26. Georgia Rate Adjustment Mechanism (GRAM)

26.1 Applicable

To all gas sold, distributed or transported under tariff services excluding SEED Contracts and special contracts.

26.2 Purpose

This Atlanta Gas Light Company Georgia Rate Adjustment Mechanism ("AGL GRAM") is designed to implement an annual earnings review and non-gas-cost revenue ("base rate revenue") adjustment (first authorized by the Georgia Public Service Commission in Docket 40828). If, through the implementation of the provisions of this mechanism, it is determined that rates should be decreased or increased, then rates will be adjusted accordingly in the manner set forth herein. The rate adjustments implemented under this mechanism will reflect changes in the Company's base rate revenues, cost of service, and rate base.

26.3 Definitions

A) **Annual Evaluation Date** shall be the date the Company will make its AGL GRAM Annual Rate Filing ("ARF"). The Annual Evaluation Date shall be no later than July 1 of each year, unless: (a) the Company files either a comprehensive rate case prior to May 1: or (b) the Company files a notice with the Commission of its intent to file a comprehensive rate case prior to the end of such calendar year. The annual filing under this mechanism shall be made in electronic form where practicable.

B) **Historic Test Year** is defined as the twelve-month period corresponding to the Forward Looking Test Year of the Company's most recent General Rate Case updated for actual results available at the time of filing and updated on a continuing basis through the Commission review process. The current Historic Test Year is the 12 months ending June of each year.

C) **Forward Looking Test Year** is defined as the twelve-month period ending December 31 of each year in which an Annual Evaluation Date occurs during the preceding 12-month period.

D) **Rate Effective Period** is defined as the twelve-month period in which base rates determined under this mechanism ("**Effective Rates**") shall be in effect. The first Rate Effective Period shall apply to bills rendered from January 1, 2020 to December 31, 2020 unless the beginning of the Rate Effective Period is delayed as provided in Section 26.8 below.

26. Georgia Rate Adjustment Mechanism (GRAM) (continued)

(a) Rate Base shall be calculated using actual net plant in service, construction work in progress, accumulated deferred income taxes, inventory, working capital, and other rate base components. Adjustments shall be reflected to incorporate forecasted capital expenditures, as well as other rate base adjustments to represent the balances during the Forward Looking Test Year. Adjustments shall also reflect the removal of all Plant and other ratemaking components related to ECON-1, Peaking Service Assets, Department of Transportation ("DOT") Rider assets, and the System Reinforcement Rider ("SRR") assets. Cash Working Capital requirements will be reflected in a manner consistent with the Cash Working Capital requirements approved in the Final Order.

(b) Depreciation expenses shall reflect the depreciation rates most recently approved by the Commission in the Final Order.

(c) Actual Historic Test Year operating and maintenance costs (including but not limited to all payroll and compensation expense, all benefit expense, all pension expense, insurance costs, materials and supplies, bad debt costs, all medical expense, commitment and banking fees, transportation and building and lease costs) shall be adjusted to incorporate forecasted adjustments for each such operating and maintenance cost for the Forward Looking Test Year using adjustment factors that are calculated as approved by the Commission for: an Other Pension and Employee Benefits ("OPEB") and Pension Account Plan Adjustment Factor; a General Inflation Factor; a Medical Adjustment Factor; a Labor Adjustment Factor, and an outside services Safety and Compliance Adjustment Factor using the following methodologies.

(i) The Medical Pension, and OPEB Adjustments are provided in WP 5-3 of Attachment A, and will be calculated with the average of one year of actual costs (based on the Historic Test Year) and one year of projected costs (based on the Forward Looking Test Year ending December 31).

(ii) The Outside Services Safety and Compliance inflation factor will be calculated as shown in WP 5-4 of Attachment A, such that the adjustment factor will reflect the average of one year of actual costs (based on the historic test year) and one year of projected costs (based on the Forward Looking Test Year ending December 31).

(iii) The General Inflation factor will be calculated as shown on WP 5-5 of Attachment A, such that it is based on the average of the most recent five (5) annual changes (June to June) in the CPI index (based on CPI Urban Consumer – All Items (index 1982-84=100, SA) South