Georgia Power 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 ("Settlement Agreement"), the ***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*** (the "Merger Order"). Paragraph 3(a) of the Settlement Agreement requires both Georgia Power Company ("Georgia Power" or the "Company")) and Atlanta Gas Light Company ("AGL") to file a report at the end of the first quarter, two full calendar years following the Merger closing. Paragraph 3(a) of Settlement Agreement presents the information required to be addressed in the report and paragraph 3(c) discusses the regulatory treatment of merger transition costs and merger savings. On July 1, 2016, Southern Company completed the Merger with AGL Resources, now known as Southern Company Gas and operating as a wholly-owned subsidiary of Southern Company following the Merger.

Once the merger transaction was complete, the process of integrating Southern Company Gas into the Southern Company System began. For those functional activities and processes where integration was possible, employees from various functional departments worked together to identify opportunities to create efficiencies and leverage benefits of the Merger. The details of the various integration initiatives implemented since the Merger across Southern Company, Southern Company Services ("SCS") and Georgia Power are illustrated later in the report.

Southern Company and Southern Company Gas 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 structure of the merged companies was predominately maintained, with the existing core management team of Southern Company Gas and AGL. Southern Company 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. Southern Company Gas also continues to have a separate board of outside directors and its own management team responsible for the operation of its regulated gas subsidiaries.

As part of the Merger Order, Georgia Power was required to calculate Merger Savings[1] using the previously-approved methodology in the Concentrics Study in its calculation. In accordance with that methodology, to identify any Merger Savings, a comparison was made between the amount of SCS costs allocated to Georgia Power prior to the Merger and the amount of costs allocated to Georgia Power after the Merger. Since the Merger was completed on July 1, 2016, a full calendar year was required as the 'base' year. Thus, Georgia Power selected 2015 as the basis for the SCS costs allocated to Georgia Power prior to the Merger. Due to a number of integration initiatives since the Merger, the period from July 1, 2016 through December 31, 2017 was used as the 'transition' period over which the initiatives were implemented. The Company used calendar year 2018 as the basis for the SCS costs allocated to Georgia Power after the Merger. Therefore, the calculation of Merger Savings was based on calendar year 2015 compared to calendar year 2018. In performing this calculation, it was necessary to adjust this comparison to account for certain items unrelated to the Merger, but which impacted the amount of SCS costs allocated to Georgia Power in 2015 and 2018. Those normalization items will be discussed later in the report.

In summary, Georgia Power has calculated annual Merger Savings in the amount of $5,330,470 in accordance with paragraphs 2(j) and 2(k) of the Settlement Agreement approved by the Commission in Docket No. 39971.

[1] *"Merger Savings shall be defined as savings achieved as a result of combining and integrating operations of Southern and AGLR before and after the Merger closes. In determining Merger Savings, parties shall utilize the methodology used in the Concentrics study filed by AGLC on December 9, 2013 in Docket No. 31647 to calculate the Nicor merger savings in Docket No. 31647, except as modified in this Stipulation"*

OVERVIEW OF SCS

SCS is a shared services company that provides certain services to the various regulated and non-regulated subsidiaries within Southern Company, including Georgia Power. SCS provides the services listed below to Georgia Power, in accordance with the SCS Services Agreement ("Agreement") which has been approved or adopted by the appropriate regulatory commissions.

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

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 which would align costs with cost causation drivers. As referenced in the Agreement, SCS 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 Georgia Power 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 Georgia Power's accounting books and records. In accordance with the requirements of Section 2(b) of the Settlement Agreement, any goodwill costs and fair value write-ups in excess of net book value were recorded at the Southern Company level.

MERGER TRANSACTION COSTS

Paragraph 3(a)(ii) of the Settlement Agreement approved in Docket No. 39971 requires that Georgia Power 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*".

In accordance with Section 2(e) of the Settlement Agreement, there were no Merger Transaction Costs recorded on Georgia Power's accounting books and records. They were either recorded at the Southern Company level or a specific set of work orders at Southern Company Services were created to capture all the Merger Transaction Costs and retained at the Southern Company level.

MERGER TRANSITION COSTS

Paragraph 3(a)(iii) of the Settlement Agreement approved in Docket No. 39971 requires that Georgia Power 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*".

Once the Merger was completed and all the Merger Transaction Costs were recorded at Southern Company, a specific set of work orders at Georgia Power were created to capture the Merger Transition Costs, which were primarily related to costs of rebranding. In addition, there were costs identified at SCS for Merger Transition Costs allocated to Georgia Power, which were primarily

related to severance costs. In accordance with the Commission Order, any Merger Transition Costs recorded on Georgia Power's accounting books were removed from retail cost of service in Georgia Power's annual surveillance report filings. A schedule of these costs, by account, is presented in **Appendix A.**

CALCULATION AND DEMONSTRATION OF MERGER SAVINGS

As described earlier in the report, to determine the amount of merger savings related to SCS costs allocated to Georgia Power, a comparison was made between the amount of SCS costs allocated to Georgia Power prior to the merger (2015) and the amount of costs allocated to Georgia Power after the merger (2018). This approach in determining merger savings is consistent with the methodology used in the Concentric Study as ordered by the Commission to follow in Docket No. 39971.

The Southern Company merger with Southern Company Gas expanded Southern Company's scope to include natural gas distribution utilities. Prior to the merger, SCS provided shared services to the regulated and non-regulated electric companies within Southern Company. At Southern Company Gas, the AGL Services Company (AGSC) provided services to the gas distribution utilities. Once the merger was complete, SCS and AGSC continued to provide certain services unique to the electric and gas companies respectively, since there are significant differences between electric and gas operations. Therefore, these electric or gas services were not impacted by the merger, and fundamental changes to the services, systems, and infrastructure that SCS provides to Georgia Power did not occur. Accordingly, this integration assessment identified opportunities for savings within the selected functions that provide services to all companies, electric and gas, within the system. This report demonstrates that synergy savings were primarily due to the cost allocation for administrative and general management activities, as these costs were allocated to the existing system companies as well as Southern Company Gas.

As described in the Status of the Merger and Reorganization Process section below, the integration of a variety of SCS functions is complete, including selected areas within Accounting, Finance, General Counsel, Human Resources, External Affairs and other administrative functions. There have also been changes to processes, modified organizational structures, and cost reduction initiatives, unrelated to the merger, that have also impacted these organizations, and others, during the transition period. In the process described below, the SCS costs that were unimpacted by the Southern Company-Southern Company Gas merger were removed to normalize the two years to be compared, 2015 and 2018, and focus on the functions and cost allocations that were impacted by the merger.

The total O&M cost of SCS services billed to GPC was $310 million and $283 million in 2015 and 2018, respectively. To make an appropriate comparison of the costs between the years, they were

analyzed to identify the components that were impacted by integration activities and the allocation of costs across a larger number of companies within the system after the merger due to inclusion of Southern Company Gas. The process below describes the adjustments the Company made to normalize the costs between the years.

The first adjustment was to exclude the SCS costs related to Generation, Transmission, and LINC services from the analysis, since these organizations provide services for electric utilities only and were not impacted by the merger.

The second adjustment was to exclude the SCS costs for Direct services provided to Georgia Power from the analysis as these services, 1) were performed specifically for the Company, 2) may vary significantly from year-to-year, and 3) the costs of these services are not impacted by SCS's allocation to Southern Company Gas.

After these two adjustments were applied to the total SCS O&M costs, the remaining SCS cost allocations were evaluated to determine the impact related to the merger. As described above in the report, most of the shared services that are provided to Georgia Power were not impacted by the merger since there are significant differences between the electric operations at Georgia Power and gas operations at Southern Company Gas. For example, although the Information Technology organization was restructured to include employees from Southern Company Gas, the information technology infrastructure including data centers and back-office systems for Georgia Power and Southern Company Gas are designed to support the corresponding electric and gas operations, and these systems have not been consolidated. Due to this, the Information Technology organizational changes resulted in a reduction in management oversight costs, but there were not any significant reductions related to the information technology systems.

The merger savings analysis identified two key areas that were impacted by the merger ("Merger Related Items"): 1) the impact of cost allocations for corporate functions and general management oversight, and 2) cost allocations for SCS corporate services that are dependent on the relative level of labor billings to system companies. These Merger Related Items represent approximately 13% of the total O&M amount billed to Georgia Power in 2018 and are described below.

Corporate functions provide management and oversight for Southern Company as well as other

administrative services. These costs were identified based on specific activities within each corporate function, such as Corporate Accounting, Accounting Services, Financial Reporting, Accounting Policy, Tax Compliance, Management Oversight of Information Technology, Executive and Advisory Services, Investor Relations, Treasury Services, Stockholder Services and Communications, and Corporate Governance. This cost allocation was impacted due to the merger as a portion of these costs were allocated to Southern Company Gas in 2018. As a result, the SCS costs allocated to Georgia Power for these services decreased from $28.7 million in 2015 to $25.3 million in 2018.

SCS Corporate Services are the expenses incurred to support the internal operations of the Service Company. These services include information technology support such as software, network services, servers, and applications that support SCS. Additionally, SCS Corporate Services also includes accounting services for SCS, such as payroll, corporate accounting, accounts payable, and tax accounting. Other administrative functions that support SCS include budgeting, communications, compliance, contract management, legal services, vendor management, human resources recruiting, support and compliance, and internal auditing. These expenses are allocated to both affiliated and non-affiliated customers based on the relative percentage of labor billed to each customer. This cost allocation was impacted due to the merger as a portion of these costs were allocated to Southern Company Gas in 2018. As a result, the SCS costs allocated to Georgia Power for these services decreased from $12.1 million in 2015 to $10.7 million in 2018.

Similar to the prescribed Concentrics Study methodology, the merger savings analysis identified two additional normalization adjustments that were necessary to provide an objective comparison between the costs allocated to Georgia Power prior to the merger and post-merger.

First, performance-based compensation was normalized to remove changes in financial and operational performance that resulted in differing levels of incentive compensation that were not related to the Merger. The SCS costs for performance-based compensation increased from 2015 to 2018. The normalization adjustment provides an estimate for the Merger Related Items in 2018 that is consistent with 2015.

Second, Pension & Other Post Retirement Benefits (OPRB) costs were normalized to remove changes due to external market factors (discount rate and trust performance) and funding

contributions that were not related to the Merger. The SCS costs for pension & OPRBs decreased from 2015 to 2018. The normalization adjustment provides an estimate for the Merger Related Items in 2018 that is consistent with 2015.

Based on the comparison of the cost allocations described above, including adjusting for the normalization items, the estimated annual cost savings attributed to reduced SCS costs allocated to Georgia Power as result of the merger of Southern Company and Southern Company Gas is $5,085,902. The amounts for the Merger Related Items and the normalization adjustments are provided in the following table.

Item:	2015	2018	Difference
Total SCS O&M allocated to GPC	**$310,426,134**	**$283,375,147**	**$27,050,987**
Less: Generation, Transmission, LINC	(88,338,387)	(76,295,007)	(12,043,379)
Less: Direct services	(18,293,603)	(55,300,696)	37,007,093
Less: SCS allocation not impacted by the merger	(163,007,310)	(115,757,447)	(47,249,863)
SCS Costs to GPC (impacted by the Merger)	**$40,786,834**	**$36,021,997**	**$4,764,837**
Normalization for performance-based compensation			2,874,986
Normalization for pension & OPRB costs			(2,553,921)
Annual reduction in SCS costs to GPC			**$5,085,902**

ADDITIONAL MERGER SAVINGS IDENTIFIED BY GEORGIA POWER

The Concentrics Study methodology of evaluating and calculating merger savings is based on a review of allocated service company costs. While this approach is appropriate for a review of costs for services provided by the service company, it excludes cost savings realized directly at the operating company level.

Since the merger was completed in 2016, a number of activities, both at the Service Company and Georgia Power Company level, were investigated to determine areas of opportunities to increase efficiencies and reduce costs by consolidating functions to adopt best practices while continuing to comply with the Commission's order in Docket No. 39971. This has resulted in additional savings at Georgia Power Company that would not be captured under the Concentric Study methodology.

The details of the various integration activities implemented are presented in the following section. Although not all the merger initiatives resulted in savings to Georgia Power, Georgia Power has identified the following initiatives which resulted in net O&M savings for 2018 through cost reductions at Georgia Power as a result of the Company's evaluation of potential efficiencies identified from the merger.

Description	O&M
Facilities Mail Room Manager and 2 carriers time allocated to Southern Company Gas	$156,193
Transfer of Fleet Director position to SCS to manage both Atlanta Gas Light and GPC	$51,909
VP of Corporate Services oversight of Southern Company Gas and Nicor Fleet and Facilities	$24,606
Fleet performing maintenance on Atlanta Gas Light vehicles	$6,793
Badging office support	$5,068
Total	$244,568

TOTAL NET MERGER SAVINGS IDENTIFIED BY GEORGIA POWER COMPANY

The sum of the merger savings from reduction in SCS allocated costs to Georgia Power of $5,085,902, and O&M cost reduction at Georgia Power as a result of various merger integration activities of $244,568, total $5,330,470.

As discussed on page 6 of this report, all Merger Transaction costs were retained at the Southern Company level and any Merger Transition costs allocated to or incurred by Georgia Power have been excluded from annual surveillance reporting. Likewise, the Merger Savings amounts presented in this report are exclusive of any Merger Transaction or Merger Transition costs. Therefore, the annual Net Merger Savings amount for Georgia Power is $5,330,470.

STATUS OF THE MERGER AND REORGANIZATION PROCESS

Paragraph 3(a)(v) of the Settlement Agreement requires Georgia Power 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 on July 1, 2016, there have been a significant number of activities undertaken at SCS and Georgia Power that have impacted processes, organization structure, and staffing levels, many of which are unrelated to the Merger. As a normal course of business, Southern Company continuously evaluates its current processes and activities to identify and drive efficiencies across the organization to modernize and automate the business. To the extent the changes occurred within the organization that were not driven by any integration efforts from the Merger, they were excluded from the report.

Paragraph 3(a)(v) of the Settlement Agreement requires Georgia Power to provide detailed schedules showing the status of the merger and reorganization process affecting Southern, SCS, and Georgia Power 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 impacts of the Merger on the 12 functional areas listed under paragraph 3(a) above as they may be applicable to Southern, SCS and Georgia Power.

Functional Area	Organization Structure, Executive Management, and Other Changes
Legal	See General Counsel section.
Finance	• Southern Company Gas Risk Management was consolidated into SCS Risk Management. • SCS Risk Management provides Southern Company Gas the same services provided to the regulated electric operating companies. Southern Company Gas continues to provide insurance claims handling themselves (in a Claims department, separate from Risk Management), consistent with the regulated electric operating companies. • Investor Relations at Southern Company Gas was integrated and transferred to SCS Investor Relations
Accounting	• Southern Company Gas' tax compliance, tax accounting, and indirect tax functions were consolidated into the SCS Tax organization. • SCS Accounting provides oversight and coordination of SEC/external reporting activities for Southern Company Gas.
External Affairs	• The SCS Governmental Affairs team, located in Washington, DC, assumed Federal lobbying responsibilities for Southern Company Gas without adding any positions. • SCS is providing more communication/technology support to Southern Company Gas. Southern Company Gas also adopted SCS's social media analytics software program. • Georgia Power is providing video, photography, and other media services to Southern Company Gas on an as needed-basis, including media training, live webcasts, and website development.
General Counsel	• 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 review of affiliate interactions for regulatory, legal and compliance risks and provides consistent guidance to employees across the Southern system. Additional details can be found on page 17 of Georgia Power's report. • The Southern Company Gas Internal Auditing Director began reporting to SCS Internal Auditing Vice President and Chief Audit Executive effective July 1, 2016 and all Southern Company Gas Internal Auditing employees became SCS employees in January 2017. All of the Internal Auditing processes are now standardized across Southern Company Gas and the other Southern affiliates. • Southern Company Gas Records Management employees now report to an SCS Manager.

	• Georgia Power Corporate Security has taken responsibility for enterprise badging services for Southern Company Gas. Georgia Power Corporate Security is also providing physical security consulting to Southern Company Gas. Additionally, the strategy, management, and functional oversight of physical access control for Southern Company Gas is managed by the Georgia Power Corporate Security Operations Center. Georgia Power headcount was not increased for these changes.
Gas Supply	There were no impacts to Gas Supply as a result of the Merger.
Environmental	There were no impacts to Environmental as a result of the Merger.
Information Technology	• The Information Technology ("IT") organization at Southern Company Gas has been fully integrated into the SCS Technology Organization (TO), which provides IT Services to support all Southern Company subsidiaries. This restructuring occurred as part of a broader restructuring of the SCS Technology Organization. The main departments reporting to the SCS TO Executive Vice President & Chief Information Officer are: o Electric Technology Solutions o Gas Technology Solutions o Enterprise Technology Solutions o Infrastructure o Technology Security o Technology Services o Office of the Chief Information Officer • All former Southern Company Gas IT personnel are now members of various departments in the SCS TO organization. The Vice President of Gas Technology Solutions position was created to support technology solutions for the new gas subsidiaries. • Support for some Southern Company Gas' financial solutions was consolidated into the Center of Excellence. • Over a dozen vendor software contracts have been consolidated. • Integrated Southern Company Gas's sales & use tax and budgeting solutions into the Enterprise versions and support structures used by other Southern affiliates.
Human Resources	• The following HR functions from Southern Company Gas were centralized into existing shared services organizations at SCS: o Compensation o Health and Welfare Benefits o Retirement Programs o HR Technology • While the Talent Acquisition function/organization remains at Southern Company Gas, it reports up through the SCS Talent Acquisition organization. As a result, one manager position was created at SCS.

	• Southern Company Gas has been transitioned onto most of the SCS Human Resources (HR) technology vendors and platforms and integrated into most existing SCS HR processes across compensation, benefits, and HR technology resulting in efficiencies due to larger scale.
Marketing	• There were no impacts to Marketing as a result of the Merger. Paragraph 7 of the Settlement Agreement addresses several operating interactions with Atlanta Gas Light and Georgia Natural Gas (GNG) and prohibited marketing efforts of Georgia Power as they pertain to GNG.
Supply Chain	• The Southern Company Gas Supply Chain Management (SCM) organization now reports up through the Southern Company SCM organization. In most cases, the common procurement functions have been aligned and consolidated at SCS SCM. • Southern Company Gas adopted Southern SCM's compliance requirements which included aligning policies and procedures and following the Southern Company Contracts Manual. • Southern Company Gas was added to Southern Company's Ford Purchase Incentive Agreement beginning in 2017. The economies of scale created a second tier of greater savings, based on the volume of vehicles purchased.
Georgia Regulated Utility Operations	• In November 2016, Georgia Power Corporate Services Vice President gained additional responsibility for Southern Company Gas Fleet and Facilities organizations. As a result, the Georgia Power Corporate Services Vice President position became a dual role as Georgia Power/SCS Corporate Services Vice President with SCS and Georgia Power officer responsibilities. Georgia Power, SCS and Southern Company Gas employees report to this position. • After further evaluation of the Fleet operations and continued efforts to provide synergies between the companies, the decision was made in August 2017 to consolidate the Georgia Power Fleet Operations Manager and Southern Company Gas Fleet Services Director into one SCS Fleet Operations Manager position. The SCS Fleet Operations Manager reports directly to the Georgia Power/SCS Corporate Services Vice President with Georgia Power and Southern Company Gas employees reporting to this position.
Georgia Regulated Utility Operations	Facilities Operations: • The merged Colliers' Facilities Solutions Contract between Southern Company Gas and Georgia Power became effective as of October 2017. No assets or resources were added because of the merged contract. • Colliers Facility Solutions will continue to provide operations and maintenance support to all Southern Company Gas- and Georgia Power-owned and leased facilities. • Consolidated Georgia Power's and Southern Company Gas' Mail services and Printing services in December 2017. Southern Company Gas' 10 Peachtree Place site is now supported by two Georgia Power employees that report to the Georgia Power Business Services and Information Manager. This site also has a small copy center that is supported by a single resource through Colliers.

	Fleet Operations: • Through continued efforts to provide synergies between Georgia Power and Southern Company Gas Fleet Operations, decisions were made for Georgia Power to begin performing repairs on Southern Company Gas vehicles in January 2018. • The emergency service repairs began at the beginning of 2018. In many cases, Southern Company Gas uses third parties to perform emergency repairs or road calls. Georgia Power maintenance facilities are often more convenient to Southern Company Gas field operations locations and can perform needed repairs at night. The combined value of Georgia Power staff expertise and off hour repairs has reduced the amount of time some Southern Company Gas vehicle breakdowns take to return to service. • Since December 2018, Georgia Power garages have been performing Preventive Maintenance for Southern Company Gas commercial motor vehicles (CMV) in Southeast Georgia. The commercial motor vehicles at those locations were previously serviced by a Southern Company Gas mobile mechanic dispatched from Atlanta or third-party vendors. The Georgia Power maintenance locations offer greater convenience, expertise and after normal business hours service.

b. Affiliate transactions

Paragraph 5(a) of the Settlement Agreement 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 affiliate interactions for regulatory, legal and compliance risks and provides consistent guidance to employees across the Southern system.

A new policy, the SCS Affiliate Billing Work Order Policy, was 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.

c. Distribution maintenance

There have been no changes to Georgia Power's distribution maintenance activities as a result of the Merger.

d. Customer billing

The merger and reorganization process has not impacted Southern, SCS, or Georgia Power's organization structure, executive management, or the consolidation/elimination of assets or positions related to customer billing.

e. Customer service

The merger and reorganization process has not impacted Southern, SCS, or Georgia Power's organization structure, executive management, or the consolidation/elimination of assets or positions related to customer service.

f. Accounts payable

Following the Merger, the Southern Company Gas Accounts Payable team began reporting to the SCS Accounts Payable team. Since the systems and many of the processes remain separate, there have been limited opportunities to create efficiencies.

g. Cash management

The Southern Company Gas Treasury organization has been consolidated into the SCS Treasury organization. As a result, two analyst positions were added to SCS Treasury. All treasury work for Southern Company 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 Southern Company Gas.

h. Procurement

Any impacts of the Southern Company and Southern Company Gas merger affecting procurement are addressed under "Supply Chain" above.

REGULATORY TREATMENT OF THE MERGER SAVINGS

2018 and 2019

Paragraph 2(l) of the Settlement Agreement approved in Docket No. 39971 states, "*Georgia Power and 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*." Until the filing of this report, Georgia Power has not sought to retain any amount of Merger Savings. As discussed above, Merger Savings could not be quantified using the methodology prescribed in Paragraph 2(j) of the Settlement Agreement until there was a transition period of substantial length and a full calendar year of operations following the effective date of the Merger (July 1, 2016). Based on the prescribed methodology, 2018 is the first year that Merger Savings would be appropriate for Georgia Power to retain.

Paragraph 3(c) of the Settlement Agreement states, "*For purposes of calculating the ROE in the annual surveillance reports for each year, none of the Merger Transition Costs or Merger Savings shall be included. Georgia Power shall absorb all Merger Transition Costs and shall retain 100% of Merger Savings.*" Any Merger Transition Costs allocated to Georgia Power have been excluded from retail cost of service in the Company's annual surveillance reports and therefore have had no impact on the Company's retail return on equity.

Since the Company's 2018 annual surveillance report filed on March 15, 2019 reflects a level of cost of service that excludes 100% of Merger Transition Costs, but provides 100% of the Merger Savings to customers, Georgia Power will submit an amended 2018 annual surveillance report to exclude 100% of the merger savings presented in this report by April 30, 2019. Georgia Power's 2019 annual surveillance report will continue to exclude any Merger Transition Costs and will exclude 100% of the Merger Savings ultimately approved by the Commission.

2020 Through 2022

Paragraph 3(c) of the Settlement Agreement states, "*GPC shall file a rate case on July 1, 2019 for rates to be effective January 1, 2020 with a test year beginning August 1, 2019. No Merger Transition Costs and all Merger Savings shall be reflected in the test year and in the forecasts of any years in a proposed accounting order. Effective January 1, 2020, and for three years thereafter, 60% of Merger Savings shall be returned to ratepayers via base rates or a surcredit and 40% of the Merger Savings shall be retained by Georgia Power for the same period.*" In

compliance with the Commission Order, Georgia Power intends to submit a base rate case filing on or before July 1, 2019. The budget used to derive test year revenue requirement and the revenue requirements for any forecast years through 2022 will be adjusted to exclude all Merger Transition Costs. All the Merger Savings will be reflected in the budget used to derive the test year revenue requirement and the revenue requirements for any forecast years through 2022 because it represents the Company's most current cost projections, which incorporate all the cost savings as calculated in this report. Therefore, Georgia Power will include a regulatory adjustment to exclude 100% of the Merger Savings amount presented in this report (or the 100% of the Merger Savings amount ultimately approved by the Commission if available) from the test year revenue requirement and 40% of the Merger Savings amount presented in this report (or the 40% of the Merger Savings amount ultimately approved by the Commission if available) from the annual revenue requirements for 2020, 2021, and 2022 in its July 1, 2019 base rate case filing. A regulatory adjustment representing 40% of the Commission-approved Merger Savings amount will be included in Georgia Power's 2020, 2021, and 2022 annual surveillance reports.

2023 Forward

Paragraph 3(c) of the Settlement Agreement states, *"At the conclusion of this three year period, ratepayers shall receive 100% of Merger Savings."* Beginning in 2023, there will be no regulatory adjustment and customers will receive 100% of the Merger Savings.

CONCLUSION

In compliance with the requirements of the Merger Order in Docket No. 39971, Georgia Power files this Report on the Impacts of the Merger between Southern Company and Southern Company Gas. Georgia Power 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 Merger Savings. Georgia Power 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. Georgia Power will file a base rate case on or before July 1, 2019 and will continue to adhere to the Merger Order and Settlement Agreement's requirements for the treatment of merger savings.

Appendix A

Schedule of Merger Transition Costs

(Amounts in Thousands)

	2016	2017	2018
Re-branding	$3,090	$2,349	$1,175
Severances	$0	$334	$17
Other merger-related costs	$78	$27	$0
Total	$3,168	$2,710	$1,192

Note: All Merger Transition Costs listed above were excluded from the retail cost of service in the respective years' Annual Surveillance Report filing through a regulatory column adjustment.