BEFORE THE
GEORGIA PUBLIC SERVICE COMMISSION

PRE-FILED TESTIMONY OF
TONY WACKERLY
(On behalf of the Staff of the Georgia Public Service Commission)
AND
STEVEN MURPHY AND
MICHAEL J. MORLEY
(On behalf of Atlanta Gas Light Company)

I. INTRODUCTION AND BACKGROUND

Q. Please state your names, positions and addresses.

By Mr. Wackerly:

A. My name is George Anthony ("Tony") Wackerly. I am a Senior Financial Analyst with the Georgia Public Service Commission in the Natural Gas Unit. I am testifying on behalf of the Public Interest Advocacy Staff ("Staff") in this docket. My business address is the Georgia Public Service Commission, 244 Washington Street, N.W., Atlanta, Georgia 30334.

By Mr. Murphy:

A. My name is Steven Murphy. I am the Vice President, Engineering and Construction, for Southern Company Gas ("GAS"). I am testifying on

behalf of Atlanta Gas Light Company (the "Company" or "AGL"). My business address is 10 Peachtree Place, Location 1686, Atlanta, Georgia 30309.

By Mr. Morley:

A. My name is Michael J. Morley. I am the Director of Regulatory Reporting and Strategy for Southern Company Gas ("GAS"). I am testifying on behalf of Atlanta Gas Light Company (the "Company" or "AGL"). My business address is 10 Peachtree Place, Location 1686, Atlanta, Georgia 30309.

Q. Have you previously submitted testimony before the Georgia Public Service Commission ("Commission")?

By the Panel:

A. Yes. Each of us have caused to be submitted in this docket pre-filed direct testimony. Additionally, each of us have testified before this Commission in other dockets.

Q. Do you sponsor any exhibits with this pre-filed testimony?

A. Yes, we are sponsoring the exhibit identified as Staff/AGL Exhibit No. 1 ("Stipulation"), which is the Stipulation between Staff and AGL regarding the 2025-2034 Integrated Capacity and Delivery Plan

("2025-2034 i-CDP"). The Stipulation has four attachments, which we are sponsoring as well, that provide the agreed-to budget tables (Attachment A to the Stipulation), the proposed Department of Transportation Rider ("DOT Rider" and Attachment B to the Stipulation) described in the Stipulation, the Real Time Web Services Requirements (Attachment C to the Stipulation), as well as the proposed System Reinforcement Rider ("SRR") (Attachment D to the Stipulation).

Q. Were the Stipulation and its four attachments prepared by you or under your direct supervision, and is true and correct?

A. Yes. We were all involved in negotiating the Stipulation. The Stipulation and attachments are true and correct to the best of our knowledge and belief.

Q. What is the purpose of your testimony?

A. Our testimony presents and supports the Stipulation and its attachments resolving the issues regarding the 2025-2034 i-CDP. Staff and AGL ask the Commission to approve AGL's 2025-2034 i-CDP as amended by the Amended i-CDP filed on May 9, 2024 and as further modified by the Stipulation. Our testimony also addresses certain other issues raised

in this docket. SouthStar Energy Services, LLC d/b/a Georgia Natural Gas, SCANA Energy Marketing LLC, Gas South, LLC, and Walton Energy d/b/a Walton EMC Natural Gas (collectively, the "Intervening Marketers") have signed on in support of the Stipulation.

II. STIPULATION PROVISIONS AND BACKGROUND

Q. Please briefly describe AGL's initial i-CDP filing.

A. On February 1, 2024, AGL filed its initial 2025-2034 i-CDP, along with pre-filed direct testimony, a Petition for Approval of the Plan, and the other minimum filing requirements.

Q. What document governed the i-CDP filing?

A. The initial Stipulation between Staff and AGL, dated January 28, 2021, approved by the Commission's Order dated February 23, 2021 in Docket No. 42315 (the "Governance Document"), governs this and subsequent i-CDP filings.

Q. Why did the Company amend its initial 2025-2034 i-CDP filing on May 9, 2024?

A. AGL filed the amendment to reflect changes that were made to amend the narrative document to correct tables under "Figure 5.10: Bill Impacts" and to update the filing date and file name as "amended."

Q. How does the Stipulation between Staff and AGL modify the Amended 2025-2034 i-CDP?

A. AGL and Staff agreed on the following issues and modifications to AGL's Amended 2025-2034 i-CDP:

1. Recommend approval of the 2025-2027 capital budget and the accounting treatment for possible cost deferral;

2. Propose a Department of Transportation ("DOT") Rider and tariff;

3. Provide for tracking and recovery of costs for the Valdosta Satellite LNG project;

4. Allow AGL to shift budget amounts within the GRAM – Safety and Compliance budget and the GRAM – Other budget without additional Commission approval, as well as to shift unspent budget amounts between Plan years, to allow the Company to then use in a subsequent year; provided however, that no unspent budgeted amounts can be carried beyond 2027;

5. Modify the Accounting Treatment for Allowance for Funds Used During Construction ("AFUDC") regarding ASC allocated assets;

6. Implement a new capital budget to actual variances reporting requirement; and

7. Provide Marketer Real Time Web Services.

Q. How do these modifications to the Plan affect the Company's ability to meet customers' needs to provide safe and affordable natural gas service?

A. AGL and Staff worked together cooperatively and believe that this Stipulation represents a reasonable compromise and settlement of all the issues. Ultimately, everything the Company has identified in its Plan will need to be done. However, the Parties believe that all of these changes together will provide the Company with much greater flexibility to manage these projects, and, if necessary, the Company can file an amendment.

1. Capital Budget and Accounting Treatment for Possible Cost Deferral

Q. Please describe how the Stipulation modifies the Company's capital budget and accounting treatment for possible cost deferral.

A. The Stipulation recommends approval of the 2025-2027 Capital Budgets (including overheads, and AFUDC, and SRR Projects, but excluding ECON-1 Projects and the DOT Rider Projects) and recognizes that the 2025-2027 Capital Budgets are appropriate to meet the forecasted customers' needs and provide safe and reliable natural

gas service. For the purposes of the initial three-year period of the 2025-2034 Amended i-CDP (2025-2027), the Company agrees not to exceed such capital budgets without filing an amendment approved by the Commission after demonstrating unforeseen or extraordinary circumstances, such as newly enacted laws or regulations.. The annual capital budget totals are as follows, with the annual subcategory budgets set forth in Attachment A of the Stipulation:[1]:

2025	2026	2027
$602.9 mm	$623.7 mm	$643.3 mm

The agreed-to capital budgets, for the purposes of this Stipulation reduce approximately $181 million during the initial three-year period from AGL's 2025-2034 i-CDP as originally filed. The annual budget totals listed above include all categories of investment listed in the Company's filed i-CDP other than the ECON-1 and DOT riders. The Parties agree that AGL is authorized to reallocate capital between GRAM -Safety and Compliance and GRAM -Other Budget Categories, but is not authorized to reallocate into or away from the budgets for

[1] This budget table includes the reductions for the DOT Rider included in Section 3, paragraph 1 of the Stipulation.

SRR, Cherokee LNG Expansion or Valdosta Satellite LNG Project. The Parties further agree that AGL is authorized to carry forward any budgeted amount that remains unspent in one year to the budgeted amount in the following year, but shall not carry over beyond 2027. Irrespective of when capital is invested, revenue requirements will be recovered from customers based on actual cost of service as discussed in the Stipulation. The Company may not, however, exceed its capital budget in any one year other than by the incremental addition of unspent budgeted capital amounts from the prior year or by an amendment for unforeseen or extraordinary events to the capital budgets approved by the Commission. The Parties agree that the Company has the authority where necessary and appropriate to reprioritize projects, shift budgeted funds among authorized projects, and address new or reassessed risks, costs, and priorities.

The Parties agree that for each of calendar years 2024, 2025, 2026 and 2027, the Company is authorized without further action to reallocate capital across the GRAM—Safety and Compliance and GRAM—Other Budget Categories.

Q. How does the modification to the capital budgets and the accounting treatment for possible cost deferral impact the Company's 2025 GRAM Filing?

A. The Stipulation provides that in addition to filing the information necessary to set traditional one-year GRAM rates, the Company will, after consultation with Staff, include within its 2025 Annual GRAM filing a rate alternative whereby the Company recovers its full revenue requirements over the three-year period (2025-2027) while also lowering the projected impact on customer rates in 2025. Staff will review the alternate proposal during the 2025 Annual GRAM proceeding and reserves the right to recommend modifications to the proposed rate alternative or to oppose the proposed rate alternative if Staff believes that the proposed rate alternative is not in the public interest. A rate alternative that recovers AGL's full revenue requirements over the three-year period (2025-2027) while also lowering the projected impact on customer rates in 2025, if validated by Staff or is otherwise determined by an order of the Commission in the 2025 Annual GRAM Filing, inherently would result in under recovering the Company's full revenue requirements in 2025 and would result in customers paying higher rates

associated with recovering the unrecovered 2025 revenue requirements in subsequent years. Staff and the Company agree that if a 3-year rate plan is adopted in lieu of traditional one-year GRAM rates, any actual under-recovered 2025 revenue requirements would then be recovered in 2026 and 2027 in addition to the actual revenue requirements for 2026 and 2027 as determined by each year's GRAM filing. Any remaining under-recovered 2025 revenue requirements as calculated by the 2025 GRAM model would be included in rate base and adjusted accordingly based on actual revenue requirements unrecovered in 2025 and would be recovered in 2026 and 2027 in a manner similar to the cost stabilization balance. This would ensure rates paid by customers will be based on the actual 2025 unrecovered revenue requirements should they differ from the Staff validated or Commission ordered 2025 Annual GRAM Filing. Additionally, the Stipulation delays the 2025 GRAM Filing until July 15, 2024. Between July 1, 2024 and July 12, 2024, the Parties will meet to discuss the Company's preliminary traditional base rate calculation that the Company intends to file in the 2025 GRAM. The Company will consult with Staff on a rate alternative to be filed with the traditional base rate calculation wherein the Company recovers its full revenue

requirements over the three-year period (2025-2027) while also lowering the projected impact on customer rates in 2025. Staff reserves the right to propose modifications to the alternative three-year recovery plan (except in regard to the agreement regarding how under recovered 2025 revenue will be handled) or to propose adoption of a traditional one-year recovery plan.

Q. Please explain the impact on the System Reinforcement Rider ("SRR").

A. The Stipulation acknowledges that the SRR shall operate as contemplated in the Company's filed 2025-2034 i-CDP and that such amounts covered by the SRR are included within the capital budgets for each of these years unless the Company obtains an amendment from the Commission. The SRR rate to be effective January 1, 2025 through December 31, 2027 and to be charged for the revenue requirements associated with the projects to be included within the SRR (as a ratemaking proceeding within the i-CDP process) are:

(a) An annual SRR customer charge of $13.80 per customer, or a monthly rate of $1.15 per customer for rate classes R-1, G-10, AG-1 and S-51;

(b) An annual SRR customer charge of $41.40 per customer, or a monthly rate of $3.45 per customer for rate class G-11; and

(c) An annual SRR customer charge of $345.00 per customer, or a monthly rate of $28.75 per customer for rate class G-12.

2. DOT Rider

Q. Please describe the proposed DOT Rider.

A. The Stipulation establishes a DOT Rider to separately recover the revenue requirements associated with required compliance with municipal, county, and Georgia Department of Transportation directives regarding facilities in public easements and rights of way. The term "DOT" is used, but the rider applies to all local governments' directives as well. The Company agrees to reduce the proposed GRAM capital budgets for DOT related removal costs for line retirements, overheads and AFUDC that will be recovered through the DOT Rider. Through the DOT Rider, the Company will recover the actual revenue requirement of public project relocations calculated in the same manner as would be calculated had these amounts been included in GRAM and similar in operation as the ECON-1 Rider. The amount of the DOT Rider will be incremental to the customer impacts, and the DOT Rider

will not roll-into base rates unless ordered by the Commission in the future. The DOT Rider will go into effect January 1, 2025.

The DOT Rider will not be subject to any cap, as the Company has no advance knowledge of these projects, the projects are often not forecasted, and these requirements are outside of the Company's control. The DOT Rider is designed to recover revenue requirements associated with an estimated $50.9 million spend to comply with DOT directives for 2025. For 2026 and every subsequent year, the over- or under-recovered end of the year balance will become the starting point for the DOT Rider in the following year. In the second and every subsequent year following the initiation of the DOT Rider, the Company will file adjustments to the DOT Rider rate at least annually, designed to minimize annual over or under recoveries.

3. Valdosta Satellite LNG Recovery

Q. How will the Company track and recover costs for the Valdosta Satellite LNG Project?

A. The Stipulation requires that the Company track the capital costs of the Valdosta Satellite LNG Project described in the 2025-2034 i-CDP in a manner similar to the Cherokee LNG Expansion Project using the LNG

Tracker as described in the Governance Document. When the Valdosta Satellite LNG Project is completed, it will be recovered in the GRAM once the facilities are placed into service. The Valdosta Satellite LNG Project capital investment is included within the capital budgets set in the Amended 2025-2034 i-CDP as modified by the Stipulation. The Company will file quarterly Valdosta Satellite LNG Project reporting in the same detail as the Cherokee LNG Expansion Project for information maintained by and available to the Company, but all financial tables in the written reporting shall be provided in an electronic Excel spreadsheet with formulas intact for review.

4. Shifting Budget Amounts

Q. Please explain how the Stipulation modifies the 2025-2034 i-CDP to allow for the shifting of budget amounts.

A. The Stipulation authorizes the Company, beginning in calendar year 2024, to reallocate capital across the GRAM—Safety and Compliance and GRAM—Other Budget Categories. Such action will not require additional approvals from Staff and the Commission. Further, the Company is authorized to move budgeted capital investments from one

year to another year within the initial three-year planning period, as previously discussed in this testimony.

5. Accounting Treatment for AFUDC

Q. Please explain the modification to the Company's accounting treatment for AFUDC under the Stipulation.

A. The Company will include ASC-allocated CWIP in the same calculation of AFUDC for AGL-owned assets. This calculation uses an AFUDC rate based on the ratio of total AFUDC recognized on AGL's books over the historic GRAM test year to the 13-month average CWIP balances over the same period. This calculation is included in WP 2-3 CWIP of the annual GRAM model. The Stipulation acknowledges that the AFUDC treatment discussed above is consistent with the current GRAM calculation of AFUDC for AGL-owned assets.

6. Reporting

Q. How does this Stipulation modify the i-CDP with respect to reporting requirements?

A. The Stipulation requires the Company to provide an annual capital budget report on April 30 that provides budget to actual variances with narratives by budget category for the prior calendar year. The content

and format of the report will be similar to Figure 5.7: 2022-2024 i-CDP Filing vs. Actuals/Plan. The first report will be filed on April 30, 2026, for calendar year 2025.

7. Marketer Real Time Web Services

Q. How does the Stipulation address the Marketer Real Time Web Services?

A. The Stipulation provides that the Company shall create and maintain a web service that will allow for a real-time scheduling of appointments, estimated at a cost between $2-4 million. The Parties agreed to modifications of the annual capital budgets to undertake this initiative. The Parties agree that the cost of service related to this activity be offset through AGL's turn on and reconnect fees. AGL will begin the process to develop the Services in 2025, with a planned delivery and implementation in 2027.

Q. Is there anything in the Stipulation or the i-CDP filing, that replaces or modifies the requirements for the Capacity Supply Plan?

A. Nothing in this Stipulation replaces or modifies the CSP process. CSPs will continue to be filed in compliance with O.C.G.A. § 46-4-155(e) at least every third year.

III. WITNESS PANEL RECOMMENDATION

Q. Do you have a request or recommendation for action for the Commission?

A. We request that the Commission approve the Stipulation in this docket as filed, including the DOT Rider attached to the Stipulation as Attachment B. We request that the Commission finds that the capital projects described in the 2025-2034 i-CDP as revised in the amended filing and as modified by the Stipulation are necessary to support reliability of the system, are in the best interest of Georgians, and will enable AGL to meet customers' needs.

Q. Does this conclude your pre-filed testimony in support of the Stipulation?

A. Yes, this concludes our pre-filed testimony at this time.