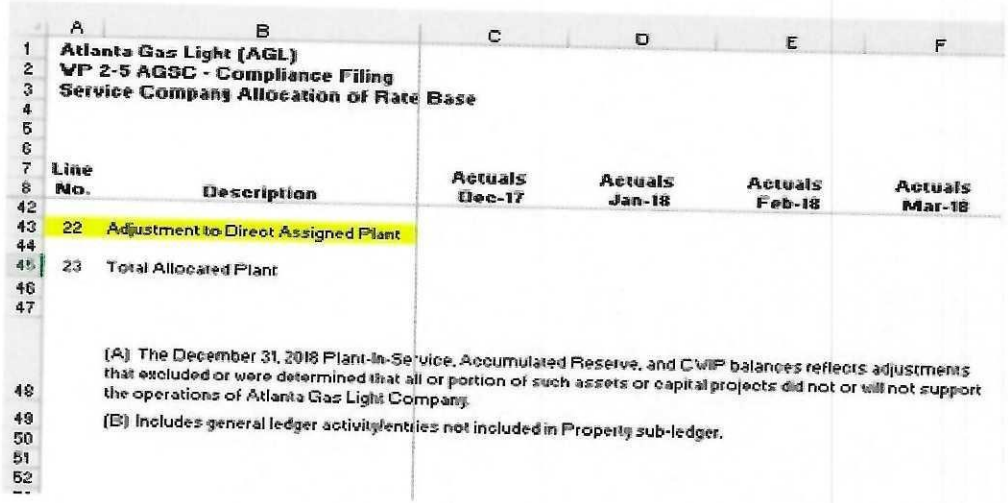
Respondents: Witnesses listed above.





Fourth, AGL has discussed that in the 2019 rate case GRAM schedules in WP 2-5, it had a Line-23 item called "Adjustment to Direct Assigned Plant" that it believed was a full clear indication that AGSC Direct Assigned rate base components was fully disclosed. Please see **Table-11** below. WP 2-5 is the AGSC Allocated rate base that AGL fully included in its 2019 rate case testimonies, addressed by the PIA Staff, and fully discussed in the rate case transcripts. This was viewed as a line item related to the AGSC allocated rate base and not a full disclosure of the inclusion of something completely different and separate.

Table-11



	A	B	C	D	E	F
1	Atlanta Gas Light (AGL)					
2	VP 2-5 AGSC - Compliance Filing					
3	Service Company Allocation of Rate Base					
4						
5						
6						
7	Line		Actuals	Actuals	Actuals	Actuals
8	No.	Description	Dec-17	Jan-18	Feb-18	Mar-18
42						
43	22	Adjustment to Direct Assigned Plant				
44						
45	23	Total Allocated Plant				
46						
47						
		(A) The December 31, 2018 Plant-In-Service, Accumulated Reserve, and CWIP balances reflects adjustments				
48		that excluded or were determined that all or portion of such assets or capital projects did not or will not support the operations of Atlanta Gas Light Company.				
49		(B) Includes general ledger activity/entries not included in Property sub-ledger.				
50						
51						
52						

Fifth, AGL discussed that in its April 28, 2021 Integrated Capacity and Delivery Plan ("i-CDP") filing, that it included AGSC Direct Assigned. This was stated in AGL's response to STF-45-3, seen below. The referenced document from i-CDP was called "AGL's Integrated Capacity and Delivery Plan" document on page 81. See the **Table-11** below. In that section of the i-CDP filing, the term AGSC Direct Assigned isn't used. Also, there is no discussion or request for this item to be included in the GRAM capital budget for 2022 - 2024. The USF and ECON-1 is also discussed, but they weren't included in the GRAM capital budgets for 2022 – 2024. When reviewing the i-CDP related GRAM capital budget details, AGL had no inclusions of AGSC Direct Assigned capital spending or any other AGSC activity.

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/iCDP 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

Table-12

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 ($ millions)	2018	2019	2020	2021 (GRAM)	2021 (Bud)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	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

Sixth, on November 29th, AGL emailed a supplemental and revised response to STF-6-1 where AGL attempted to make revisions to Attachments STF-6-1q and STF-6-1t. It isn't clear if AGL intends to filed this revision or supplement. AGL provide the following statement:

> "The changes from the original filing are related to an update to the amounts allocable or directly assignable to AGL from CWIP as of December 2018 and capital budgets for 2019 and 2020. Assets are directly assigned and recorded on the books of a specific AGSC affiliate or multiple affiliates when the asset benefits specific affiliates. When an asset benefits all AGSC affiliates the asset is retained on the books of AGSC and allocated as a part of AGSC rate base. In this update some of the changes resulted in an increase to the direct assigned assets. Rather than incorporate the change in assigned plant in the AGL direct plant calculation of rate base, the adjustment has been included as a component of AGSC allocated rate base to minimize the impact of the revision throughout the other components of the case."

Also, AGL pointed to prior meetings with the Staff related to inquiries about AGSC Direct Assign in prior years.

The Staff responded to AGL's email stating that the PIA Staff during the 2019 rate case had to rely on what was filed at that time. Any revision at this point doesn't resolves this issue. There was no information provided in any AGL related testimony that AGSC Direct Assigned rate base components were included in the rate case materials and no requests were made by AGL on this issue. Related to prior inquiries from the Staff to AGL on this matter, the Staff has attempted to address this issue with AGL in the past with no resolution. AGL has asserted that this issue had been approved during the 2019 rate case, though no direct evidence had been provided.

Seventh, on November 29th ,AGL sent another email to Staff stating the following:

As noted on page 4 and 5, lines 84-87, Flaherty's testimony is a summary of the report and the conclusions reached, so he doesn't touch on every item in the report in his testimony. The report is an Exhibit to the testimony (page 7 of 96, starting on line 140) so Flaherty notes on page 12 of 96, starting on line 228, that "the report should be viewed as an extension of this testimony and contains extended discussion of the above topics and a number of exhibits that further explain or support the conclusions I reached."

The Staff had already visited the Thomas J. Flaherty testimonies and studies from the 2019 rate case and found no discussions about AGSC Direct Assigned. The Staff revisited the pages and line numbers discussed in the AGL email. The Staff found that the line numbers didn't match the page numbers. The Staff reviewed the page numbers and line numbers.. There was no discussion about AGSC Direct Assigned.

It should be noted that Flaherty had two attachments to his direct testimony. There was a Word document named "AGL Exhibit No._(TJF-1) – Affiliate Cost Study Repot". The other attachment was a PowerPoint named "AGL Exhibit No._ (TJF-1) – Affiliate Cost Study Consolidated Exhibits". In both of these attachments, or exhibits, the only discussions were related to O&M allocations and how these occur with some discussion about the AGSC allocated rate base. There was no discussion related to rate base components to include AGSC Direct Assigned rate base components that were supposedly in AGL's rate base or related to the 2019 rate case filing.

The Staff and AGL disagree on this issue and have agreed to discuss this matter further in future meetings.

D. AGSC Direct Assigned Rate Base in AGL's FERC Accounts

As one of the forty-eight (48) issues that wasn't resolved, the AGSC Direct Assigned rate case components can't be distinguished from AGL's rate base items because they are embedded in AGL's FERC accounts. This was discussed in IV(C)(i) above on page 11 and on page 16 Item #4. In response from AGL to Staff's Attachment-45-2, AGL did provide some breakout of the impact to AGL, CNG, VNG, and Nicor. The Staff discussed with AGL that the AGSC Direct Assigned rate base components needed to be separate from the AGL rate base components in separate worksheets. There are no worksheets or schedules that breakout AGSC Direct Assigned related rate base items with AGL's ratemaking components, and this would include Plant in Service, accumulated depreciation, CWIP, and ADIT. There needs to be a detailed transparency between what belongs to AGL and what belongs to AGSC, but is directly assigned to AGL. The Staff believes it is important to review the AGSC Direct Assigned rate base impact on AGL's books and records as a separate review. The Staff asked AGL for the following breakout:

a. First, similar to WP 2-1-4, as a new WP 2 workpaper called, WP 2 AGSC Dir Plant, please create a mirror workpaper of WP 2-1-4 that will provide AGSC direct assigned assets. The ASGC Direct Plant for the FTY can be provided on Schedule-2 as a new line. Then, WP 2-1-4 can have any AGSC activity removed.

b. Second, similar to WP 2-2-1, AGL can create a new workpaper called WP 2 AGSC Dir Dep to provide the accumulated depreciation on direct assigned assets. This can be provided as a new line on Schedule-2. Then, the AGSC activity can be removed from WP 2-2-1.

c. Third, similar to WP 2-3, AGL can create a new WP 2 AGSC Dir CWIP worksheet for the direct assign assets under construction, and/or implementation. This can appear as a separate line on Schedule-2. Then, any AGSC activity can be removed from WP 2-3.

d. Fourth, similar to WP 2-6, AGL can create a new WP 2 AGSC Dir ADIT to account for the accumulated deferred income taxes on the AGSC direct assigned assets. This can appear as a separate line on Schedule-2. Then, any AGSC activity can be removed from WP 2-6.

The Staff asked AGL to provide this breakout in a revised 2024 GRAM. AGL agreed to provide this 2024 GRAM breakout by January 15, 2024, and to provide in all GRAM filings going forward.

V. Revised GRAM Filing Revenue Adjustment and Rate Impacts

After the December 5, 2023 meeting between the Staff and AGL, the Company filed a revised GRAM model on December 7th, and an additional filing on December 8th to include missing files. The Staff reviewed the GRAM model and the Peaking Model and found that they met the agreed on changes discussed in prior meetings. As seen in **Table-13a** below, the revised 2024 GRAM model Schedule-2 is provided. The revised Rate Base Attributed to Equity was **$4.363 billion** with a ROE of 7.54% for the FTY under current rates. In **Table-13b** below, the revised Schedule-11a is provided. The revised Operating Income totaled **$184,215,653.**

Table-13a: Revised 2024 GRAM Schedule-2

1	Plant in Service	$7,023,654,268
2	Less: Accumulated Depreciation Reserve	($2,125,644,066)
3	Construction Work in Progress	$435,679,548
4	Service Company Allocation Net Plant and ADITs	$52,258,697
5	Accumulated Deferred Income Tax *(Including EDIT)*	($1,097,258,954)
6	Working Capital Required	$89,143,568
7	Accumulated Customer Deposits	($14,427,207)
8	Rate Base	$4,363,405,855

9	% Common Equity	56.00%
10	**Rate Base Attributed to Common Equity**	**$2,443,507,279**
11	**Net Operating Income Attributed to Equity After Taxes**	**$184,215,653**
12	**Rate Of Return On Common Equity**	**7.54%**

Table-13b: Revised 2024 GRAM Schedule-3

1	400	Operating Revenues	$890,861,503
2	807	Purchased Gas Exp	$740,000
3		Total Margin	$890,121,503
4		Operating Expenses:	
5	401, 402	Operation and Maintenance Expenses	$353,743,506
6	Schedule 12	Under-Recovery Amortization	$23,000,000
7	403, 404	Depreciation and Amortization Expense	$173,525,748
8	408.1	Taxes Other Than Income	$40,477,486
9	431	Total Interest Expense	$85,033,034
10	431	Interest on Customer Deposits	$775,462
11	419, 432	Allowance for Funds Used During Construction	($19,882,754)
12		Total Operating Expenses	$656,672,483
13		Operating Income Before Income Taxes	$233,449,020
14	409.1, 410.1	Income Taxes	$49,233,367
15		Net Operating Income Available for Equity	$184,215,653

As provided in **Table-14** below, the ROE shortfall of 2.71% was multiplied by the Rate Base Attributed to Equity, **$2.443 billion** to obtain the Operating Income Deficiency of **$66,243,843**. This was grossed up for income taxes for a Proposed Revenue Adjustment of **$88,674,512**. AGL then applied the 2022 RTU Refund of **($4,253,111)**, the 2021 GRAM Carry Forward of **($692,022)**, and the 2022-2024 10% i-CDP adjustment of **($9,014,105)**. This resulted in an Adjusted Revenue Adjustment of **$74,714,273**. AGL than applied what it calls a 6% Customer Bill Commitment Revenue Adjustment that reduced the Adjusted Revenue Adjustment by **($21,717,384)**. The Total Proposed Revenue Adjustment was **$52,996,889**.

Table-14: Revised 2024 GRAM Schedule-11a

1	Calculated Return (Schedule 2)	7.54%
2	Adjustment ROE (band from 10.05% - 10.45%)	10.25%
3	Difference (Line 2 - Line 1)	2.71%
4	Equity portion of rate base (Schedule 2)	2,443,507,279
5	Operating Income Deficiency or (Sufficiency) (line 3 * line 4)	$66,243,843
6	Tax Expansion Factor (Schedule 9)	133.86%
7	Proposed Revenue Adjustment (line 5 * line 6)	$88,674,512
8	Refund of 2022 RTU	($4,253,111)
9	2021 GRAM Carry Forward	($693,022)
10	10% Revenue Adjustment	($9,014,105)
11	**Adjusted Revenue Adjustment**	**$74,714,273**

12	Adjustment to 6% Customer Bill Commitment	**($21,717,384)**
13	**6% Customer Bill Commitment Revenue Adjustment**	**$52,996,889**
14	ECON-1 Revenue Requirement (Calc on WP 11)	$0
15	**Total Proposed Revenue Adjustment**	**$52,996,889**

In **Table-15** below, the revised 2024 Peaking Model provided a ROE shortfall of 3.40%, and it was multiplied by the Rate Base Attribute to Equity, **$106,392,372** to obtain the Operating Income Deficiency of **$3,613,573**. This was grossed up for income taxes for a Proposed Revenue Adjustment of **$4,837,1565.69**. The Peaking Service Rate increase was calculated by dividing the Proposed Revenue Adjustment in Row-43, **$4,837,155.69**, by the Total Peaking DDDC, 28,815,139, or an increase to the current rate of **$1.07** by **$0.17** per customer per month. The new monthly Peaking Service Rate will be **$1.24**.

Table-15: Peaking Service Rate Model Rate Adjustment

Plant in Service	$381,474,567
Accumulated Depreciation	$136,639,327
Accumulated & Excess Deferred Income Taxes (ADITs & EDITs)	$54,848,326
CWIP	
Accumulated Customer Deposits	
Rate Base	**$189,986,914**
% Common Equity	**56.00%**
Rate Base Attributed to Common Equity ("RBACE")	**$106,392,672**
Current Peaking Rate: $1.07	$1.07
Projected Full Year Peaking DDDC	28,815,139
Operating Revenues	**$30,832,199**
Interest	$3,702,420.62
Property taxes	$1,405,038.82
Depreciation Expense	$6,771,313
Operations and Maintenance Expenses	$9,192,733

Operating Expenses	**$21,071,506**
Operating Income Before Income Taxes	**$9,760,693**
Application of Composite Tax Rate (Schedule 9)	25.30%
Income Taxes	$2,469,017
Net Operating Income Available for Equity (No Taxes)	**$7,291,676**
Rate of Return on Common Equity	6.85%
Adjustment ROE (band from 10.05% - 10.45%)	10.25%
Difference (Line 20 - Line 18)	3.40%
Equity portion of rate base (Schedule 2)	**106,392,672**
Operating Income Deficiency or (Sufficiency) (line 3 * line 4)	**3,613,573**
Tax Expansion Factor - Schedule-9 Column-D Line-8	133.86%
Tax Expansion Factor (Schedule 9) - 1.33%	**4,837,156**
Total Peaking DDDC - WP 4-2 Column-AO Row-12	**28,815,139**
Peaking Service Rate Per DDDC Increase or (Decrease)	**$0.17**
Current Peaking Service Rate Per DDDC	**$1.07**
New Peaking Service Rate Per DDDC for the 2024 GRAM Filing Schedule-11b	**$1.24**

When reviewing **Table-16** below, AGL provided rate impacts in Schedule-11c. These proposed and approved rates can be found in Column-II, and this is compared to the current rates in Column-I. The rate difference can be found in Column-V. The approved rates will be effective for the Rate Effective Period of January 1st – December 31st, 2024.

Table-16: Schedule-11e 2024 GRAM Revised Impact

		Column-I	Column-II	Column-V	Column-VI	Column-VII
Line	Atlanta Gas Light Company Tariff	Current Rates	Proposed Rates	Rate Difference II - I	Monthly Increase or (Decrease) in Avg Customer Bill	Annual Increase or (Decrease) in Avg Customer Bill
1	**R-1 Residential**					
2	Customer Charge	$23.74	$25.24	$1.50	$1.50	$18.00
3	DDDC Charge	$8.57	$9.12	$0.55	$0.72	$8.69
4	**Total**				**$2.22**	**$26.69**
5						
6	**G-10 Multi-Family**					
7	Customer Charge	$21.36	$22.71	$1.35	$1.35	$16.20
8	DDDC Charge	$6.40	$6.81	$0.41	$0.11	$1.37
9	**Total**				**$1.46**	**$17.57**
10						
11	**G-11,12, and 13 Commercial & Industrial**					
12	Customer Charge < 2.5	$40.37	$42.92	$2.55	$2.55	$30.60
13	Customer Charge 2.5 to 7.0	$65.30	$69.44	$4.14	$4.14	$49.68

14	Customer Charge 7.0 to 20	$71.24	$75.75	$4.51	$4.51	$54.12
15	Customer Charge 20 to 200	$118.70	$126.22	$7.52	$7.52	$90.24
16	Customer Charge 200 to 500	$356.02	$378.57	$22.55	$22.55	$270.60
17	Customer Charge 500 to 3000	$593.34	$630.91	$37.57	$37.57	$450.84
18	Customer Charge 3000 and above	$1,186.64	$1,261.79	$75.15	$75.15	$901.80
19	DDDC Charge	$10.61	$11.29	$0.68	$5.03	$60.41
20	**Total**				**$8.65**	**$103.79**
21						
22	**AG-1 Agricultural**					
23	Customer Charge	$53.41	$56.79	$3.38	$3.38	$40.56
24	Summer Commodity Charge	$1.16	$1.23	$0.07	$3.28	$39.40
25	Winter Commodity Charge	$2.59	$2.76	$0.17	$18.41	$220.98
26	**Total**				**$25.08**	**$300.94**
27						
28	**S-51 Seasonal**					
29	Customer Charge	$47.31	$50.31	$3.00	$3.00	$36.00
30	Volumetric Charge	$1.72	$1.83	$0.11	$34.35	$412.18
31	**Total**				**$37.35**	**$448.18**
32						
33	**Peaking**					
34	DDDC Charge	$1.07	$1.24	$0.17	$0.17	$2.04
35						
36	**TS-1 General Transportation Service**					
37	TS-1 General Transportation Service					
38	Customer Charge					
39	Maximum Daily Use under 1,000 Dths	$618.32	$657.48	$39.16	$39.16	$469.92
40	Maximum Daily Use 1,000 to ,5000 Dths	$1,236.65	$1,314.97	$78.32	$78.32	$939.84
41	Maximum Daily Use 5,000 to 10,000 Dths	$1,863.09	$1,990.54	$127.45	$127.45	$1,529.40
42	Maximum Daily Use above 10,000 Dths	$3,105.17	$3,317.60	$212.43	$212.43	$2,549.16
43	Commodity Charge					
44	Intrastate Volume	$0.14	$0.15	$0.01	$32.95	$395.39
45	Interstate Volume	$0.30	$0.32	$0.02	$198.44	$2,381.28
46						
47	**(LDTS) Liquified Natural Gas Delivery to Tanker Service**					
48	Customer Charge	$59.34	$63.10	$3.76	$3.76	$45.12
49	Commodity Charge	$1.78	$1.89	$0.11	$89.10	$1,069.19
50	**Total**				**$92.86**	**$1,114.31**
51						
52	**Miscellaneous Charges**					
53	Meter Reading	$0.71	$0.71	$0.00		
54	Reconnect Charges	$25.00	$25.00	$0.00		
55	Seasonal Reconnect Charges					
56	October - April	$45.00	$45.00	$0.00		
57	May - September	$25.00	$25.00	$0.00		

58	Turn On Charges	$25.00	$25.00	$0.00		
59	Meter Set Charges					
	New Meter	$50.00	$50.00	$0.00		
	Meter Reset	$25.00	$25.00	$0.00		
60	Switching	$7.50	$7.50	$0.00		

VI. 2024 RTU Tracking Revenues

The 2024 RTU tracking revenues can be found in the Revised 2024 GRAM model Schedule-11b Column-AP Row-80 in the amount of **$953,254,133**. This includes **$917,523,360** in GRAM projected rate revenues and **$35,730,773** in Peaking Service projected rate revenues.

VII. Commission Decision

During the December 19, 2023 Administrative Session, the Commission approved AGL's Revised 2024 GRAM model with a rate increase of **$52,996,889**. The new rates will be effective January 1, 2024. The Commission approves the 2024 Peaking Rate Service Model with a rate increase of **$4,837,153** with a new Peaking Service Rate of **$1.24** per month. The new rate will be effective January 1, 2024. The Commission approves that the Staff and the Company have agreed to further investigate and discuss the issue of AGSC Direct Assigned rate base components imbedded in AGL's rate base and the AGSC capital spending in AGL's GRAM capital budget in future meetings or proceedings.

* * * * *

VIII. Ordering Paragraphs

WHEREFORE, IT IS ORDERED, that the Commission approves AGL's Revised 2024 GRAM Filing filed on December 7, 2023.

ORDERED FURTHER, the Commission approves AGL's Revised 2024 GRAM model with a rate increase of **$52,996,889** with new rates will be effective January 1, 2024.

ORDERED FURTHER, that the Commission approves AGL's 2024 Peaking Rate Service Model with a rate increase of **$4,837,153** with a new Peaking Service Rate of **$1.24** per month effective January 1, 2024.

ORDERED FURTHER, that the Commission approves that the Staff and the Company have agreed to further investigate and discuss the issue of AGSC Direct Assigned rate base components imbedded in AGL's rate base and the AGSC capital spending in AGL's GRAM capital budget in future meetings or proceedings.

ORDERED FURTHER, that a motion for reconsideration, rehearing, oral argument, or any other motion shall not stay the effective date of this Order, unless otherwise ordered by the Commission.

ORDERED FURTHER, that jurisdiction over this matter is expressly retained for the purpose of entering such further Order or Orders as this Commission may deem just and proper.

The above by action of the Commission in Administrative Session on the 19th day of December 2023.

Sallie Tanner
Executive Secretary

12-21-23
Date

Jason Shaw
Chairman

12-21-23
Date