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Docket No. 15326: CONSIDERATION OF MODIFYING THE EXISTING PSC RULES CONCERNING UNIVERSAL SERVICE FUND MANDATED BY HB 1568

FINAL ORDER APPROVING UNIVERSAL SERVICE FUND 2024 ESCROW ACCOUNT AGREEMENT

I. Background

Georgia law provides that the Commission shall create a Universal Service Fund ("USF") to be used, *inter alia*, for enabling the electing distribution company to expand its facilities and service in the public interest. O.C.G.A. § 46-4-161(a)(2) and Commission Rule 515-7-5-.04(1). In O.C.G.A. § 46-4-161(e) and in Commission Rule 515-7-5-.04(2), provides that all monies placed in a USF shall be deposited in a separate interest bearing escrow account kept at the Commission designated bank.

During 2011, the Staff sent Request for proposals to solicit a new escrow account agent. SunTrust was selected as the new agent, and the Staff, Atlanta Gas Light Company ("AGL'), and SunTrust Bank collaborated on a new USF Escrow Account Agreement ("USF 2012 EAA"). On January 9, 2012, SunTrust Bank was approved as the new USF escrow account agent along with the 2012 EAA.

In April 2021, SunTrust Bank and BB&T Bank completed a merger to become Truist Bank. The USF 2012 EAA remained in place, though additional Truist Bank signature pages were required to update authorized persons to sign for disbursements and online access.

II. Investment Policy

The USF 2012 EAA continued with an Investment Policy that had been in place since the inception of the USF in 1998, as provided in the Diversification and Maturity Limitations section of the Investment Policy page 15. In **Table-1** below, the USF 2012 EAA continued with the

same Investment Policy that included seven (7) investment types. This provided restrictions and limitations on certain types of investments that were deemed to carry more risk. As part of that section, Money Market Funds were restricted to no more than 25% of the total USF invested dollars.

Table-1: Investment Restrictions

U.S. Treasuries and securities with U.S. Govt. Guarantee	100%
U.S. Govt. Agencies and instrumentalities	Not to exceed 75%
Fully insured or collateralized CDS	Not to exceed 25%
Bankers Acceptances	Not to exceed 10%
Commercial Paper	Not to exceed 10%
Repurchase Agreements	100%
Money Market Funds	Not to Exceed 25%

In 2020, with large deployments of fiscal packages into the economy by the Federal government, wage increases, and supply chain issues, inflation began to rise in the economy. The Federal Reserve maintained interest rates at near-zero percent for two years, 2020 – 2021, to give the economy time to recover from the coronavirus pandemic. Beginning in March 2022, the Federal Reserve began a series of interest rate hikes to combat inflationary pressures. With the Federal Reserve raising interest rates over time, it caused longer term investments to become less attractive than shorter term investments. With the inverted yield curves between longer than shorter term investments, the shorter term investments that could have better interest rates. To lock into a longer term investment, would cause lost opportunity for better returns.

To respond to this issue, the Managing Director, Truist Foundations and Endowments Specialty Practice ("Managing Director") at Truist Bank stopped investing in longer term instruments, related to the USF. It was decided to place all funds in a Money Market Account that used U.S. Treasuries with a seven (7) day duration. This allowed for a better return without being locked-in for a longer period. This was the best solution at the time, but the USF 2012 EAA Investment Policy only allowed for no more than 25% of the funds to be invested in Money Market Funds. The Staff discussed this issue with the Managing Director, and the Staff agreed leaving the 100% of the funds in the Money Market Fund was the most prudent financial decision, especially since they were invested 100% in U.S. Treasuries. The Managing Director stated that as long as the Money Market Fund investments had the same restrictions and limitations as the other six (6) Investment types in the Diversification and Maturity Limitations section of the EAA, then the intent of the policy was in compliance. This change would allow more flexibility for the Managing Director to make timely investment decisions on behalf of the USF.

III. Updating the USF Escrow Account Agreement

Though the Staff agreed that it was prudent to leave 100% of the USF investments in the Money Market Fund invested in U.S. Treasuries, the Investment Policy would need to be updated to allow any Money Market Fund investments to go above the current 25% limit. It was

decided to update the Investment Policy to allow for 100% of USF funds for investment in a Money Market Fund as long as it was in accordance with the other six (6) investment types with the same percentage limitations. Additionally, since the Investment Policy needed to be updated, this provided an opportunity to update the entire USF escrow account agreement to reflect Truist Bank as the escrow account agent.

After talking with the Managing Director, it was decided that the Money Market Account investment type could include a statement that reads "May be held up to 100% as long as the underlying holdings are in compliance with all other guidelines above", see **Table-2** below. This would ensure any investments held in the Money Market Fund would adhere to the same investment restrictions as the other six (6) investment types.

Table-2: Proposed Diversification and Maturity Limitations

U.S. Treasuries and securities with U.S. Govt. Guarantee	100%
U.S. Govt. Agencies and instrumentalities	Not to exceed 75%
Fully insured or collateralized CDS	Not to exceed 25%
Bankers Acceptances	Not to exceed 10%
Commercial Paper	Not to exceed 10%
Repurchase Agreements	100%
Money Market Funds (May be held up to 100% as long as the underlying holdings are in compliance with all other guidelines above.)	100%

In August 2023, the Staff drafted an updated USF escrow account agreement that reflected Truist as the escrow account agent and changes to the Investment Policy, and the Staff, Truist Bank, and AGL ("Parties") worked together to produce an updated escrow account agreement. In December 2023, the final document was completed. The required signatures were obtained in January 2024, and this became the USF 2024 Escrow Account Agreement.

IV. Commission Decision

During the February 6, 2024 Administrative Session, the Commission approved the USF 2024 Escrow Account Agreement.

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V. Ordering Paragraphs

WHEREFORE IT IS ORDERED, that the Commission approves the 2024 USF Escrow Account Agreement.

ORDERED FURTHER, that all findings, conclusions, statements, and directives made by the Commission and contained in the foregoing sections of this Order are hereby adopted as findings of fact, conclusions of law, statements of regulatory policy, and orders of this Commission.

ORDERED FURTHER, that a motion for reconsideration, rehearing, or 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 the Commission may deem just and proper.

The above by action of the Commission in an Administrative Session on the 6th day of February 2024.

Sallie Tanner
Executive Secretary

2-6-24
Date

Jason Shaw
Chairman

2-6-24
Date