STF-11-1 In AGL's 2025 – 3024 i-CDP Petition on pages 4 - 7, the Company requested certain amendments to the 2022 – 2031 i-CDP filing regarding the GRAM capital budget. Please answer the following. Does AGL agree when it petitions the Commission to approve funding detailed capital and O&M budgets, if there are changes in real world events that impact those budgets, which may include changes in the economy, inflationary pressures, employment constraints, supply chain constraints, or other events outside of the Company's control, it has an obligation to file a petition with the Commission explaining these events and request a change to its approved i-CDP capital and O&M budgets instead of making changes without Commission approval?

RESPONSE

No. As part of the i-CDP process, the Commission approves budget parameters, not the i-CDP capital and related O&M budgets. The Stipulation establishing plan governance ("Stipulation") provides that the Commission "will examine and approve parameters for capital budgets and related O&M spending associated with multi-year forecasts…."[1] The term "parameters" was agreed-upon between AGL and Staff to be used to describe what is to be examined and approved by the Commission which includes comprehensive plans to meet the needs of AGL customers.[2] These comprehensive plans include discussion of the size and scope of capital and related O&M budgets the Company believes are necessary to execute each plan, but the Commission does not approve budgets.

Further, AGL does not agree that it has an obligation to file a petition with the Commission explaining economic events outside of the Company's control unless the events cause AGL to be unable to meet customer needs or otherwise impacts the Company's ability to provide safe and reliable service within the capital and related O&M budget parameters approved in the current plan. Over the past two years of the current Plan, AGL adjusted its budgets within the confines of the Stipulation to meet its commitments to customers without need for an amendment.

Respondent: William Horne
Director, Resource Planning & Economic Development
Atlanta Gas Light Company

[1] *Order Adopting Stipulation and Addendum to Stipulation,* Docket No. 43820 at 17 (Ga. P.S.C. Nov. 18, 2023).
[2] *Id.* at n.1

STF-11-2 In AGL's 2025 – 2034 i-CDP Petition on page 7, the Company requested certain amendments to the 2022 – 2031 i-CDP filing for what it called a 6% rate impact commitment and DOT spending for 2024. Please answer the following.

i. Does AGL agree that the GRAM 2022 capital budget for DOT had an estimated $30.6 million and the actual expenditures was $37.9 million?

ii. Does AGL agree that AGL actual DOT spending in 2022 was $7.2 million above what was projected?

iii. The approved 2022 GRAM capital budget was $350.4 million, and the actual spending was $342.7 million, and $7.7 million was below the budgeted dollar amount. Do you agree that AGL could have spent an additional $7.7 million in 2022 without negatively impacting the budget, and that the DOT overage had no negative impact on the 2022 capital budget?

iv. Related to the 2023 GRAM capital budget, does AGL agree that the estimated DOT costs for 2023 were $30.2 million, and through the 3rd Q 2023, the actual spending was $33 million or $2.7 million above the estimate?

v. The overall 2023 GRAM capital budget was approved at $375.4 million, and through the 3rd Q 2023, the actual spending was $304.2 million, and $71.1 million below the approved 2023 overall budgeted dollar amount. Does AGL agree it has the ability to absorb any DOT overage without negatively impacting the GRAM 2023 capital budget?

vi. The petition wasn't clear about how a 6% rate impact commitment would operate, and the there is no discussion about such a commitment in the 2022 – 2034 i-CDP filing or its Final Order. If the Company wants to adhere to a 6% rate impact commitment in the GRAM 2024 capital budget, or any fiscal year, shouldn't the company reduce its capital spending to ensure that it can stay withing that 6% target to prevent a rate increase at or above 6%?

vii. Does AGL agree that its requested permission to have the ability reallocate capital dollars between what the Company has called GRAM Compliance/Safety and GRAM Other, will help to reduce any funding pressures related to DOT related relocates?

viii. If AGL provides a reasonable estimate of DOT capital expenditures, and this activity increases beyond the estimate, does AGL agree that it can file

an amendment with the Commission to increase capital spending in that area, if it can't reasonably shift funds within the GRAM capital budget?

RESPONSE

i. AGL shows a rounded $30.7 million budget vs a rounded $37.9 million in actuals. Minor variance is likely due to rounding between different files.

ii. Yes.

iii. No. The total actual GRAM capital expenditures for 2022 totaled $357 million rather than the $342.7 million cited in Staff's question. This resulted in $6.5 million of capital expenditures in excess of forecast, not $7.7 million below forecast as stated in the question.

iv. Yes.

v. No. The question does not include the Q4 budget of $94 million. Based on the Q3 2023 GRAM reporting, the full year budget was indeed $375.4 million but the actual GRAM totals through the end of the third quarter were approximately $295 million rather than the $304.2 million cited in the question. This resulted in an approximately $80.4 million variance from the full year budget after the end of the third quarter rather than the $71.1 million cited in the question. Additionally, the $80.4 million variance through the end of the third quarter was $14 million lower than the estimated $94.4 million in anticipated spend in the fourth quarter. Based on these numbers, AGL was approximately $14 million ahead of budget after the third quarter of 2023 requiring significant slowing of Q4 spend and leaving no opportunity to absorb the additional required DOT spend.

A copy of the 2023 GRAM Q3 report is included on the following two pages for clarity.

DN 43820/42315: 2023 GRAM Capital Budget Reporting

Line #	GRAM Capital Budget Categories	Estimated 2023 Capital Budget Activity	YTD Actual 2023 Capital Budget Activity	Variance	Estimated 1st Q 2023 Capital Budget Activity	Actual 1st Q 2023 Capital Budget Activity	Variance	Estimated 2nd Q 2023 Capital Budget Activity	Actual 2nd Q 2023 Capital Budget Activity	Variance
	GRAM - Safety & Compliance (GRAM-S&C)	**154,579,398.79**	**109,559,196.61**	**(45,020,202.18)**	**27,438,497.46**	**29,751,121.37**	**2,312,623.91**	**44,010,932.40**	**35,370,103.37**	**(8,640,829.03)**
1	Corrosion Work	6,619,300.00	1,831,418.05	(4,787,881.95)	1,104,300.00	293,494.01	(810,805.99)	2,405,000.00	786,975.51	(1,618,024.49)
2	DIMP*	26,910,387.00	13,293,738.73	(13,616,648.27)	7,288,939.33	4,067,580.74	(3,221,358.59)	3,564,155.33	5,552,589.47	1,988,434.14
3	DOT	30,289,836.30	32,712,096.38	2,422,260.08	5,048,306.05	9,293,254.19	4,244,948.14	9,465,573.84	10,053,577.88	588,004.04
4	TIMP (IVP)	80,700,000.50	55,869,571.76	(24,830,428.74)	9,622,786.07	12,837,539.53	3,214,753.46	26,740,494.22	17,195,238.97	(9,545,255.25)
5	Renewals***	-	2,860.72	2,860.72	-	2,534.26	2,534.26		0.01	0.01
6	System Reinforcement	10,059,875.00	5,849,510.97	(4,210,364.03)	4,374,166.00	3,256,718.64	(1,117,447.36)	1,835,709.00	1,781,721.53	(53,987.47)
	GRAM - Other than Safety & Compliance (GRAM-Other)	**220,830,739.07**	**185,407,650.22**	**(35,423,088.85)**	**49,467,822.13**	**49,816,519.68**	**348,697.55**	**54,702,780.74**	**65,521,856.58**	**10,819,075.84**
7	Core New Business	97,572,020.70	73,835,934.21	(23,736,086.49)	23,939,031.24	22,717,572.11	(1,221,459.13)	23,866,406.13	25,988,750.99	2,122,344.86
8	Facilities	5,125,000.00	8,948,609.62	3,823,609.62	2,795,000.00	1,134,872.90	(1,660,127.10)	1,592,500.00	1,341,050.08	(251,449.92)
9	Fleet	12,303,384.50	9,298,450.33	(3,004,934.17)	2,441,973.00	2,871,773.08	429,800.08	757,385.00	3,051,454.94	2,294,069.94
10	IT (Base Business)	14,770,661.00	14,137,285.11	(633,375.89)	3,692,665.25	1,972,570.50	(1,720,094.75)	3,692,665.25	6,971,928.07	3,279,262.82
11	Measurement Ops (SCADA, Ctrls)	1,837,000.00	1,503,999.76	(333,000.24)	50,000.00	104,099.84	54,099.84	850,000.00	351,669.51	(498,330.49)
12	Operations - Blk svcs, bollards, ert repl, etc.	3,305,592.10	1,370,910.42	(1,934,681.68)	612,031.80	350,703.43	(261,328.37)	909,779.61	495,327.25	(414,452.36)
13	Other Large/Strat Efforts	-	3,156,133.35	3,156,133.35	-	(1,505,246.75)	(1,505,246.75)		991,580.32	991,580.32
14	Overheads	28,786,674.98	32,330,697.46	3,544,022.48	7,288,433.36	13,592,161.68	6,303,728.32	7,200,665.40	8,745,808.96	1,545,143.56
15	PT Meter	6,455,860.00	6,772,399.43	316,539.43	1,613,965.00	2,232,686.97	618,721.97	1,613,965.00	2,237,919.95	623,954.95
16	Rate Base Accruals**	-	281,895.05	281,895.05		(670,810.60)	(670,810.60)		99,117.13	99,117.13
17	Regulator Station	25,808,534.00	13,217,521.44	(12,591,012.56)	3,305,007.33	3,195,370.58	(109,636.75)	6,420,280.25	5,470,364.15	(949,916.10)
18	Removals	12,500,000.00	10,282,752.36	(2,217,247.64)	1,562,500.00	3,375,561.32	1,813,061.32	3,645,833.33	2,737,840.31	(907,993.02)
19	Removals (inactive services)	1,901,024.72	28,934.65	(1,872,090.07)	354,660.72	3,464.65	(351,196.07)	522,214.54	-	(522,214.54)
20	Renewals***	7,802,160.82	8,614,888.21	812,727.39	1,133,693.47	310,147.15	(823,546.32)	2,517,386.94	6,479,256.18	3,961,869.24
21	Strategic (CNG Stations)	-	457.90	457.90	-	457.90	457.90		-	-
22	Strategic (Other)	-	-	-	-		-			-
23	Tools (blankets, NB, Field, Con Ops)	2,662,826.25	1,626,780.92	(1,036,045.33)	678,860.96	131,134.92	(547,726.04)	1,113,699.29	559,788.74	(553,910.55)
	Total GRAM Direct Capital Spending, Overheads, & AFUDC	**375,410,137.86**	**294,966,846.83**	**(80,443,291.03)**	**76,906,319.58**	**79,567,641.05**	**2,661,321.47**	**98,713,713.14**	**100,891,959.95**	**2,178,246.81**

Actual spending through Q3-2023 was ~$295 million resulting in there being ~$80 million left in the full year budget for Q4. (see next page)

See next page for Q3 and Q4

DN 43820/42315: 2023 GRAM Capital Budget Reporting

Line #	GRAM Capital Budget Categories	Estimated 3rd Q 2023 Capital Budget Activity	Actual 3rd Q 2023 Capital Budget Activity	Variance	Estimated 4th Q 2023 Capital Budget Activity	Actual 4th Q 2023 Capital Budget Activity	Variance
	GRAM - Safety & Compliance (GRAM-S&C)						
1	Corrosion Work	**47,439,664.86**	**44,437,971.87**	**(3,001,692.99)**	**35,690,304.07**	-	**(35,690,304.07)**
2	DIMP*	2,005,000.00	750,948.53	(1,254,051.47)	1,105,000.00		(1,105,000.00)
3	DOT	8,937,501.33	3,673,568.52	(5,263,932.81)	7,119,791.00		(7,119,791.00)
4	TIMP (IVP)	8,203,497.33	13,365,264.31	5,161,766.98	7,572,459.07		(7,572,459.07)
5	Renewals***	26,193,666.20	25,836,793.26	(356,872.94)	18,143,054.00		(18,143,054.00)
6	System Reinforcement		326.45	326.45			-
		2,100,000.00	811,070.80	(1,288,929.20)	1,750,000.00		(1,750,000.00)
	GRAM - Other than Safety & Compliance (GRAM-Other)						
7	Core New Business	**57,908,534.91**	**70,069,273.96**	**12,160,739.05**	**58,751,601.29**	-	**(58,751,601.29)**
8	Facilities	23,602,903.34	25,129,611.11	1,526,707.77	26,163,679.99		(26,163,679.99)
9	Fleet	697,500.00	6,472,686.64	5,775,186.64	40,000.00		(40,000.00)
10	IT (Base Business)	1,880,338.00	3,375,222.31	1,494,884.31	7,223,688.50		(7,223,688.50)
11	Measurement Ops (SCADA, Ctrls)	3,692,665.25	5,192,786.54	1,500,121.29	3,692,665.25		(3,692,665.25)
12	Operations - Blk svcs, bollards, ert repl, etc.	700,000.00	1,048,230.41	348,230.41	237,000.00		(237,000.00)
13	Other Large/Strat Efforts	991,722.86	524,879.74	(466,843.12)	792,057.83		(792,057.83)
14	Overheads		3,669,799.78	3,669,799.78			-
15	PT Meter	7,018,533.32	9,992,726.82	2,974,193.50	7,279,042.90		(7,279,042.90)
16	Rate Base Accruals**	1,613,965.00	2,301,792.51	687,827.51	1,613,965.00		(1,613,965.00)
17	Regulator Station		853,588.52	853,588.52			-
18	Removals	9,548,044.00	4,551,786.71	(4,996,257.29)	6,535,202.42		(6,535,202.42)
19	Removals (inactive services)	4,166,666.67	4,169,350.73	2,684.06	3,125,000.00		(3,125,000.00)
20	Renewals***	553,143.53	25,470.00	(527,673.53)	471,005.93		(471,005.93)
21	Strategic (CNG Stations)	2,767,386.94	1,825,484.88	(941,902.06)	1,383,693.47		(1,383,693.47)
22	Strategic (Other)			-			-
23	Tools (blankets, NB, Field, Con Ops)			-			-
		675,666.00	935,857.26	260,191.26	194,600.00		(194,600.00)
	Total GRAM Direct Capital Spending, Overheads, & AFUDC	**105,348,199.77**	**114,507,245.83**	**9,159,046.06**	**94,441,905.37**	-	**(94,441,905.37)**

Estimated Q4 spend was ~$94 million which was ~$14 million more than the $80 million remaining in the budget after Q3 (see previous page)

vi. The Company made a commitment to the Commissioners that it would not impact residential customer rates by more than 6% in any year of the first three years of the 2022-2031 Plan, and AGL kept that commitment. AGL did reduce capital spending in several capital budget sub-categories in calendar years 2022 and 2023 to offset increases in other capital budget sub-categories as detailed in Figure 5.7 of the 2025-2034 Plan filing to keep residential rate impact at or below 6%. The Company also has the ability to adjust O&M spending to adhere to any agreed-upon rate impact caps. Because AGL is making up ground for what it was unable to do in the first three years of the 2022-2031 i-CDP due to multiple economic conditions out of the Company's control, the Company is not proposing a rate cap for the 2025-2034 i-CDP.

vii. Removal of the prohibition preventing AGL from reallocating capital between the GRAM – Safety & Compliance and GRAM – Other general budget categories will give the Company more flexibility to manage its capital budgets for DOT and other GRAM subcategories. This amendment will enable AGL to manage its capital and related O&M budgets to best meet the needs of its customers and to continue to provide safe and reliable service within the parameters approved in any i-CDP.

viii. AGL agrees that it can seek an amendment to the i-CDP. However, the i-CDP is designed as a three-year process. Amending the i-CDP in mid-cycle is unnecessary, costly, and time consuming when AGL is otherwise able to manage its costs. AGL's requested amendment will provide AGL with more flexibility to manage costs outside of AGL's control in real time. Additionally, it is not in the customers' best interest for AGL to file an amendment every year to address deferred projects resulting from DOT work or other cost pressures in any budget subcategory.

Respondent: Steven Murphy
VP, Engineering & Construction
Southern Company Gas

William Horne
Director, Resource Planning & Economic Development
Atlanta Gas Light Company

STF-11-3 Regarding Section 5.1 page 37 in File-4 document called "AGL's 2025 – 2034 Integrated Capacity and Delivery Plan" ("File-4 Document"), AGL discussed a number of changes it did to the 2022 - 2031 i-CDP, related to the 2022 – 2024 capital budgets, due to unforeseen events that included rising interest rates, inflation, supply change issues, and labor market issues. In **Table-STF-11-3** below, it provides inflation numbers for 2018 – 2023. When the current approved i-CDP plan was filed in April 2021, inflation had more than doubled from the January 2021 number and it steadily rose through December 2021 and into 2022. Please answer the following.

a. Does AGL agree that it had knowledge that inflation was rising after the April 28, 2021 i-CDP filing was made, and it could have amended its request during the review process?

b. Does AGL agree that at any point after January or in 2022 an amended i-CDP could have been filed to reflect the inflationary pressures and the rising interest rates implemented by the Federal Reserve?

c. During the years 2022 and 2023, did the Company file any reports or other information with the Commission to reflect these issues of rising interest rates, inflation, supply change issues, and labor market issues and their impact on the 2022 – 2024 i-CDP projects?

Table-STF-11-3: Inflation Percent 2018 - 2023

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave
2018	2.1	2.2	2.4	2.5	2.8	2.9	2.9	2.7	2.3	2.5	2.2	1.9	2.4
2019	1.6	1.5	1.9	2	1.8	1.6	1.8	1.7	1.7	1.8	2.1	2.3	1.8
2020	2.5	2.3	1.5	0.3	0.1	0.6	1	1.3	1.4	1.2	1.2	1.4	1.2
2021	1.4	1.7	2.6	4.2	5	5.4	5.4	5.3	5.4	6.2	6.8	7	4.7
2022	7.5	7.9	8.5	8.3	8.6	9.1	8.5	8.3	8.2	7.7	7.1	6.5	8
2023	6.4	6	5	4.9	4	3	3.2	3.7	3.7	3.2	3.1	3.4	4.1

Historical Inflation Rates: 1914-2024 (usinflationcalculator.com)

RESPONSE

a. In hindsight, inflation was rising; however, at the time, the full scope, magnitude, and duration of the inflation were not known, and the impact inflation and the ongoing pandemic would have on business inputs, labor, interest rates, etc. was not known. Consequently, it was not appropriate to request an amendment during the review process. The budget estimates were built in late 2020 and early 2021 before inflation started to rise significantly. Given the amount of time necessary to identify and prioritize project needs, create the project requests and associated supporting documentation, and create the resulting financial models for the filing, an amendment to the request would have required a complete redevelopment of the budget and models plus associated narrative/testimony updates. This was impractical given the rate at which inflation was increasing and the uncertainty of the length at which it would continue, along with the unprecedented economic impacts during this time.

b. An amendment was not necessary because AGL managed its costs within the agreed-upon rate cap. Please see responses to STF-11-2.viii and STF-11-3a.

c. Yes, while the Company did not specifically call attention to rising interest rates, inflation, supply chain issues, and labor market issues, the quarterly and annual GRAM filings, the SRR reports, and the quarterly LNG tracker filings reflected the effects of these economic changes on the Company's operations.

Respondent: William Horne
Director, Economic Development & Resource Planning
Atlanta Gas Light Company

STF-11-4 On page 46 of the File-4 document, AGL discussed the price of Steel pipe. Please provide the following related to the procurement of steel pipe for pipeline projects.

a. What is the process AGL uses to procure steel pipe?
b. Which department at Southern Company Gas handles the procurement of the steel pipe?
c. Is this the same process used by Nicor, CNG, and VNG, since they are all subsidiaries of Southern Company Gas?
d. What pipeline suppliers does AGL use?
e. Do the suppliers sell the steel and craft the desired size and length of pipe?
f. Does AGL rely on its contractors to procure the steel pipe?
g. Related to the i-CDP's intensive construction activity and due to the size of Southern Company Gas, with four regulated natural gas utilities, does it command lower prices due to the bulk of steel pipe purchases?
h. How does AGL ensure it is receiving the best prices for its steel pipe?
i. For the GRAM, SRR, and LNG 2022 – 2024 construction activity related to the 2022 – 2031 i-CDP, did AGL begin ordering steel pipe prior to 2022 or after January 1, 2022?

RESPONSE

a. AGL procures steel pipe through multiple processes depending on size, quantity, and other factors, all under the guidance of the Southern Company Gas Supply Chain department:
    - AGL's Engineering department, pipeline contractors, and construction personnel procures distribution and project steel pipe less than one mile in length ranging from ¾" through 12" in diameter for coated steel pipe through MRC Global, the primary materials supplier for AGL, VNG, and CGC.
    - AGL's Engineering department procures steel project pipe for larger diameters or longer length projects through Consolidated Pipe and Supply.
    - On some occasions if the required pipe is unavailable through Consolidated Pipe and Supply due to supply chain constraints or unusual wall thickness, AGL requests quotes from other suppliers.
b. See response to part a.
c. For VNG and CGC, yes. Nicor Gas purchases all steel distribution and transmission pipe through Consolidated Pipe and Supply.
d. MRC Global and Consolidated Pipe and Supply fulfill the majority of AGL's steel pipe orders. If the required pipe is unavailable through Consolidated

Pipe and Supply due to supply chain constraints, AGL requests quotes from other suppliers, such as Edgen Murray.

e. Suppliers purchase pipe from mills and then sell finished pipe to AGL that meets AGL's specifications. Southern Company Gas typically purchases 20 foot, 40 foot, or 60 foot length pipe of various diameters.
f. Yes, unless it is a transmission project or greater than one mile or greater than 12 inch diameter, as stated in part a of this response.
g. Southern Company Gas typically does not buy enough of any one particular type of pipe (diameter, wall thickness, grade, etc.) to warrant "bulk" pricing. However, Southern Company Gas has agreements with pipe suppliers that are based on competitive bids, and Southern Company Gas' Supply Chain department routinely monitors and reviews market pricing.
h. See response to part g.
i. The timing of pipe purchases is a function of many different variables, such as when the project will start, the type of pipe required, and pipe availability. While there was some steel pipe ordered prior to 2022, , the majority of the steel pipe for 2022-2024 projects would have been ordered during the years that the projects were constructed.

Respondent: William Horne
Director, Resource Planning & Economic Development
Atlanta Gas Light Company

STF-11-5 On pages 90 – 92, AGL discussed what it called Strategic Delivery Projects, which focused mainly on USF and ECON-1 projects. There was no discussion of current approved projects or future proposed projects. There was no funding requested in this section. Yet, on page 11 in Section 1.6, AGL requested that any unrecovered dollars from USF project be recovered in the ECON-1 surcharge. There was no discussion why this cross recovery was requested, and there was no discussion in Section 5.10.

In Commission Rule 515-7-5-.07(1) states that any recovered USF dollar amounts will go to the EDC's rate base for recovery.

> **Commission Rule 515-7-5-.074(1)**
> An EDC seeking a distribution from the USF shall file with the Commission an Annual USF Facilities Expansion Plan ("Annual Plan") by September 1st of each year for the anticipated USF expansion projects for the 12-month period of January 1 through December 31 of the following year. USF funds shall only be available to aid in the construction of the approach main line-extension, service main, natural gas fueling infrastructure for motor vehicles, or compressed natural gas ("CNG") station, or Liquefied Natural Gas ("LNG") facilities for any proposed facilities expansion. The filing for Annual Plan projects will use engineering estimates as part of the cost review. The Commission shall determine if the projects are in the public interest and may accept, reject, modify the proposed projects. The disbursements to the EDC for completed projects will be for actual costs that are below the EDC's 5% budget cap for that Annual Plan year. The disbursements for completed projects will be limited to unencumbered funds in the USF. For any amounts that exceed the 5% budget cap or the unencumbered USF funds, those amounts will go into the EDC's rate base for ratemaking purposes. Any Plant recovered through USF disbursements shall not be recovered in the EDC's rate base for ratemaking purposes. The EDC may file revisions to its Annual Plan as necessary during the year. The Commission shall determine whether any such revisions are in the public interest, and may accept, reject, or modify the proposed projects. In establishing its Annual Plan, the EDC shall consider the following:

Likewise, in the "Final Order Approving Joint Motion of Staff and Atlanta Gas Light Company to Amend the Commission's December 27, 2023, Order" in Docket No. 43510, consistent with Commission Rules, the Final Order on the Joint Motion was clear that any unrecovered USF dollar amounts must be recovered in the GRAM model. This was approved on January 24, 2024.

Final Order Approving Joint Motion page 2

Staff and AGL proposed replacing the current language with the following new language:

> Beginning with the 2024 and subsequent USF years until the Commission determines otherwise, USF capital expenditure recovery will adhere to Commission Rule 515-7-5-.07 and the accounting treatment set forth in this paragraph. AGL will present project estimates for the Commission to use when determining and encumbering available USF dollars for the applicable fiscal year. In accordance with Commission Rule 515-7-5-.07, AGL may recover from the USF all actual project costs expended in the aggregate at the end of the fiscal year, provided (1) total disbursements from the fund for that fiscal year will not exceed the $25 million statutory cap or 5 percent of the Company's applicable capital budget, (2) there are unencumbered funds available in the USF, and (3) such costs are not otherwise deemed unreasonable or imprudent. If AGL uses its capital to fund actual costs that exceed available USF funds, such incremental capital investments shall be included in the GRAM model for base rate recovery but shall be tracked separately from, and shall not be considered a part of, any capital budget approved for the applicable Georgia Ratemaking Adjustment Mechanism ("GRAM") process, and shall not be subject to any revenue requirement limitation agreed to for the year in which the costs were incurred. Such incremental capital investments and the associated revenue requirement shall be recovered through the GRAM processes or other normal ratemaking process without requiring an amendment to the Company's Integrated Capacity and Delivery Plan and without the creation or use of a regulatory asset.

Please answer the following:

a. Does AGL agree that Commission Rules and the Final Order on Joint Motion mandates that any unrecovered USF projects must go to the GRAM rate base for recovery?

b. Does AGL agree that the ECON-1 surcharge recovery is specific to only ECON-1 approved projects and comingling the recovery of other programs isn't consistent with Commission Rules or Commission Orders?

c. Does AGL agree that attempting to move unrecovered USF projects to ECON-1 can open the door for other unrecovered dollars to also be moved to ECON-1, such as any program/project dollars from the i-CDP capital budgets could subsequently be placed under the ECON-1 surcharge?

RESPONSE

a. The Commission Rules and the Final Order on Joint Motion speak for themselves.

b. The Company's request in the i-CDP filing to recover actual project costs above estimate through the ECON-1 rider is no longer necessary because the Commission's Final Order on Joint Motion properly resolves the issue of the recovery of USF projects that exceed the $25 million statutory cap or 5 percent of the Company's applicable capital budget.

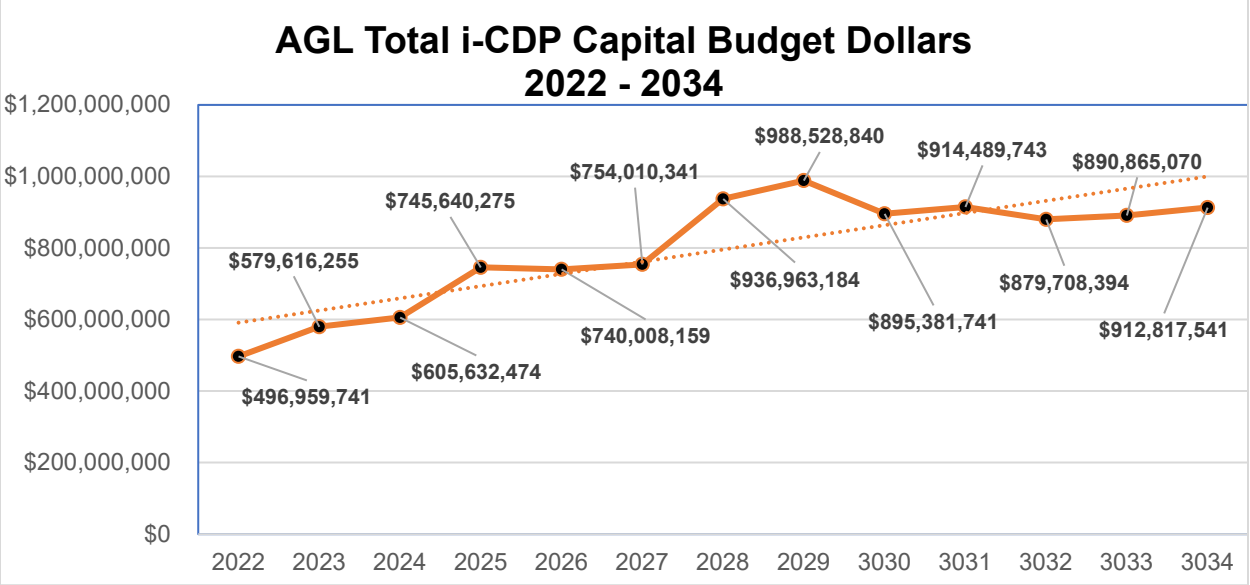
c. See response to STF-11-5b.

Respondent: William Horne
Director, Resource Planning & Economic Development
Atlanta Gas Light Company

STF-11-6 AGL filed an Excel spreadsheet called "TRADE SECRET – GRAM MFR 1&2_AGL 2025-3034 i-CDP". Though this spreadsheet had capital budget numbers within it, there was no way for the Staff to isolate GRAM, SRR, and LNG separately. The Staff was able to craft pivot tables to review the spending by large categories. As seen in **Staff-Chart-11-6** and **Staff-Table-11-6** the trends demonstrated a few large jumps in capital spending in some years with several years of lower increases with some decreases followed by another year with a large jump in capital spending.

Starting with the 2024 approved capital budget, to stick with the principle of gradualism, has the company considered increasing the budget categories by 2% for 2025, and then for 2026, and then for 2027? This would allow for a gradual rise in base rates and make the spending targets more manageable for the 3-year period. It would make managing real world events that could impact the budgets more manageable, such as inflation, commodity prices for steel, and other events. AGL would still have the ability to move dollars between budget categories and request amendments if needed.

Staff-Chart-STF-11-6



Staff-Table-STF-11-6

	Approved						
Year	2022	2023	2024	2025	2026	2027	
AGL Total Capital Budget	$496,959,741	$579,616,255	$605,632,474	$745,640,275	$740,008,159	$754,010,341	
Dollar Change Year-Over-Year		$82,656,514	$26,016,219	$140,007,801	($5,632,116)	$14,002,182	
Percentage Change Year-Over-Year		14.26%	4.30%	18.78%	-0.76%	1.86%	
Year			2024	2025	2026	2027	
2% Increase from Prior Year				$12,112,649.48	$12,354,902.47	$12,602,000.52	
Captial Budget with 2% Increase (Begins in 2025)			$605,632,474	$617,745,123.48	$630,100,025.95	$642,702,026.47	
Year	2028	2029	3030	3031	3032	3033	3034
AGL Total Capital Budget	$936,963,184	$988,528,840	$895,381,741	$914,489,743	$879,708,394	$890,865,070	$912,817,541
Dollar Change Year-Over-Year	$182,952,843	$51,565,655	($93,147,099)	$19,108,002	($34,781,349)	$11,156,676	$21,952,471
Percentage Change Year-Over-Year	19.53%	5.22%	-10.40%	2.09%	-3.95%	1.25%	2.40%
Year	2028	2029	3030	3031	3032	3033	3034
2% Increase from Prior Year	$12,854,040.53	$13,111,121.34	$13,373,343.77	$13,640,810.64	$13,913,626.85	$14,191,899.39	$14,475,737.38
Captial Budget with 2% Increase (Begins	$655,556,067.00	$668,667,188.34	$682,040,532.10	$695,681,342.75	$709,594,969.60	$723,786,868.99	$738,262,606.37

RESPONSE

While AGL appreciates and understands the principle of gradualism, the unprecedented increases in labor, materials, and other areas within construction that have far outpaced inflation for multiple years, as outlined in detail within Chapter 5.2 of the i-CDP, have significantly stressed the Company's ability to limit increases to 2% year-over-year.

Considering just CPI inflation (page 40 of the i-CDP), AGL has had to absorb inflation as high as nearly 9% over the past two years. To stay within approved i-CDP budgets for 2022-2024, AGL has had to temporarily delay significant numbers of projects which still must be completed. For this reason alone, gradual 2% increases year-over-year will not provide the necessary funding to meet this pent-up demand. Coupling that with continued high costs and increased required investments associated with new regulations like PHMSA's RIN-2 and RMV rules, AGL must request a significant increase for 2025-2027 to maintain safety, compliance, and system integrity well above a gradual 2% level.

Concerning 2028-2034, it should be noted that there are multiple drivers for the significant increases above 2025-2027 proposed investment levels including catching up on some large System Reinforcement projects delayed from previous years, additional mandated TIMP investments associated with the PHMSA RIN-2 and MAOP Validation rules, a proposed increase in DIMP driven pipeline replacements, required large scale ERT replacements due to end of battery life, etc.

Respondent: Steven Murphy
VP, Engineering & Construction
Southern Company Gas