SUMMARY REPORT
ON
GEORGIA POWER COMPANY'S
2023 ANNUAL RETAIL
SURVEILLANCE REPORT

PREPARED BY
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AND THE
GEORGIA PUBLIC SERVICE COMMISSION
PUBLIC INTEREST ADVOCACY STAFF

DECEMBER 9, 2024

Background and Overview

The Georgia Public Service Commission's ("GPSC" or "Commission") Order Adopting Settlement Agreement as Modified in Docket No. 44280, dated December 30, 2022, adopted a Settlement Agreement among (1) Georgia Power Company, (2) Public Interest Advocacy Staff ("Staff"), (3) City of Atlanta, (4) Commercial Group, (5) Georgia Industrial Group ("GIG"), (6) Georgia Association of Manufacturers ("GMA"), (7) Metropolitan Atlanta Transit Authority ("MARTA"), and (8) Kroger Company, which, among other things, established a three-year Alternative Rate Plan ("ARP") with rates that became effective on January 1, 2023 and originally set to continue through December 31, 2025. For Annual Surveillance Reporting ("ASR") purposes, a provision of the Settlement Agreement established that beginning January 1, 2023, an earnings band range between 9.50% and 11.90% for retail return on equity ("ROE"). Specifically, Paragraphs 10 and 11 (pages 16-17) of the Commission's Order Adopting Settlement Agreement as Modified stated that:

> The structure of the earnings band was set aside from the Proposed Agreement for Commission decision as a policy issue. Provision 9 provides for ASR purposes, beginning January 1, 2023, the earnings band will be set at __% to __% ROE, to be decided by the Commission, and the Company shall report earnings based on the actual historic cost of debt and capital structure described in Paragraph 2. The Company will not file a general rate case unless its calendar year retail earnings are projected to be less than the bottom end of the band. (Agreement Provision 9)
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> At the December 20, 2022 Administrative session, Chair Pridemore offered a motion to set the earnings band from 9.5% to 11.9% ROE. The motion passed 4-1. The Commission finds this motion includes a just, reasonable and appropriate ROE earnings band that is in the public interest.
>
> The Stipulation stated that subsequent to finalization of Staff's review of the respective ASR, any excess retail revenues above the

> top end of the earnings band will be shared, with seventy percent (70%) being applied to regulatory assets in the following priority: Accumulated CCR ARO; Retired Generating Plant; and Obsolete Inventory, ten percent (10%) being directly refunded to customers, allocated on a percentage basis to all customer groups including the base revenue contribution of RTP incremental usage, and the remaining twenty percent (20%) retained by the Company.
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> At the December 20, 2022 Administrative Session, Chair Pridemore offered a motion modifying the sharing mechanism offered by the Stipulation. The motion stated that forty percent (40%) of earnings above the band would be applied to regulatory assets, forty percent (40%) would be directly refunded to customers and twenty percent (20%) would be retained by the Company. The motion passed unanimously. The Commission finds that this motion represents a just, reasonable and appropriate allocation of any excess retail revenues.

Georgia Power Company ("GPC", or "Company") makes its ASR filings in order to determine its earned ROE and to address the return of excess amounts above the 11.90% upper end of the earnings dead band. The Company's ASR filing for the twelve months ended December 31, 2023 in this proceeding is the Company's ninth annual filing since the ASR was adopted pursuant to the Settlement Agreement as approved by the Commission in its Order dated December 23, 2013 in Docket No. 36989 and extended by Commission Order in Docket No. 39971. As shown on page 1 of Section 1 of the Company's 2023 ASR filing, Georgia Power reported a Retail Return on Equity of 10.90% for 2023 on its ASR.

The Company indicated that its retail surveillance report for 2023 has been prepared in accordance with the ratemaking principles established by the Commission in Dockets 4007, 6292, 6739, 9355, 14000, 18300, 19758, 25060, 31958, 36989, 42516 and 44280.

Pursuant to the Settlement Agreement and the GPSC's Order Adopting Settlement Agreement as Modified dated December 30, 2022, issued in Docket No. 44280, earnings above the upper limit

of the 9.50% to 11.90% ROE range are subject to sharing. Specifically, earnings above the upper limit of the 9.50% to 11.90% ROE range are subject to sharing, whereby 40% of earnings above the band would be applied to regulatory assets, 40% would be directly refunded to customers and the remaining 20% would be retained by the Company. For the 12 months ended December 31, 2023, GPC determined that there were no earnings in excess of the 11.90% ROE upper dead band.

A summary showing how the earnings sharing has impacted ratepayers and the Company over the period 2007 through 2023 based on ASR results is presented in the following table:

Georgia Power Company Historical Earnings Sharing Based on Annual Surveillance Reports

Year	ROE Reported in ASR Filing	Lower End of Earnings Band	Upper End of Earnings Band	Adjusted ROE	ROE Above Upper End of Earnings Band	ROE used to Set Revenue Requirement in Rate Case	Adjusted ROE Above ROE used to Set Revenue Requirement	Accounting Adjustment Related to Preventing Under-Earnings		Earnings Above Top End of Band ($ millions)	Amount Refunded to Customers ($ millions)	Stewart County Regulatory Asset ($ millions)	CCR ARO Regulatory Asset ($ millions)	Amount of Excess Earnings Retained by Company ($ millions)
2007	11.36%	10.25%	12.25%	11.52%	N/A	11.25%	0.27%							
2008	12.11%	10.25%	12.25%	12.20%	N/A	11.25%	0.95%							
2009	9.75%	10.25%	12.25%	9.75%	N/A	11.25%		$ 1.46	[a]					
2010	10.15%	10.25%	12.25%	10.15%	N/A	11.25%		$ 3.30	[a]					
2011	11.72%	10.25%	12.25%	11.72%	N/A	11.15%	0.57%							
2012	11.99%	10.25%	12.25%	11.99%	N/A	11.15%	0.84%							
2013	11.43%	10.25%	12.25%	11.44%	N/A	11.15%	0.29%							
2014	12.12%	10.00%	12.00%	12.14%	0.14%	10.95%	1.19%			$ 16.96	$ 11.31			$ 5.65
2015	11.52%	10.00%	12.00%	11.55%	N/A	10.95%	0.60%							
2016	12.46%	10.00%	12.00%	12.49%	0.49%	10.95%	1.54%			$ 65.40	$ 43.60			$ 21.80
2017	11.91%	10.00%	12.00%	12.04%	0.04%	10.95%	1.09%			$ 3.55	$ 2.37			$ 1.18
2018	13.17%	10.00%	12.00%	13.18%	1.18%	10.95%	2.23%			$ 153.10	$ 102.07			$ 51.03
2019	12.88%	10.00%	12.00%	12.88%	0.88%	10.95%	1.93%			$ 123.24	$ 61.62	$ 48.79	$ 12.83	$ -
2020	11.89%	9.50%	12.00%	11.89%	N/A	10.50%	1.39%			$ -	$ -			$ -
2021	12.09%	9.50%	12.00%	12.09%	0.09%	10.50%	1.59%			$ 14.17	$ 5.67		$ 5.67	$ 2.83
2022	13.69%	9.50%	12.00%	13.69%	1.69%	10.50%	3.19%			$ 292.80	$ 117.12		$ 117.12	$ 58.56
2023	10.90%	9.50%	11.90%	10.90%	N/A	10.50%	0.40%			$ -				$ -
								Totals		$ 669.21	$ 343.74	$ 48.79	$ 135.62	$ 141.06
								Percent of Totals		100.00%	51.37%	7.29%	20.27%	21.08%

Notes

[a] $2.2 and $0.972 million restored to the accrued removal cost regulatory liability account in 2010 and 2009, respectively, based on Staff's recommended adjustments.

The Commission's Short Order Adopting Settlement Agreement beginning January 1, 2020, expended the earnings band to 9.5% lower/12% upper. It also changed the sharing percentage to reflect 40% to customers, 40% to regulatory assets, and 20% to the Company.

The Commission's Order Adopting Settlement Agreement as Modified dated November 30, 2022, amended the earnings band to 9.5% lower/11.90% upper. The sharing percentages noted above did not change.

In 2019, the Company did not retain a portion of the dead band overage. It was used to reduce the Stewart County regulatory asset and to reduce the CCR ARO regulatory asset account

As shown in the above table, the Company has consistently earned above its authorized ROE in every year except during the Great Recession in 2009 and 2010. In the 2014-2023 period, the Company has reported about $669.21 million of revenues representing earnings above the top end of the ROE band. Over 50 percent of that, or approximately $343.74 million was for refunds to

ratepayers, over seven percent, or approximately $48.9 million was allocated to the Stewart County regulatory asset, over 20 percent, or approximately $135.62 million, was allocated to the CCR ARO regulatory asset, while the Company retained the remaining 21 percent, or approximately $141.06 million.

Scope of Review and Recommendations

The Staff conducted an extensive review of the Company's 2023 ASR filing in order to:

- replicate and verify the Company's return on equity calculation to ensure it placed within the Commission's ordered ROE band,
- ensure that the Company's regulatory adjustments were made in compliance with Commission orders, and
- identify issues and/or adjustments to the Company's filing as appropriate.

Staff's review implemented the following procedures, amongst others, to make its determination with respect to the Company's reported Return on Equity:

- compared rate base and operating income components year over year, identified changes in adopted accounting methodologies, and identified new transactions,
- identified variances as a foundation for discovery questions, and
- prepared multiple rounds of discovery questions and reviewed responses.

The Company's 2023 ASR filing, at Section 5, Schedule 12, which relates to major accounting and tax changes, states the following:

> This is an update to ASU 2020-04 and 2022-06, Reference Rate Reform (Topic 848) addressed in the prior year's (2022) Schedule 12. In 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04) providing temporary guidance to ease the potential burden in accounting for reference rate reform primarily resulting from the discontinuation of LIBOR, which began

phasing out on December 31, 2021. The discontinuation date of the overnight 1-, 3-, 6- and 12-month tenors of LIBOR was June 30, 2023, which was beyond the original effective date of ASU 2020-04; therefore, in December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848); Deferral of the Sunset Date of Topic 848 (ASU 2020-06) to defer the sunset date of ASU 2020-04 from December 31, 2022 to December 31,2024.

The amendments were elective and applied to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The guidance (i) simplified accounting analyses under current GAAP for contract modifications; (ii) simplified the assessment of hedge effectiveness and allows hedging relationships affected by reference rate reform to continue; and (iii) allowed a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform. An entity could elect to apply the amendment prospectively from March 12, 2020 through December 31, 2024 by accounting topic. Georgia Power elected to apply the amendments to modifications of debt and derivative arrangements that meet the scope of ASU 2020-04 and ASU 2022-06.

Regulatory Adjustments Made in Compliance with Commission Order

As noted above, the Commission adopted the Settlement Agreement in its Order Adopting Settlement Agreement as Modified dated December 30, 2022 in Docket No. 44280. Pursuant to the Commission's Order, on page 5 of the Summary of Ratemaking Principles Used in Computing Retail Return on Equity included in Section 1 of the 2023 ASR, the Company discusses the removal of costs associated with (1) executive financial planning services expense, and (2) stock-based compensation expense from the 2023 ASR's retail operating expenses. Specifically, item number 36 from the Summary of Ratemaking Principles Used in Computing Retail Return on Equity states:

> Pursuant to the Commission's Order in Docket No. 44280, executive financial planning services expenses have been removed from retail operating expenses.

In addition, item 37 of the Summary of Ratemaking Principles Used in Computing Retail Return on Equity states:

> Pursuant to the Commission's Order in Docket No. 44280, stock-based compensation expenses have been removed from retail operating expenses.

GPC has reflected these two adjustments in its 2023 ASR filing in accordance with the Commission's Order. Specifically, GPC removed from Generation – Fixed and Administrative & General, executive financial planning services expense totaling $227,000, which was attributable to GPC, Southern Company Services ("SCS") and Southern Nuclear employees. These adjustments are detailed in Section 6, Workpaper 20 from GPC's 2023 ASR filing. In addition, GPC removed from various O&M expense accounts, stock-based compensation totaling $26.122 million, which was attributable to GPC, Southern Company Services ("SCS") and Southern Nuclear employees. These adjustments are detailed in Section 6, Workpaper 21 from GPC's 2023 ASR filing.

In its response to STF-ASR-1-33, the Company stated that the O&M amounts included in Section 6, Workpaper 20 reflect 100% of the direct GPC portion of executive financial planning services along with an allocation of executive financial planning services attributable to SCS and SNC. In its response to STF-ASR-1-34, the Company stated that the O&M amounts included in Section 6, Workpaper 21 reflect 100% of the direct GPC portion of stock-based compensation along with an allocation of stock-based compensation attributable to SCS and SNC. Staff also inquired as to

whether there is an ADIT component of stock-based compensation expense similar to prior years' ASR filings.[1] In its response to STF-ASR-1-34 (subparts a and b), the Company stated:

> Yes, there are ADITs associated with stock-based compensation expense. The 13-month averaged deferred tax asset as of December 2023 of $6.4 million associated with stock-based compensation expense is recorded directly to non-retail FERC accounts and excluded from the "Total Electric" ADITs on Section 3, page 1 of 6 in the 2023 ASR. Therefore, the ADITs did not have to be removed for retail cost of service through the regulatory column adjustment in Section 6, Workpaper 21.

Staff noted that the adjustments to remove the costs associated with executive financial planning services and stock-based compensation are flowed through as reductions to O&M expense on page 3 of Section 3 of the 2023 ASR filing.

Plant Held For Future Use

As shown in Section 2, page 1 of GPC's 2023 ASR filing, the Company included FERC Account 105, Plant Held For Future Use ("PHFFU"), totaling $106.049 million in rate base. Staff requested that the Company identify how much of this PHFFU was related to projects that were (1) not included in the 2013 Integrated Resource Plan ("IRP"), (2) not included in the Company's 2016 IRP, (3) not included in the Company's 2019 IRP, and (4) not included in the 2022 IRP. In its response to STF-ASR-1-58, the Company provided an attachment that provided the requested PHFFU information, which Staff has replicated in the table below:

[1] For the years 2014 through 2019, GPC removed stock-based compensation expense from retail operating expenses in its ASR filings pursuant to the Commission's Order from GPC's 2013 rate case in Docket No. 36989.

Line No.	Description	Date Originally Included in PHFFU	Year of Anticipated Use in Providing Electric Service	13-Month Average	Anticipated In Service in 2040 or Later
		(A)	(B)	(C)	(D)
1	Dawson Crossing - South Dahlonega 500kV Transmission Line Site	12/1/2008	>2040	$ 10,543,832	$ 10,543,832
2	South Dahlonega - Clermont Junction 500kV Transmission Line Site	9/30/2009	>2040	$ 28,188,653	$ 28,188,653
3	South Dahlonega - Clermont Junction 230kV Transmission Line Site	9/30/2009	>2040	$ 17,268,413	$ 17,268,413
4	Bethabara - East Walton 230kV Transmission Line Site	3/31/2011	>2040	$ 3,708,308	$ 3,708,308
5	Wallace Dam - Klondike 500 KV	9/1/2014	>2031	$ 3,628,989	
6	South Hall - Winder Transmission Line Site	9/1/2014	>2035	$ 883,035	
7	New Hampstead Substation Site	6/30/2009	>2040	$ 53,836	$ 53,836
8	Boyd Avenue Substation Site	8/31/2012	>2040	$ 1,334,192	$ 1,334,192
9	Utoy Springs Substation Site	9/1/2014	>2040	$ 594,185	$ 594,185
10	McDonough - East Point 230 KV	9/1/2014	>2040	$ 89,188	$ 89,188
11	St. Joe Timber Land/Stewart County	9/1/2012	>2030	$ 22,722,046	
12	Savannah Portside International - Old River Road Substation Site	8/1/2018	>2040	$ 30,266	$ 30,266
13	Northwest Region Operating HQ Site	10/1/2019	>2024	$ 529,886	
14	Piedmont Substation Site	3/31/2011	>2040	$ 12,933,362	$ 12,933,362
15	Medical Arts Center Substation Site	2/1/2017	2026	$ 1,236,066	
16	Lewiston Road Substation Site	3/1/2020	2025	$ 1,968,390	
17	Old Washington Road Substation Site	2/1/2020	>2024	$ 150,855	
18	McGrau Ford BESS	12/1/2023	2026*	$ 185,571	
				$ 106,049,073	$ 74,744,235

Source:
Col. A: Georgia Power Company's FERC Form 1 for the 12-months ended December 31, 2023
Cols. B-D: STF-ASR-1-58 except as noted below
* 2026 in-service date per the response to STF-ASR-1-1

As shown in the table above under column B, the Company included PHFFU totaling $106.049 million in the 2022 13-month average jurisdictional ASR rate base, of which approximately $74.744 million has a projected in-service date of 2040 or beyond.

The Company provided the following explanations with regard to why certain PHFFU items were not included in its 2013, 2016, 2019 and/or 2022 IRPs:

- **Lines 1-6**: Items were not addressed in the Company's 2013, 2016, 2019 and 2022 IRP because they fell outside the 10-year Transmission planning horizon. These amounts total $64.221 million. Of that $64.221 million, $59.709 million is not anticipated to be in use to provide electric service prior to 2040.

- **Lines 7-8**: Items were included as part of the Company's 2013 IRP. The use dates of these items have subsequently changed and they were not addressed in the 2016, 2019 or 2022 IRP because the anticipated use date fell outside the 5-year Area planning horizon. Those projects, which total $1.388 million, and included in 2023 ASR rate base, is not anticipated to be in use prior to 2040.

- **Lines 9-10**: Items were inadvertently omitted from the Company's 2013 and 2016 IRP filings. The projects associated with these items were subsequently provided in the

Company's response to 2016 IRP data request STF-2-25. Items were not addressed in the Company's 2019 or 2022 IRP because the anticipated use date fell outside the 10-year Transmission planning horizon and the 5-year Area planning horizon. Those projects, which total $683,372, are not anticipated to be in use prior to 2040.

- **Line 11**: Item was not addressed in the Company's 2013 or 2022 IRP. Item was addressed in the Company's 2016 IRP in Technical Appendix Volume I and Appendix G in the Resource Mix Study. Item was addressed in the Company's 2019 IRP in Attachment G in the Main Document.

  This item is the $22.722 million of Stewart County land which GPC had initially indicated was purchased for a new nuclear plant site. No "new nuclear" beyond Vogtle Plant Units 3 and 4 are presently authorized for GPC. If some other type of new generating plant, such as a natural gas fuel combined cycle unit, is eventually built on this site, it is unclear whether the full amount of acreage needed for a new nuclear unit would be needed. Thus, there is a concern that some of the land purchased for a new nuclear unit may end up being surplus land that is not needed, if a different type generation unit ends up getting built on the site.

- **Line 12**: The land was donated to the Company in 2018. Item was not addressed in the Company's 2019 or 2022 IRP because the anticipated use date falls outside the 5-year Area planning horizon. The $30,266 for this site is not projected to be in use prior to 2040.

- **Line 13:** Item was purchased in 2019. It was not addressed in the Company's 2019 or 2022 IRP as it is not directly associated with any specific Transmission or Distribution line and substation projects nor affiliated with any Generation projects. This project, which totals $529,886, is included in 2023 ASR average rate base.

- **Line 14:** Item was addressed in the Company's 2013 or 2016 IRP. The use date of this item has subsequently changed and it was not addressed in the Company's 2019 or 2022 IRP because the anticipated use date fell outside the 5-year Area planning horizon. The $12.933 million for this site is not projected to be in use prior to 2040.

- **Lines 15:** Item was inadvertently omitted from the Company's 2013 and 2016 IRP filings. The project associated with this item was subsequently provided in the Company's response to STF-2-25. The item was included in the 2019 and 2022 IRP referenced in Vol 3 [F]. This project, which totals $1.236 million, is included in 2023 ASR average rate base.

- **Line 16:** Item was not addressed in the Company's 2013 or 2016 IRP because they fell outside the 5-year planning horizon. They were included in the 2019 and 2022 IRP referenced in Vol 3 [F]. This project, which totals $1.968 million, is included in 2023 ASR average rate base.

- **Line 17:** Item was not addressed in the 2013 IRP because it fell outside the 5-year area planning horizon. Also known as North Thomson, it was included in the 2016 IRP referenced in Volume 3 [C3] and in the 2019 and 2022 IRP referenced in Volume 3 [F].

Item was moved from Plant Held for Future Use to Plant in Service in July 2023. See additional discussion below.

- **Line 18:** Item was purchased in 2023 and the associated project was first presented in the 2022 IRP referenced in the Main Document [13] and Volume 2 [4]. See additional discussion below.

As noted above with regard to Line 17 in the above table, the Old Washington Road Substation site was transferred from PHFFU to Plant-in-Service in July 2023. Staff inquired as to whether the Company removed any costs from PHFFU during 2023, and if so, to provide a description of each such item, including how the purchase was related to a project that was approved in the Company's 2023 IRP case. In its response to STF-ASR-1-2, the Company stated:

> In 2023, the Company reclassed the costs from Plant Held for Future Use to Plant-in-Service related to the Old Washington Road Substation Site project. The project is not related to transmission improvements required for new generation requested in the 2023 IRP Update and therefore was not included in that filing. The site is located in McDuffie County, was acquired in 2016, and was placed in service in July 2023. The FERC Account 105 balance for this property on December 31, 2023, was $0.

In addition to the Old Washington Road Substation being removed from PHFFU during 2023, the response to STF-ASR-1-2 also stated that the Company credited $149,000 of timber sales to the St. Joe Timber Land in PHFFU. As noted in the above table, this property is located in Stewart County. In its response to STF-ASR-4-2, the Company stated that the balance in PHFFU that relates to the Stewart County land was decreased by the $149,000 noted above for the 2023 timber sales. Specifically, the Company stated that the related journal entry was a credit to PHFFU (FERC account 105) and the corresponding debit was for a deferred credit (FERC account 253), which is where the sales proceeds were originally recorded. The Company also stated that this site was purchased in 2012 for a future generation site and is expected to be in-service after 2040. The FERC account 105 balance for this property was $22.6 million as of December 31, 2023.

As noted above with regard to Line 18 in the above table (i.e., the McGrau Ford BESS), Staff inquired as to whether the Company made any additions to PHFFU during 2023, and if so, to provide a description of each such item, including how the purchase was related to a project that was approved in the Company's 2023 IRP case. In its response to STF-ASR-1-1, the Company stated:

> In 2023, the Company made one addition to Plant Held for Future Use for the purchase of land related to the 265 NW McGrau Ford BESS project, which was provisionally authorized by the Commission Order in Docket No. 44160 with updates provided in the Company's 2023 IRP Update in Docket No. 55378. This property is located in Cherokee County, was acquired in December 2023, and is expected to be in utility service by the end of 2026. The FERC account 105 balance for this property on December 31, 2023 was $2.4 million.

According to the response to STF-ASR-4-1, the land related to the 265 MW McGrau Ford BESS project that was purchased by GPC in 2023 was initially for the Phase I project. However, the Company stated that the land is suitable to accommodate both Phase I and Phase II of the McGrau Ford BESS project.

The issue of PHFFU was addressed in the Company's recent rate case in Docket No. 42516.[2] Pursuant to the Settlement Agreement reached in that case and as noted in Section 9 (pages 8-9) of the Commission's Short Order Adopting Settlement as Modified:

> With the exception of easements and right of ways, Generation and Transmission property in Plant held for Future Use ("PHFFU") that has been held in PHFFU account for 15 consecutive years shall undergo review during the first IRP proceeding following the 15th year that such property has been held in PHFFU. Distribution property in PHFFU that has been held in PHFFU account for 15 consecutive years shall undergo review during the first base rate proceeding

[2] The Commission's Order Adopting Settlement Agreement as Modified dated December 30, 2022 in Docket No. 44280 is silent on the issue of Plant Held For Future Use.

> following the 15th year that such property has been held in PHFFU. In the respective proceeding, the Company will be required to present the specific plan for the property(s) that has exceeded 15 consecutive years in PHFFU. The Commission will decide the matter in that proceeding.

As shown in the table above under column C, the Company included PHFFU totaling $74.744 million in the 2023 13-month average jurisdictional ASR rate base that is not anticipated to be placed into service until 2040 or beyond.

Recommendation

Based on the foregoing passage from the Commission's Short Order Adopting Settlement Agreement as Modified in Docket No. 42516, Staff is not proposing any adjustments to PHFFU in the 2023 ASR filing. However, Staff recommends that the Company continue to hold quarterly meetings to re-evaluate the uses of the items in the PHFFU account to determine if and when it will be used, and to maintain documentation for these quarterly reviews of PHFFU. If it is determined that a parcel of land will not be used 15 years since its acquisition date, it should be reviewed by the Commission in the subsequent IRP or the base rate case with a requirement that the Company present a specific plan for the property. At that time, the plan should be reviewed and a determination made whether to reclassify into non-utility property and removed from jurisdictional rate base. . As noted in the table below, the Company PHFFU account includes four properties that will have been in FERC account 105 for 15 years or more by the Company's next base rate resetting for new base rates to be effective on January 1, 2026. As summarized in the table below, those four properties with dates of going into the PHFFU account before January 2010 are:

Description	Date Originally Included in PHFFU
Dawson Crossing - South Dahlonega 500kV Transmission Line Site	12/1/2008
South Dahlonega - Clermont Junction 500kV Transmission Line Site	9/30/2009
South Dahlonega - Clermont Junction 230kV Transmission Line Site	9/30/2009
New Hampstead Substation Site	6/30/2009
Source: Georgia Power Company's FERC Form 1 for the year ended December 31, 2023	

As shown in the above table, the four properties listed were originally recorded into PHFFU in December 2008, June 2009 and September 2009. In addition, as shown on page 214 of GPC's FERC Form 1 for the year ended December 31, 2023, the Company indicated that the in-service date for all four of these properties will be December 31, 2040. Staff's recommendation applies to the New Hampstead Substation Site, as the Company has indicated the other sites are easements and rights of way. However, Staff reserves the right to challenge easements included in PHFFU in future rate cases, if the easement is not being used to provide electric service.

Vegetation Management

Upon reviewing Section 5, Schedule 6 - Actual to Budget Non-Fuel O&M Expense Comparisons from the 2023 ASR filing, Staff noted that the budget to actual comparisons for the Transmission and Distribution functions reflected the following budget to actual variances:

Function	Actual $000's	Budget $000's	Variance $000's	Percent
Transmission	$ 73,111	$ 138,932	$ (65,821)	-47.38%
Distribution	$ 305,856	$ 337,501	$ (31,645)	-9.38%
Source: Section 5, Schedule 6 from 2023 ASR Filing				

As shown in the above table, the Transmission function reflected actual spending that was $65.821 million, or 47.38% lower than the amount budgeted. Under the Explanation of Variances column

of Schedule 6, the Company stated that the variance for Transmission was primarily attributed to underruns in (1) shared service billings, (2) asset management, and (3) vegetation management. In addition, the Distribution function reflected actual spending that was $31.645 million, or 9.38% lower than the amount budgeted. Under the Explanation of Variances column of Schedule 6, the Company stated that the variances for Distribution were primarily attributed to cost underruns in (1) vegetation management, (2) asset management, and (3) partially offset by incidental maintenance.

Due to the Transmission and Distribution budget-to-actual variances being substantial, Staff requested that the Company identify, document and explain all decisions in to defer or delay Transmission and Distribution vegetation management and Right of Way management in 2023. For all three of these areas, in its response to STF-ASR-1-19, the Company stated:

> As result of having spent significantly more than planned in 2021 and 2022, the Company was able to accomplish significant portion of its workplan over the vegetation management cycle, which provided spending flexibility in 2023. With forecasted spending planned for 2024 and 2025, the Company's vegetation management program is on plan and continues to work as designed and deliver reliable service to its customers.

Staff requested that GPC provide the 2023 budgeted and actual amounts for (1) Distribution Asset Management, (2) Distribution Vegetation Management, and (3) Transmission Vegetation and Right of Way Management. In its response to STF-ASR-1-19, the Company provided the requested information, which is summarized by total in the table below:

Function	2023 Actual $000's	2023 Budget $000's	Variance $000's	Percent
Distribution Asset Management	$ 3,650	$ 11,297	$ (7,647)	-67.69%
Distribution Vegetation Management	$ 40,182	$ 54,658	$ (14,476)	-26.49%
Transmission Vegetation and Right of Way Management	$ 21,202	$ 29,788	$ (8,586)	-28.82%
Total	$ 65,034	$ 95,743	$ (30,709)	-32.07%
Source: STF-ASR-1-19 (totals were added for the above information)				

As shown in the above table for 2023 (1) Distribution Asset Management reflected an under-spending variance of $7.647 million, or 67.69% lower than budget; (2) Distribution Vegetation Management reflected an under-spending variance of $14.476 million, or 26.49% lower than budget; and (3) Transmission Vegetation and Right of Way Management reflected an under-spending variance of $8.586 million, or 28.82% lower than budget. In total, for 2023, the vegetation management expense budget was underspent by $30.709 million, or 32.07%. The Company's current base rates were generally determined based on these budgeted amounts; therefore if the dollars are not spent, the underspending on the vegetation management expense could flow to the Company's bottom line.

Staff requested that the Company explain why the actual 2023 Distribution Asset and Vegetation Management costs as well as Transmission Vegetation and Right of Way Management costs were so far below the budgeted amounts, including whether the actual costs were under budget due to (1) fewer than planned miles being cleared, (2) lower contractor line clearing costs, or (3) Other. In its response to STF-ASR-4-3(a), the Company stated:

> For the vegetation management program, the plan is to trim each circuit in a four-year window. Within the four-year window, the Company was able to address the vegetation backlog in 2021 and 2022 due to the additional O&M spending that was allocated to the program. Entering 2023, the Company had flexibility to maintain reliability while spending below budget as a result of the additional work completed

in 2021 and 2022; therefore, there were fewer miles cleared in 2023 than planned. Likewise, Distribution asset management was able to pull 2023 work forward into 2021 and 2022; however, this is not measured in "miles."

A comparison of the Company's actual miles cleared versus budgeted miles to be cleared for Distribution Vegetation Management and Transmission Vegetation Management is summarized in the table below:

Description	2023 Actuals Miles	2023 Budget Miles	Variance Miles
Distribution Vegetation Management	5,491	11,200	(5,709)
Transmission Vegetation Management	470	700	(230)
Total	5,961	11,900	(5,939)
Source: STF-ASR-4-3			

As shown in the above table, during 2023 for Distribution Vegetation Management, the Company cleared 5,491 miles rather than the budgeted miles of 11,200, or a difference of 5,709 miles. In addition, during 2023 for Transmission Vegetation Management, the Company cleared 470 miles rather than the budgeted miles of 700, or a difference of 230 miles. As it relates to Transmission Right of Way, the response to STF-ASR-4-3 states that for herbicide treatments, 42,000 acres were budgeted and 42,000 acres were completed. In addition, for grass mowing, 20,000 acres were budgeted and 20,000 acres were cut. As noted in the passage above, the response to STF-ASR-4-3 states that Distribution Management is not part of the vegetation management program and is not measured in miles.

The Company's vegetation management plan during 2023 consisted of the following activities:

Transmission Herbicide – Work plan consists of one-third system miles to be sprayed each year.
Reclearing – Work plan is based on approximately one-sixth of system miles.

Yard Tree Removal – Scheduled based on the forester's assessment of the condition of lines within their territories, with respect to planted incompatible species on the Right-of-Way. Lines that are most heavily impacted, and where conductor clearance is approaching critical are prioritized highest. In highly urbanized areas, yard tree removal should be performed approximately every ten years.

Danger Tree – At least one patrol on all transmission lines.

Transmission Side Tree Trimming – Work plan determined by condition and criticality of the line; critical lines are high voltage bulk lines. Maintenance intervals are typically 8-12 years based on vegetation type and right of way conditions.

Transmission Urban Tree Trimming – Work plan determined by condition and criticality of the line. Maintenance intervals average three to four years based on vegetation type and right of way conditions.

Distribution Herbicide – Work plan is based on a two-year cycle where approximately half of the system miles are sprayed each year.

Distribution Tree Trimming – Work plan determined by an assessment of vegetation conditions, outage history, and criticality of circuits. Maintenance intervals typically range from 24-60 months. On average, one quarter of the system is maintained each year.

Distribution Right-of-Way Improvement – New easements are acquired for circuit segments based on an assessment of vegetation conditions, criticality of circuit, and segment performance. Approximately 200-400 miles of worst performing distribution rights-of-way are improved each year.

With regard to the Company's 2023 vegetation management backlog, in its response to STF-ASR-1-73, the Company stated that the Distribution Vegetation Management backlog was 0 miles as of January 1, 2023 and as of December 31, 2023. In its response and in its response to STF-ASR-1-74, the Company stated that the Transmission Vegetation Management backlog was 0 miles as of January 1, 2023 and as of December 31, 2023.

Recommendation

Staff is not recommending an adjustment to Vegetation Management expense included in the 2023 ASR. As noted above, the Company's actual distribution vegetation spending was substantially

lower than the budgeted amount for 2023. In addition, the Company's Distribution and Transmission related backlogs were zero as of January 1 and December 31, 2023. Now that these backlogs have been eliminated as of December 31, 2023, Staff recommends that going forward, GPC maintain its distribution and transmission vegetation management schedules in a manner that avoids amassing substantial distribution and/or transmission vegetation backlogs in the future.

Regulatory Assets

The Company included several costs under the heading "Other Rate Base Items" In Section 2, page 1 of the 2023 ASR filing that represent deferred costs which have been classified as regulatory assets, and which are summarized in the table below:

	Amount
Description	**$000's**
Unamortized NBV of Retired Units	$ 901,233
TOU - FD Revenue Erosion	$ 1,533
Software & Cloud Computing	$ 66,894
Deferred Nuclear Outage Costs	$ 38,752
ARO Regulatory Asset	$ 4,735,032
Total	$ 5,743,444
Source: Section 2, page 1 of 2 of 2023 ASR Filing	

As shown in the above table, the Company has deferrals totaling $5.743 billion on a 13-month average basis. In addition, the $901.233 million associated with the unamortized net book value of retired units is comprised of the following retired plants:

Description	Amount $000's
Plant Branch Units 3-4	$ 13,887
Plant Hammond Units 1-4	$ 357,274
Hydro Units	$ (143)
Plant McIntosh Unit 1	$ (6,260)
Plant Wansley Units 1-2	$ 524,543
Plant Wansley Units 5a CT	$ 383
Plant Boulevard Unit 1 CT	$ (752)
Unusable Inventory	$ 12,301
Total	$ 901,233
Source: Section 5, Schedule 7 from 2023 ASR Filing	

In its response to STF-ASR-1-14, the Company provided the following narratives for each of the deferral items listed in the above tables:

Unamortized NBV of Retired Units: The Unamortized NBV of Retired Units regulatory asset is comprised of the net book values for Plant Branch Units 3, 4, and Common; Plant Hammond Units 1-4; Plant Langdale Units 5-6; Plant McIntosh Unit 1; Plant Wansley Units 1, 2, and 5A CT; and Plant Boulevard Unit 1 CT; as well as unusable materials and supplies inventory associated with Plant Wansley. The status of each retired unit is discussed below:

- **Plant Branch Units 3, 4 and Common** - The Plant Branch Units 3, 4, and Common NBV regulatory asset was recorded in April 2015. Unit 3 has been fully amortized over a period ending December 2023, and Unit 4 and Common are being amortized over a period ending December 2024, as ordered by the Commission in Docket Nos. 34218 and 36498. The monthly amortization entry was a credit to the regulatory asset balance and a debit to amortization expense (FERC account 407) of $1.0 million from January through December 2023.

- **Plant Hammond Units 1-4 -** Pursuant to the Commission's Order in Docket No. 42310, the remaining NBV of Plant Hammond Units 1-4 was reclassified as a regulatory asset in July 2019 and was amortized through December 2019 over a period equal to the remaining useful lives of the units as approved by the Commission in Docket No. 36989. Pursuant to the Commission's Order in Docket No. 42516, the remaining net book value of Plant Hammond Units 1-4 will continue to be amortized over a period equal to the remaining useful lives approved by the Commission in Docket No. 36989. The monthly amortization entry was a credit to the regulatory asset balance and a debit to amortization expense (FERC account 407) of $3.1 million from January through December 2023.

- **Plant McIntosh Unit 1, Boulevard Unit 1 CT and Langdale Units 5-6** - Pursuant to the Commission's Order in Docket No. 44280, the excess amortization of the remaining NBVs of Plants McIntosh Unit 1, Boulevard Unit 1 CT, and Langdale Units 5-6 were reclassified as a regulatory liability to be fully amortized through December 2025. The monthly

amortization entry was a debit to the regulatory liability balance and a credit to amortization expense (FERC account 407) of $209 thousand, $26 thousand, and $5 thousand for Plants McIntosh Unit 1, Boulevard Unit 1 CT, and Langdale Units 5-6, respectively, from January through December 2023.

- **Plant Wansley Units 1, 2 and 5A CT** - Pursuant to the Commission's Order in Docket No. 44280, the remaining NBV of Plant Wansley Units 1 and 2 is being amortized over a period equal to the remaining useful life approved by the Commission in Docket No. 42516 and the remaining NBV of Plant Wansley Unit 5A CT is being amortized over a 3-year period beginning January 1, 2023. The monthly amortization entry was a credit to the regulatory asset balance and a debit to amortization expense (FERC account 407) of $5.8 million from January through December 2023.

- **Unusable Inventory** - Pursuant to the Commission's Order in Docket No. 44160, the unusable materials and supplies inventory associated with Plant Wansley was reclassified as a regulatory asset in September 2022 with amortization to be determined in the next base rate case as approved by the Commission in Docket No. 44280.

TOU – FD Revenue Erosion: Pursuant to the Commission's Order in Docket No. 44280, any revenue erosion from 2023 through 2025 resulting from the conversion of certain retail customers to the Time of Use – Food and Drink tariff ("TOU-FD") is deferred to a regulatory asset and amortized and recovered from all TOU-FD customers in the following year. The monthly entry to defer revenue erosion was a debit to the regulatory asset and credit to retail revenue (FERC account 442) from January through December 2023, which totaled $1.1 million for 2023. Based on the Commission's Order in Docket No. 44280, the Company recorded a monthly amortization entry of a credit to the regulatory asset balance and a debit to retail revenue (FERC account 442) of $1.0 million from January through December 2023.

Software and Cloud Computing: Pursuant to the Commission's Order in Docket No. 42516, certain expenses associated with the implementation of software and cloud computing projects are being deferred to the software & cloud computing regulatory asset. Pursuant to the Commission's Order in Docket No. 44280, the projected balance as of December 2022 is being amortized over a 5-year period beginning January 2023. The monthly entry to defer these costs was a debit to the regulatory asset and a credit to A&G (FERC account 923) from January through December 2023, which totaled $34.6 million for 2023. The monthly amortization entry was a credit to the regulatory asset balance and a debit to A&G expense (FERC account 923) of $815 thousand from January through December 2023.

ARO Regulatory Asset: The FERC 182 ARO Regulatory Asset balance is not amortized. Under ARO Accounting, this balance is increased by the deferral of the depreciation of the FERC 101 ARO Plant asset and accretion of the FERC 230 ARO liability. The balance is decreased by the cash expenditures related to ARO settlements. The balance also includes the retirement of ARO net book value of decertified plants.

Deferred Nuclear Outage Costs: Per the Summary of Ratemaking Principles Used in Computing Retail Return on Equity from the Company's 2023 ASR filing, nuclear refueling outage expenses are accounted for on a normalized basis, as established in Docket No. 4007.

Section 5, Schedule 7 of the 2023 ASR filing shows the monthly balances of the deferred nuclear outage costs for the period December 2022 through December 2023, which results in a 13-month average balance of $38.752 million. In its response to STF-ASR-1-17, the Company provided the monthly deferrals and amortization of deferred nuclear outage costs by unit as shown in the table below:

	Hatch 1			Hatch 2			Vogtle 1			Vogtle 2			Total		
Month	Deferral	Amortization	Balance	Deferral	Amortization	Balance	Deferral	Amortization	Balance	Deferral	Amortization	Balance	Deferral	Amortization	Balance
Dec-22			$10,839			$ 3,630			$4,122			$11,133			$29,724
Jan-23	$ (130)	$ (812)	9,897	$ 4,515	$ (811)	7,334	$ 1,674	$ (1,122)	4,674	$ 266	$ (1,329)	10,071	$ 6,325	$ (4,074)	31,976
Feb-23	147	(812)	9,232	11,471	(893)	17,912	2,081	(1,122)	5,633	64	(1,329)	8,806	13,763	(4,156)	41,583
Mar-23	7	(812)	8,428	376	(828)	17,460	12,018	(1,056)	16,594	128	(1,329)	7,606	12,529	(4,025)	50,088
Apr-23	34	(812)	7,650	203	(817)	16,847	476	(1,043)	16,027	73	(1,329)	6,351	786	(4,000)	46,874
May-23	79	(812)	6,918	148	(806)	16,188	221	(1,043)	15,205	189	(1,329)	5,211	637	(3,990)	43,522
Jun-23	101	(812)	6,207	20	(810)	15,398	150	(1,043)	14,312	536	(1,329)	4,418	807	(3,993)	40,336
Jul-23	(29)	(812)	5,366	332	(810)	14,920	(44)	(1,043)	13,225	395	(1,329)	3,485	654	(3,993)	36,997
Aug-23	78	(812)	4,633	(138)	(803)	13,979	76	(1,018)	12,284	2,048	(1,317)	4,216	2,064	(3,950)	35,111
Sep-23	56	(812)	3,877	76	(803)	13,253	(16)	(1,020)	11,248	9,334	(950)	12,599	9,450	(3,584)	40,977
Oct-23	188	(812)	3,254	18	(803)	12,468	18	(1,018)	10,249	800	(950)	12,449	1,025	(3,582)	38,419
Nov-23	875	(812)	3,316	35	(803)	11,700	22	(1,018)	9,252	(247)	(950)	11,252	684	(3,582)	35,521
Dec-23	649	(812)	3,153	(14)	(804)	10,882	2	(1,018)	8,236	75	(950)	10,377	711	(3,583)	32,649
														13-Month Average	$38,752

Source: STF-ASR-1-17 (amounts in thousands of dollars)

As shown in the above table, the monthly deferred nuclear outage costs are broken out separately between Plant Hatch Units 1 and 2 and Plant Vogtle Units 1 and 2 but results in the 13-month balance of $38.752 million shown on Section 5, Schedule 7 of the Company's 2023 ASR filing.

Recommendation

Staff is not recommending any adjustments to the regulatory assets included in the 2023 retail rate base. In accordance with the Commission's Order Adopting Settlement Agreement as Modified in Docket No. 44280, any retail earnings above 11.90% ROE shall be shared, with forty percent (40%) being applied to the Company's regulatory assets.

Preliminary Surveys and Investigations

GPC's retail rate base for the 2022 ASR included costs for Preliminary Surveys and Investigations ("PS&I"). In its response to STF-ASR-1-64, the Company stated that the Operating Reserves line item in Section 2, page 1 of 2 in the 2022 ASR includes a 13-month average balance of PS&I costs

totaling $24.3 million. Staff requested that the Company specifically identify and explain any amounts included in PS&I costs that relate to (1) Plant Vogtle Units 3 and 4, and (2) pursuing or maintaining an option to build new nuclear plants. As it relates to Plant Vogtle Units 3 and 4, in its response to STF-ASR-1-65, the Company stated that the PS&I accounts do not contain amounts related to Plant Vogtle Units 3 and 4 nor is the Company pursuing or maintaining an option to build new nuclear units.

The breakout of the $24.334 million of PS&I costs included in the 2023 ASR retail rate base (provided in STF-ASR-1-64) is summarized by month in the table below:

Description	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	13-Month Average
Wetlands Mitigation Permits	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697
New Generation	$ 6,406	$ 6,504	$ 6,609	$ 6,718	$ 7,255	$ 7,519	$ 6,826	$ 6,895	$ 7,088	$ 7,453	$ 8,130	$ 9,395	$ 10,942	$ 7,518
NOX ERC Certificates	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145
Environmental	$ 4,846	$ 4,912	$ 5,005	$ 5,084	$ 4,649	$ 4,763	$ (55)	$ 253	$ 268	$ 246	$ 249	$ 231	$ 426	$ 2,375
Hydro Modernization	$ 1,385	$ 1,385	$ 1,385	$ 1,385	$ 1,385	$ 1,386	$ 1,387	$ 1,442	$ 1,493	$ 1,669	$ 1,830	$ 1,932	$ 2,076	$ 1,549
Distribution D.O.T Projects	$ 1,418	$ 1,845	$ 2,041	$ 2,560	$ 2,508	$ 2,760	$ 2,356	$ 2,035	$ 2,589	$ 1,971	$ 2,532	$ 2,820	$ 2,571	$ 2,308
Transmission Land	$ 999	$ 645	$ 583	$ 585	$ 502	$ 505	$ 495	$ 507	$ 498	$ 576	$ 417	$ 415	$ 184	$ 532
Transmission Miscellaneous	$ 750	$ 758	$ 758	$ 706	$ 661	$ 661	$ 659	$ 647	$ 647	$ 631	$ 645	$ 646	$ 583	$ 673
Transmission Studies (Relocation & Interconnection)	$ 40	$ 43	$ 42	$ 46	$ 50	$ 50	$ 46	$ 46	$ 47	$ 25	$ 49	$ 53	$ 66	$ 47
FAA Compliance Program	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3	$ 0	$ 0	$ 0	$ 0	$ -	$ 0	$ 0	$ 1
Miscellaneous	$ 1,037	$ 689	$ 598	$ 153	$ 244	$ 33	$ 743	$ 861	$ 286	$ 919	$ 416	$ (44)	$ 417	$ 489
Total PS&I	$ 25,728	$ 25,626	$ 25,865	$ 26,083	$ 26,099	$ 26,521	$ 21,300	$ 21,528	$ 21,758	$ 22,333	$ 23,110	$ 24,289	$ 26,107	$ 24,334

Source: STF-ASR-1-64 (amounts in thousands of dollars)

A comparison of the $24.334 million of PS&I costs reflected in retail rate base in the 2023 ASR to the $33.125 million of PS&I included in the 2022 retail rate base shows that such costs decreased by approximately 26.5% from 2022 to 2023. The main driver for this decrease appears to be the seven line items listed in the following table, which had been included in PS&I in the 2022 ASR, but which were not included in the 2023 ASR:

Description	13-Month Avg. in 2022 ASR $000's
New Renewable Generation Studies	$ 3,979
ELG Studies - Effluent Guidelines	$ 12,161
Goat Rock Modernization Project	$ 378
Plant Wansley FGD Waste Water Study	$ 293
Tall Wind Project	$ 1
PCC Building II	$ 26
DCC Building II	$ 72
Total	$ 16,910

As shown in the above table, the 13-month average amounts for these seven line items totaled $16.910 million. Staff requested a description of each PS&I item listed in the above table, which the Company provided in its response to STF-ASR-4-4(a) and is replicated in the table below:

Description	Project Description
New Renewable Generation Studies	Studies of new renewable generation resources that focus primarily on battery storage and solar.
ELG Studies - Effluent Guidelines	Studies of wastewater treatment and management technologies to meet the requirements of the EPA's Steam Electric Effluent Limitation Guidelines rule.
Goat Rock Modernization Project	Studying the feasibility of modernization technology at the Goat Rock hydro facility.
Plant Wansley FGD Waste Water Study	Studies of flue-gas desulferization wastewater treatment and management technologies to meet the requirements of the EPA's Steam Electric Effluent Limitation Guidelines rule.
Tall Wind Project	Studies to test the feasibility of wind in Georgia, specifically related to wind towers much higher than regular towers to capture more consistent wind at higher altitudes.
PCC Building II	Study to determine the feasibility of a new power control center at Leaf Lake Park in Alabama. Feasibility was established in December 2022 and the PCC is co-owned along with Alabama Power Company and Mississippi Power Company.
DCC Building II	Study to determine the feasibility of a new power control center in Douglas Hills, Georgia. Feasibility was established in December 2022 and the PCC is co-owned along with Alabama Power Company and Mississippi Power Company.
Source: STF-ASR-4-4(a)	

With regard to why the PS&I items listed above were included in the 2022 ASR, but not the 2023 ASR, in its response to STF-ASR-4-4(b), the Company stated that of the seven PS&I items listed above, four of them were in fact included in the 2023, but were consolidated with other PS&I categories with similar scope descriptions. Specifically, the table below shows the reconciliation

of the four PS&I items that were included the 2022 ASR and the revised descriptions as reflected in the 2023 ASR:

PS&I Description Per STF-ASR-9-61 in 2022 ASR	PS&I Description Per STF-ASR-1-64 in 2023 ASR
New Renewable Generation Studies	New Generation
ELG Studies - Effluent Guidelines	Environmental
Goat Rock Modernization Project	Hydro Modernization
Tall Wind Project	New Generation
Source: STF-ASR-4-4(b)	

As it relates to the three remaining PS&I items noted above that were included in the 2022 ASR, but not the 2023 ASR (i.e., PCC Building II, DCC Building II and Plant Wansley FGD Waste-Water Study, in its response to STF-ASR-4-4(b), the Company stated:

> The balances of $27,655 and $78,010 for the PCC Building II and DCC Building II PS&I categories, respectively, listed in the Company's response to STF-ASR-9-61 for the 2022 were debited to FERC Account 107 Construction Work in Progress upon reaching feasibility in December 2022. There were therefore not reflected in the Company's response to STF-ASR-1-64 for the 2023 ASR.
>
> Additionally, the balance of $423,469 for the Plant Wansley FGD Waste-Water Study was debited in September 2022 from PS&I to the FERC Account 182 Plant Wansley regulatory asset, which is associated with the August 2022 retirement of Plant Wansley that was approved by the Commission in Docket No. 44160.

Staff also requested descriptions of the following four PS&I items that are included in the 2023 ASR: (1) New Generation, (2) NOX ERC Certificates, (3) Environmental, and (4) Distribution DOT Projects. In its response to STF-ASR-4-4(e), GPC provided the following descriptions of these for PS&I items:

Description	Project Description
New Generation	Studies of new generation resources including battery storage, solar, wind, and gas.
NOX ERC Certificates	Nitrogen oxide (NOX) and volatile organic compound (VOC) emission reduction credits are air permitting certificates that are potentially needed for state air permitting for projects such as future new generation, dependent on national ambient air quality standards and Georgia's attainment status with those standards.
Environmental	Primarily studies to meet requirements of EPA regulations including, but not limited to, the Steam Electric Effluent Limitation Guidelines rule.
Distribution DOT Projects	Surveying, mapping, preliminary engineering, and land acquisition activities for potential distribution projects for the Georgia Department of Transportation
Source: STF-ASR-4-4(e)	

According to the response to STF-ASR-1-64(e), there were no new items of PS&I included in average rate base in the 2023 ASR. The attachment provided with that response reflects the following line items that were included in the 2023 ASR, but did not to be included in PS&I in the 2022 ASR: (1) Environmental, which had a 13-month average amount of $2.375 million in retail rate base, and (2) Miscellaneous, which had a 13-month average amount of $489,000 in retail rate base. With regard to the Environmental PS&I item, as discussed above, the PS&I project, ELG Studies – Effluent Guidelines (which was reflected in the 2022 ASR), was consolidated with other PS&I categories in 2023 and the Company changed its scope description to Environmental, which as noted in the above table, relates to studies necessary to meet EPA regulation requirements.

Recommendation

Staff is not recommending any adjustments for PS&I costs in the 2023 ASR rate base. However, as noted above, the Company included a new line item in 2023 PS&I titled Miscellaneous, which has a 13-month average amount of $489,000 in retail rate base. Staff recommends that GPC explain in detail Miscellaneous line item in the 2023 ASR relates to and why it was not included in the Company's previous ASR filings.

Electric Vehicle Rebates

In GPC's 2022 rate case (Docket No. 44280), the Company proposed substantial investments in its Electric Transportation ("ET") program. This included proposed investments in community electric vehicle ("EV") charging stations as well as ET infrastructure upgrades designed to support customer EV charging, including Make Ready, infrastructure maintenance, administrative costs, Community Charging and rebates. On pages 24-25 of the Commission's Order Adopting Settlement as Modified dated December 30, 2022, the Commission stated:

> During the hearings, the Company clarified its recommendation to increase the dollar amount that ratepayers will have to pay for capital expenditures related to EV transportation. These expenditures include (1) investments in EV charging facilities and infrastructure upgrades, (2) administrative cost recovery, (3) infrastructure maintenance, and (4) **rebates to accommodate the growth of EV transportation**. Specifically, the Company requested $30 million per year for EV capital infrastructure spending for plan years 2023 through 2025, nearly quintupling the $8 million approved for such expenditures in the 2019 rate case. The majority of that request, $27 million per year, is for the Company's Make Ready program. The remaining $3 [million] is for infrastructure upgrades for the Community Charging program. (Emphasis added)

On page 25 of the Commission's Order Adopting Settlement as Modified dated December 30, 2022, the Commission also stated:

> At the December 20, 2022, Administrative Session, Commissioner Echols offered a motion modifying the Stipulation. The motion modified paragraph 32 of the Stipulation such that the EV Make Ready Program shall approve 65% of the Company's requested budget level. This increased the Proposed Agreement from 25% of the requested budget to 65% of the requested budget. The motion was approved unanimously. The Commission finds that Commissioner Echol's Motion offers a just and reasonable outcome to this issue.

As it relates to the EV rebates, the Company's rates currently include that approved budget amount for EV rebates and to the extent that the full budgeted amount is not spent, any underspend amounts for EV rebates is currently included in the ASR reporting as revenues and increases the Company's profits given there was no offsetting expense incurred during the year. In a meeting with Staff that was held on June 25, 2024, the Company stated the following with regard to EV rebates:

> By generally accepted accounting principles, EV rebates are treated as O&M. EV rebates are not costs that are incurred to support the Company's assets – they are provided to customers to partially reimburse for their costs.
>
> The Company does not record a regulatory asset or liability related to EV rebates and those expenses are not subject to a true-up process. The Commission Order in the 2022 base rate case does not provide for special treatment of EV expenses and therefore the expenses are treated as any other company expense. The actual cost of EV rebates incurred in a calendar year are included in the annual ASR results that determine the ROE earnings band.

Staff disagrees with the Company treating the underspent portion of the EV rebates as it would normal O&M expense. Specifically, for normal O&M expense, the Company can underspend or overspend regardless of what is embedded in base rates for O&M expense. However, it is Staff's position that the Company can manage its EV rebates budget to avoid overspending, such that once the EV rebates spending reaches the maximum level of the amount budgeted for those rebates in base rates, the Company can manage the program to avoid exceeding that known budgeted amount. In Staff's view, if the Company is shielded from overspending the budgeted amounts for EV rebates, the same should hold true if the Company underspends its EV rebates budget (i.e., shareholders should not retain the underspent EV rebates dollars).

The Company has indicated that it disagrees with Staff's assertion that the Company is shielded from overspending the budgeted EV rebates amounts. In general, the Company targets to

the EV rebates amount approved in the 2022 base rate case as would be expected. However, the Company's position is that EV rebates are treated like any other O&M expense and similar to other O&M expenses, and therefore it can overspend or underspend on EV rebates depending on the circumstances in a given year. Moreover, the Company has asserted that its accounting treatment for O&M expenses is consistent with the Commission's 2022 Rate Case Order Adopting Settlement Agreement as Modified. The Company has concerns that adopting any alternative accounting treatment as proposed by Staff through this ASR Review would inappropriately alter or amend an existing rate case order and the alternate rate plan approved by the Commission.

Staff's position is that the EV rebate programs are not just another O&M expense. The Company's assertion that they may overspend is not supported by the Company's actions. During 2023 the Company protected itself from overspending, and significantly underspent the budgeted amounts for EV rebate programs. The Company paused their residential EV rebate program when it looked like that was being over-subscribed. The Company then found additional funds from their significant underspending of the Make Ready EV rebates. The Company used those funds from the 2023 underspending on the budgeted EV Make Ready program to restart and "over spend" their 2023 budget amounts for the residential EV rebates in 2023. The Company has stated that it is also underspending the 2024 budget amount for the EV Make Ready rebate program. Based on this pattern of EV rebate spending in 2023 and 2024, Staff concludes that the Company has demonstrated ample latitude to manage these EV rebate programs to avoid having to incur any significant amount of spending beyond the budgeted amounts. Moreover, Staff has raised a concern that the Company should not be using their managed underspending on any of the EV rebate programs for enhancing shareholder earnings.

The Company explained that its lower than expected utilization of rebates in 2023 and 2024 were less than the budgeted amounts by approximately $2.5 million, driven primarily by the ramp-up time needed to setup and promote the Business Charger Plus Rebate Program. The Company had to establish a framework for the business portion of the rebate program as well as the process for taking applications and paying out the rebates. The Company expects a robust response to the EV rebate program in 2025. Staff reserves the right to require the Company to account for the differences between the EV rebate program budgets that were approved in the 2022 rate case and the actual amounts of the EV rebate spending for the 2023 through 2025 period and to recommend customer refunds or that the Company be required to record a regulatory lability if underspending is found.

Recommendation

As discussed above, the Company includes the actual cost of EV rebates incurred in a calendar year in the annual ASR results. The Company and Staff disagree as to the appropriate accounting treatment for the EV rebates as explained above. The Company has communicated to Staff its intentions to make modifications to its EV rebates to afford greater levels of utilization from customers in 2025. The Company also understands Staff's concerns regarding the utilization of the EV rebate funding and has agreed to a targeted amount for EV rebates in 2025 that will include the budgeted amount for EV rebates not utilized in 2023 and 2024. Based on the current projection of underspend through 2024 of approximately $2.5 million, the 2025 EV rebate target amount is projected to be approximately $4.8 million, which includes $2.3 million of the original budget for 2025. This amount will be adjusted based on the actual under spend through 2024. The Company

and Staff have agreed to this target for EV rebates in 2025 for the purpose of resolving this issue in the 2023 ASR. In that regard, nothing in this agreement prohibits the Staff nor the Company from arguing their respective positions regarding the appropriate accounting treatment for EV rebates in a future proceeding.

Conclusion

Staff has made the following recommendations as a result of its review of the 2023 ASR:

1. Staff recommends that the Company continue to address land held in the PHFFU account by having quarterly meetings to re-evaluate the intended uses of the land and to determine if and when it will be used. Staff recommends that the Company maintain documentation of those quarterly PHFFU reviews. If it is determined that a parcel of land will not be used within 15 years from purchase date, it should be reviewed by the Commission in the subsequent IRP or the base rate case with a requirement that the Company present a specific plan for the property.

2. Staff is not recommending an adjustment to Vegetation Management expense included in the 2023 ASR. The Company's actual transmission and distribution vegetation spending was substantially under the budgeted amounts for 2023. In addition, both the Company's Distribution and Transmission related backlogs were reduced to zero as of December 31, 2023. Staff recommends that going forward, GPC maintain its distribution and transmission vegetation management schedules in an efficient manner

so as to avoid amassing substantial distribution and/or transmission vegetation backlogs in the future.

3. Staff recommends that the Company continue to monitor its regulatory asset deferral accounts to ensure that the accelerated amortization of regulatory assets is prioritized in the order as described in the Order Adopting Settlement Agreement as Modified in Docket No. 44280.

4. With regard to PS&I costs included in the 2022 ASR rate base, Staff is not recommending any adjustments. A comparison of the PS&I costs reflected in retail rate base in the 2023 ASR to what was included in the 2022 retail rate base shows that PS&I costs decreased by approximately 26.5% from 2022 to 2023. Staff recommends that GPC explain in detail what the Miscellaneous line item relates to and why it was not included in the Company's previous ASR filings.

5. The Company and Staff disagree as to the appropriate accounting treatment for the EV rebates as explained above. The Company has communicated to Staff its intentions to make modifications to its EV rebates to afford greater levels of utilization from customers in 2025. The Company also understands Staff's concerns regarding the utilization of the EV rebate funding and has agreed to a targeted amount for EV rebates in 2025 that will include the budgeted amount for EV rebates not utilized in 2023 and 2024. Based on the current projection of underspend through 2024 of approximately $2.5 million, the 2025 EV rebate target amount is projected to be approximately $4.8 million, which includes $2.3 million of the original budget for 2025. This amount will be adjusted based on the actual under spend through 2024. The Company and Staff have

agreed to this target for EV rebates in 2025 for the purpose of resolving this issue in the 2023 ASR. In that regard, nothing in this agreement prohibits the Staff nor the Company from arguing their respective positions regarding the appropriate accounting treatment for EV rebates in a future proceeding.