

BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION

IN RE:)	
)	
LIBERTY UTILITIES)	
(PEACH STATE NATURAL GAS))	DOCKET NO. 42959
CORP. GEORGIA RATE)	
ADJUSTMENT MECHANISM)	
)	
And)	
)	
LIBERTY UTILITIES)	
(PEACH STATE NATURAL GAS))	DOCKET NO. 56709
CORP.'S)	
SYSTEM INTEGRITY RIDER)	

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**System Integrity Rider
Governance Document**

I. Background

During the month of June 2025, the Georgia Public Commission Natural Gas Staff (“Staff”) and Liberty Utilities (Peach State Natural Gas) Corp. (“Liberty” or “Company”), together the “Parties,” had a series of meetings to discuss the replacement of the Gainesville Transmission Line (“GTL”). Before the replacement work began, the GTL consisted of the following:

- a. 4-inch steel main: 157,490 feet, or approximately 29.8 miles, with a Maximum Allowed Operating Pressure (“MAOP”) of 600 pounds per square inch gauge (“psig”), installed during the 1960s;
- b. 8-inch steel main: 161,547 feet, or approximately 30.5 miles, with an MAOP of 600 psig, installed in 1967; and
- c. 12-inch steel main: 35,130 feet, or approximately 6.6 miles, with an MAOP of 600 psig. Installed during 2018 – 2021.

1 **II. GTL Replacement and Upgrades**

2 Liberty has been engaged in gradual upgrades to the GTL since 2018, but with additional
3 load growth and the projection of future customer demands, the replacement and upgrades to the
4 pipeline needs to be accelerated. As part of Liberty’s 2025 Annual Georgia Rate Adjustment
5 Mechanism (“GRAM”) filing, the Company proposed to abandon the 29.8 miles of 4-inch steel
6 main and replace it with a 16-inch steel main. During the Staff’s review of Liberty’s 2025 GRAM,
7 Liberty provided revised estimates that the GTL replacement would have an approximate cost of
8 \$120 million. Liberty indicated that the construction and replacement would take place from 2025
9 – 2027. The Company will use a phased approach as follows:

- 10 a. Phase A (2025) = 53,100’ of 16” pipe from Athens to Hancock Bridge Road.
- 11 b. Phase B (2026) = 41,600’ of 16” pipe from Hancock Bridge Rd to I-85.
- 12 c. Phase C (2027) = 38,700 of 16” pipe from I-85 to the Rock Quarry.

13 The Parties continue to be in agreement that the GTL needs to be replaced.

14 **III. SIR Model and Recovery**

15 Prior to the 2025 GRAM filing on October 1, 2024, the Parties discussed the GTL
16 replacement, and as part of the 2025 GRAM capital budget, the Phase A cost of the GTL
17 replacement was included in the 2025 GRAM year. The Parties agreed on the methodology for the
18 tracking and recovery of the GTL.

19 Prior to Liberty filing its 2026 GRAM, the Parties discussed the impact of the GTL on
20 pending and subsequent rate filings. The Parties determined that the GTL would cause a substantial
21 increase in revenue requirements that could cause significant rate increases for customers. The
22 Parties explored the potential of using a known surcharge rider recovery model that could be used
23 to carve out the remaining GTL costs (i.e., those not already recovered through the 2025 GRAM)

1 and certain 2026 Distribution Integrity Management Program (“2026 DIMP”) capital spending
2 projects for recovery outside of the GRAM. The total estimated capital spending for the GTL
3 replacement is approximately \$116.5 million (or \$119.2 million including Allowance for Funds
4 Used During Construction (“AFUDC”)). The total estimated DIMP capital spending is
5 approximately \$7.5 million (or \$7.8 million including AFUDC). The model provided by Liberty
6 to the Staff mirrored the known rider model agreed to, and it was presented as the System Integrity
7 Rider (“SIR”).

8 **A. Purpose of SIR.**

9 The purpose of the SIR recovery model is to reduce the potential for large rate impacts for
10 the tariff customer classes while still providing the Company with an opportunity to earn a fair
11 return on its investments. As detailed in the foregoing paragraphs, the nearly \$126 million in GLT
12 replacement and upgrades require Liberty to make very substantial incremental capital investments
13 to meet current customers’ needs. Without a ratemaking alternative, unprecedented capital
14 investments would result in large rate increases for all Liberty customers, with particularly
15 significant adverse consequences for residential customers. Without the SIR, the 2026 GRAM
16 rate increase would be as high as 16% for a typical residential customer. Rate gradualism
17 can be attained by the SIR.

18 The Parties are pursuing the SIR to provide for a new ratemaking tool that will modify the
19 timing of rate recovery, require a larger portion of the incremental revenue requirements to be paid
20 by non-residential customers, and lower Liberty’s return on equity on certain incremental
21 investments for a limited period. The Parties are proposing these measures to benefit customers
22 and achieve gradualism in the rate changes necessary to construct, maintain and operate Liberty’s
23 existing and newly constructed natural gas system.

1 An additional benefit of the SIR is that it provides an opportunity to avoid and/or reduce
2 carrying charges, solely for the benefit of customers and without any increase in earnings for the
3 Company. The SIR rates will initially cause an under-recovery, and the under-recovery will accrue
4 interest, or carrying charges, prior to Liberty eventually recovering all of its costs. If the conditions
5 in Section F below are triggered and the recovery of the Company’s ROE would result in rates
6 that could be increased further without exceeding the target percentages, and no more, then the
7 Company may request an increase in the SIR rates above the amount of revenue that achieves the
8 SIR revenue requirement at the applicable ROE, up to the percentages set forth in Table 2 for the
9 sole purpose of accelerating the pay down of the carrying costs and/or avoiding additional under-
10 recoveries in 2027 through 2030. However, it shall be in the Commission’s discretion as to whether
11 to grant any such request.

12 The Parties agree that no later than July 1, 2030, they will discuss modifications to the SIR
13 rate design and recovery mechanism that may be appropriate, including but not limited to
14 modifications, if any, to benefit customers, allow Liberty to fully recover its actual costs, manage
15 the over- and under-recovery of actual costs so that cumulative over/under is as close to zero as
16 possible, to accurately account for associated carrying costs, and to ensure the effectiveness of SIR
17 to provide the intended rate impact relief for customers. The Parties will seek to resolve any
18 differences, but in the event the Parties cannot reach an agreed-to resolution, the Staff or the
19 Company may, individually or jointly, present any issue to the Commission after a good faith
20 discussion by the Parties.

21 **B. Compromise SIR Return on Equity (“ROE”)**

22 Recognizing that the GTL is an extraordinary and historic capital investment by Liberty,
23 in the spirit of cooperation and settlement, and solely for the limited purpose of mitigating

1 otherwise substantial customer rate increases while also minimizing revenue under-recovery and
2 associated carrying costs related to SIR plant investments, Liberty agrees to use an interim
3 Compromise ROE solely to calculate the revenue requirements for the SIR (the “Compromise SIR
4 ROE”) of 9.5%¹ until the earlier of: (a) February 28, 2031; or (b) the effective date of new rates
5 approved by the Commission following the submission of an allocated class cost of service study.
6 A 0.70% reduction to the Company’s authorized ROE of 10.2% during this 5-year period for the
7 Compromise SIR ROE would provide lower annual revenue requirements and thus reduce the
8 increase to customers’ rates. Additionally, use of a Compromise SIR ROE will reduce revenue
9 under-recoveries and associated carrying costs to customers that would otherwise occur if the
10 Commission-authorized ROE of 10.2% were to be applied.² In the spirit of reaching a stipulation
11 that is fair to customers and Liberty while fully supporting the communities Liberty serves, the
12 Parties agree to use the Compromise SIR ROE. The Compromise SIR is not a determination of an
13 appropriate return on equity for ratemaking purposes.³

14 Notwithstanding the clear benefits that the Compromise ROE provides for customers and
15 Georgia’s communities, Liberty will still receive dollar-for-dollar recovery of its prudently
16 incurred SIR capital spending and recovery of all taxes, cost of debt, and carrying charges while
17 earning the Compromise SIR ROE on the SIR plant investments during this period of up to 5 years.

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¹ Section F sets forth certain conditions under which the Compromise SIR ROE may be increased above 9.5%.

² For the period March 2026 through February 2031, Liberty has calculated that the Compromise SIR ROE alone would lower the SIR revenue requirements by approximately \$2.6 million and lower carrying costs by \$2.3 million, while still enabling the Company to recover its SIR capital spending and related taxes, debt, and carrying costs.

³ Liberty will continue to use the Commission-approved 10.2% as the midpoint of the return on equity used to calculate the revenue requirements for the GRAM during this 5-year period. Liberty’s agreement to use a Compromise ROE for certain incremental investments for a limited time is not an admission that the Compromise ROE is an adequate or appropriate return on equity.

1 **C. SIR Model Construction and Recovery**

2 Liberty shall be allowed to continue the recovery of the GTL replacement project costs as
3 approved in the 2025 GRAM Final Order, discussed in the 2025 GRAM Stipulation in Docket No.
4 42959, and updated in subsequent Company reporting to the Commission. Beginning March 1,
5 2026, recovery of the GTL revenue requirements from July 1, 2025, forward⁴ and the specifically
6 identified 2026 DIMP projects costs will be recovered in the SIR. As agreed by the Parties in the
7 2025 GRAM Stipulation, Section III(5)(D), Liberty shall continue to file quarterly reports in the
8 SIR docket detailing the progress and status of capital spending. Additionally, the quarterly reports
9 will break out the GTL and DIMP capitals spending as separate capital budgets.

10 Recovery of capital spending under the SIR shall be determined as:

- 11 • Debt expense = (short term + long term) x GRAM approved debt rates.
- 12 • Return on Capital = [(cost of SIR plant additions and improvements) - (accumulated
13 depreciation on the property additions and less accumulated deferred income taxes)]
14 multiplied by the weighted cost of debt and equity = Income required for the return on
15 capital.
- 16 • Plant Additions & Improvements = shall mean all capital additions in the Cost Year as
17 recorded in the applicable gas plant in service accounts associated with the qualified SIR
18 capital investments authorized by this Governance Document.
- 19 • Accumulated Depreciation = shall mean the beginning balance of Accumulated
20 Depreciation Expense, if any, plus Depreciation Expense (Tracked Monthly).

⁴ To be clear, the SIR does not recover the entirety of the GTL costs since the SIR rates will not become effective until March 1, 2026. Some GTL costs were recovered through the 2025 GRAM. In fact, prior to the creation of the SIR, all GTL costs were recovered through the GRAM. A total of \$5,940,221 in rate base for GTL has been reflected in the GRAM as of the end of the relevant GRAM Historic Test Year (June 30, 2025). New costs from July 1, 2025, forward will be recovered in the SIR. All GTL and identified DIMP project revenue requirements will be recovered in either the GRAM or SIR; no costs will be recovered in both the GRAM and the SIR.

- 1 • Income Taxes, if any, for the cost year plus the difference between (Tax Depreciation
2 Monthly – Book Depreciation monthly) x Composite Income Tax Rate (current
3 Commission approved income tax rate) (Tracked Monthly).
- 4 • Return on equity = The Compromise SIR ROE shall be 9.5% within the SIR recovery
5 model, subject to the provisions of Section F hereinafter.

6 The attached Exhibit “**SIR-Attachment-1**” is the agreed-on SIR model for the 2026 – 2030
7 GRAM years. Each annual SIR filing shall use the same capital structure, cost of debt, and
8 associated costs as are in each of the corresponding annual GRAM filings.

9 The Company shall be allowed to recover depreciation expense on SIR assets calculated at
10 the latest Commission-approved depreciation rate for like items of plant calculated on the property
11 additions and improvements.

12 Costs related to the construction of SIR assets shall be capitalized and will accrue in the
13 form of AFUDC from the point that costs are incurred for accounting purposes until such SIR asset
14 is placed in service and depreciation begins.

15 The capital costs described above shall apply to only those costs properly capitalized in the
16 plant accounts as determined by the Commission’s Rule 515-3-1-.10 Accounting Requirements
17 (i.e. FERC USOA 18CFR511 et. Seq.).

18 The cumulative under-recovered balances of each element of the SIR revenue requirement
19 less cumulative collections shall accrue interest, or carrying costs, at the above-described cost of
20 capital. Likewise, over-recovery balances shall accrue interest, or carrying costs, at the above-
21 described cost of capital to the benefit of customers. As provided for in attached the Exhibit “**SIR-
22 Attachment-1,**” for Annual GRAM and SIR year 2030, Liberty will adjust the SIR rates for the
23 2030 rate effective period to align the total cumulative actual over/under recovery as near as

1 possible to zero by the last month of the rate effective period, unless the Commission makes a
2 different determination.

3 The income deficiency (or surplus) for each element of the SIR revenue requirement, if
4 computed on an after-tax basis, shall be adjusted for the effect of federal and state income taxes in
5 the expansion factor. No other expenses are to be included in the computation of the expansion
6 factor.

7 **D. SIR Rates**

8 The SIR rate recovery shall begin on March 1, 2026, to coincide with the beginning of the
9 2026 GRAM rates. The SIR rate recovery years will be the same as GRAM years, or the GRAM
10 Rate Effective Periods. In **Table-1** below, the agreed-on SIR rider rates are provided for 2026 –
11 2030 or otherwise adjusted as provided for in Sections E and F below.

12 **Table-1: SIR Rider Rates**

Collection Rates (Fixed Charge Per Month)										
GRAM Year	2026		2027		2028		2029		2030	
Residential	\$	1.50	\$	2.85	\$	4.25	\$	5.65	\$	7.00
Commercial	\$	21.00	\$	39.90	\$	59.50	\$	79.10	\$	98.00
Industrial - Firm	\$	780.00	\$	1,482.00	\$	2,210.00	\$	2,938.00	\$	3,640.00
Industrial - Non-Firm	\$	2,175.00	\$	4,132.50	\$	6,162.50	\$	8,192.50	\$	10,150.00
Local Gas Transport	\$	300.00	\$	570.00	\$	850.00	\$	1,130.00	\$	1,400.00

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15 **E. Continuation of SIR Plant after the 2030 GRAM Year**

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17 At the end of the 2030 GRAM year, the SIR Plant balance value will be approximately
18 \$124 million (\$116.5 million for the GTL Plant and \$7.5 million for DIMP Plant). Beginning
19 March 1, 2031, the SIR assets shall remain in the SIR until the effective date of new rates approved
20 by the Commission following the submission of an Allocated Class Cost of Service Study. Leaving
21 the SIR plant in the SIR will perpetuate the SIR rate design among rate classes as provided in the
22 SIR Governance Document. For ratemaking purposes, beginning March 1, 2031, and thereafter,
23 the Company shall use 10.2% as the authorized ROE for all SIR rate base, until such time that the

1 Commission approves a rate design based on a new Allocated Customer Class Cost of Service
2 Study. The 9.5% Compromise SIR ROE is applicable only for GRAM years 2026-2030, subject
3 to the Section F conditions.

4 **F. Special Compromise SIR ROE Conditions**

5 Beginning March 1, 2026, the Compromise SIR ROE of 9.5% shall be used in the SIR
6 recovery model for the calculation of SIR revenue requirements. For subsequent SIR rate effective
7 years (GRAM years 2027 through 2030), the Parties recognize that market growth in the
8 Company's service area and/or cost of service reductions could significantly impact the
9 Company's GRAM filings during the first five years of the SIR. Liberty forecasts a projected
10 GRAM average annual revenue adjustment of 5.85% March 1, 2026, through February 28, 2031.
11 This means that Liberty's GRAM tariff customer rates are forecasted to increase an average of
12 5.85% annually during this period. However, in any one or more years there could be less than a
13 5.85% increase. Staff and Liberty agree that in any year the GRAM revenue adjustment increase
14 is below 5.00%, the Compromise SIR ROE of 9.5% will be increased (an "annual ROE rate
15 adjustment process") and Liberty can make an upward adjustment such that the target percentages
16 reflected in Table-2 below will not be exceeded. Liberty is authorized to increase the SIR rates to
17 achieve the higher revenue requirements associated with the increases in the Compromise SIR
18 ROE. The Parties also note that the annual ROE rate adjustment process may not show the need
19 for an adjustment.

20 For clarity, in those years where the annual ROE rate adjustment process shows an ROE
21 increase can be made without exceeding the target rate increase percentages reflected in Table-2,
22 the Compromise SIR ROE will step up incrementally to a maximum of 10.2%, with the actual SIR
23 ROE going only to a level that produces rate increases no greater than the target percentages

1 reflected in Table-2, and in no event will the actual SIR ROE used to calculate the SIR in years
 2 2027 through 2030 exceed the mid-point of the Commission-approved GRAM earnings band of
 3 10.2%. For a SIR rate effective year, the Company may request that the Commission authorize
 4 Liberty to apply SIR revenue⁵ above the recalculated revenue requirement needed to increase the
 5 Compromise ROE (which can be adjusted up, not to exceed 10.2%) , for the benefit of customers
 6 as discussed in Section III(A) above, to be applied as the Commission directs. In years when the
 7 system average GRAM rate increase is equal to or exceeds 5.00%, the SIR ROE will remain at the
 8 Compromise SIR ROE of 9.5% that is being used solely for the SIR calculations. As an illustration
 9 only, and not a limitation, the Company is currently in discussions with more than one high-volume
 10 customer proposed to be located within Liberty’s service areas. If just one of these potential
 11 customers locate in the service area, incremental revenues could be as much as \$3 million, which
 12 would put significant downward pressure on existing customers’ rates. The attached **SIR-**
 13 **Attachment-2** provides a narrative discussion of the specific steps to be followed in each annual
 14 rate adjustment evaluation and review. When changes to the SIR Rates are filed due to the GRAM
 15 revenue increase being under 5%, Liberty will inform Staff how the adjustments prescribed within
 16 SIR-Attachment-2 were made and how Liberty complied with each of the steps provided for
 17 therein during the course of the Annual GRAM review process.

18 **Table-2: GRAM + SIR Annual YOY Target Percentages**

Alternative GRAM + SIR Annual YoY Change as a %					
GRAM Year	2026	2027	2028	2029	2030
Residential	8.7%	8.1%	7.9%	7.6%	7.3%
Commercial	18.5%	14.9%	13.5%	12.1%	10.8%
Industrial - Firm	18.3%	14.7%	13.4%	12.1%	10.8%
Industrial - Non-Firm	18.3%	14.7%	13.4%	12.1%	10.7%
Local Gas Transport	8.7%	8.1%	7.9%	7.6%	7.3%

20 **IV. SIR Reporting**

⁵ SIR revenue is collected under the rates set forth in Table 1, adjusted as provided for within this Governance Document.

1 No more than 75 days after the end of each quarter, Liberty will file with the Commission
2 an SIR construction status report in the SIR docket number. The SIR construction status report
3 shall include separate reports for the GTL and DIMP capital spending in the following:

- 4 a. A detailed written narrative discussion of the quarterly GTL and DIMP construction
5 activities and other significant events.
- 6 b. An electronic Excel spreadsheet comparing the estimated GTL and DIMP capital budget
7 categories to the actual capital dollar amounts spent during each quarter, summed for year-
8 to-date totals. The report shall include sufficient explanations (with calculations as
9 appropriate) to explain the factors that cause the majority of the total positive and negative
10 variances.
- 11 c. The status of project completion accomplished through the end of the quarter. The basis
12 for the percentage completion calculation will be separately reported for each of the
13 following categories: (a) design and engineering; (b) procurement; (c) construction; and
14 (d) RFPs for and award of sub-contracts.

15 **V. Request for Commission Approval**

16 Staff and Liberty will use their best efforts to obtain approval of, and to implement, the
17 System Integrity Rider Governance Document and the Revised Alternative 2026 GRAM. Liberty's
18 agreement to this Governance Document is conditioned upon the approval of the Georgia Public
19 Service Commission by December 16, 2025. Staff and Liberty hereby request that the Commission
20 approve this Governance Document as set forth herein and the Revised Alternative 2026 GRAM.
21 The SIR and this Governance Document are expressly contingent upon obtaining an order
22 approving Liberty's Revised Alternative 2026 GRAM filing and the SIR as filed, except as
23 expressly modified by this SIR Governance Document. In approving Liberty's Revised Alternative

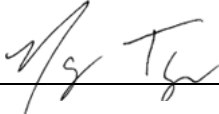
1 2026 GRAM, the Parties expressly agree that Staff and Liberty shall continue to review the
2 Revised Alternative 2026 GRAM for an additional 60 days following an Order approving the
3 Revised Alternative 2026 GRAM.

4 Such Order shall further authorize administrative revisions to the Revised Alternative 2026
5 GRAM, as appropriate, by mutual agreement of Staff and Liberty in the event one or more
6 calculation errors are discovered so final rates can be effective March 1, 2026. This governance
7 document generally, and specifically the agreed-to Compromise SIR ROE for SIR calculation
8 purposes is not a precedent for any other purpose.

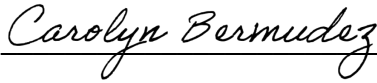
Agreed to this 8th day of December 2025.

**On behalf of Staff of the
Georgia Public Service Commission**

**On behalf of
Liberty Utilities (Peach State Natural Gas) Corp.**



Name: Nancy Tyer
Title: Director, Natural Gas



Name: Carolyn Bermudez
Title: President

SIR-Attachment-1
Liberty Utilities (Peach State Natural Gas) Corp.
SIR model for the 2026 – 2030 GRAM Years

(Electronic Excel Workbook)

1 **SIR-Attachment-2**
2 **Liberty Utilities (Peach State Natural Gas) Corp.**
3 **System Integrity Rider (SIR) Annual Adjustment Process Guide**
4

5 **Summary:** The following steps will be performed if: (a) the initial Annual GRAM filing on each
6 Annual GRAM for the years October 1st 2027-2030 produces a revenue increase (excluding
7 investments and those expenses associated with the SIR), as reflected on WP 4-3, that is less than
8 5.0%; or (b) the Company is calculating the SIR rates to be effective for the 2030 GRAM Year.

9 **Step 1:** Update all SIR forecasted values with actuals through June 30th of the historical GRAM
10 period being reviewed.

- 11 • These updates may include plant additions, carrying charges, collections and relevant
12 expenses/costs.

13 **Step 2:** Update any SIR known and measurable changes to the forecasted rate effective period
14 such that they align with those in the October 1st Annual GRAM filing.

- 15 • These updates may include tax rates or other expenses such as debt costs and must be
16 agreed to by Staff as appropriate for inclusion.

17 **Step 3:** If the Annual GRAM filing (excluding investments and those expenses associated with
18 the SIR) reflects a revenue adjustment increase of less than 5%, update the base rate year-over-
19 year increase assumptions within the SIR model to align with those included in the Annual GRAM
20 filing.

21 **Step 4:** Liberty will update the Compromise SIR ROE within the SIR model up to 10.2% (such
22 that the GRAM + SIR increases do not exceed the targets within Table 2), and recalculate the SIR
23 revenue requirement. Liberty will then increase the SIR rates so that the revenue collected from
24 those rates will achieve the recalculated revenue requirements.

25 **Step 5:** If the Commission approves a request by Liberty to apply additional SIR revenue for the
26 benefit of customers, then Liberty will increase the SIR rates to achieve, but not exceed, the
27 customer rate class percentage increases set forth in Table 2.

28 **Step 6:** Do not make any adjustments to any other SIR years.

29 **Step 7** If Staff's review of the GRAM filed on October 1st results in a revised Annual GRAM filing,
30 Steps 1-4 will need to be repeated based on the Revised Annual GRAM results.

31 **Step 8:** For Annual GRAM and SIR year 2030, an additional step is required to adjust the SIR
32 rates for the 2030 rate effective period to align the total cumulative actual over/under as near as
33 possible to zero by the last month of the rate effective period, unless the Commission makes a
34 different determination.

35 **Step 9:** File SIR Tariff redlines and clean copies reflecting new SIR surcharge rates to become
36 effective March 1st of the relevant GRAM year.