SUMMARY REPORT
ON
GEORGIA POWER COMPANY'S
2024 ANNUAL RETAIL
SURVEILLANCE REPORT

PREPARED BY
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AND THE
GEORGIA PUBLIC SERVICE COMMISSION
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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 ("GPC" or "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 terms, established a three-year Alternative Rate Plan ("ARP") with rates that became effective on January 1, 2023 pursuant to a three-year rate plan 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 between 9.50% and 11.90% for retail Return on Equity ("ROE") was established. Specifically, a Settlement Agreement that was adopted by the Commission at Paragraphs 10 and 11 (pages 16-17) of the Commission's Order 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.
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> 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 submitted its ASR filing with a calculation of 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 calendar 2024 was filed pursuant to the Settlement Agreement as approved by the Commission in Docket No. 44280. As shown on page 1 of Section 1 of the Company's 2024 ASR filing, Georgia Power reported a Retail ROE of 11.31% for 2024 on its ASR.

The Company indicated that its retail surveillance report for 2024 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 band are subject to sharing. Specifically, earnings above the upper limit of the 9.50% to 11.90% ROE band 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, 2024, GPC determined that there were no earnings in excess of the 11.90% ROE upper dead band.

The 11.31% earned ROE reported by GPC for 2024 is within the band, so no application of amounts above the band applies for 2024. Moreover, there are no additional adjustments to GPC's reported 2024 results that, if made, would put GPC's earnings for 2024 above 11.90%, the top end of the band.

A summary showing how the earnings sharing has impacted ratepayers and the Company over the period 2007 through 2024 based on prior historical 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%		$ -	$ -	$ -	$ -	$ -
2024	11.31%	9.50%	11.90%	11.31%	N/A	10.50%	0.81%		$ -	$ -	$ -	$ -	$ -
								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 set point in every year except during the Great Recession in 2009 and 2010. In the 2014-2024 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.

<u>Scope of Review and Recommendations</u>

The Staff conducted an extensive review of the Company's 2024 ASR filing in order to:

- replicate and verify the Company's ROE 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 ROE:

- 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 2024 ASR filing, at Section 5, Schedule 12, which relates to major accounting and tax changes, states the following:

> In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (topic 280): Improvements to Reportable Segment Disclosures* (ASU 2023-07), which requires entities to disclose significant segment expenses, other segment items, the title and position of the chief operating decision maker ("CODM"), and information related to how the CODM assesses segment performances and allocates resources, among certain other required disclosures. Additionally, previous annual disclosures will be required in interim periods. Georgia Power Company adopted ASU 2023-07 retrospectively effective January 1, 2024 with no impact to accounting or financial statements; only additional required information was disclosed.
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> Georgia Power is a vertically integrated utility providing electric service to retail customers and as such, its single reportable segment is the sale of electricity. Revenues from products and services of Georgia Power is segregated into retail, wholesale, and other as reflected on its statements of income. Georgia Power identified utility operations and maintenance ("O&M") as significant segment expenses provided to its CODM. Utility O&M expense is calculated as other O&M, as reflected on the statements of income, less expenses from unregulated products and services, losses (gains) on asset dispositions, impairment charges, and amortization of cloud software.
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> On April 18, 2024, the State of Georgia enacted tax legislation that reduces the corporate income tax rate from 5.75% to 5.39% effective for tax years beginning on or after January 1, 2024. HB 1015 lowers the state's income tax rate for individuals to 5.39% beginning in 2024, while HB 1023 matches the corporate income tax rate to the individual income tax rate. The legislation triggered a Q2 2024 remeasurement of the Company's existing accumulated deferred income tax balances and deferral of over-recovered current year income tax expense, resulting in the establishment of a regulatory liability representing an accrual for certain tax benefits to be returned to customers.
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> As noted above, the Commission adopted the Settlement Agreement in its Order Adopting Settlement Agreement as Modified.

On page 5 of the Summary of Ratemaking Principles Used in Computing Retail Return on Equity included in Section 1 of the 2024 ASR, item number 43 states:

> Pursuant to the Commission's Order in Docket No. 44280, the income tax savings and the remeasurement of accumulated deferred income taxes associated with the reduction of the state income tax rate from 5.75% to 5.39% effective January 1,

> 2024 were deferred to a regulatory liability following the signing of House Bill 1015 in April 2024. The deferred savings will be amortized over a one-year period beginning January 1, 2025 as approved by the Commission in the 2025 Compliance Filing in Docket No. 44280.

<u>Regulatory Adjustments Made in Compliance with Commission Order</u>

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 2024 ASR, the Company discusses the removal of costs associated with (1) executive financial planning services expense, and (2) stock-based compensation expense from the 2024 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 2024 ASR filing in accordance with the Commission's Order. Specifically, GPC removed from Generation – Fixed and Administrative & General, executive financial planning services expense totaling $204,000, 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 2024 ASR filing. In addition, GPC removed from various O&M expense accounts stock-based compensation totaling $24.943 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 2024 ASR filing.

In its response to STF-ASR-5-34, 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-5-35, 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-5-35 (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 2024 of $9.2 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 2024 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.

[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.

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 2024 ASR filing.

Plant Held For Future Use

As shown in Section 2, page 1 of GPC's 2024 ASR filing, the Company included FERC Account 105, Plant Held For Future Use ("PHFFU"), totaling $106.215 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, (4) not included in the 2022 IRP, and (5) not included in the Company’s 2025 IRP. In its response to STF-ASR-5-59 the Company provided an attachment that provided the requested PHFFU information, which Staff has replicated in the table below:

Line No.		Description	Date Originally Included in PHFFU	Year Anticipated to Move to Plant In-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	2033	$ 10,543,832	
2		South Dahlonega - Clermont Junction 500kV Transmission Line Site	9/30/2009	2033	$ 28,188,653	
3		South Dahlonega - Clermont Junction 230kV Transmission Line Site	9/30/2009	2033	$ 17,268,413	
4		Bethabara - East Walton 230kV Transmission Line Site	3/31/2011	2027	$ 3,708,308	
5		Wallace Dam - Klondike 500 KV	9/1/2014	>2035	$ 3,628,989	
6		South Hall - Winder Transmission Line Site	9/1/2014	>2035	$ 883,035	
7		New Hampstead Substation Site	6/30/2009	2028	$ 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	$ 22,626,123	
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	2027	$ 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	2024	$ 1,362,732	
17		McGrau Ford BESS	12/1/2023	2024	$ 927,857	
18		Granite City Substation Site	8/1/2024	2028	$ 94,737	
19		East Canon Substation Site	9/1/2024	2026	$ 60,225	
20		Spring Valley Road Substation Site	12/1/2024	2026	$ 43,083	
21		Balus Creek 115 kV Substation Site	12/1/2024	2026	$ 77,619	
22		Total Plant Held for Future Use			$ 106,214,586	$ 14,981,193
Source:						
Col. A: Georgia Power Company's FERC Form 1 for the 12-months ended December 31, 2024						
Cols. B-D: STF-ASR-5-59						

As shown in the table above under column B, the Company included PHFFU totaling $106.215 million in the 2024 13-month average jurisdictional ASR rate base, of which approximately $14.981 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, 2022 and/or 2025 IRPs:

- **Lines 1-4**: Items were not addressed in the Company's 2013, 2016, 2019, or 2022 IRP because they fell outside the 10-year Transmission planning horizon. Items were addressed in the Company's 2025 IRP in Volume 3, Section D. These amounts total $59.709 million.

- **Lines 5-6**: Item was not addressed in the Company's 2013, 2016, 2019, 2022 or 2025 IRP because it fell outside the 10-year Transmission planning horizon. These amounts total $4.512 million.

- **Line 7**: Item was included as part of the Company's 2013 IRP. The use date of this item has subsequently changed and it was not addressed in the 2016, 2019 or 2022 IRP because the anticipated use date fell outside the 5-year Area planning horizon. Item was addressed in the Company's 2025 IRP in Volume 3, Section F. This project totals $53,386.

- **Line 8**: Item was included as part of the Company's 2013 IRP. The use dates of this item have subsequently changed and it was not addressed in the 2016, 2019, 2022 or 2025 IRP because the anticipated use date fell outside the 5-year Area planning horizon. The $1.334 million for this site is not projected 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 2016, 2019, 2022 or 2025 IRP because the anticipated use date fell outside the 10-year Transmission planning horizon and the 5-year Area planning horizon. The $683,372 for these sites are not projected 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 1 and Appendix G in the Resource Mix Study and addressed in the Company's 2019 IRP in Appendix G in the Main Document. Item does not appear specifically by name in the Company's 2025 IRP. However, Stewart County is a potential site for the future generation resources identified in the Capacity Expansion Plans provided as part of the Resource Mix Study in Technical Appendix Volume 2. This project, which totals $22.626 million, is included in 2024 ASR average rate base. See additional discussion below.

- **Line 12:** Item was donated to the Company in 2018. It was not addressed in the Company's 2019, 2022 or 2025 IRP because the anticipated use date fell outside the 5-year Area planning horizon. The $30,266 for this site is not projected to be in use prior to 2040.

- **Lines 13:** Item was purchased in 2019. It was not addressed in the 2019, 2022 or 2025 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 $529,866, is included in 2024 ASR average rate base.

- **Line 14:** Item was addressed in the Company's 2013 and 2016 IRP. The use date of this item has subsequently changed and it was not addressed in the Company's 2019, 2022 or 2025 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.

- **Line 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 2016 IRP data request STF-2.25. The item was included in the 2019, 2022 and 2025 IRP referenced in Volume 3 [F]. This project, which totals $1.236 million, is included in 2024 ASR average rate base.

- **Line 16:** Item was not addressed in the Company's 2013 or 2016 IRP because it fell outside of the 5-year Area planning horizon. It was included in the 2019 and 2022 IRP referenced in Volume 3 [F]. Item was not addressed in the 2025 IRP because the property was moved to plant in service in 2024. See additional discussion below.

- **Line 17:** Item was purchased in 2023. The item was included in the 2022 IRP referenced in the Main Document [13] and Volume 2 [4]. Item was not addressed in the 2025 IRP because the property was moved to plant in service in 2024. See additional discussion below.

- **Line 18:** Item was purchased in 2024. Item was driven by station retirement and not listed in the Company's 2025 IRP. This project, which totals $94,737, is included in 2024 ASR average rate base.

- **Line 19:** Item was purchased in 2024. Item was addressed in the Company's 2025 IRP in Volume 3, Section E. This project, which totals $60,225, is included in 2024 ASR average rate base.

- **Line 20:** Item was purchased in 2024. Item was addressed in the Company's 2025 IRP in Volume 3, Section D. This project, which totals $43,083, is included in 2024 ASR average rate base.

- **Line 21:** Item was purchased in 2024. Item was addressed in the Company's 2025 IRP in Volume 3, Section F. This project, which totals $77,619 is included in 2024 ASR average rate base.

Staff inquired as to whether the Company removed any costs from PHFFU during 2024, 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-5-2, the Company stated that during 2024, the Company removed costs from PHFFU related to three projects: (1) Lewiston Road Substation site, (2) McGrau Ford BESS site, and (3) Stewart County. None of these projects are related to a project that was included in the 2023 IRP Update. With regard to each of these three projects, the response to STF-ASR-5-2 stated:

> The Lewiston Road Substation site is in Columbia County, was acquired in 2019, and was placed in service in September 2024. The FERC Account 105 balance for this property on December 31, 2024 was $0.
>
> The McGrau Ford BESS site is in Cherokee County, was acquired in 2023, and was placed in service in May 2024. The FERC Account 105 balance for this property on December 31, 2024 was $0.

> The Stewart County land was acquired in 2012 and is expected to be in utility service after 2030. The FERC Account 105 balance for this property on December 31, 2024 was $22.6 million. In 2024, a credit of $31 thousand was recorded to this property as a result of timber sale activity.

The issue of PHFFU was addressed in the Company's 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 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 $14.981 million in the 2024 13-month average jurisdictional ASR rate base that is not anticipated to be placed into service until 2040 or beyond.

The Company PHFFU account includes eight 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, 2029. As summarized in the table below, the following eight properties show dates of going into the PHFFU account before January 2014:

[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.

Description	Date Originally Included in PHFFU	Year Anticipated to Move to Plant In-Service
Dawson Crossing - South Dahlonega 500kV Transmission Line Site	12/1/2008	2033
South Dahlonega - Clermont Junction 500kV Transmission Line Site	9/30/2009	2033
South Dahlonega - Clermont Junction 230kV Transmission Line Site	9/30/2009	2033
New Hampstead Substation Site	6/30/2009	2028
Bethabara - East Walton 230kV Transmission Line Site	3/31/2011	2027
Piedmont Substation Site	3/31/2011	2040
Boyd Avenue Substation Site	8/31/2012	2040
St. Joe Timber Land/Stewart County	9/1/2012	2030
Source: Georgia Power Company's FERC Form 1 for the year ended December 31, 2024		

As shown in the above table, the eight properties listed were originally recorded into PHFFU in December 2008, June 2009, September 2009, March 2011, August 2012 and September 2012. In addition, as shown in the attachment to the response to STF-ASR-5-59 (and the above table), the Company indicated that the anticipated in-service dates for six of the eight properties will be beyond January 1, 2029. Only the New Hampstead Substation Site and the Bethabara – East Walton 230kV Transmission Line Site currently show anticipated in-service dates that are prior to January 1, 2029.

<u>Recommendation</u>

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 the PHFFU rate base amounts that GPC reflected in its 2024 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 reclassified into non-utility property, and removed from jurisdictional retail rate base with notification to the Commission of such reclassification.

Vegetation Management

Upon reviewing Section 5, Schedule 6 - Actual to Budget Non-Fuel O&M Expense Comparisons from the 2024 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	$ 176,833	$ 115,656	$ 61,177	52.90%
Distribution	$ 370,294	$ 352,297	$ 17,998	5.11%
Source: Section 5, Schedule 6 from 2024 ASR Filing				

As shown in the above table, the Transmission function reflected actual spending was $176.833 million, which was $61.177 million, or 52.90% higher 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 storm costs related to Hurricane Helene cost overruns in (1) Integrated Transmission System maintenance, (2) asset management, and (3) vegetation management as well as underruns in parity receipts. In addition, the Distribution function reflected that actual spending was $370.294 million, which was $17.998 million, or 5.11% higher 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 overruns in (1) vegetation management, (2) asset management, (3) storm costs related to Hurricane Helene, and (4) obsolete inventory write-offs as well as partial offsets caused by shared service billings and incidental maintenance.

The Transmission and Distribution budget-to-actual variances were substantial. Staff requested that the Company identify, document and explain all decisions to defer or delay Transmission and

Distribution vegetation management and Rights-of-Way management in 2024. For all three of these areas, in its response to STF-ASR-5-19, the Company stated that there were no decisions to defer or delay during 2024.

Staff requested that GPC provide the 2024 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-5-19, the Company provided the requested information, which is summarized by total in the table below:

Function	2024 Actual $000's	2024 Budget $000's	Variance $000's	Percent
Distribution Asset Management	$ 9,916	$ 6,192	$ 3,724	60.15%
Distribution Vegetation Management	$ 90,475	$ 71,086	$ 19,389	27.28%
Transmission Vegetation and Rights of Way Management	$ 32,768	$ 27,204	$ 5,563	20.45%
Total	$ 133,158	$ 104,482	$ 28,677	27.45%
Source: STF-ASR-5-19 (totals were added for the above information)				

As shown in the above table for 2024 (1) Distribution Asset Management reflected an actual spending variance of $3.724 million, or 60.15% higher than budget; (2) Distribution Vegetation Management reflected an actual spending variance of $19.389 million, or 27.28% higher than budget; and (3) Transmission Vegetation and Right of Way Management reflected an actual spending variance of $5.563 million, or 20.45% higher than budget. In total, for 2024, the actual vegetation management expense exceeded the budget amounts by $28.677 million, or 27.45%. The Company's current base rates were generally determined based on these budgeted amounts; therefore, when the actual dollars spent exceed the budgeted dollars, the variance for the vegetation management expense reduces the Company's pre-tax income.

The Company's vegetation management plan during 2024 consisted of the following activities:

Transmission Herbicide – Work plan consists of two-fifth system miles to be sprayed each year.

Mowing – Work plan is based on approximately one-seventh of system miles.

Incompatible Species Identification - Scheduled is 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, incompatible species identification should be performed approximately every ten years.

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

Transmission Side Tree Trimming – Work plan is 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 is 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 is 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 right-of-ways are improved each year.

With regard to the Company's 2024 Vegetation Management backlog, in its response to STF-ASR-5-75, the Company stated that the Distribution Vegetation Management backlog was 0 miles as of January 1, 2024, and as of December 31, 2024. In its response and in its response to STF-ASR-5-76, the Company stated that the Transmission Vegetation Management backlog was 0 miles as of January 1, 2024, and as of December 31, 2024. Thus, the Company was not carrying a backlog from 2024 into 2025.

Recommendation

Staff is not recommending an adjustment to the Vegetation Management expense included in the 2024 ASR. As noted above, the Company's actual distribution and transmission vegetation spending was substantially higher than the budgeted amount for 2024. Staff recommends that the Company explain further why actual distribution and transmission vegetation spending in 2024 was so much higher than its budgeted amounts, especially since the Company reflected significant underspending on vegetation management in comparison with budgeted amounts during 2023. In addition, the Company's Distribution and Transmission related backlogs were zero as of January 1 and December 31, 2024. These backlogs had been eliminated as of the end of 2023 and continued to be zero through December 31, 2024. Staff recommends that going forward, GPC maintain its distribution and transmission vegetation management schedules to avoid amassing substantial distribution and/or transmission vegetation backlogs.

Regulatory Assets

The Company included several costs under the heading "Other Rate Base Items" In Section 2, page 1 of the 2024 ASR filing that represent deferred costs which have been classified as regulatory assets, and which are summarized in the table below:

Description	Amount $000's	
Unamortized NBV of Retired Units	$	784,844
TOU - FD Revenue Erosion	$	876
Software & Cloud Computing	$	99,730
Deferred Nuclear Outage Costs	$	40,860
ARO Regulatory Asset	$	4,502,021
Total	$	5,428,331
Source: Section 2, page 1 of 2 of 2024 ASR Filing		

As shown in the above table, the Company has deferrals totaling $5.428 billion on a 13-month average basis. In addition, the $784.844 million associated with the unamortized net book value of retired units is comprised of the following retired plants:

Description	Amount $000's	
Plant Branch Unit 4	$	3,929
Plant Hammond Units 1-4	$	320,400
Hydro Units	$	(86)
Plant McIntosh Unit 1	$	(3,756)
Plant Wansley Units 1-2	$	453,018
Plant Wansley Units 5a CT	$	(204)
Plant Boulevard Unit 1 CT	$	(445)
Unusable Inventory	$	11,986
Total	$	784,844
Source: Section 5, Schedule 7 from 2024 ASR Filing		

In its response to STF-ASR-5-14, 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 Unit 4 and Common NBV regulatory asset was recorded in April 2015. Unit 4 and Common have been fully 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 $655,000 from January through December 2024.

- **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 2024.

- **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 $209,000, $26,000, and $5,000 for Plants McIntosh Unit 1, Boulevard Unit 1 CT, and Langdale Units 5-6, respectively, from January through December 2024.

- **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 2024.

- **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 2024, which totaled $139,000 for 2024. 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 $83,000 from January through December 2024.

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 2024, which totaled $41.6 million for 2024. The monthly amortization entry was a credit to the regulatory asset balance and a debit to A&G expense (FERC account 923) of $815,000 from January through December 2024.

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 2024 ASR filing shows the monthly balances of the deferred nuclear outage costs for the period December 2023 through December 2024, which results in a 13-month average balance of $40.860 million. In its response to STF-ASR-5-17, 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			Vogtle 3		
Month	Deferral	Amortization	Balance	Deferral	Amortization	Balance	Deferral	Amortization	Balance	Deferral	Amortization	Balance	Deferral	Amortization	Balance
Dec-23			$ 3,153			$ 10,882			$ 8,236			$ 10,377			
Jan-24	$ 3,706	$ (812)	6,047	$ 37	$ (804)	10,115	$ 234	$ (1,018)	7,453	$ 509	$ (719)	10,167			
Feb-24	13,453	(845)	18,655	57	(804)	9,368	63	(1,018)	6,498	(35)	(713)	9,420	$ 29		$ 29
Mar-24	829	(845)	18,638	25	(804)	8,590	725	(1,018)	6,205	(9)	(713)	8,698	$ 119		$ 148
Apr-24	290	(835)	18,093	14	(803)	7,801	98	(1,018)	5,285	8	(712)	7,993	$ 113		$ 261
May-24	(150)	(844)	17,099	112	(803)	7,110	297	(1,018)	4,564	6	(713)	7,285	$ 633		$ 894
Jun-24	(41)	(848)	16,210	85	(803)	6,392	550	(1,018)	4,097	235	(713)	6,808	$ 293		$ 1,187
Jul-24	37	(847)	15,400	69	(805)	5,656	454	(1,018)	3,533	(101)	(713)	5,994	$ 199		$ 1,386
Aug-24	1	(845)	14,556	211	(805)	5,062	2,377	(1,018)	4,893	102	(713)	5,382	$ 2,144		$ 3,530
Sep-24	8	(845)	13,719	178	(805)	4,435	12,625	(960)	16,558	17	(713)	4,686	$ 849		$ 4,379
Oct-24	(127)	(845)	12,747	263	(805)	3,894	(266)	(925)	15,367	(59)	(713)	3,914	$ 10,486	$ (1,439)	$ 13,426
Nov-24	1	(846)	11,902	1,352	(805)	4,440	(83)	(925)	14,360	597	(713)	3,798	$ 9,440	$ (1,439)	$ 21,427
Dec-24	(4)	(845)	11,053	607	(805)	4,243	(139)	(925)	13,296	307	(713)	3,392	$ 957	$ (1,439)	$ 20,945

	Vogtle 4			Total		
Month	Deferral	Amortization	Balance	Deferral	Amortization	Balance
Dec-23						$ 32,649
Jan-24	$ -	$ -	$ -	$ 4,486	$ (3,353)	33,782
Feb-24	$ -	$ -	$ -	$ 13,568	$ (3,380)	43,970
Mar-24	$ -	$ -	$ -	$ 1,689	$ (3,380)	42,279
Apr-24	$ -	$ -	$ -	$ 522	$ (3,367)	39,434
May-24	$ -	$ -	$ -	$ 897	$ (3,378)	36,953
Jun-24	$ -	$ -	$ -	$ 1,121	$ (3,381)	34,694
Jul-24	$ -	$ -	$ -	$ 658	$ (3,383)	31,969
Aug-24	$ -	$ -	$ -	$ 4,835	$ (3,381)	33,424
Sep-24	$ -	$ -	$ -	$ 13,677	$ (3,323)	43,777
Oct-24	$ -	$ -	$ -	$ 10,297	$ (4,727)	49,348
Nov-24	$ -	$ -	$ -	$ 11,307	$ (4,727)	55,927
Dec-24	$ 42	$ -	$ 42	$ 1,770	$ (4,727)	52,971
					13-Month Average	$ 40,860

Source: STF-ASR-5-17 (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 result in the 13-month balance of $40.860 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 2024 retail rate base.

Preliminary Surveys and Investigations

GPC's retail rate base for the 2024 ASR included costs for Preliminary Surveys and Investigations ("PS&I"). In its response to STF-ASR-5-65, the Company stated that the Operating Reserves line item in Section 2, page 1 of 2 in the 2024 ASR includes a 13-month average balance of PS&I costs totaling $43.8 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 PS&I for Plant Vogtle Units 3 and 4, in its response to STF-ASR-5-66, the Company stated that the Company included a 13-month average amount of $14,000 for PS&I in the category "New Nuclear and Nuclear Uprates" for feasibility and scoping work associated with increasing the maximum power level at which Vogtle Units 3 and 4 may operate. In addition, in its response to STF-ASR-5-67, the Company stated that it included a 13-month average amount of $87,000 for PS&I, which was associated with siting studies for potential new nuclear generation.

The breakout of the $43.798 million of PS&I costs included in the 2024 ASR retail rate base (provided in STF-ASR-5-65) is summarized by month in the table below:

Description	Dec-23 $000's	Jan-24 $000's	Feb-24 $000's	Mar-24 $000's	Apr-24 $000's	May-24 $000's	Jun-24 $000's
Wetlands Mitigation Permits	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697
New Generation	$ 8,893	$ 8,821	$ 9,869	$ 11,297	$ 10,426	$ 12,975	$ 14,420
Renewable Development	$ 1,830	$ 1,834	$ 1,834	$ 1,853	$ 1,853	$ 1,879	$ 1,888
NOX ERC Certificates	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145
Environmental	$ 89	$ 104	$ 104	$ 104	$ 173	$ 182	$ 190
Hydro Modernization	$ 2,076	$ 2,245	$ 2,237	$ 2,239	$ 2,239	$ 2,244	$ 2,250
Fossil	$ 354	$ 1,052	$ 1,778	$ 1,367	$ 1,955	$ 3,138	$ 6,410
Distribution D.O.T Projects	$ 2,820	$ 2,701	$ 2,838	$ 2,897	$ 2,953	$ 3,006	$ 3,041
New Nuclear & Nuclear Uprates	$ -	$ -	$ -	$ -	$ 25	$ 61	$ 51
Transmission Land	$ (199)	$ (236)	$ (196)	$ (183)	$ (193)	$ (200)	$ (183)
Transmission Miscellaneous	$ 325	$ 356	$ 356	$ 356	$ 356	$ 353	$ 353
Transmission Studies (Relocation & Interconnection)	$ 64	$ 51	$ 42	$ 94	$ 81	$ 80	$ 82
Resiliency Projects	$ 866	$ 890	$ 919	$ 928	$ 946	$ 993	$ 1,018
Cutomer Owned Regulated Lighting Services	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8
Microgrid Study	$ 43	$ 55	$ 85	$ 97	$ 100	$ 116	$ 107
Miscellaneous	$ 96	$ (147)	$ (260)	$ (239)	$ (154)	$ (51)	$ 12
Total PS&I	$ 26,107	$ 26,576	$ 28,456	$ 29,660	$ 29,610	$ 33,626	$ 38,489

Description	Jul-24 $000's	Aug-24 $000's	Sep-24 $000's	Oct-24 $000's	Nov-24 $000's	Dec-24 $000's	13-Month Average
Wetlands Mitigation Permits	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697	$ 697
New Generation	$ 15,135	$ 17,097	$ 19,444	$ 20,282	$ 15,675	$ 17,850	$ 14,014
Renewable Development	$ 1,889	$ 1,906	$ 1,927	$ 1,906	$ 1,949	$ 1,958	$ 1,885
NOX ERC Certificates	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145	$ 8,145
Environmental	$ 198	$ 276	$ 215	$ 257	$ 286	$ 353	$ 195
Hydro Modernization	$ 2,251	$ 2,254	$ 2,261	$ 2,264	$ 2,263	$ 2,284	$ 2,239
Fossil	$ 8,174	$ 12,654	$ 19,446	$ 25,001	$ 26,831	$ 32,309	$ 10,805
Distribution D.O.T Projects	$ 3,102	$ 3,125	$ 3,215	$ 3,285	$ 3,374	$ 2,681	$ 3,003
New Nuclear & Nuclear Uprates	$ 114	$ 149	$ 590	$ 5,404	$ 5,961	$ 6,662	$ 1,463
Transmission Land	$ (213)	$ (220)	$ (236)	$ (235)	$ 173	$ 175	$ (150)
Transmission Miscellaneous	$ 353	$ 353	$ 353	$ 353	$ 340	$ 178	$ 337
Transmission Studies (Relocation & Interconnection)	$ 82	$ 82	$ 82	$ 97	$ 111	$ 147	$ 84
Resiliency Projects	$ 1,043	$ 1,069	$ 1,084	$ 1,104	$ 1,126	$ 1,235	$ 1,017
Cutomer Owned Regulated Lighting Services	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8
Microgrid Study	$ 116	$ 130	$ 148	$ 143	$ 11	$ 28	$ 91
Miscellaneous	$ 39	$ 91	$ 111	$ 145	$ (157)	$ 54	$ (35)
Total PS&I	$ 41,133	$ 47,816	$ 57,490	$ 68,856	$ 66,793	$ 74,764	$ 43,798
Source: STF-ASR-5-65							

A comparison of the $43.798 million of PS&I costs reflected in retail rate base in the 2024 ASR to the $24.334 million of PS&I included in the 2023 retail rate base shows that PS&I costs increased by approximately $19.5 million, or approximately 80% from 2023 to 2024. The main drivers for this increase appear to be the four items listed in the following table, which include

PS&I items that (1) are included in PS&I in the 2024 ASR, but were not included in the 2023 ASR, and (2) are included in PS&I in the 2024 ASR at a substantially higher amount than the 2023 ASR:

Description	13-Month Avg. in 2024 ASR $000's	13-Month Avg. in 2023 ASR $000's	Difference $000's
New Generation	$ 14,014	$ 7,518	$ 6,496
Fossil	$ 10,805	$ -	$ 10,805
New Nuclear & Nuclear Uprates	$ 1,463	$ -	$ 1,463
Resiliency Projects	$ 1,017	$ -	$ 1,017
Total	$ 27,299	$ 7,518	$ 19,781
Source: 2024 Amounts from the response to STF-ASR-5-65			

As shown in the above table, the difference between the 13-month average amounts for PS&I in the 2023 and 2024 ASR for these four line items totaled $19.781 million.

With regard to the categories of PS&I included in the 2024 ASR, the response to STF-ASR-5-65 states:

> Please note, as provided in the Company's response to PSC Staff on April 18, 2025, the Company has undertaken efforts to analyze the PS&I accounts historically and reconcile the total PS&I costs included in the ledger balance to the respective PS&I projects and line items. As a result, costs of certain PS&I projects were recategorized and $27 thousand of miscellaneous costs were written off to O&M expense FERC account 930 in March 2025.

Staff asked GPC to identify any PS&I costs included in rate base that were new in 2024. In its response to STF-ASR-5-65(e), the Company stated:

> Aside from the recategorization and breakout of certain existing projects, the "New Nuclear & Nuclear Uprates" category in STF-ASR-5-65 Attachment is the only new item for 2024. This category includes costs associated with siting studies for potential new nuclear generation, and feasibility and scoping work associated with increasing the maximum power level at which existing nuclear units may operate. The costs associated with this category were not included in previous ASRs as the related activities began in 2024.

Based upon the Commission Staff's review of earnings calls for the past two years, Staff believes that Southern Company has not expressed any definitive plans for building new nuclear units. The Staff recognize that this could change with a future need to serve load growth, such as new large load growth from data centers and believes that if no new nuclear generating units are going to be built, the portion of this cost that relates to new nuclear should be expensed and not accrued to a regulatory asset. In this regard, the Company should continue to follow the Code of Federal Regulations §367.1830 Account 183, such that if work is abandoned within the PS&I account a charge must be made to account 426.5, other deductions, or to the appropriate operating expense.

Recommendation

As noted above, the Company's PS&I amounts increased by approximately 80% from 2023 to 2024. Staff recommends that GPC explain in detail why PS&I increased so much between December 31, 2023, and December 31, 2024. In addition, Staff recommends that (1) the Company explain in detail its efforts to analyze the PS&I accounts, which resulted in the costs of certain PS&I projects being recategorized, and (2) provide a reconciliation that shows which specific PS&I projects (and their related costs) were recategorized. Staff is not recommending any adjustments for PS&I costs in the 2024 ASR rate base.

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 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 approved at 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 is collecting revenue from all of its customers for the EV rebate budget. In the event GPC does not fully utilize that revenue for EV rebates, the Company's shareholders retain the unused portion of the EV rebates. 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.

Recommendation

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, the Company has the ability to limit its EV rebates budget, such that once the EV rebates spending reaches the maximum level of the amount budgeted for those rebates in base rates, the Company can avoid exceeding its budgeted amount. In Staff's view, if the Company is shielded from overspending the budgeted 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 previously indicated that it does not agree with Staff's position on this issue. The Company argues that its treatment of EV rebates as O&M is consistent with GAAP and the 2022 Rate Case Order Adopting Settlement Agreement as Modified. Moreover, as explained to the Staff, the Company adjusted rebate eligibility requirements to better ensure that the use of rebates is maximized in 2024 and 2025 by doing such things as removing the pre-approval requirement from the Tier II portion of the Business Charger Plus rebate. The Company has also modified the application process by allowing electrical contractors to submit rebate applications for customers.

As discussed above, the Company includes the actual cost of EV rebates incurred in a calendar year with the annual ASR results. Staff disagree with the Company's accounting treatment of the EV rebates whereby shareholders retain the underspent amount of the annual EV rebates budget, if any, that was allowed in determining the Company's base rates revenue requirement. In the 2023 ASR Review, the Staff recommended that the Company include the underspent budget from 2023 and 2024 of approximately $2.5 million into the 2025 EV rebate budget. The Staff further reserved its right to challenge the accounting treatment of any projected underspent amount as of December 31, 2025, and will consider this matter further at the time of the 2025 base rate case. In light of the Commission's July 2025 Order in Docket No. 44280 to extend the current Alternative Rate Plan, Staff now further reserves its right to challenge the accounting treatment of any projected underspent amount through December 31, 2028, and will consider this matter further at the time of the 2028 base rate case.

Conclusion

Staff find that the Company's earned ROE of 11.31% for 2024 is within the earnings band. No adjustments not already made by the Company have been identified by Staff which would put GPC's earnings for 2024 above 11.90%, the top end of the earnings band. Staff has made the following recommendations as a result of its review of the 2024 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, it should be reclassified into non-utility property.

2. Staff is not recommending an adjustment to the Vegetation Management expense included in the 2024 ASR. The Company's actual transmission and distribution vegetation spending was substantially over the budgeted amounts for 2024. Staff recommends that the Company explain in detail why actual distribution and transmission vegetation spending in 2024 was so much higher than its budgeted amounts, especially since the Company reflected significant underspending in its vegetation management costs during 2023. In addition, both the Company's Distribution and Transmission related backlogs were zero as of December 31, 2024. Staff recommends that 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 2024 ASR rate base, Staff is not recommending any adjustments. However, the Company's PS&I amounts increased by approximately 80% from 2023 to 2024. Staff recommends that GPC explain in detail why PS&I increased so much between December 31, 2023, and December 31, 2024. In addition, Staff recommends that (1) the Company explain in detail its efforts to analyze the PS&I accounts, which resulted in the costs of certain PS&I projects being

recategorized, and (2) provide a reconciliation that shows which specific PS&I projects (and their related costs) were recategorized.

5. In the 2023 ASR Review the Staff recommended that the Company include the underspent budget from 2023 and 2024 of approximately $2.5 million into the 2025 EV rebate budget. The Staff reserves its right to challenge the accounting treatment of any projected underspent amount through December 31, 2028, and will consider this matter further at the time of the 2028 base rate case.