STATE OF GEORGIA
BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION

IN RE:	)	
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LIBERTY UTILITIES (PEACH STATE NATURAL GAS) CORP. GEORGIA RATE ADJUSTMENT MECHANISM	)	**DOCKET NO. 42959**
	)	**Filed: November 3, 2025**
PETITION TO APPROVE SYSTEM INTEGRITY RIDER TARIFF	)	

Liberty Utilities (Peach State Natural Gas) Corp.
Petition to Approve the System Integrity Rider ("SIR") Tariff

Liberty Utilities (Peach State Natural Gas) Corp. ("Liberty Utilities" or the "Company"), pursuant to O.C.G.A. §§ 46-2-20 and 46-2-23, hereby files with the Georgia Public Service Commission ("Commission"), simultaneously with and as a companion filing to its Alternative 2026 Georgia Rate Adjustment Mechanism ("GRAM") filing,[1] this Petition to Approve the System Integrity Rider ("SIR") Tariff. As is set forth more fully below, the Alternative 2026 GRAM filing is contingent and dependent upon the Commission also approving this new SIR Tariff. Together, the Alternative 2026 GRAM and the SIR Tariff better help to meet the goal of providing customers

[1] As discussed more fully in this Petition, today the Company is filing three documents: (1) the Required 2026 GRAM, which has all of those costs and expenses that are to be recovered through the GRAM process as is required by the Commission Order approving Liberty's 2025 GRAM; (2) the Alternative 2026 GRAM, which is the same as the Required 2026 GRAM except for the removal of certain capital investments and corresponding adjustments that produces substantially lower GRAM rates than those in the Required 2026 GRAM; and (3) this SIR Tariff, which would recover those capital investments not included in the Alternative 2026 GRAM plus all of the 2027 capital investments associated with the Gainesville Transmission Line Replacement program. If the SIR Tariff is denied, then the Alternative 2026 GRAM should also be denied; and in lieu of the SIR Tariff and the Alternative 2026 GRAM, the Commission would need to take action on Liberty's Required 2026 GRAM filing.

with rate gradualism and predictability as the Company seeks to earn its rate of return while recovering the costs of a multi-year, atypically expensive, and critically needed transmission line project along with certain other system reinforcement and enhancement projects. As filed, the SIR Tariff will be effective for seven years, but this mechanism affords the Company and Commission with the flexibility to make necessary adjustments both in duration and rate to best implement the goals of the SIR Tariff when modifications are necessary in the public interest. In support of this Petition, Liberty states as follows:

1. As a part of the Company's 2025 GRAM Settlement, approved by the Commission in its *Final Order Approving Stipulation and Natural Gas Staff of the Georgia Public Service Commission and Liberty Utilities (Peach State Natural Gas) Corp. Regarding the 2025 Annual Georgia Rate Adjustment Mechanism Filing*, issued February 27, 2025 ("2025 Settlement"), the approved 2025 GRAM capital budget was approximately $43 million. Included within this budget was approximately $20 million for the Gainesville Transmission Line Replacement Project ("GRP") and an additional $6.2 million for two Gainesville area distribution projects, all of which were critically necessary to meet the needs of firm customers in the Gainesville area. As discussed therein, new modeling information indicated that the GRP needed to be substantially completed within three years. Without completing the GRP on schedule, the Company would be at risk on certain cold days of not being able to deliver adequate amounts of natural gas to its Gainesville area firm customers.

2. Pursuant to the 2025 Settlement, the Company agreed to a reporting mechanism related to the GRP that included a quarterly reporting requirement as well as further updates once the project designs were completed and contracts were executed. This further reporting process was necessary since at the time of the Settlement, the Company only had informed estimates and

no actual contracts or bids for the work. Since the 2025 Settlement, the Company has hired an outside consultant to both assist with refining the development plans for the GRP as well as to provide oversight of contractors, monitor costs and budgets, and help ensure that the project comes in on time and within contract. As the Company has moved forward through the bid and contracting process, the Company now has a more refined and complete project cost estimate for the GRP of approximately $128.3 million for the three years of the project. As Liberty has moved forward in the construction process, the current cost estimated has been reduced further to $121 million.

3. Also reflected in the 2025 Stipulation were two distribution integrity management projects ("DIMP") for Gainesville estimated at $6.2 million. These projects now have lower costs, and Liberty is also proposing to remove these costs from the Required 2026 GRAM. There is also an unrelated third DIMP project at Whitesville the Company would also remove from the Required 2026 GRAM. Together, these three DIMP projects are estimated to cost a total of $7.6 million.

4. Given the atypical large infusion of cash that the Company needs to make for capital projects over the next few years, the Company is proposing to segregate and recover certain of these costs over seven years through a separate tariff rider, which the Company has designated as the System Integrity Rider Tariff, or SIR Tariff. A copy of the proposed tariff is attached hereto as Exhibit A.[2]

5. The specific projects proposed for the SIR Tarff, the "SIR Projects," are all the remaining costs of the GRP (2025-2027) and these three 2026 DIMPs, which are more particularly identified in the attached Exhibit B. Liberty has chosen these projects for inclusion in the SIR

[2] The Commission has experience with utility riders for the purpose of system reinforcement and pressure improvement projects. See, e.g., the System Reinforcement Rider for Atlanta Gas Light Company.

because they are reasonably well defined, their costs are known, and the GRP costs are substantial given historic capital spends by the Company. By removing these costs from the annual GRAM, the remaining costs for these projects will not be included in the 2026 GRAM rates (and the 2027 GRP costs will not be in the 2027 GRAM). The exclusion of these SIR Projects from the GRAM rate will help customers experience rate graduality while providing customers and the Commission with better transparency on these critical projects.

6. The proposed SIR Tariff would operate as follows:

   a. The SIR Tariff would become effective on the same day as the 2026 GRAM, March 1, 2026, and the recovery through the SIR is contemplated to last seven (7) GRAM years, through and including the 2032 GRAM (ending February 29, 2033), unless changed circumstances, described later herein in the Changed Circumstances section, merit a different duration and/or recovery.

   b. The SIR rate is based upon an inclining rate plan, and the proposed rates for the 2026 GRAM year are in the SIR Tariff, Exhibit A. The estimated rate for each of the remaining years is set forth in Exhibit B, subject to the Changed Circumstances section, along with the associated investments and recovery schedule.

   c. The rate ratio relationship among the rate classes is based upon a rate design that recognizes that since larger customers obtain greater benefits than residential customers from these projects, more of these costs should be allocated to these larger customers than how the GRAM mechanism otherwise would allocate such costs. Thus, with residential as the baseline

each year, the rate design for the SIR utilizes the following allocation factors:

i. Residential: 1

ii. Commercial: 14

iii. Industrial – Firm: 520

iv. Industrial – Non-Firm: 1,450

v. Local Gas Transport: 200

d. The projected cumulative revenue requirement to be recovered over the proposed seven-year life of the SIR is $75,842,910, inclusive of carrying charges.

e. The remaining costs of the SIR Projects will not be included in the calculations for Annual GRAM Filing adjustments.

f. Costs related to the construction of SIR assets shall be capitalized and will accrue in the form of AFUDC from the point that costs are incurred for accounting purposes until such time as the SIR assets are transferred to the GRAM for recovery.

g. The capital costs described above shall apply to only those costs properly capitalized in the plant accounts as determined by the Commission's Rule 515-3-1-.10 Accounting Requirements (i.e. FERC USOA 18 CFR 511 et. Seq.).

h. The cumulative unrecovered balance of each element of the SIR revenue requirement less cumulative collections shall accrue carrying costs at the Company’s cost of capital, described below. Likewise, an over-recovery

shall accrue carrying costs at the above-described cost of capital to the benefit of customers.

i. Recovery of capital costs under the SIR shall be determined as follows:

   i. Return on Capital * [(Plant additions and improvements) - (accumulated depreciation on the property additions and less accumulated deferred income taxes)] = Income required for the return on capital.

   ii. Plant Additions & Improvements = shall mean all capital additions in the Cost Year as recorded in the applicable gas plant in service accounts associated with the qualified SIR capital investments.

   iii. Accumulated Depreciation = shall mean the beginning balance of Accumulated Depreciation Expense, if any, plus Depreciation Expense. (Tracked Monthly).

   iv. Accumulated Deferred Income Taxes = shall mean the beginning balance of Deferred Income Taxes, if any, for the cost year plus the difference between (Tax Depreciation Monthly - Book Depreciation monthly) x Composite Income Tax Rate (current Commission approved income tax rate) (Tracked Monthly).

   v. Return on capital - shall be the applicable overall rate of return (including equity and debt components at the Commission-approved capital structure) for the rate effective period set by the Commission in the Company's most recent ratemaking proceeding,

including either a traditional rate case or an alternative form of regulation proceeding.

j. The income deficiency (or surplus) for each element of the SIR revenue requirement, if computed on an after-tax basis, shall be adjusted for the effect of federal and state income taxes in the expansion factor. No other expenses are to be included in the computation of the expansion factor. The results of this calculation shall be the amount of the surcharge, either positive or negative.

k. The Company shall be allowed to recover depreciation expense on SIR assets once placed in service, calculated at the latest Commission-approved rate for like items of plant calculated on the property additions and improvements.

7. The intent of the recovery mechanism funding SIR assets is that the Company shall recover the actual incremental cost of the SIR projects and capture any delay in the recovery of those assets through the recovery of an appropriate regulatory asset.[3] Therefore, the Company shall track the net over or under collected position and adjust the SIR rate as appropriate.

8. Liberty shall update its existing reporting to the Commission for the GRP to include the DIMP projects and such additional financial information that the Company and Staff determine is necessary to enable the Commission to sufficiently review the progress for the projects and have the necessary data to revise the appropriateness of the new SIP rate the Company shall file each year.

[3] Subject to the Commission's authority to disallow non-prudent costs.

9. Changed Circumstances Provisions in the Public Interest. Because of the way the GRAM works, the GRAM has the potential for variability in annual incremental revenue requirements from new GRAM rates from year to year, especially given current growth patterns in the Company's service area and the potential impacts of new large load customers. Accordingly, each year as a part of the GRAM process, the Company and Staff shall meet to discuss whether the amounts being recovered in the SIR are materially tracking the expected amount to be recovered by the SIR at the time the SIR was first established and whether adjustments are appropriate that would have the effect of accelerating the SIR recovery. Based upon this annual SIR review, including an assessment of the revenues to be collected from the GRAM and the SIR in the next year, the Company or Staff, or the Company and Staff jointly, may, when in the public interest, request that the Commission increase or decrease the SIR rates, as appropriate, the projects to be included in the SIR, or the length of time the SIR shall be effective, to help achieve and maintain rate graduality. As an example for illustration only and not a limitation, in a year where there is a GRAM sufficiency or minor deficiency, it may be possible to accelerate the SIR recovery while maintaining no more than average historic rate changes. This process will also help prevent GRAM rate volatility and permit the leveling of the GRAM rate consistent with its historic levels while enabling the acceleration of the recovery of SIP Project costs, if in this example any of the anticipated large load customers materialize in the coming years.

10. By extracting these specific capital investment projects from the GRAM and placing them in a separate rider, the Company's customers will have greater rate predictability for the recovery of these specific costs while enabling the GRAM to be more consistent with its historic recovery levels. Together, the SIR mechanism will best enable the Company to adequately

fund these capital intensive and very necessary projects for the benefit of its customers while enabling the Company to earn its rate of return.

11. While the Company has attempted to address all of the potential issues with this new tariff rider, the Company recognizes that as the Commission Staff conducts it review further revisions and modifications may be necessary in order to develop a mechanism that meets the required objectives and which provides the Staff with the information it needs to review the Company's filings. Accordingly, the Company looks forward to working with the Commission and Staff to develop a final mechanism that compliments the Alternative 2026 GRAM, provides a mechanism for the recovery of these important GRP and DIMP costs, while providing customers with transparency, predictability, and rate gradualism over the life of the SIP.

WHEREFORE, Liberty requests that this Commission grant this Petition and approve the attached System Integrity Rider Tariff, pursuant to the terms and conditions set forth herein, to be effective with the Company's Alternative 2026 GRAM filing for the rate-effective period, with the Alternative 2026 GRAM rates and 2026 SIR rates to become effective for bills rendered on and after March 1, 2026, and for the Commission to take such other actions as are necessary and/or desirable for the Company to accomplish the goals, objectives, and tasks necessary to ensure that in providing an opportunity for the Company to make its revenue requirement, that customers to the fullest extent reasonably possible, obtain rate gradualism as the Company continues to build out these necessary system reinforcement and enhancement projects.

Respectfully submitted,

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