INTERNAL AUDIT

GEORGIA POWER COMPANY

Storm Reserve Cost Review

Findings
Reportable: **1**
Other: **0**



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Report No. GPC2025-16
December 30, 2025

Executive Summary

Key Areas Covered:

- Governance and oversight of Storm Reserve charges
- Appropriateness of charges recorded to Storm Reserve account
- Capitalization of charges
- Accounting for and disbursements of storm-related charges
- Vouching of cash paid for third-party expenses

Period Tested: As of March 31, 2025

Reportable Findings:

- Governance of storm-related expenses should be strengthened.

Management's Action Items:

- Reclassification of certain labor and procurement card expenses out of the Storm Reserve account.
- An additional review of storm-related invoices and expense statements.
- Procure to pay processes will be strengthened and communicated to vendors and responsible personnel.

Background

This Internal Auditing report presents the results of the Georgia Power Company Storm Reserve Cost Review. This engagement was performed at the request of GPC management.

Hurricane Helene made landfall on September 26, 2024, as a Category 4 hurricane. For Georgia Power, Hurricane Helene was the most destructive storm in the company's 140-year history. More than 1,000 miles of electric supply lines were impacted and over 1.5 million customers lost power. Within a week, by October 3, 2024, Georgia Power had restored power to more than 1.2 million customers (80% of those affected). The initial estimated total restoration costs related to this hurricane totaled approximately $1.1 billion. Georgia Power has refined its estimate of total storm cost incurred to be $878 million as of March 31, 2025, with $732 million charged to the Company's storm damage reserve after a portion of the amounts originally included in the storm damage regulatory assets were capitalized to property, plant, and equipment.

Objective

The objective of this engagement was to review the processes and assess the appropriateness of charges to the GPC Storm Reserve. Due to the severity of the impacts of the storm and the swiftness of the Company's response, particular emphasis was placed upon evaluating the potential for charges being inappropriately assigned to the Storm Reserve.

Jamie Gollott, Audit Manager, Candra Oster, Senior Auditor and Blake Thomas, Audit Advisor, conducted the engagement under the direction of Brigham Young, Internal Auditing Manager. Inquiries can be directed to Todd Warren, Chief Audit Executive, at 678-697-1398.

Scope

The scope of this engagement included all categories of charges to the GPC Storm Reserve for Hurricane Helene in 2024.

Procedures performed during the engagement included a review of the GPC Storm Reserve governance processes and procedures including potential regulatory requirements, performing walkthroughs with responsible personnel, accounting of and categorizing Storm Reserve expense data, understanding processes for identifying and re-classifying capital expenditures, review of internal and third-party expenses, and review of accruals and associated processes.

The period covered by this engagement was as of March 31, 2025.

Conclusion

In conclusion, there is an opportunity to strengthen the overall governance of the processes related to storm costs. GPC is currently working on addressing the improvement opportunities noted in this review.

Findings and Recommendations

Governance Enhancements	
Finding	Governance of storm-related expenses should be strengthened.
Background	Formalized governing processes should be more widely deployed in the oversight and management of storm-related expenses including defined oversight activities for storm-related procurement charges to ensure compliance with GPC Storm Accounting Guidelines, Business Expense Guidelines and the Southern Company Contracts Manual. We noted the following exceptions as part of our review: Some internal expenses had limited support or did not fully comply with established procedures. In comparison to the total dollars spent, there were minimal instances identified where straight-time labor ($277K) and procurement card expenses ($47K) were inappropriately charged to the Storm Reserve. In addition, the basis for fleet allocation charges was unable to be determined. There were instances where third-party invoices were paid and approved without fully compliant support and/or did not align with contract terms and conditions. Some third-party vendors utilized for storm recovery services did not have up to date contracts in place. There were instances where non-Purchase Order invoices were utilized even when contracts with third-party vendors were in place. Some outstanding accruals related to IOUs / manpower / mutual assistance were unsupported.
Recommendation	The Company should ensure defined roles and responsibilities, and documentation requirements are communicated to all responsible personnel. Oversight activities should be strengthened to validate storm-related charges, including adherence to internal guidelines and procedures. Procure to pay processes should be followed including ensuring contracts and work authorizations are in place and communicated to appropriate personnel. GPC personnel should strengthen its processes to ensure vendors are held accountable for complying with their respective contracts. Supply Chain Management should be engaged when new vendors are needed or when changes are needed to existing contracts. Base camp leaders should be responsible for the review of invoices prior to payment to the respective vendors. Processes for reconciling outstanding non-invoiced vendors to remaining accruals balance should be developed and performed. Follow-up of these

	vendors should be conducted to ensure remaining accrual balances are appropriate.
Management's Action Items	As further documented below, the Company is undertaking additional activities to increase focus and communication of the Company's Storm Accounting Guidelines, Southern Company Business Expense Procedures, and the Southern Company Contracts Manual. These efforts will be further strengthened by reinforcing policies and guidelines prior to storms and other emergency situations to ensure responsible personnel understand requirements of associated governing procedures. The Company has reclassified certain labor dollars and procurement card expenses identified by Internal Audit that were inappropriately charged to the Storm Reserve. In addition to Internal Audit's sample testing of invoices and expense statements, the GPC Budgeting organization will complete an additional review of invoices and expense statements related to Hurricane Helene by the end of the year. A reclass of any inappropriate charges in the Storm Reserve will be recorded in December 2025. Procure to pay processes for storms and other emergency situations have been strengthened by the following actions: • Mutual Assistance ("MA") invoices will be reviewed within the GPC Finance organization prior to approval by the Company's Storm Manager. • As part of the Southeastern Electric Exchange Mutual Assistance agreement, the Company is working with other members to review and strengthen the guidelines around invoicing and payment in order to shorten the timeline for receiving the initial estimates and final invoices, as well as clarify what supporting documentation is expected as part of the invoice package. Earlier estimates will facilitate more accurate accruals for the MA companies. • Since May 2025, the Company has had secured contracts with ten base camp vendors. In addition to the base camp vendors, the Company has entered into various contracts with additional storm restoration vendors that provide damage assessments and distribution line restoration. This effort provides the Company with a more proactive approach for contract-based billing for storm related expenses.

	• As part of the GPC Logistics Playbook, the Company has conducted three separate base camp training exercises. Training content included discussions regarding the importance of verifying items associated with their respective base camps that will assist the invoice review process. During major storms, each base camp will have a designated team member responsible for tracking equipment, meals, and resources daily, which will be reported to the logistics team in the Storm Center.
Responsible Management	Stuart Pierce, GPC Finance Director Eric McIntyre, GPC Storm Center Director
Corrective Action Date	January 31, 2026

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