Atlanta Gas Light

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EXECUTIVE SECRETARY
G.P.S.C.

March 29, 2019

Mr. Reece McAlister
Executive Secretary
Georgia Public Service Commission
244 Washington St.
Atlanta, GA 30334

Re: **Filing of Atlanta Gas Light Company**
Report on the Impacts of the Merger between Southern Company and Southern Company Gas
Docket No. 39971

Dear Mr. McAlister,

Enclosed please find an original and fifteen copies of Atlanta Gas Light Company's Filing in the above referenced docket.

Sincerely,

Elizabeth Wade

Elizabeth Wade

Atlanta Gas Light Company's

Report on the Impacts of the Merger between

Southern Company and Southern Company Gas

Docket No. 39971

March 29, 2019

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BACKGROUND

On May 9, 2016, the Georgia Public Service Commission (Commission) issued an order adopting the Settlement Agreement filed on April 7, 2016 in Docket No. 39971, *Joint Request of Atlanta Gas Light Company, AGL Resources, Inc. and The Southern Company for a Finding That Southern Company's Merger With AGL Resources, Inc. Complies With Applicable Law.* Paragraph 3(a) of the Settlement Agreement requires both Georgia Power (GPC) and Atlanta Gas Light (AGL) to file a report at the end of the first quarter, two full calendar years following the Merger closing. Paragraph 3(a) of the Settlement Agreement presents the information required to be addressed in the report and paragraph 3(b) discusses the regulatory treatment of merger transition costs and merger savings. Southern Company completed the Merger on July 1, 2016 with AGL Resources, now known as Southern Company Gas (GAS).

AGL Services Company (AGSC), which is a subsidiary of GAS, provides various common services across the GAS system companies and charges for these services to the appropriate system companies in accordance with the applicable services agreements. Following the merger between GAS and Southern Company in 2016, GAS, along with all of its subsidiaries including AGL and AGSC, became subsidiaries of the Southern Company. AGSC remains in existence and continues to provide shared services to GAS' subsidiaries, including AGL.

Additionally, a portion of the costs for certain corporate-level services undertaken by Southern Company Services, Inc. ("SCS") for the entire Southern Company system are charged to AGSC through a separate services agreement ("SCS-AGSC Services Agreement"). AGSC, in turn, allocates those costs among its affiliates, including AGL, in accordance with its services agreements, just as it does with all other costs for shared services received. The corporate-level services that AGSC may be charged for under the SCS-AGSC Services Agreement include all of those services that AGL may receive under the AGSC Services Agreement, with the exception of gas supply and capacity management.

OVERVIEW OF AGSC

GAS utilizes a shared services company, AGSC, to provide certain services to the various regulated and non-regulated companies that are part of the GAS organization. AGSC provides these services, as listed below, in accordance with the AGL Services Agreement ("Agreement").

- Rates and Regulatory
- Internal Audit
- Gas Supply and Management
- Engineering Services
- Financial Services
- Information Systems
- Business Support[1]
- Customer Service
- Employee Services
- Marketing
- Legal
- Executive
- External Relations
- Other [2]

The Agreement also outlines the methodology of allocating costs to the various affiliated organizations as described below.

Direct Charge: Costs accumulated in specific O&M projects will be directly charged to one or more GAS System Companies as defined by the project owner. Costs will also be directly charged to GAS System Companies using methods determined on a case-by-case basis consistent with the nature of the work performed and/or based on the utilization of one of the standard rates and drivers (Number of Stores Issues Ratio, Rate per Square Foot, Rate per Vehicle, Rate per Computer, Rate per Employee).

Direct Assigned: Costs accumulated in Account Codes for services specifically performed for one or more GAS System Companies are assigned utilizing the unique business unit identifier for all operational costs including payroll expenses. Benefit related expenses will be direct assigned among and charged to such GAS System Companies using methods determined on a case- by-case

[1] Business Support includes Purchasing, Facilities Management and Fleet.
[2] Other contains, Corporate Communication, Records Management, Strategic Planning, Investor Relations and Other Corporate Services.

basis consistent with the nature of the work performed and/or based on one of the distribution or allocation methods (Direct Assign Payroll Ratio).

Distributed and Allocated: Costs accumulated in Account Codes for services of a general nature which are applicable to all GAS System Companies or to a class or classes of GAS System Companies will be allocated among or charged to such GAS System Companies by application of one or more of the allocation methods described below.

Number of End-Use Customers Ratio -A ratio based on the number of end-use customers for GAS natural gas affiliates. This ratio will be updated at regular intervals, at least annually, using the most recent data reasonably available.

Total Assets Ratio - A ratio based on the total assets less intercompany receivables and intercompany notes. This ratio will be updated at regular intervals, at least annually, using the most recent data reasonably available.

Number of Employees Ratio - A ratio based on the number of employees benefiting from the performance of a service. Additionally, for the parent or holding company of GAS, the number of employees are those officers common to the parent and AGSC. This ratio will be updated at regular intervals, at least annually, using the most recent data reasonably available.

Call/Phone Volume Ratio - A ratio based on the monthly call volume incurred on behalf of the GAS System Companies and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

Operating Expense Ratio- A ratio based on total operating expense. This ratio will be updated at regular intervals, at least annually, using the most recent data reasonably available.

Operating Margin Ratio - A ratio based on operating margin defined as revenue less cost of goods. Additionally, for the parent or holding company of GAS, operating margin

consists of dividends for the GAS System Company subsidiaries. This ratio will be updated at regular intervals, at least annually, using the most recent data reasonably available.

Composite Ratio - This ratio is an average of the above four ratios of: Number of Employees, Total Assets, Operating Expenses and Operating Margin. This ratio will be updated at regular intervals, at least annually, using the most recent data reasonably available.

OVERVIEW OF SCS

SCS is a shared services company that provides certain services to the various regulated and non-regulated companies that are part of the Southern Company organization. SCS provides the services listed below and charges AGSC, in accordance with the SCS-AGSC Services Agreement. AGSC, in turn, allocates these costs to its affiliates in accordance with their services agreements.

- General Executive and Advisory services
- Purchasing
- Finance and Treasury
- Systems and Procedures
- Rates
- Employee Relations
- Business Promotion & Public Relations
- Insurance and Pensions
- Accounting and Statistical
- Taxes
- Corporate
- Budgeting
- Information Technology
- Other

All costs incurred by SCS are ultimately charged to billable work orders. If the work order used to accumulate the expenses is "direct," i.e. pertaining to only one operating company, no additional assignment or allocation is necessary.

Certain costs that cannot be directly billed to an affiliate are allocated in a manner that would align costs with cost causation drivers. As referenced in the SCS-AGSC Services Agreement, SCS's Cost Accountability and Control Manual outlines the methodology of allocating costs to the various

affiliated organizations. Allocation indicators are programmatically set to reflect and ultimately bill each affiliate, as applicable, if they participate in or benefit from particular projects or services.

Corporate Services ("CS") are the expenses incurred to support SCS as a corporation. CS expenses are allocated to both affiliated and non-affiliated customers based on current month labor billings.

GOODWILL COSTS

Paragraph 3(a)(i) of the Settlement Agreement, approved in Docket No. 39971, requires that AGL include in this report detailed schedules showing, "*Goodwill Costs and fair value write-ups in excess of net book value by account/subaccount recorded on its accounting books, if any; including, but not limited to, any charges from either Southern Company Services or AGL Services Company;*"

There are no goodwill costs or fair value write-ups recorded on AGL's accounting books and records.

MERGER TRANSACTION COSTS

Paragraph 3(a)(ii) of the Settlement Agreement, approved in Docket No. 39971, requires that AGL include in this report detailed schedules showing, "*Merger Transaction Costs by account/subaccount recorded on its accounting books, if any; including, but not limited to, any charges from either Southern Company Services or AGL Services Company;*"

There were no merger transaction costs recorded on AGL's accounting books and records. Specific work orders, project identification numbers and general ledger accounts were used to track and record all merger transaction costs at the GAS holding company.

MERGER TRANSITION COSTS

Paragraph 3(a)(iii) of the Settlement Agreement, approved in Docket No. 39971, requires that AGL include in this report detailed schedules showing, "*Merger Transition Costs by account/subaccount recorded on its accounting books, if any; including, but not limited to, any charges from either Southern Company Services or AGL Services Company;*"

There were no merger transition costs recorded on AGL's accounting books and records. Specific work orders, project identification numbers and general ledger accounts were used to track and record all merger transition costs at the GAS holding company.

REVIEW OF SERVICE COMPANY COSTS

Paragraph 3(a)(iv) of the Settlement Agreement approved in Docket No. 39971 requires that AGL include in this report detailed schedules showing, "*Calculation and demonstration of Merger Savings and Net Merger Savings, including all assumptions, data, calculations, electronic workpapers with formulas intact, and other support;*"

GAS and Southern Company management were transparent in the joint request for merger approval, stating that the Merger was not driven by a belief that significant cost synergies would be achieved. The Merger was not based on a workforce reduction or a reduction in the commitment to deploy capital to provide the investments needed to serve customers. Further, the post-closing structures of the merged companies were predominately maintained, with the existing core management team of GAS and AGL. GAS has continued to be a separate corporate entity, and continues to operate in much the same manner, providing many of the same services as it did prior to the merger. GAS continues to have a separate board of outside directors and its own management team responsible for the operation of its regulated gas subsidiaries. Accordingly, there are no quantifiable savings to AGL attributable to the Merger.

STATUS OF THE MERGER AND REORGANIZATION PROCESS

Paragraph 3(a)(v) of the Settlement Agreement requires AGL to provide a *"Status of the merger and reorganization process affecting AGLR and Southern, Southern Company Services ("SCS"), AGL Service Company ("AGLSC"), Georgia Power, and Atlanta Gas Light..."*.

Since the completion of the Merger transaction on July 1, 2016, there have been a number of changes at GAS that have impacted processes, organizational structure, and staffing levels, which are unrelated to the Merger. This includes the divestiture of three regulated utilities, Florida City Gas, Elizabethtown Gas and Elkton Gas, and the sale of Pivotal Home Solutions. The divestitures of these entities were announced in 2017 and 2018, with all divestitures completed in 2018. Since the impact of these activities were separate from and unrelated to any integration efforts related to the Merger, they are excluded from this report.

Paragraph 3(a)(v) of the Settlement Agreement requires AGL to provide detailed schedules showing the status of the merger and reorganization process affecting Southern, SCS, AGL Services Company and AGL covering the following categories:

a. Organization Structure, Executive Management, and other changes in the 12 functional areas below, with particular attention to departments, positions and/or assets consolidated and/or eliminated:
    1. Legal
    2. Finance
    3. Accounting
    4. External Affairs
    5. General Counsel
    6. Gas Supply
    7. Environmental
    8. Information Technology
    9. Human Resources
    10. Marketing
    11. Supply Chain

12. Georgia Regulated Utility Operations

b. Affiliate transactions
c. Distribution maintenance
d. Customer billing
e. Customer service
f. Accounts payable
g. Cash management
h. Procurement.

The table below presents the current status and reorganization process related to the Merger on the 12 functional areas listed under paragraph 3(a) above as they may be applicable to Southern Company, SCS, AGSC and AGL. Specifically, the table provides the functional areas that have been integrated with the Southern Company and identifies the areas in which there has been a change in reporting hierarchy from GAS to Southern Company.

Changes in positions at GAS for areas that have been materially impacted as a result of the merger have been separately identified in **Appendix A**. Appendix A provides the requested information, by major functional area, on a pre-merger and post-merger basis for AGSC, in which the impacted functional areas reside. Changes in positions have been provided separately in order to fully demonstrate the impacts to GAS' service company organization, as changes or impacts at the functional department level do not necessarily relate to changes in positions, as employees may be transferred, reassigned or repurposed across Southern Company.

Finally, there were no assets transferred to Southern Company in connection with any integrated areas. All assets previously held at GAS continue to remain at GAS. Any capital projects specific to GAS continue to be recorded by GAS even if the projects are managed by, and costs are incurred through, Southern Company.

Functional Area	Status of the Merger and Reorganization Process
Legal	There were no changes to Legal as a result of the merger.
Finance	The following changes occurred within GAS' Finance organization: • GAS Investor Relations was integrated and transferred to the SCS Investor Relations.
Accounting	The following changes occurred within GAS' Accounting organization: • Functions integrated with and transferred to SCS o Income tax and transactional tax functions were moved to the SCS Tax Organization. ▪ There are no changes to the procedures and process previously performed at GAS and the consolidation into SCS Tax is complete. o Internal Controls function was integrated and transferred to SCS Internal Controls. • Functions that have remained at AGSC, but are now subject to oversight/coordination with SCS o SEC/external reporting o Technical accounting
External Affairs	The GAS Federal Lobbying responsibilities were integrated and transferred to the SCS Governmental Affairs team in Washington, DC.
General Counsel	Internal Auditing: • The Internal Auditing function at GAS has been integrated and transferred to SCS Internal Auditing. Records Management: • GAS Records Management now reports to SCS Enterprise Records & Information Management. Corporate Security: • Georgia Power Corporate Security has taken responsibility for enterprise badging services for GAS. Georgia Power Corporate Security is also providing physical security consulting to GAS. Additionally, the strategy, management, and functional oversight of physical access control for GAS is managed by the Georgia Power Corporate Security Operations Center. Risk Management\General Business Insurance: • GAS Risk Management\General Business Insurance has been integrated and transferred to SCS Risk Management. GAS continues to provide insurance claims handling.
Gas Supply	There were no changes to Gas Supply as a result of the merger.
Environmental	There were no changes to Environmental as a result of the merger.
Information Technology	The Information Technology (IT) organization at GAS has been integrated and transferred to the IT organization at Southern Company Services (SCS) which

	provided IT Services to support all subsidiaries of the Sothern Company. This restructuring occurred as part of a broader restructuring of the SCS Technology Organization (TO). The main departments reporting to the SCS TO Executive Vice President & Chief Information Officer (CIO) are: • Electric Technology Solutions • Gas Technology Solutions • Enterprise Technology Solutions • Infrastructure • Technology Security • Technology Services • Office of the CIO To prepare for the integration of GAS' Human Resources, Financials and Supply Chain systems with Southern Company, GAS has accelerated depreciation of its PeopleSoft and PowerPlan assets, so that these assets were fully depreciated by the end of 2018. Any additional depreciation expenses due to this acceleration were charged to the parent company and not charged to any of the other entities, including AGL.
Human Resources	The following changes occurred within GAS' Human Resources organization: • The following HR functions at GAS have been integrated and transferred to the shared services organizations at SCS: o Compensation o Health and Welfare Benefits o Retirement Programs o HR Technology • The following functions remained at GAS, but now report to the shared services organizations at SCS: o GAS Payroll: moved to report to SCS Payroll. o GAS Talent Acquisition: moved to report SCS Talent Acquisition GAS has been transitioned onto most of the SCS Human Resources (HR) platforms and integrated into most existing SCS HR processes across compensation, benefits, and HR technology.
Marketing	There were no changes to Marketing as a result of the merger.
Supply Chain and Procurement	The GAS Supply Chain Management (SCM) organization now reports up through the SCS SCM organization. In most cases, the common procurement functions have been aligned and consolidated at SCS SCM. GAS adopted Southern Company's SCM's compliance requirements which included aligning policies and procedures and following the Southern Company Contracts Manual. Integration of GAS into SCS's Travel Services program within SCM will begin in 2019.
Georgia Regulated Utility Operations	GAS Facilities and Fleet functions have been integrated and transferred to SCS, reporting to Georgia Power Company Management.
Affiliate Transactions	AGSC and SCS Services Agreement AGSC entered into a services agreement with SCS on July 1, 2016. Under

	the terms of this agreement, SCS provides support to GAS in the areas of general executive and advisory services, purchasing, accounting, finance and treasury, taxes, insurance and pensions, corporate, rates, budgeting, business promotion and public relations, employee relations, systems and procedures, training, and other services. All costs assigned to GAS are billed to AGSC in accordance with the SCS Cost Accountability Manual (now known as the SCS Cost Accountability and Control Manual). Capital costs charged by SCS are allocated to the applicable affiliate for which the charges are incurred. Non-capital costs are allocated to affiliates in accordance with the Services Agreements. Amounts due to SCS by AGSC, as determined by SCS, are paid on or before the 20th of the month in which charges are billed. The service agreement between AGSC and SCS also allows AGSC to provide services to SCS with mutual agreement between both parties in accordance with AGSC policies and procedures regarding cost assignment, allocation methods, and services offered by AGSC. Docket No. 39971, Paragraph 5(a) Compliance Paragraph 5(a) of the Settlement Agreement approved in Docket No. 39971 states that any interactions between Georgia Power and Atlanta Gas Light or any other AGL Resource subsidiary will: 1) continue to be subject to the Affiliate Transaction Standards approved by the Commission in Docket No. 9355-U, and 2) comply with the provisions from the SCS 2016 Cost Accountability and Control Manual presented Paragraph 5(a) subparagraphs 1-8 of the Settlement Agreement. Following the Merger, a new position, Affiliate Transaction Support Manager, was created in the SCS Compliance organization (within the SCS General Counsel's office) in July 2017. This position coordinates the review of new affiliate interactions for regulatory, legal and compliance risks and provides consistent guidance to employees across the Southern system. Certain employees of GAS with legal, regulatory accounting, and compliance backgrounds and\or other subject matters, as needed, provide assistance with the coordination of the review of new affiliate transactions. A new policy, the SCS Affiliate Billing Work Order Policy, was also created, to address new services requested by Southern Company Gas. This policy includes a standardized form to document the requested new service, affiliates providing and receiving the service, estimated costs and timeframes. It also requires appropriate legal and regulatory review. As part of a larger company effort to review and update corporate policies, affiliate transactions requirements are included in a competitive practices policy that applies to all employees.
Distribution Maintenance	There were no changes to Distribution Maintenance as a result of the merger.
Customer Operations (Customer Billing and	There were no changes to Customer Operations as a result of the merger.

Customer Service)	
Accounts Payable	The GAS Accounts Payable team now reports to SCS Accounts Payable. As of now, the systems and many of the processes between GAS and SCS remain separate.
Cash Management	The Treasury function at GAS has been integrated and transferred to the SCS Treasury organization. All treasury work for GAS is now performed by SCS Treasury, which falls under the responsibility of the Southern Company Assistant Treasurer, who is also elected as Assistant Treasurer of GAS.

REGULATORY TREATMENT OF THE MERGER SAVINGS AND TRANSITION COSTS

Paragraph 2(l) of the Settlement Agreement approved in Docket No. 39971 states, "*Atlanta Gas Light shall be allowed to retain the entirety of the actual Merger Savings achieved in each of the three calendar years following the merger.*" Additionally, Paragraph 3(b) of the Settlement Agreement approved in Docket No. 39971 states, "*Prior to January 1, 2020, AGLC shall absorb all Merger Transition Costs and shall retain 100% of Merger Savings. If AGLC files to increase base rates for rates that will be effective prior to January 1, 2020, all Merger Transition Costs and all Merger Savings shall be excluded from the test year.*"

AGL has not sought to retain any amount of merger savings or included recovery of transition costs in its costs of service for purposes of setting rates or in the calculation of its rate of return.

As discussed previously, there are no quantifiable savings to AGL attributable to the Merger. Regarding transition costs, there were no merger transition costs recorded on AGL's accounting books and records. Specific work orders, project identification numbers and general ledger accounts were used to track and record all merger transaction costs at the GAS holding company. Finally, AGL did not include or seek to recover any savings or transition costs in the 2016 Georgia Rate Adjustment Mechanism (GRAM) rate setting filing (filed 12/16/2016, Docket No. 40828), nor has AGL included any savings or transition cost in the calculation of the rate of return, filed as part of the Quarterly GRAM filings (Docket No. 40828).

CONCLUSION

In compliance with the requirements of the Merger Order in Docket No. 39971, AGL files this Report on the Impacts of the Merger between Southern Company Gas and Southern Company. AGL has met the requirements of the Merger Order and Settlement Agreement by explaining the treatment of goodwill costs and fair value writeups, Merger Transaction Costs, Merger Transition Costs, and discussing Merger Savings. AGL has further complied with the requirements of the Merger Order and Settlement Agreement by identifying the status and impact of the merger and reorganization process affecting: (a) the organization structure, executive management, and other changes to the enumerated functional areas of the Company; (b) affiliated transactions; (c) distribution maintenance; (d) customer billing; (e) customer service; (f) accounts payable; (g) cash management; and (h) procurement.

Appendix A

Changes in AGSC Positions

AGSC (Company 029) Employees by Major Functional Area			Jun-16	Mar-19	
1020 - Gas President and CEO			946	911	
	1000 - EVP Utility Operations		601	593	
		1007 - SVP Southern Operations	19	19	
		1009 - SVP Operation Services	299	319	
		1343 - SVP Nicor Gas	7	2	
		1353 - President-Virginia Natural Gas	2	2	
		1699 - VP Customer Operations	255	250	
		MIDATLAN - Mid Atlantic Operations	5		
		MKTG - Marketing	12		
		1000 - EVP Utility Operations	2	1	
	1050 - Chief Financial Officer		121	114	
		1160 - Vice President & Controller	114	101	
		1200 - Financial Planning & Analysis	5	11	
		1050 - Chief Financial Officer	2	2	
	1083 - EVP & CAO		77	68	
		1369 - Corporate Safety	12	6	
		1450 - VP Human Resources	32	24	
		1454 - Technical Training	33	38	
	1459 - EVP Chief Ext Pub Affrs Offcr		60	68	
		1171 - Market Strategy		1	
		1348 - Environmental Services	4	7	
		1665 - VP, Corp Comm	21	25	
		1679 - VP Regulatory Affairs	35	32	
		1459 - EVP Chief Ext Pub Affrs Offcr		3	
	1465 - EVP & General Counsel		52	41	
		1055 - VP & Chief Risk Officer	4	4	
		1065 - Corporate Compliance	2	3	
		1081 - Legal - Comm Busn	6	6	
		1466 - Corporate Secretary	3	1	
		1470 - Legal	34	23	
		1474 - Legal - Retail	2	2	
		1465 - EVP & General Counsel	1	2	
	1683 - Administration - Comm Busn		29	24	
		1021 - President-Pipeline Investments		3	
		1052 - Strg & Fuels Mgmt - Comm Busn	14	15	
		PHS - PHS-AWE	9		
		1683 - Administration - Comm Busn	6	6	
	SSC - Shared Services		4		
		1080 - EVP Chief People Officer	2		
		1685 - SVP Commercial Operations	2		
	1020 - President and CEO		2	3	
		1020 - President and CEO	2	3	
GPC1001004 - Executive			32	28	
	GPC1001110 - GPC Human Resources		10	9	
		SCS2300736 - Talent Acquisition	10	9	
	GPC1001289 - Customer Service & Operations		22	19	
		GPC1001006 - Corporate Services	22	19	
SCS2400702 - President & CEO			265	63	
	SCS1100170 - Operations		32	35	
		SCS2300388 - VP Supply Chain Management	32	35	
	SCS2300358 - EVP & CFO - SCS AFT		191	22	(a)
		SCS2300327 - SVP Comptroller & CAO SCS	12	9	
		SCS2300330 - SVP Finance & Treasury	26	13	
		SCS2400493 - CIO	153		
	SCS2300368 - HR Total Rewards & HRIS		16	-	(a)
		SCS2300724 - Workforce Intelligence	6		
		SCS2300751 - Retirement	7		
		SCS2300753 - Compensation Services	3		
	SCS2300801 - Operations (Legal)		26	6	(a)
		SCS2300389 - Internal Auditing	21		
		SCS230078S - SCS Corporate Security	5	6	
Grand Total			1243	1002	

(a) Employees transitioned to SCS Service and Corp functions