BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION
STATE OF GEORGIA

IN RE: **ATLANTA GAS LIGHT COMPANY'S GEORGIA RATE ADJUSTMENT MECHANISM: APPLICATION FOR APPROVAL OF AN ALTERNATIVE FORM OF REGULATION**	**Docket No. 42315**

ATLANTA GAS LIGHT COMPANY'S 2025 ANNUAL GEORGIA RATE ADJUSTMENT MECHANISM FILING

Atlanta Gas Light Company ("AGL" or the "Company") hereby files this 2025 Annual Georgia Rate Adjustment Mechanism ("GRAM") Filing with the Georgia Public Service Commission (the "Commission") as authorized by O.C.G.A. § 46-2-23.1 as an alternative form of regulation for rates to be effective January 1, 2025.

BACKGROUND

AGL is a utility engaged in the transportation and distribution of natural gas in intrastate commerce within the State of Georgia. AGL owns and operates distribution system facilities and pipe line facilities through which the Company provides natural gas service to the public. AGL holds certificates of public convenience and necessity from this Commission to construct, own, and operate pipeline and distribution systems in 132 counties within Georgia.

As a gas company in the State of Georgia, AGL is subject to this Commission's jurisdiction under O.C.G.A. § 46-2-20. This Commission has specific authority to approve an alternative form of regulation for AGL under O.C.G.A. § 46-2-23.1. An alternative form of regulation is "a method of establishing just and reasonable rates and charges for a gas company by performance-based regulation without regard to methods based strictly upon cost of service, rate base, and rate of

return." O.C.G.A. § 46-2-23.1. The Commission approved the AGL GRAM as an alternative form of regulation in its February 21, 2017 Final Order Approving an Alternative Form of Regulation for Atlanta Gas Light Company in Docket 40828. Under the Commission's February 14, 2020 Order in Docket No. 42315, the Commission found that AGL should continue using the AGL GRAM and required AGL to file its annual filing for GRAM on or before July 1 for each succeeding calendar year. Final Order, *In Re: Atlanta Gas Light Co.'s Petition for Adjustment of Rates and Revised Tariff and Application for Approval of an Alternative Form of Regulation*, Docket No. 42315, *29 (Ga. P.S.C. Feb. 11, 2020) (the "Rate Case Order"). Accordingly, AGL submits this 2025 Annual GRAM Filing to the Commission.

2025 ANNUAL GRAM FILING

As directed by this Commission, AGL files with the Commission this 2025 Annual GRAM Filing.[1] The 2025 Annual GRAM Filing reflects the ratemaking treatment agreed to by AGL and Staff of the Georgia Public Service Commission ("Staff") in the Company's Integrated Capacity and Delivery Plan ("i-CDP") Filing for: the Liquified Natural Gas ("LNG") Expansion; the Valdosta Satellite Project; Department of Transportation ("DOT") Rider[2] projects; ECON-1 Rider projects; and, System Reinforcement Rider Projects.

Because the Company's projected revenue deficiencies were greater in 2025 than the projected revenue deficiencies for the years 2026 and 2027, the i-CDP Stipulation[3] requires the

[1] In accordance with the Stipulation of Staff of the Georgia Public Service Commission and Atlanta Gas Light Company Regarding the 2025-2034 Integrated Capacity and Delivery Plan in Docket No. 43820 approved on July 2, 2024 (the "i-CDP Stipulation"), AGL and Staff agreed to delay the filing of this 2025 Annual. As discussed below, this filing includes three alternative versions.

[2] Although referred to as "DOT" projects, the rider includes projects required to accommodate all governmental entities (state, county, municipal, et al.) in which AGL's facilities are affected by public works projects. See Attachment B of the June 10, 2024, Stipulation in Docket No. 43820 approved by this Commission by its Order dated July 2, 2024.

[3] Paragraph 5 of Section 2 (pages 6-7) of the June 10, 2024, Stipulation in Docket No. 43820 approved by this Commission by its Order dated July 2, 2024.

Company to file both: (1) a traditional Annual GRAM Filing, in which the full 2025 revenue requirement as calculated by the Commission-approved GRAM mechanism would be included within rates effective during 2025 (a "Traditional GRAM"); and (2) after consulting with Staff, a Rate Alternative in which the Company would recover its full revenue requirements of the three-year period (2025-2027) while also lowering the projected impact on customer rates in 2025 (an "Alternative Rate GRAM"). Attached to this Petition, AGL is filing both the Traditional GRAM and the Alternative Rate GRAM required by the Stipulation. Additionally, AGL is filing a third GRAM version (the "Proposed Resolution"). The Proposed Resolution, outlined below, is the result of extensive discussions with Staff.

Traditional GRAM

In Attachment A(1) (Traditional GRAM), incorporated by reference, AGL is providing the associated GRAM schedules for the twelve-month period ending July 31, 2024 (the "Historic Test Year") as support for the 2025 Annual GRAM Filing. Attachment A(1) (Traditional GRAM) also includes the projected revenue requirements for the 12 months of January 1, 2025 through December 31, 2025 (the "Forward Looking Test Year"). The Forward Looking Test Year revenue requirements have been calculated in accordance with the Company's Commission-approved GRAM Tariff. Attachment A(1) includes a total incremental revenue requirement calculation in the amount of $125.4 million.

The $125.4 million incremental revenue requirement has been reduced by the refund of the 2024 RTU, resulting in an adjusted incremental revenue requirement of $120.9 million. After all reductions have been made, the resulting incremental revenue requirement is $120.2 million. Attachment A(1) (Traditional GRAM) also identifies rate adjustments that are needed for the Forward Looking Test Year.

As discussed in the i-CDP, there is a $120 million revenue deficiency in 2025 due in large part to the impact of the runaway inflation that began within months after the first i-CDP was filed in 2021. As labor and material costs surged, the Company could do far less with the dollar during the initial i-CDP than what was initially planned and approved, and operations and maintenance costs continue to be much higher. During this period, the Company maintained its commitment to the Commission to not raise rates higher than 6% each year, even when general inflation was hitting 9% and material costs escalated. As part of the agreed-to limits coming out of the initial i-CDP filing, if the Company incurred costs in 2022-2024 that would have caused the GRAM model to produce rate increases for a typical residential customer greater than 6%, which the Company did, AGL agreed to not recover those annual revenue requirements above the agreed-to limit during the initial i-CDP (2022-2024). The incremental revenue requirement associated with those now embedded costs is $31 million. The Company is not attempting to recoup costs from the last three years, but rather this amount is the 2025 revenue requirement associated with that 2022-2024 i-CDP commitment. If the Company does not levelize (defer) some of the 2025 revenue deficiency across multiple years, the one-year impact would be about 15% for 2025 under a Traditional GRAM.

Alternative Rate GRAM

In Attachment A(2) (Alternative Rate GRAM), incorporated by reference, AGL is providing the associated GRAM schedules for the twelve-month period ending July 31, 2024 (the "Historic Test Year") as support for the 2025 Annual GRAM Filing. Attachment A(2) (Alternative Rate GRAM) also includes the projected revenue requirements for the 12 months of January 1, 2025 through December 31, 2025 (the "Forward Looking Test Year"). The Forward Looking Test Year revenue requirements have been calculated in accordance with the Company's Commission-

approved GRAM Tariff, with the exception of the following changes in assumptions: (1) PRP recovery occurs in 2027 rather than 2025; (2) Georgia State tax rate change benefits are returned over two years; (3) the GRAM inflation factor, as initially determined based on the Tariff, excludes 2022 as it provided higher than current inflation expectations. Attachment A(2) (Alternative Rate GRAM) includes a total incremental revenue requirement calculation in the amount of $102.5 million.

The $102.5 million incremental revenue requirement has been reduced by the refund of the 2024 RTU, resulting in an adjusted incremental revenue requirement of $98.0 million. After all reductions have been made, the resulting incremental revenue requirement is $68.3 million. Attachment A(2) (GRAM Levelized) also identifies rate adjustments that are needed for the Forward Looking Test Year.

AGL recognizes that a 15% increase in one year for GRAM, DOT and SRR combined may be a hardship for customers. Therefore, the Company has proposed to defer $29.0 million of the 2025 revenue requirement into years 2 and 3, which would be in addition to the incremental revenue requirements that would have been calculated for each of those years in due course.

The GRAM model calculates that if the full 2025 revenue requirements were to be levelized so that the increase in each of the years would be similar in amount, certain costs to be incurred but not recovered in 2025 would be recovered in the following two years, the incremental rate increase for a typical residential customer would be $3.74 in 2025, $3.75 in 2026, and $3.75 in 2027, assuming that the Company invested in new capital projects consistent with the approved i-CDP and typical changes to non-capital costs for each of the three years. This is in contrast to the $3.34 per month, annual increase that was communicated in the CDP hearing. As discussed by the Company's witness from the stand that the $3.34 figure was a high-level estimate based on

budgets and forecasts and the rate would be determined through the GRAM process. Therefore, that number was never meant to be a hard number. This levelized proposal would recover the full revenue requirements over the three-year period.

Proposed Resolution

The Proposed Resolution provides a framework that the Company believes could be the basis for a stipulated resolution to this 2025 Annual GRAM Filing, and also resolve the major issues for GRAMs in 2026 and 2027. The rate increases under this Proposed Resolution would generate approximately $23.2 million less revenue than the Alternative Rate GRAM described above. This proposal illustrates a scenario in which the Company would agree to set the incremental rate increases for the GRAM portion of the all-in rates at $2.99 in 2025, $2.99 in 2026, and $2.99 in 2027. These rates could be adjusted through the annual GRAM process without filing an amendment to the Order in this case as a result of changes in taxes, interest on debt, and other additional costs that are out of the Company's reasonable control, as to be negotiated in such a stipulated resolution. Otherwise, these rates are not to be exceeded without filing an amendment that demonstrates an increase in O&M costs attributable to unforeseen or extraordinary circumstances. This commitment could provide customers more rate stability over the next three years.

In order to arrive at the Proposed Resolution, the Company used the following filing assumptions: (1) PRP recovery would occur within the 2025-2027 timeframe, rather than 2025; (2) Georgia State tax rate change benefits would be returned over two years; (3) the GRAM inflation factor, as initially determined based on the Tariff, would exclude 2022 as it provided higher than current inflation expectations; (4) GRAM amounts would be based on initial filing are subject to change when actualization filings are made in Q4 of each year, but in no event would

the rate to be effective beginning January 1 of each year be lower than the rates set forth in the Proposed Resolution schedules attached hereto; (5) the all-in rates would be subject to changes for the DOT Rider and any potential ECON-1 or USF activities; and (6) AGL will have the authority where necessary and appropriate to reprioritize projects, shift budgeted O&M funds among authorized projects, and address new or reassessed risks, costs, and priorities.

The Company anticipates that this Proposed Resolution will be further refined as Staff, the Company, and any interested intervenors actively engage in review of this filing. AGL believes that this framework, once finalized, should essentially resolve the 2025 GRAM and will streamline the more significant issues in the 2026, and 2027 GRAMs.

In Attachment A(3) (Proposed Resolution), incorporated by reference, AGL is providing the associated GRAM schedules for the twelve-month period ending July 31, 2024 (the "Historic Test Year") as support for the 2025 Annual GRAM Filing. Attachment A(3) (Proposed Resolution) also includes the projected revenue requirements for the 12 months of January 1, 2025 through December 31, 2025 (the "Forward Looking Test Year"). The Forward Looking Test Year revenue requirements have been calculated in accordance with the Company's Commission-approved GRAM Tariff. Attachment A(3) (Proposed Resolution) includes a total incremental revenue requirement calculation in the amount of $109.0 million.

The $109.0 million incremental revenue requirement has been reduced by the refund of the 2024 RTU, resulting in an adjusted incremental revenue requirement of $104.5 million. After all reductions have been made, the resulting incremental revenue requirement is $73.5 million. Attachment A(3) (Proposed Resolution) also identifies rate adjustments that are needed for the Forward Looking Test Year.

Attachment B, incorporated herein by reference, sets forth AGL's GRAM capital budget data for the Forward Looking Test Year and is consistent with the capital budget provided in Section 2 of the i-CDP Stipulation in Docket No. 43820. The 2025 GRAM Other and GRAM Safety and Compliance capital spending categories for AGL are approximately $402.1 million. Attachment C, incorporated herein by reference, sets forth AGL Services Company's ("AGSC") capital budget data for the Forward Looking Test Year and provides a detailed description of the proposed capital expenditure items. The associated AGSC capital projects to be transferred and recorded to AGL's plant-in-service in 2025 is approximately $25.7 million.

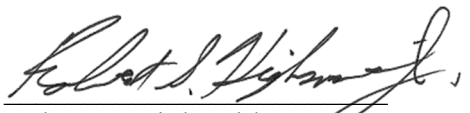
AGL's 2025 GRAM Filing also includes the work papers supporting this filing. Approval of this 2025 Annual GRAM Filing is in the public interest and will produce just and reasonable rates.

CONCLUSION

AGL requests that the Commission approve this 2025 Annual GRAM Filing and the proposed rates as just and reasonable. AGL further requests that these new rates become effective January 1, 2025.

Submitted this 31st day of July, 2024.

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CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served Atlanta Gas Light Company's 2025 Annual Georgia Rate Adjustment Mechanism Filing via email as follows:

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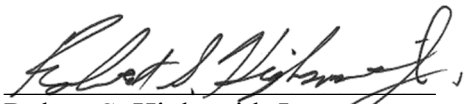
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This 31st day of July, 2024.

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