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1 P R O C E E D I N G S

2 MADAM CHAIR PRIDEMORE: Good morning. Call to
3 order Docket No. 44280, Georgia Power Company's 2022
4 rate case.

5 We're going to start with the first hour being
6 dedicated to public witnesses, public testimony. We
7 have a public comment rule section that is part
8 of -- part of the Commission's rules. A sign-up
9 sheet was located out in the lobby for public
10 comments. So if you want to make a public comment,
11 your name has to be on the sign-up sheet.

12 We'll do this for the first hour preceding
13 every hearing. All comments are made part of the
14 record. If you would like to make your comments via
15 email or write them down, all of those are also made
16 part of the record just like they've always been.

17 This is all according to O.C.G.A.
18 50-13-13(a)(6) and the proper form that we'll do
19 comments. That means that we will have an immediate
20 ejection of anyone who is disruptive, offensive, or
21 defamatory. That includes no cursing, no costumes,
22 and otherwise just poor behavior.

23 So it is good to be with y'all today and we
24 will begin public comments now at 9:32 a.m. First
25 on the list is Mr. Patrick Thompson.

1 Mr. Thompson, if you'll look and see that the
2 clock is up there on the right, that's your three
3 minutes.

4 MR. THOMPSON: Gotcha.

5 MADAM CHAIR PRIDEMORE: If you go beyond three
6 minutes, we can take the rest of it written or
7 you're welcome to come back tomorrow.

8 MR. THOMPSON: Understood.

9 MADAM CHAIR PRIDEMORE: Thank you.

10 Whereupon,

11 PATRICK THOMPSON,
12 appeared as a PUBLIC WITNESS herein and made the
13 following comments:

14 MR. THOMPSON: Thank you, folks. Thanks for
15 hearing the public.

16 So I'm from West Virginia. I'm a refugee. I'm
17 here because Georgia Power, if they look at my
18 community back home -- we don't make coal. We don't
19 gas here. It comes -- we import all that from
20 somewhere else. It comes from communities like mine
21 where my community is destroyed. There's no longer
22 any work there. There's nothing to do. My family
23 was paid with little pieces of metal that you took
24 to the company store. That life is gone. Those
25 jobs are gone forever.

1 Georgia Power doesn't pay for that. When I
2 hear the commercials that say safe, reliable, cheap
3 energy, it's because that's not -- never, ever paid
4 for. At the other end, when there's cleanup to do,
5 again, the power company is not there. Nobody pays
6 for that, except for those places that are stuck
7 with the mess.

8 So my message is that today you're not paying
9 for stuff as it is. You're claiming with your
10 sign-off that Georgia Power is a safe, reliable
11 company. The only thing liable about the company is
12 that the bills are going to go up each month and
13 that you, as a group, vote for just about everything
14 that comes up that's a positive without really
15 examining what's behind the numbers.

16 So I come here today representing a lot of the
17 poor people that I work with who struggle each month
18 to figure out: Am I going to pay for this or am I
19 going to pay for that?

20 And the utility bill gets bigger and bigger.
21 And the utility bill promises that it's going to get
22 even bigger. That is not a good look for a company,
23 like Georgia Power, that is trying to up its
24 reputation in the market.

25 And I'm just telling you, from my perspective,

1 my -- you know, I speak for my community that's
2 completely gone now. There is nothing left in the
3 place where I'm from. It's completely devastated.
4 And that's kind of the look of what I see going
5 forward.

6 As we switch energy sources and switch energy
7 types, it's a long road. And the amount of money
8 that you're placing on and the risk that you're
9 placing on the people that pay the bills is too
10 high. And I would ask you to take a strong look at
11 that and figure out where your loyalties fall.

12 Do you -- are you truly a Public Service
13 Commission or are you there to continue to do what
14 the utility wants to do and extract more money from
15 and more risk from the public? Thank you.

16 MADAM CHAIR PRIDEMORE: Thank you,
17 Mr. Thompson.

18 Next, Patty Durant.

19 Whereupon,

20 PATTY DURANT

21 appeared as a PUBLIC WITNESS herein and made the
22 following comments:

23 MS. DURANT: Good morning. I'm here today to
24 ask for two things: That you disallow this rate
25 increase and that you repeal the falsely named and

1 predatory Smart Usage Rate Plan, which is harming
2 low-income people.

3 First, please disallow this rate increase.
4 This would raise our bills 12 percent in '23 and
5 '24, the same years that Plant Vogtle's Unit 3 and 4
6 are expected to come online. And that will raise
7 our bills another 13 percent at least.

8 Our bills just went up 11 percent from the 2019
9 rate increase. And there's a natural gas fuel
10 surcharge of over a billion dollars that will hit in
11 2023, as well.

12 If this is allowed, Georgia Power customers
13 will experience an enormous 40 percent rate increase
14 in just three years. Georgia's already eighth
15 highest in the nation for residential electric bills
16 from past decisions you have made. There are at
17 least ten opportunities to reduce high power bills
18 that are routinely made in other states that are
19 skipped by the Georgia Public Service Commission. I
20 have a handout of what they are. 40 percent in
21 three years of an increase is unacceptable.

22 Also, the return on equity Georgia Power is
23 asking for of 11 percent is shameful. It was
24 shameful in 2019 when you gave them 10.5 percent
25 ROE, instead of 9.5 like all other regulated

1 utilities in the country were able to do with --
2 deal with. That 1 percent you gave them gives them
3 an extra \$480 million every single year in revenues.
4 And Georgia Power earns well more than 10.5 percent
5 due to the record-setting earnings band that you
6 allowed in 2019 as well.

7 Next, please repeal the predatory and falsely
8 named Smart Usage Rate Plan. It is now actively
9 harming people in small dwellings, just as I said it
10 would in 2019. I have 15 smart usage bills from
11 Georgia Power customers, which I will give you a
12 copy of, who paid 50 to 100 percent more than if
13 they had been on a traditional rate plan. One woman
14 even paid 120 percent more.

15 The fact that you did not require a customer
16 impact study is unconscionable. No other commission
17 in the nation would do that. And people have no
18 idea they're paying a demand fee because it's hidden
19 on the bill, as you'll see when you get it.

20 Yet, Commissioner Echols told me people can
21 shift their behavior to reduce that demand fee. How
22 are they going to shift their behavior when they
23 can't see it? They don't know when it happened and
24 they don't understand it. They can't.

25 This could not be more wrong. Please do

1 better. Thank you.

2 Who do I give this to?

3 MADAM CHAIR PRIDEMORE: You may give it to the
4 Executive Secretary there at the end.

5 Drew Stover.

6 MR. STOVER: Good morning, Commissioners, Madam
7 Chair.

8 MADAM CHAIR PRIDEMORE: Good morning.
9 Whereupon,

10 DREW STOVER,
11 appeared as a PUBLIC WITNESS herein and made the
12 following comments:

13 MR. STOVER: I'm Drew Stover, journeyman
14 lineman, business manager of the International
15 Brotherhood of Electrical Workers Local 84. I'm
16 proud to represent over 3,000 frontline men and
17 women in the electrical utility industry.

18 Since 1899, our members have generated,
19 transmitted, and distributed electricity across
20 Georgia and are working 24/7/365 to ensure Georgia's
21 great economy is energized.

22 The primary purpose of today's hearing, I must
23 acknowledge the approval of the NRC to fuel load at
24 Plant Vogtle. Kevin Howell, president of Local 84,
25 is here this morning after a 12-hour night shift at

1 Unit 3 preparing for this fuel load.

2 But more to the matter at hand, considering the
3 future of energy policy in our state. As we have
4 transitioned away from some of our baseload fossil
5 fuel generation and look to add more renewables and
6 distributed generation, it's critical that Georgia
7 makes the necessary grid investments to ensure
8 continued reliability with the demand this
9 transition will place on the grid. We need not look
10 further than Texas or California as to what happens
11 when there is not a sustained focus on longterm grid
12 investment.

13 Georgia's track record is strong, but as our
14 demand for energy increases with this fleet
15 transition, we must invest in transmission and
16 distribution systems to ensure the dependability of
17 our electrical network, and to ensure that we can
18 deliver the energy for new forms of generation to
19 where it needs to go.

20 We also find ourselves in the most interesting
21 of times, in terms of the transportation transition.
22 A rapidly expanding electrical vehicle market calls
23 for an expansive charging network and a transmission
24 and distribution grid that will handle the demand.
25 This infrastructure cannot be built out quickly

1 enough. This Commission is central to seeing that
2 there are many players in that space, including, and
3 especially, utilities, to ensure quality deployment,
4 routine maintenance, resilient transmission and
5 distribution infrastructure, and sufficient energy
6 supply as it happens.

7 Local 84 members are qualified and ready to
8 join with our employer partners in this build-out.
9 Our track record is safe, quality construction,
10 maintenance, and operation of the electrical grid,
11 generating facilities in any form. And our ability
12 to adapt to new technology and methods demonstrates
13 our readiness to be part of this fascinating
14 transition.

15 In summary, I want to thank this Commission for
16 the political will that has gotten Plant Vogtle 3
17 and 4 to near completion, and for the thoughtful and
18 strategic ways in which you address the larger
19 energy policy matters for this state.

20 Local 84 membership is honored to come along
21 beside your leadership and stand ready and committed
22 to continue that support as we transition into the
23 future and ensure that we deliver the reliable
24 electricity that is the lifeblood of our economy.

25 Thank you.

1 MADAM CHAIR PRIDEMORE: Thank you, Drew. Thank
2 you, Local 84.
3 And thank you, Kevin. It's good to see you
4 again.
5 COMMISSONER SHAW: And prayers for your members
6 that are heading south right now, too.
7 MR. STOVER: Yes. Thank you very much.
8 MADAM CHAIR PRIDEMORE: That's right.
9 COMMISSONER SHAW: Tell them we appreciate it
10 and we're praying for them.
11 MADAM CHAIR PRIDEMORE: Absolutely.
12 MR. STOVER: We are ready.
13 MADAM CHAIR PRIDEMORE: Eugene Vickerson.
14 MR. VICKERSON: Good morning.
15 MADAM CHAIR PRIDEMORE: Good morning.
16 Whereupon,
17 EUGENE VICKERSON,
18 appeared as a PUBLIC WITNESS herein and made the
19 following comments:
20 MR. VICKERSON: How strange it is for me to
21 come after that presentation. Nobody is saying we
22 don't need service. What we're saying is that it
23 needs to be reasonable and it needs to be
24 accountable.
25 I'm 76 years old. I drove here two and a half

1 hours to petition and request that you not raise our
2 rates. But then as I'm here, all the people who are
3 asking for these rates to not be increased or not be
4 impacted represent over 5,000 people. And just keep
5 that in mind. I don't just represent myself. I'm
6 representing the whole town. A town called
7 Hawkinsville.

8 I don't -- I don't understand -- what is
9 frustrating to me by coming here, driving so far,
10 you can probably remember when you were young and
11 had not reached the level that you are economically,
12 how important paying these bills are and how
13 important what those prices were and how you had to
14 manipulate your budget every month, in terms of
15 utilities, food, gas, shelter, et cetera.

16 And so if you would think about that -- and I'm
17 talking about empathy. That's the word I'm talking
18 about. If you can consider that, you would -- there
19 wouldn't be a -- we shouldn't have to be here.

20 I'm almost insulted by being here, coming here
21 to beg for you to not raise these rates. When all
22 of these people in Georgia -- Georgia's one of the
23 poorest states in the -- I think it must be, like,
24 what, number -- I don't know what the number is.
25 But it's a poor state, especially in the rural area

1 where I live.

2 And then the monopoly. You guys got all the
3 business. You've got all the business. You're not
4 managing it properly, apparently, because you
5 shouldn't have to come for an increase every six
6 months, every year, every other year.

7 And so it looks like to me -- talking about
8 systems, I don't -- and I know people in power do
9 not like to be talked to like this. And so excuse
10 me for that, but, on the other hand, it's the
11 reality. You've got the only dance in town. And
12 every time I look around, there's another request
13 for some rate increase.

14 So it's not that people don't want light. We
15 want light. We need light. But it needs to be
16 reasonable. And what I'm saying -- and in terms of
17 the Public Service Commission, I don't know how
18 people are elected. I don't know how people are
19 placed in these positions.

20 But it seems like there's a lack of empathy.
21 There's a lack of caring for your fellow man. I'm
22 sure all of you go to church, you know, and
23 there's -- there always seems to be this disconnect
24 between people who go to church and what their lives
25 are, what they do, what decisions they make, you

1 know.

2 And so, again, I feel insulted coming here,
3 rushing, going through the traffic, just to whole --
4 the fact that they're located right here at the
5 state capitol, which means there's this connection
6 between politics and service. You see, that -- and
7 that's how the big guys do it. You know, you have
8 those kind of connections.

9 But -- I don't know. I just felt real
10 frustrated, you know. And then three minutes. Come
11 on; three minutes?

12 What is three minutes? I'm 76. There's
13 nothing I can do in three minutes. It takes me that
14 long to go to the bathroom.

15 I'm just being real. I'm just being real.
16 What am I going to do in three minutes?

17 You know, but the bottom line is that what we
18 represent is Georgia. We represent Georgia. Not
19 just Atlanta, but Georgia.

20 And then I come from a little town, there's
21 only 3,000 people. 3,000, maybe 4,000, depending on
22 what statistics you look at. But if you manage this
23 thing -- that's -- my whole point is if you -- if
24 you've got the only dealership in town and you can't
25 sell cars and everybody needs a car, then something

1 is wrong with that dealership.

2 Something's wrong with the management.

3 Something's wrong with accountability. Something's
4 wrong with how you're doing your budget.

5 And it doesn't have to be people or service.

6 It doesn't have to be people or business. You can't
7 kill the people for the business. And that's what
8 it seems like is happening.

9 You're destroying the people and their lives.

10 You know, you're talking about -- anyway, it's just
11 very upsetting. And so I started to do an outline,
12 but I don't even -- I don't know if it deserves an
13 outline because it's so simple. It's so simple.

14 And then just think about this: When you go to
15 bed at night and you think about your grand- -- and
16 your unborn children, what are they going to be
17 faced with?

18 It doesn't make sense. It's just crazy. And
19 they're talking -- let me just say one thing, too.
20 Because in the announcement, in the opening, she was
21 talking about the kind of behavior that she didn't
22 want. You know, inappropriate.

23 But, see, I think it's inappropriate for you
24 guys to raise this thing every time I look around.
25 That's inappropriate behavior.

1 It's kind of like the way you define a crime.
2 They define crime as robbing a store. Well, you're
3 robbing the people. You're robbing the people.
4 And so we've got to get up, leave our children
5 at home, take these long drives and come up here and
6 beg for you not to -- not to raise these rates.
7 That's crazy. That's criminal.
8 MADAM CHAIR PRIDEMORE: Mr. Vickerson --
9 MR. VICKERSON: Yes, ma'am. That's criminal.
10 MADAM CHAIR PRIDEMORE: Have a safe -- have a
11 safe trip back home.
12 MR. VICKERSON: It won't be safe. It won't be
13 safe. Because my spirit is so --
14 COMMISSONER MCDONALD: Madam Chair, one
15 comment, if I may.
16 You discussed age and travel. You traveled two
17 and a half hours and you're kind to do that. This
18 Commissioner travels three and a half hours to get
19 here.
20 MR. VICKERSON: He gets paid. I don't get
21 paid.
22 COMMISSONER MCDONALD: I travel here. Last --
23 MR. VICKERSON: He gets paid --
24 COMMISSONER MCDONALD: Last year I made over --
25 you had your time. Give me my time.

1 MR. VICKERSON: I know. But you -- you
2 responded to me and I have a right to respond back
3 to you.

4 MADAM CHAIR PRIDEMORE: Order, please. Let's
5 have order.

6 Thank you.

7 Tara Opie.

8 MR. VICKERSON: We're not equals.

9 Whereupon,

10 TARA OPIE,
11 appeared as a PUBLIC WITNESS herein and made the
12 following comments:

13 MS. OPIE: Thank you, Commissioners, for the
14 opportunity to speak today. I've spoken with some
15 of you last time. And me and my colleagues were
16 able to speak on this subject and it's good to see
17 new faces.

18 My name is Tara Opie and I'm representing the
19 community of small business owners. With almost
20 1 million small business owners in Georgia,
21 70 percent fail due to not being able to pay the
22 utilities, including electricity. I am almost one
23 of them. I'll be celebrating four years in business
24 this November and my firm runs remotely and relies
25 on Georgia Power to operate.

1 Increasing the rate to nearly \$200 per year by
2 2025 will make it more challenging to keep up with
3 the raising rates of all of our daily needs. I
4 service small business owners and create ways to
5 incorporate better financial practices to ensure
6 their longevity in their marketplaces. Budgeting
7 and creating feasible price points are critical.
8 Increasing our rates, as you all are suggesting,
9 last time that we spoke would be more difficult to
10 maintain my client base for those who are already
11 stretching their dollars for my services.

12 The need to keep a profit margin for Georgia
13 Power does not equate to how the price hike would
14 affect those who need it most. According to the AJC
15 July 28th, 2022, the company's profit across the
16 first six months of 2022 are also up, rising from
17 \$1.5 billion in the first half of 2021 to
18 \$2.1 billion this year.

19 I implore you to reconsider the structure of
20 the price increase to align with the majority of
21 your customers. Equity would ensure that all
22 receive services at the rate that will keep those
23 who need it most.

24 Thank you for your time.

25 MADAM CHAIR PRIDEMORE: Thank you, Ms. Opie.

1 Catherine Carter.

2 MS. CARTER: Pardon me. I'm a little slow.

3 I'm older than that gentleman.

4 Whereupon,

5 CATHERINE CARTER,

6 appeared as a PUBLIC WITNESS herein and made the

7 following comments:

8 MS. CARTER: Thank you for letting me come and

9 talk to you. I'm speaking not so much for myself

10 because I am able to pay my utility bills. I'm able

11 to do this because I choose not to use air

12 conditioning and I bet nobody else here does that.

13 Nevertheless, I'm spending my money on solar

14 panels. But the reason I'm here is because of

15 people who call my church, The Threshold Ministry,

16 in desperation because they are unable to pay their

17 utility bills. I don't have any numbers to give

18 you. I don't think you want any numbers anyway.

19 But I do know that there are an awful lot of

20 people who are desperately unable to pay for their

21 utility bills. Thank you so much for your time.

22 MADAM CHAIR PRIDEMORE: Thank you, Ms. Carter.

23 Joetta Burnette.

24 Whereupon,

25 JOETTA BURNETTE,

1 appeared as a PUBLIC WITNESS herein and made the
2 following comments:

3 MS. BURNETTE: Good morning. I just came to
4 ask: When do we, the people, get rights in what's
5 called the USA?

6 And I represent the universe because the
7 universe is in need, too. And just like the people
8 here that have these electricity -- electric bills
9 and it goes up and up and up. Do you want people to
10 become more hungry in America because they can't pay
11 the bills?

12 I mean, when you can't pay a bill that you owe,
13 then it will cut everything off, and then they have
14 no help with getting moneys to cut it back on. I
15 mean, then I think the fees go up and up and up.

16 And when is it that we're going to get some
17 rights with this power company? Is anyone going to
18 give us any rights to not have all these bills going
19 up and up and up? That's what I want to know.

20 Thank you.

21 MADAM CHAIR PRIDEMORE: Thank you,
22 Ms. Burnette.

23 Jairo Garcia.

24 Whereupon,

25 JAIRO GARCIA,

1 appeared as a PUBLIC WITNESS herein and made the
2 following comments:

3 DR. GARCIA: Good morning, Commissioners, Madam
4 Chair. Thank you for allowing public hearings
5 during this process.

6 My name is Dr. Jairo Garcia. I am the former
7 director of climate policies with the City of
8 Atlanta and currently I teach classes at Georgia's
9 Institute of Technology.

10 I am a researcher with a program called Urban
11 Climate Nexus. We study how heat is affecting
12 low-income communities here in Atlanta. Some of our
13 partners include the City of Atlanta, the Spelman
14 College, and many other non-profits.

15 In Atlanta, we used to have 37 days over 90
16 degrees. Now we have more than 90. That is three
17 times the number of heat over 90 degrees in Atlanta.

18 According to a study published by Dr. Stone at
19 Georgia Tech, more people die here in Atlanta by
20 heat strokes than entire population of the United
21 States than by hurricanes and tornadoes combined.

22 Last year the heat stroke that hit Northwest
23 coast not only killed hundreds of people, but some
24 studies indicated that more than 1,000 people died
25 of the heat stroke because the heat wave. The

1 common denominator was air conditioning.

2 The difference is that in the North Pacific
3 Northwest they don't have air conditioner. Here
4 they cannot afford to pay for air conditioner.

5 The American Consortium of Energy Efficiency
6 Economy, as you well know, has ranked Atlanta the
7 third worst city in the country with energy burden,
8 meaning that people cannot afford to pay their
9 bills.

10 In Georgia, we pay a highest electric bills in
11 the country because excessive charges that you have
12 allowed, including nuclear plants that we haven't
13 seen any kilowatt hour after a decade -- more than a
14 decade of construction.

15 Georgia Power has demonstrated incompetence by
16 wasting more than \$16 billion in the construction of
17 those plants. Georgia Power has not only
18 demonstrated incompetence, but also demonstrating
19 lack of empathy and fairness to the people in
20 Georgia. And I'm going to give you an example.

21 On October 11th, 2018, the previous president
22 of Georgia Power invited me and a group of Latinos
23 to the Georgia Power building for a luncheon.
24 During the speech, Mr. Bowers told a story about a
25 black man who told him that he shut down the air

1 conditioning during the summer. I don't understand
2 that, Mr. Bowers said. And he was laughing
3 sarcastically.

4 I couldn't hold myself. I raised my hand and I
5 told him: Sir, people are dying because people
6 cannot afford to pay air conditioning. That is not
7 laughable.

8 If Georgia Power is losing money, it's their
9 historical incompetence. The incompetences for not
10 investing in cheap energy, like solar. The
11 incompetence for not investing in new technology,
12 such as green hydrogen. The incompetence for not
13 taking climate change seriously that is affecting
14 the grid. The incompetence in the construction of
15 the nuclear plants.

16 The raising of the prices of electricity that
17 you are -- you are now rewarding Georgia Power's
18 incompetence. You are also signing the death for
19 many people here in Atlanta.

20 Please do the right thing, Commissioners.
21 Don't give more money to this incompetence. Thank
22 you.

23 MADAM CHAIR PRIDEMORE: Thank you Mr. Garcia.

24 Michael Smith.

25 Whereupon,

1 MICHAEL SMITH,
2 appeared as a PUBLIC WITNESS herein and made the
3 following comments:

4 MR. SMITH: Hello. I'm speaking about Georgia
5 Power's community service and engagement.

6 Hello. I'm Michael Smith, CEO of the Greater
7 Valdosta United Way Charity and United Way Georgia
8 Association.

9 United Way uses its global reach and local
10 presence to build stronger and more resilient and
11 more equitable communities where everyone can drive.
12 We work to improve the health, education and
13 economic mobility of every person in every community
14 we serve.

15 We do this through private, public and
16 nonprofit partners to help impact local communities
17 through charitable donations, volunteerism or public
18 policy advocacy.

19 I've always heard Georgia Power's motto, "A
20 Citizen Wherever We Serve," all of my life. I
21 witnessed firsthand through my work with them in the
22 Valdosta, south Georgia, and now as state chair that
23 they truly try to live up to this motto.

24 I have seen them working every day to bring
25 jobs and hope to our communities that I can truly

1 say that our communities are better because they are
2 here serving.

3 I've worked with them through the pandemic when
4 they weren't cutting off those who couldn't pay
5 their bills. And we were working at the grassroots
6 level in our poorer communities to find resources to
7 make sure those communities didn't get left behind
8 as we begin to come out of the pandemic.

9 Georgia Power linemen employees don't just go
10 out in the storm to get the lights back on. They
11 roll up their sleeves daily to work in their
12 communities. They clean river banks, build
13 playgrounds, coach Little League, paint Habitat
14 homes, read to kids at school, and serve on
15 nonprofit boards, just to name a few.

16 Georgia Power is truly a citizen wherever they
17 serve. The lines, along with their people, power
18 the state and help to be the best in the country for
19 growth.

20 In addition, Georgia Power's Project Share
21 partnership with Salvation Army, along with their
22 PrePay Program, allows people to manage their
23 utility consumption more effectively.

24 The Greater Valdosta United Way offers utility
25 assistance. And Georgia Power's portal is the

1 easiest to use and allows us to help people quickly
2 and efficiently.

3 I encourage municipalities to follow Georgia
4 Power's lead on these customer centric innovations.
5 They truly are a community partner and their
6 company's values of safety first, unquestionable
7 trust, superior performance and total commitment are
8 an asset to this state. Georgia Power has been
9 serving this state for over 100 years and the future
10 looks bright.

11 In my remaining time, I would like to say
12 driving up from south Georgia, I passed 100 utility
13 bucket trucks heading south to prepare for Florida
14 and south Georgia. The hurricane looks like it's
15 coming right over my area of the state. So I want
16 to thank you and ask you to pray for south Georgia
17 as we prepare for this hurricane.

18 Thank you.

19 MADAM CHAIR PRIDEMORE: Thank you, Mr. Smith.

20 Jimmy Childre.

21 Whereupon,

22 JIMMY CHILDRE,
23 appeared as a PUBLIC WITNESS herein and made the
24 following comments:

25 MR. CHILDRE: Good morning, Madam Chair,

1 Commissioners. Thank you for the opportunity to be
2 here today.

3 I'm Jimmy Childre, Junior. I'm a
4 third-generation auto dealer in Sandersville,
5 Georgia. My family has dealerships in
6 Milledgeville, as well, Childre Chevrolet and
7 Childre Nissan.

8 And I formed -- I founded Childre Ford in 1980
9 when I was 25 years old. By the way, my dad's 91
10 years old and still working at his dealership as we
11 speak. And he thinks no one needs a day off of
12 work.

13 My reason for being here this morning is to
14 support Georgia Power's Make Ready Program not only
15 for our dealerships, but for all dealerships
16 throughout the state, and all the communities,
17 particularly in rural Georgia. Without this
18 program, I'm afraid that we won't have EV sales,
19 service, and, most importantly, EV fast chargers.
20 We may create an EV desert in Georgia.

21 I am a strong supporter and a member of the
22 Georgia Auto Dealers Association. I'm on the board
23 of directors of the Georgia Chamber of Commerce.
24 And I served on the Chamber's Rural Prosperity
25 Committee. I've reviewed my thoughts and

1 understanding of our dilemmas with members of these
2 organizations and I believe that I have the full
3 support of both.

4 We've been selling EV vehicles at our Chevrolet
5 and Nissan store for a few years in very low volume.
6 In the last two years, my Ford dealership became EV
7 certified and I was selling -- had been selling the
8 two models, the Mach-E and the Ford Lightning. My
9 experience with the Ford Lightning was interesting,
10 as well as exciting.

11 The day it came in, two days later I had
12 planned to go to the Georgia Chamber of Commerce
13 meeting at Georgia Southern University, my alma
14 mater, for the future of transportation. I thought
15 there's no better time to take the maiden voyage in
16 a Ford Lightning.

17 So I took it and it was the hit of the party.
18 However, on the way down there and the way back I
19 experienced the EV anxiety that I've been reading
20 about. I left home with 300 miles of range for a
21 200-mile round trip. And by the time I left, got
22 there, I was down to 150 miles thinking I would
23 barely make it home.

24 It was raining. The wipers were on. I had my
25 headlights on. I was listening to the news, not

1 thinking about what I was doing burning electricity.
2 And on the way back, I drove with none of those on,
3 including the air conditioning. I rolled into the
4 dealership with 5 miles left, put it on a Level 1
5 charger. And 16 hours later, it was charged and
6 ready to go again the next day. I have experienced
7 it. And I started thinking: This is a problem.

8 May I continue, Madam Chair?

9 MADAM CHAIR PRIDEMORE: Yes. Quickly.

10 MR. CHILDRE: Thank you. Thank you.

11 Two weeks ago this morning, at this hour, I was
12 sitting in a national Ford dealers meeting and
13 realized that my world was about to change and the
14 world of all Ford dealers. Ford rolled out their
15 new EV requirements, even though we were all
16 certified, and they require an investment of
17 \$1.2 million to continue as an EV dealer.

18 We have the option to discontinue, or to make
19 the investment. 90 percent of that investment is a
20 Level 3 charger. And these Level 3 chargers will be
21 available for the public. However, when you do the
22 calculations for that investment, it has a
23 significant negative return on investment,
24 especially in today's world where we don't have EVs
25 on the road. Therefore, we don't need chargers.

1 And since we don't have chargers, we're not selling
2 any EVs in rural Georgia. That is our dilemma.

3 So I've done some research. I have learned
4 that our local electric membership corporation has
5 no plans to install any Level 3 chargers. The
6 executive director of our development authority
7 knows of no plans for private investments. Jeffery
8 Smith, mayor pro-tem of Sandersville, Georgia, said
9 they have spent their money. They invested in two
10 Level 2 chargers in the downtown parking area of
11 Sandersville.

12 And the greatest amount of information I
13 received was from the CEO of Jet Food Stores, a
14 friend and customer, and they have 54 -- 55 stores,
15 7,500 employees. And they have absolutely no
16 intentions of investing in Level 3 chargers, unless
17 the Make Ready Program continues. And then they
18 will consider them in their new stores only.

19 So that's going to leave it up to me. If I'm
20 able to participate, I will have the only Level 3
21 charger in my community. That is the catch-22.

22 I believe that Washington County is a proxy for
23 many small communities in Georgia. Some have
24 already lost their dealers. So there won't be that
25 dealer that can make that investment. I'm the last

1 one standing in my community.

2 We didn't create this situation. None of us
3 would have voted for it. And I'll be the first to
4 vote with everyone here: No one likes a price
5 increase. I see the struggles of my customers every
6 single day and the difficulties they're having
7 financially.

8 When I was driving to Statesboro to that
9 meeting, I was thinking as I was -- figured I
10 couldn't get home, and there was no charger between
11 here and the two towns, what was it like in Henry
12 Ford's day when he told the world that we were going
13 to have automobiles and make them affordable for the
14 middle class.

15 There were no gasoline stations. There were
16 not even any roads. If Henry Ford had listened to
17 everyone else, we may not be where we are today.
18 Because his quote was: If I had listened to the
19 public, they would have told me they needed faster
20 horses. I put him them in the automobiles.

21 Here we are at a similar inflection point
22 today; the conversion to electric vehicles. It's
23 coming. We can't change it. The question is: Will
24 we be there to participate?

25 I ask us to please consider could we -- are we

1 creating an EV desert without significant investment
2 from others? Like just similar to the rural
3 broadband desert we have, the quality -- quality
4 healthcare, let's try to think ahead and avoid an EV
5 desert.

6 I thank you for your time and I'll be glad to
7 assist any way I can.

8 MADAM CHAIR PRIDEMORE: Thank you, Mr. Childre.

9 MR. CHILDRE: Thank you.

10 MADAM CHAIR PRIDEMORE: Ed Gamble.

11 Whereupon,

12 ED GAMBLE,

13 appeared as a PUBLIC WITNESS herein and made the
14 following comments:

15 MR. GAMBLE: Good morning, Commissioners. I'm
16 Ed Gamble. I'm from Savannah. I've been in Georgia
17 26-plus years and I've owned and operated my own
18 business, Gamble Funeral Service, in Savannah since
19 2003. I appreciate the opportunity to speak today.

20 I guess everybody's asking why I'm here. My
21 profession, like most, depend on reliable
22 electricity. We need that, obviously, for
23 preservation, for conditioned space, and for
24 lighting.

25 Understandably, we are heavily regulated.

1 Mr. McDonald knows. Little tolerance is extended
2 when power is lost. Beyond that, the very dignity
3 of our operations require near perfect services,
4 which require a hundred percent energy reliability.

5 Georgia Power understands that need. So I'm
6 glad -- I actually asked to be able to speak and
7 help any way I could. I appreciate them on their
8 efforts to keep our power on and to quickly restore
9 it in those rare moments when it's lost.

10 Because of their investments in our electrical
11 network around our facility, our power outages are
12 infrequent. When those storms or other events cause
13 unexpected hours, the reception -- the
14 responsiveness and the communication that I receive
15 is exceptional.

16 I can't convey enough the importance of
17 customer service and reliability to the very diverse
18 families that we serve. I don't have to reach too
19 far back in my memory to the last two hurricanes.
20 We had great access to Georgia Power teams, not only
21 with their work, but we were provided cell numbers
22 to keep our power up and running.

23 It's been also an honor for us to serve the
24 families in our area, a large number of the families
25 with Savannah Electric and Georgia Power, in their

1 time of need.

2 For any business, I know regular investment is
3 important. I appreciate what the Commissioners do.
4 I -- I don't think anybody in the room knows where
5 we're going, but I know that we've seen increases in
6 our profession in everything that we purchase.

7 So whatever consideration the Commission gives,
8 I do thank Georgia Power. I still call them
9 Savannah Electric, but Georgia Power/Savannah
10 Electric for what they do for us and for the
11 communities in general.

12 Thank y'all for serving.

13 MADAM CHAIR PRIDEMORE: Thank you, Mr. Gamble.

14 Chassidy Malloy.

15 Whereupon,

16 CHASSIDY MALLOY,
17 appeared as a PUBLIC WITNESS herein and made the
18 following comments:

19 MS. MALLOY: Good morning, everyone. It looks
20 like I got the Savannah delegation behind me because
21 I'm also from Savannah, Georgia.

22 My name is Chassidy Malloy. I'm a millennial
23 and a renter and I provide for myself with a single
24 income. I'm very concerned with the proposed rate
25 increase and how this will impact not only me, but

1 also members of my community.

2 I live on the coast where the climate is hot
3 and humid usually year-round. As a renter, not a
4 homeowner, I'm limited in options to improve the
5 energy efficiency of my home and often my utility
6 bill spikes significantly in the summer because of
7 that.

8 I can offer suggestions to the property owner,
9 but they are under no obligation to do anything to
10 alleviate known energy burdens to tenants. So I
11 can't really go through and do a lot of renovations.
12 I can make recommendation for more energy-efficient
13 appliances, but they don't have to move on any of
14 those things.

15 I am moving at the end of this week. I will
16 not be eligible for a flat rate because Georgia
17 Power currently requires that residents live in a
18 property for a year to receive that service. I
19 would also like to remind us that Georgia lease
20 agreements require tenants set up utility service
21 which must be operational at all times or tenants
22 are in danger of eviction. I am fortunate to have a
23 steady income with a full-time job; however, it is
24 my only income.

25 I mentioned earlier that I'm a millennial. And

1 our generation has seen the worst effects of the
2 economy. We have more expenses than generations
3 prior to us. And many of us, especially
4 working-class minorities like myself, are saddled
5 with greater student loan debts.

6 The proposed rate increase will impact
7 Georgians like me with a similar profile. That's
8 money that we could be spent -- that could be spent
9 on other expenses.

10 I am very active in the Savannah community and
11 am aware of the issues facing our neighborhoods.
12 Many of them are rooted in poverty, poor education,
13 and low-paying jobs. I engage with folks in
14 community and I see the financial struggles
15 firsthand. It is pretty obvious when the lights are
16 turned off in a home.

17 We deserve energy, all of us, that is
18 affordable. We're here today to talk and we ask the
19 members of the Commission, in light of the comments
20 that you have heard today and the comments that
21 you're hearing now, that you take these in concern
22 -- that you take these concerns into consideration
23 and address the existing concerns surrounding energy
24 that is reliable, and as well as affordable, and
25 deny Georgia Power this unnecessary rate increase.

1 I thank you all for your time today.

2 MADAM CHAIR PRIDEMORE: Thank you, Ms. Malloy.

3 Tia Brightwell.

4 MS. BRIGHTWELL: A little nervous I am. Maybe.

5 COMMISSONER SHAW: Don't be nervous.

6 Whereupon,

7 TIA BRIGHTWELL,

8 appeared as a PUBLIC WITNESS herein and made the

9 following comments:

10 MS. BRIGHTWELL: Hello. How y'all doing? I
11 bring you greetings from the beautiful city of
12 Savannah, Georgia, just following this whole
13 faction.

14 So on my drive up, I was almost in two
15 accidents. A big truck almost took me out and then
16 another car almost ran me off the road. So I just
17 knew I had to be here; right? I had to.

18 As a mom, you try hard not to cry when the
19 lights are off. My lights did get turned off in the
20 pandemic, by the way. Not once, but three times.

21 Being someone with disabilities, you try, you
22 know, hard for your kids not to see you cry because
23 you're, like: We can do this. We can do this no
24 matter what. No matter what happens.

25 But when the government or certain entities

1 that have these powers over us make it hard for us
2 to not cry in front of our children, to not want to
3 give up in front of our children, to not want to
4 say: It's going to be okay.

5 Because we're giving the best; right? We're
6 giving them that God -- like, it's going to be okay.
7 But, to be honest, if the people that are over us
8 don't help us in a way where we can cut in other
9 ways or we can move in other ways, but let's not do
10 it to the people.

11 I represent the people. Single mothers. I'm a
12 business owner. I had to come back not as a laborer
13 of surgeries, but someone that owns businesses in
14 Savannah.

15 My businesses are ran out of my home. So if
16 you raise my rate, how am I going to make it? How
17 am I going to buy medicine? How am I going to go to
18 the doctor?

19 How now do I get my kids back and forth to
20 school? Because I don't even have a school bus. So
21 I'm the cab to every game. Whether I feel good or
22 not, I'm the cab. To make sure they graduate, I'm
23 the cab.

24 So I'm telling you: If you put more stress on
25 the people, we don't need more stress; right?

1 You're fighting for someone that is disabled.
2 By law, I'm disabled. Lupus and fibromyalgia came
3 into home and it put me on my back where someone
4 else was taking care of me. And I am only 42 years
5 old, but I couldn't even be seen by a doctor.

6 And I show you my tears not because I'm weak,
7 but because I'm strong. I show you my tears so that
8 you will -- when you remember this young lady, not
9 for nothing else, but she's a single mom and she
10 won't give up. She'll drive four hours from
11 Savannah, Georgia, to come into a meeting and say:
12 Don't raise my rates. Enough.

13 I can't do it like that. I can't survive like
14 that. My businesses won't survive. I won't
15 survive. My kids won't see generational wealth,
16 like everybody else's kids. Don't my kids deserve
17 generational wealth, sir?

18 Mr. Echols, I brought you to Savannah. I don't
19 know if you remember me, but you loved Savannah.
20 You said it's a beautiful place.

21 And I'm asking you today, sir, to speak for the
22 people. I know my time is over, but I'm asking.
23 That's my ask before I leave with the tears and go
24 back home to my boys.

25 One plays JV and varsity football. To go back

1 and see their face and say: I went before the
2 Commissioners today and I cried a little bit. I
3 did.

4 Dukes cried. They call me Dukes. But I cried
5 for y'all because I just wanted them to remember me
6 and say: Don't raise my rates.

7 Have a good day.

8 MADAM CHAIR PRIDEMORE: Thank you,
9 Ms. Brightwell. Be careful going home.

10 MS. BRIGHTWELL: Thank you.

11 MADAM CHAIR PRIDEMORE: Eddie White.

12 Whereupon,

13 EDDIE WHITE,

14 appeared as a PUBLIC WITNESS herein and made the
15 following comments:

16 MR. WHITE: Careful, my knee almost gave out on
17 me.

18 Good morning. My name is Eddie White. I greet
19 you this morning. I am a 100 percent disabled
20 veteran, 20 years active service, U.S. Army. I
21 served 18 1/2 years as a federal employee at Robins
22 Air Force Base.

23 But I -- I just -- I follow my sister this
24 morning because I am also a chairman of our church.
25 And I get -- quite often I get those stories of

1 people coming in and asking for assistance and we
2 don't have the resources.

3 Twenty years as a noncommissioned officer in
4 the Army, I often had referrals. I did not have the
5 answers, but I could always refer people to someone
6 that could take care of them. I don't have anyone
7 that I can refer them to.

8 As a child growing up, lights getting cut off.
9 So now I don't have to worry about that, but I see
10 people that have to deal with that every day. So
11 that still impacts me. Even though it doesn't
12 affect my home, but it affects me, my psyche. It
13 affects my desire to help people.

14 So we are asking you not to raise these rates.
15 People are already suffering. They are struggling.
16 The struggle is real.

17 You have to get out there. Where is the
18 empathy? Put yourself in these people's shoes, as I
19 do again. Like I said, my wife often reminds me:
20 Why are you turning lights on? I'm checking to make
21 sure you haven't turned them off because I have to
22 do that.

23 My church -- my church bill is going up
24 tremendously. Every six months the bill is going
25 up. We can't afford it. We are passing the hat for

1 the church.

2 So we need your help. We need your empathy to
3 take care of the situation. The people are
4 struggling. We really, really, really do not need
5 another rate increase.

6 I talk to you about veterans. I service a
7 veterans home in Macon. And there veterans are out
8 on the street. They are homeless because they can't
9 afford to stay in an apartment or a house.

10 They can't pay the bill. If they don't pay the
11 light bill, they can't stay in the apartment. So
12 they get evicted.

13 So you're causing -- it cause homelessness. So
14 we are asking you please, please consider the people
15 that you're impacting on.

16 I yield. Thank you.

17 MADAM CHAIR PRIDEMORE: Thank you, Mr. White.

18 Before you go, would you please give your
19 contact information to Ms. Tanner. I want to make
20 sure that I connect with your church and your
21 veterans group. We need to get your church
22 connected with the Salvation Army and Project Share
23 so that those folks can have utility assistance.

24 And we have a myriad of programs that this
25 Commission's approved for veterans. And if you give

1 her your contact information to Ms. Tanner --

2 MR. WHITE: Yes.

3 MADAM CHAIR PRIDEMORE: Then we'll make sure
4 that your church and your veterans groups have that
5 information.

6 MR. WHITE: Thank you.

7 MADAM CHAIR PRIDEMORE: Neil Sardana.

8 Whereupon,

9 NEIL SARDANA,
10 appeared as a PUBLIC WITNESS herein and made the
11 following comments:

12 MR. SARDANA: Hi, Commission. Thank you for
13 having us -- having us have the opportunity to speak
14 in front of you today. I know that was not a
15 possibility during the IRP proceedings earlier this
16 year.

17 And, you know, I just want to say: It's
18 obviously difficult to be up here catching Georgia
19 Power's flak. You know, they're the ones who are
20 proposing this rate increase. They are the ones who
21 are, with these rate increases, about to put a lot
22 of people at risk for shutoffs, potentially
23 evictions, and -- but y'all have the decision power
24 to say: Are we going to side with them or are we
25 going to essentially protect the people of the state

1 of Georgia?

2 As y'all are aware, Georgia has some of the
3 highest power bills in the entire nation. And the
4 question should be not: How high can these rates
5 go? It should be: How can we do the most to keep
6 these people safe, keep them in their homes, keep
7 their lights on, make sure that they can afford
8 these -- these bills?

9 To make sure that they get, you know, safe,
10 reliable electricity at a fair price. And,
11 unfortunately, the proposal that Georgia Power has
12 provided is not fair. It's too -- bills, like I
13 said, are already too high. And I think we all know
14 that.

15 If other states -- if other utilities can
16 provide more affordable rates, more affordable
17 bills, why can't Georgia Power? Why do we have to
18 pay the surcharge here?

19 To another extent, you know, we've heard
20 stories about: Oh, Georgia Power donates to these
21 programs and these communities, these -- you know,
22 sports teams and community centers and whatnot.

23 They're not using their money. They're using
24 our money. They're using our money. They're taking
25 from the ratepayers every day and handing it over,

1 saying: Hey, here is a little bit of goodwill.

2 Well, at the same time, those same people are
3 being put at risk for a shutoff or to not be able to
4 pay their bill. So y'all should be thanking the
5 public, not Georgia Power.

6 I mean, yeah, I agree that it's -- you know,
7 it's good for every company to be able to share a
8 little bit of goodwill. I agree. But they
9 shouldn't be doing that on the backs of everyday
10 working people in the state of Georgia.

11 You know, that's -- that's -- you know, they're
12 becoming a part of the problem and then just giving
13 a little bit back to make it seem like they're doing
14 the right thing. That's not the right way that our
15 community should be working.

16 People deserve protection. And, you know,
17 Georgia Power is not providing it. So I really ask
18 you: Look at -- you know, everyone's been talking
19 about inflation. Are y'all in support of Georgia
20 Power's inflation?

21 Is that what you are standing up for? Or are
22 you standing up for the needs for working people
23 across the state of Georgia?

24 So I would ask that you ask them: Let's come
25 down to a place where we can lower rates, make it

1 more affordable and not trying to shoot for the sky,
2 in terms of taking as much money from everyday
3 working people.

4 Thank you.

5 MADAM CHAIR PRIDEMORE: Michael Black.

6 Whereupon,

7 MICHAEL BLACK,
8 appeared as a PUBLIC WITNESS herein and made the
9 following comments:

10 MR. BLACK: Thank you, Commissioners. In the
11 last public comment, I spoke as a father, a
12 Christian, and a citizen. I do so peripherally
13 today again.

14 I'm not here for myself because I can afford
15 the rate increase, just like you can. I'm here for
16 the least of these. I would cheerfully give double
17 the rate increase if we had been bold in our actions
18 earlier.

19 I added solar to my house. I drive an EV
20 because I can. It's not enough. I called for you
21 to be bold and thoughtful on what we need to address
22 climate change and you did okay.

23 Grid investment? Not quite so much. Solar?
24 Not quite so much. Not as bold as when Commissioner
25 McDonald dramatically upped solar.

1 You've already heard from folks who wish you
2 had done more today, not realizing that they really
3 can't impact that in this meeting, like the
4 automobile dealer. Some of the reason you did not
5 go bold, I believe, is cost concerns.

6 But we're no longer cheap electric, as you've
7 heard from multiple speakers. We're one of the
8 highest, especially if you look at the full bill.
9 Now is where you put your vote where your sentiment
10 is.

11 We are no longer one of the lowest rates in the
12 country if you look at the full bill. Eighth
13 highest in the country is nothing to brag about. We
14 don't want first.

15 And now the proposal is on the table to go even
16 higher without the bold moves from Georgia Power to
17 really invest in the future. As a regulator serving
18 the citizens of Georgia, we're asking that you serve
19 Georgians and not allow these extra taxes -- because
20 they are taxes, even though they're not called
21 taxes -- on our electric bills.

22 You complained about the federal government
23 last time and how it restricted you. I told you
24 then, and I will tell you again now, the sign on
25 your door should be: The buck stops here. Because

1 you're the ones that make the decisions for our
2 state and affect the future of our state.

3 I'm a citizen of Decatur and I look forward to
4 working with you and Georgia Power to ensure that we
5 address climate change. The intervention didn't get
6 us as much as we had hoped, but we're looking
7 forward to working with you to address climate
8 change.

9 I look forward to working with you, the cities
10 of Decatur and Savannah and Atlanta, Fulton and
11 DeKalb Counties, and the full state of Georgia. We
12 can do better.

13 We can't do what we need, unless you let us do
14 what we need. I look forward to three years from
15 now when we look back at what we've done and plan to
16 do even better.

17 For now, I ask you not to raise the rates for
18 what Georgia Power has proposed. It's not enough.
19 I ask you not to raise the rates.

20 I ask you to give people the going rate for
21 electricity that they produce for solar because
22 that's on the table here. And I ask that you keep
23 rates lower for schools and for churches and for
24 small businesses that drive our economy.

25 Thank you.

1 MADAM CHAIR PRIDEMORE: The Executive
2 Secretary's office tells me that we have no more
3 public comments.

4 Anyone else?

5 (No Response.)

6 MADAM CHAIR PRIDEMORE: Okay. We're going to
7 take five minutes so that we can get settled and
8 begin with housekeeping matters and call of
9 appearances.

10 If you have made public comments and you wish
11 to leave at this time, please exit through this door
12 here on my right, your left. Thank you.

13 (A recess was held from 10:22 a.m. until 10:32 a.m.)

14 MADAM CHAIR PRIDEMORE: Okay. Going to let
15 everybody get settled. If this is your first time
16 in our hearing room, you recognize this is a small
17 space and so we are very cognizant of that.

18 In accordance with Georgia law, we make
19 available the lobby on the first floor with a
20 television camera and we broadcast this live. It's
21 also available for you to watch online at any time.
22 We do reserve the right, if we get too crowded, that
23 we ask some folks to thin out just because we have
24 no other choice but to.

25 Okay. So let's get started first with any

1 housekeeping matters. But let's do call for
2 appearances.

3 Georgia Public Service Commission.

4 MR. THOMAS: Good morning. Preston Thomas and
5 Dan Walsh from the Attorney General's Office on
6 behalf of the Public Interest Advocacy staff.

7 MADAM CHAIR PRIDEMORE: Thank you, Mr. Thomas.
8 Georgia Power Company.

9 MR. MARZO: Thank you, Madam Chair. Brandon
10 Marzo, Steve Hewitson, and Allison Pryor on behalf
11 of Georgia Power Company.

12 MADAM CHAIR PRIDEMORE: Americans for
13 Affordable Clean Energy.

14 MR. GALLOWAY: Good morning, Madam Chair.
15 Newton Galloway, Terri Lyndall on behalf of AACE.
16 Thank you.

17 MADAM CHAIR PRIDEMORE: I want to ask you to
18 please make it all the way to the mic for us so that
19 your voice is caught up on the recording.

20 ChargePoint, Incorporated.

21 (No Response.)

22 ChargePoint, Incorporated.

23 (No Response.)

24 MADAM CHAIR PRIDEMORE: Commercial Group.

25 MR. JENKINS: Good morning, Commissioners.

1 Alan Jenkins for the Commercial Group. Good to see
2 you.

3 MADAM CHAIR PRIDEMORE: Cypress Creek
4 Renewables.

5 MR. STAIR: Good morning, Commissioners. Jeff
6 Stair -- Jeff Stair on behalf of Cypress Creek
7 Renewables.

8 MADAM CHAIR PRIDEMORE: EVgo Services, LLC.

9 MR. VIJAYKAR: Good morning, Commissioners.
10 Nikhil Vijaykar of Keyes & Fox on behalf of EVgo
11 Services, LLC.

12 MADAM CHAIR PRIDEMORE: Georgia Association of
13 Manufacturers.

14 MR. JONES: Good morning, Madam Chair. I'm
15 Clay Jones for GAM.

16 MADAM CHAIR PRIDEMORE: Georgia Coalition of
17 Local Governments.

18 MS. BROWN: Good morning, Madam Chair. Alicia
19 Brown, John R. Seydel, and David Nifong for the
20 Georgia Coalition of Local Governments.

21 MADAM CHAIR PRIDEMORE: Georgia Conservation
22 Voters.

23 MS. OPIE: Good morning. Deborah Opie, senior
24 organizer with Georgia Conservation Voters Education
25 Fund.

1 MADAM CHAIR PRIDEMORE: Georgia Interfaith
2 Power & Light and the Partnership for Southern
3 Equity.

4 MS. KYSOR: Good morning, Madam Chair,
5 Commissioners. Jill Kysor and Jennifer Whitfield on
6 behalf of just Georgia Interfaith Power & Light in
7 this proceeding.

8 MADAM CHAIR PRIDEMORE: No Partnership for
9 Southern Equity?

10 MS. KYSOR: Correct.

11 MADAM CHAIR PRIDEMORE: Did you strike that
12 from your leave to intervene?

13 MS. KYSOR: It should not be on our leave to
14 intervene.

15 MADAM CHAIR PRIDEMORE: Okay. Please check
16 with the Executive Secretary's office before you go
17 today.

18 MS. KYSOR: Yes, Madam Chair.

19 MADAM CHAIR PRIDEMORE: Thank you.

20 Georgia Solar Energy Industries Association,
21 Solar Energy Industries Association, and Vote Solar.

22 MR. THOMASSON: Madam Chair, Scott Thomasson on
23 behalf of Georgia SEIA, SEIA, and Vote Solar.

24 MADAM CHAIR PRIDEMORE: Georgia Solar Energy
25 Association, otherwise known as "GA SOLAR."

1 MR. MORELAND: Good morning, Commissioners.
2 Donald Moreland on behalf of the Georgia Solar
3 Energy Association.
4 MADAM CHAIR PRIDEMORE: Georgia Watch.
5 MS. COYLE: Good morning. Liz Coyle for
6 Georgia Watch.
7 MADAM CHAIR PRIDEMORE: Interstate Gas Supply,
8 Incorporated.
9 MR. CARVER: Brad Carver, along with Adam Wise
10 on behalf of IGS Energy. Thank you, Madam Chair.
11 MADAM CHAIR PRIDEMORE: The Kroger Company.
12 MR. BOEHM: Good morning, Madam Chair. Kurt
13 Boehm for The Kroger Company.
14 MADAM CHAIR PRIDEMORE: Lightstar Renewables,
15 LLC.
16 MR. COLE: Good morning, Madam Chair. Scott
17 Cole on behalf of Lightstar Renewables.
18 MADAM CHAIR PRIDEMORE: MARTA.
19 MS. STURM: Madam Chair, Commissioners, Kasey
20 Sturm on behalf of MARTA.
21 MADAM CHAIR PRIDEMORE: Resource Supply
22 Management.
23 MR. CLARKSON: Good morning. Jim Clarkson for
24 Resource Supply.
25 MADAM CHAIR PRIDEMORE: Sierra Club.

1 MS. ARIZA: Good morning. Isabella Ariza on
2 behalf of the Sierra Club.

3 MADAM CHAIR PRIDEMORE: Southern Alliance for
4 Clean Energy and Southface Energy Institute.

5 MR. DOWDY: Good morning, Madam Chair,
6 Commissioners. Craig Dowdy and Steven Jones on
7 behalf of Southface and SACE.

8 MADAM CHAIR PRIDEMORE: Southern Renewable
9 Energy Association. Southern Renewable Energy
10 Association.

11 (No Response.)

12 MADAM CHAIR PRIDEMORE: Not present. He's not
13 online.

14 United States Department of Defense and All
15 Other Federal Executive Agencies.

16 MS. MEDLYN: Good morning, Commissioners.
17 Emily Medlyn on behalf of the United States
18 Department of Defense and All Other Federal
19 Executive Agencies.

20 MADAM CHAIR PRIDEMORE: Utility Management
21 Services. Utility Management Services.

22 (No Response.)

23 MADAM CHAIR PRIDEMORE: Not present.

24 Based upon my ability to count, we have 25
25 intervenors, of which --

1 MR. PRENOVITZ: Madam Chair, you missed us.
2 Steve Prenovitz for Concerned Ratepayers of Georgia.
3 MADAM CHAIR PRIDEMORE: I'm so sorry,
4 Mr. Prenovitz. I checked you off and forgot to call
5 your name.
6 MR. PRENOVITZ: That's okay. Thank you.
7 MADAM CHAIR PRIDEMORE: According to my math,
8 we have 25 intervenors, we have 22 present, which
9 means we have 22 intervenors.
10 All right. Any housekeeping matters?
11 MR. MARZO: Madam Chair, there was a response
12 to the intervention of Lightstar Renewables that
13 Georgia Power filed. Didn't know how you wanted to
14 handle that, if you wanted to dispose of it at this
15 point or at some later point in time.
16 MADAM CHAIR PRIDEMORE: So this is the object
17 to intervene for Lightstar Renewables?
18 MR. MARZO: That is correct.
19 MADAM CHAIR PRIDEMORE: Yes. I read your
20 objection to intervene, I agree with it. So it is
21 sustained.
22 MR. MARZO: Okay. Thank you.
23 MADAM CHAIR PRIDEMORE: Uh-huh. Thank you.
24 MR. COLE: Madam Chair, you're doing that
25 without any argument?

1 MADAM CHAIR PRIDEMORE: You can argue. That's
2 fine. This is an IRP matter. According to --
3 according to your filing, it's an IRP matter and
4 it's something that should have been taken up -- you
5 should have filed a leave to intervene in the IRP.

6 Lightstar seems like an exciting company and
7 you've got some opportunities to be able to apply
8 for RFPs from the solar that was passed in the 2022
9 IRP.

10 MR. COLE: Yeah, Madam Chair, I do think
11 there's more to it than that. Lightstar
12 Renewables -- you know, the Commission's actions in
13 this docket impacts rates paid by agricultural
14 users, will affect development, deployment, and the
15 use of various industry resources in the region. In
16 particular, the Commission's actions will affect the
17 investment decisions made by Lightstar Renewables
18 and its potential farmer partners who must now
19 frequently decide between renewable energy and
20 agricultural production on their own land while they
21 investigate potential available programs, such as
22 being a QF under PURPA, Georgia Power's Energy
23 Offset program, or other style programs in the
24 agricultural users.

25 Since Lightstar's interest in Georgia is

1 strictly with respect to agrivoltaics, the
2 combination and the dual use of property for both
3 agricultural uses and solar production and the
4 agricultural rates that will be paid by the farmers
5 will have a significant impact on that. We believe
6 Lightstar has standing to participate in the rate
7 case and ask that this Commission reconsider its
8 decision.

9 MADAM CHAIR PRIDEMORE: Decision sustained.

10 All right. Any other housekeeping matters?

11 (No Response.)

12 Okay. All right. Georgia Power Company.

13 MR. MARZO: With your permission, Madam Chair,
14 I'd like to call Christopher Womack as Georgia
15 Power's first witness in the case.

16 I would like to note for the record that we
17 have filed notice of this publication as required by
18 the Commission's rules.

19 Mr. Womack, before you get seated, if you would
20 raise your right hand.

21 Whereupon,

22 Christopher Womack,
23 having been first duly sworn, testified as follows:

24 DIRECT EXAMINATION
25

1 BY MR. MARZO:

2 Q Mr. Womack, for the benefit of the record,
3 would you please state your full name, your employer, and
4 the responsibilities for the record.

5 A Christopher C. Womack. Chairman, president,
6 and CEO of Georgia Power Company.

7 Q Thank you.

8 And, Mr. Womack, on June 24th of this year, did
9 you prefile or cause to be prefiled 23 pages of direct
10 testimony in question-and-answer format in this docket?

11 A I did.

12 Q Okay. And, Mr. Womack, are there any
13 corrections you need to make to your prefiled testimony?

14 A Not at this time.

15 Q Okay. If I were to ask you the same questions
16 today under oath, would your answers be the same as set
17 forth in your prefiled testimony?

18 A They would.

19 MR. MARZO: Madam Chair, I would ask that
20 the -- the court reporter has been given a copy of
21 the prefiled direct testimony. I now ask that the
22 testimony be entered into the record as given orally
23 here today.

24 MADAM CHAIR PRIDEMORE: So moved.

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(Whereupon, the prefiled direct testimony
of Christopher Womack follows:)

**DIRECT TESTIMONY OF
CHRISTOPHER C. WOMACK
ON BEHALF OF
GEORGIA POWER COMPANY**

DOCKET NO. 44280

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. Christopher C. Womack. I am the Chairman, President, and Chief Executive Officer of
3 Georgia Power Company (“Georgia Power” or the “Company”). My business address is
4 241 Ralph McGill Boulevard N.E., Atlanta, Georgia, 30308.

5 **Q. MR. WOMACK, PLEASE SUMMARIZE YOUR EDUCATION AND**
6 **PROFESSIONAL EXPERIENCE.**

7 A. I received my bachelor’s degree from Western Michigan University and my master’s
8 degree from The American University. I also completed the Stanford Executive Program
9 in 2001. I joined Southern Company in 1988 and have held numerous leadership positions
10 within Southern Company and its subsidiaries. I served as Executive Vice President of
11 External Affairs at Georgia Power and Senior Vice President and Senior Production Officer
12 of Southern Company Generation, where I was responsible for coal, gas, and hydro
13 generation for Georgia Power and Savannah Electric. I also served as Senior Vice President
14 of Human Resources and Chief People Officer at Southern Company, as well as Senior
15 Vice President of Public Relations and Corporate Services at Alabama Power Company.
16 Prior to my current role, I served as Executive Vice President and President of External
17 Affairs for Southern Company, where I led overall external positioning and branding
18 efforts including the company’s public policy strategies and oversaw Southern Company’s

1 governmental and regulatory affairs organizations, corporate communication initiatives,
2 and other external and strategic business engagements.

3 **Q. MR. WOMACK, PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY.**

4 A. My testimony provides an overview and background of Georgia Power's 2022 base rate
5 case and sets forth how this request will enable us to meet our customers' evolving energy
6 needs. As Georgia's economy and population continue to grow and change, Georgia Power
7 remains committed to meeting the energy needs of our 2.7 million customers by providing
8 industry-leading solutions that not only benefit our customers, but also put Georgia at the
9 forefront of building the future of energy.

10 Georgia is one of the fastest growing states in the country, adding 988,000 new residents
11 in the last 10 years, the fourth highest population gain in the country. This tremendous
12 growth has been driven, in large part, by Georgia's position as the best state in the country
13 in which to do business. Georgia's continued ability to attract and retain businesses –
14 ranging from technology and manufacturing to small business – is highly correlated to the
15 Commission's long-standing history of forward-thinking and constructive regulation
16 which facilitates Georgia Power's ability to provide customers with clean, safe, reliable,
17 and affordable energy at rates that are consistently well-below the national average.
18 Electricity is an essential part of our daily lives, and the services provided by Georgia
19 Power and governed by the Commission are vital to our customers and are a critical part
20 of what makes the state such an attractive place to live and do business.

21 At Georgia Power, we are unwavering in championing the energy needs of our customers
22 and communities across the state. We understand the critical role we play in serving
23 millions of Georgians, and we take that responsibility and our commitment to continue
24 providing this essential service seriously. My testimony explains the rationale for our rate
25 request, including why it is necessary to ensure Georgia Power continues to be well
26 positioned to meet the energy needs of our customers and our state. Additionally, my
27 testimony highlights our Company's long-standing commitment to provide exceptional

1 customer service, as demonstrated during the unprecedented COVID-19 pandemic. Finally,
2 I discuss the critical role the Company plays in supporting economic and community
3 development within Georgia. Being a good partner in growing Georgia has been a
4 fundamental tenet of our Company since its founding.

5 **Q. PLEASE SUMMARIZE THE COMPANY'S REQUEST IN THIS CASE.**

6 A. As Georgia's economy and population continue to grow and the energy landscape rapidly
7 evolves, one thing remains constant for Georgia Power: our customers are at the center of
8 everything we do. Our customers' needs and preferences are changing in several ways.
9 Having recently witnessed widespread grid reliability challenges in other parts of the
10 country, our customers are rightly focused on the reliability and resiliency of Georgia's
11 electric system and Georgia Power's continued ability to safely and reliably meet their
12 energy needs. Customers also seek and expect an increasingly diverse mix of generation
13 resources for the energy they consume, as a growing number of customers are focused on
14 expanding renewable and clean energy resources. Georgia Power recognizes these
15 evolving energy needs, and with this case, requests an increase to base rates that will enable
16 the Company to meet them.

17 Georgia Power's request seeks to build upon the strong foundation established in our 2019
18 base rate case and allows us to continue making critical investments on behalf of our
19 customers. For the periods of January 2020 through December 2022, and January 2023
20 through December 2025, Georgia Power is expected to have invested approximately \$8.6
21 billion, and \$12.0 billion, respectively, to support enhanced reliability and resiliency in the
22 electric grid, the transition of the Company's generation fleet to more economical and
23 cleaner resources, technology to enhance operations and our customers' experience, and
24 compliance with state and federal environmental regulations. Our remaining coal fleet,
25 which has reliably served customers for decades, continues to face increasing economic
26 pressures and is no longer cost-effective to operate long term. The Company must now
27 plan for the retirement of these remaining coal plants and make the necessary investments

1 to transition our generation fleet to more economical and cleaner resources. As part of this
2 transition, the Company must timely recover the remaining costs associated with these coal
3 plants, which have served our customers well for so many years. Additionally, the
4 Company must make the necessary investments to continue to comply with federal and
5 state environmental regulations, which includes continuing the closure of the Company's
6 coal ash ponds in accordance with the Environmental Compliance Strategy approved by
7 the Commission in the 2019 Integrated Resource Plan ("IRP").

8 Georgia Power's request seeks to reset our rates to a level sufficient to allow us to provide
9 customers with clean, safe, reliable energy as well as the first-class customer service they
10 expect and that we are committed to delivering. The Company proposes to continue the
11 three-year Alternate Rate Plan ("ARP") structure that has served Georgia and our
12 customers well since 1995. Not only have the three-year rate plans helped to keep rates
13 stable and predictable, but the embedded sharing mechanism has also enabled the Company
14 to provide approximately \$297 million in benefits back to customers since 2013. For nearly
15 three decades, these three-year plans have provided a strong foundation for attracting
16 substantial capital investment from the financial markets at competitive rates, which has
17 further contributed to the overall affordability of our services. The stability and
18 predictability for customers and investors created by a three-year ARP structure is a critical
19 part of the constructive regulatory framework that has enabled Georgia Power to deliver
20 clean, safe and reliable energy to our customers at rates that are consistently well below
21 the national average.

22 The Company does not propose any change in the allowed earnings band of 9.5% to 12%
23 or the sharing mechanism. We propose that rates be set using an 11% ROE and the currently
24 approved retail capital structure of 56% equity and 44% debt. This request reflects current
25 market conditions and the need to maintain optimum credit ratings, which allows the
26 Company to achieve one of the lowest overall costs of borrowing as compared to our peers.
27 This, in turn, results in lower costs for our customers.

1 We recognize that our customers desire rate stability, and therefore, we are proposing to
2 levelize most of the requested rate increase over the three-year ARP. After the new rates
3 go into effect on January 1, 2023, rates will only be adjusted annually for the cost of the
4 Coal Combustion Residuals (“CCR”) Asset Retirement Obligation (“ARO”) compliance
5 program, Demand Side Management (“DSM”) programs, and Municipal Franchise Fees.

6 With this case, Georgia Power is requesting approval to establish rates that will enable the
7 Company to meet our customers’ evolving energy needs. We take this request seriously,
8 as we understand that it will result in additional costs for our customers. With that in mind,
9 I am committed to ensuring that Georgia Power continues to operate efficiently and
10 responsibly, and to manage our business in a way that minimizes costs to our customers
11 over the long term. By making these critical investments today, Georgia Power will be
12 well-positioned to serve our customers for years to come.

13 II. THE COMPANY’S RATE REQUEST

14 Q. WHAT ARE THE MAJOR CONSIDERATIONS DRIVING THE COMPANY’S 15 RATE REQUEST?

16 A. At its core, our request in this case is driven by our commitment to meet the energy needs
17 of our 2.7 million customers and the growing economy we serve. Specifically, we must
18 make the critical investments that are necessary to continue providing clean, safe, reliable,
19 and affordable energy. As such, the major considerations driving our rate request are:

- 20 1. **Reliability and Resiliency:** The need for continued investments in the electric grid,
21 including the transmission and distribution systems and the continuation of the Grid
22 Investment Plan, to support our customers’ long-term reliability and resiliency
23 needs.

2. **Transitioning to More Economical and Cleaner Generation Resources:** The continued transition of the Company's generation fleet to more economical and cleaner resources for customers, including renewables.
3. **Environmental Compliance:** Investments needed to comply with applicable environmental regulations.
4. **Technology to enhance operations and customer experience:** Investments in proven technology that will enable the Company to continue to deliver exceptional service to customers while meeting their evolving energy needs.
5. **Decreasing O&M Costs:** Even in the face of significant levels of inflation, the Company is seeing lower costs for employee benefits and continues to focus on effective cost management throughout the business, inclusive of reduced operations and maintenance ("O&M") costs due to the transition of the generation fleet and the ability to lower the annual charge for storm events.
6. **Financial Integrity:** Maintaining the Company's financial integrity to ensure that its ability to raise capital at reasonable cost and upon reasonable terms for the benefit of customers remains intact.

Q. PLEASE DESCRIBE THE COMPANY'S INVESTMENT IN TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE.

- A. Over the last ten years, the Company has invested approximately \$9.7 billion in transmission and distribution infrastructure to strengthen the reliability and resiliency of our network for the benefit of customers. This includes approximately \$4.9 billion invested in transmission and distribution infrastructure since January 2020 and projected through December 2022, which includes \$1.5 billion for investments in the Company's Grid Investment Plan.

1 As Mr. Robinson will further discuss, over the past three years, the Company has made
2 significant progress on transmission and distribution improvements as well as the multi-
3 year Grid Investment Plan. As a part of this effort, the Company replaced aging
4 transmission assets and evaluated distribution feeder circuits (powerlines) based on their
5 performance and deployed customized solutions to improve reliability and resiliency.
6 These distribution solutions included:

- 7 • Deploying advanced control and monitoring technologies, including additional
8 self-healing distribution feeder circuits, to enhance our ability to sectionalize parts
9 of the electric grid to isolate issues.
- 10 • Replacing framing hardware to improve insulation levels and protect equipment.
- 11 • Creating additional distribution feeder ties to build redundancies between
12 substations, which help reduce the duration of outages.
- 13 • Undergrounding targeted distribution feeders.

14 These transmission and distribution investments have improved reliability, reduced the
15 number and duration of outages, minimized repair time, and contributed to an overall
16 enhanced customer experience.

17 With the Company's 2022 base rate case, Georgia Power seeks to build upon this progress
18 by continuing to invest in its transmission and distribution system to provide safe and
19 reliable electric service to its customers. Based on projections for 2023 through 2025, the
20 Company will invest an additional \$6.8 billion in transmission and distribution
21 improvements, which will include \$2.2 billion in continued investment in the Company's
22 Grid Investment Plan.

1 **Q. PLEASE DISCUSS THE COMPANY’S CONTINUED ECONOMIC TRANSITION**
2 **OF ITS GENERATION FLEET AND THE INVESTMENTS NEEDED TO**
3 **SUPPORT IT.**

4 A. As presented in the 2022 IRP, Georgia Power’s continued transition to more economical
5 and cleaner generation resources will produce significant, long-term benefits for customers
6 and avoid future environmental compliance costs that would otherwise have been incurred.
7 It is more economical for our customers to retire the Company’s coal resources than to
8 invest in the continued long-term operation of these units. In its 2022 IRP, the Company
9 has requested to retire approximately 3,600 MW of coal and oil-fired generation by 2028,
10 replace it with more economical generation, and support investment in the transmission
11 infrastructure necessary to provide customers access to these lower cost and lower-carbon
12 emitting resources.

13 To support the fleet transition, the Company will continue to serve customers with a diverse
14 generation mix through a balanced portfolio of reliable, resilient, and economical resources,
15 which includes adding cost-effective renewable resources. Working within our
16 constructive regulatory framework, Georgia Power has continued to develop renewable
17 resources in a way that benefits all customers, positioning the Company as a national leader
18 in renewable energy growth. Georgia Power currently has one of the largest voluntary
19 renewable portfolios in the country, with more than 3,100 MW of renewable resources
20 already online, an additional 2,400 MW of renewable resources under development, and
21 an additional 2,300 MW requested in the 2022 IRP.

22 The addition of these renewable resources and the retirement of uneconomic coal and oil-
23 fired units will enable the Company to operate the generation fleet efficiently, reliably, and
24 affordably for customers. As such, Georgia Power will be well positioned to serve our
25 customers for years to come as the energy landscape continues to evolve.

1 **Q. PLEASE DISCUSS THE COMPANY’S ENVIRONMENTAL COMPLIANCE**
2 **COSTS.**

3 A. Complying with federal and state environmental regulations is fundamental to the
4 Company’s operations. Since January 2020 and projected through December 2022, the
5 Company is expected to have incurred \$165 million of O&M expenses to comply with total
6 state and federal environmental regulations and will have invested approximately \$738
7 million for CCR compliance costs and approximately \$120 million to comply with other
8 state and federal environmental regulations. During the requested three-year ARP window,
9 Georgia Power will continue to meet its environmental compliance obligations in a cost-
10 effective manner by implementing the Company’s environmental compliance strategy. The
11 Company will continue its progress on the closure of our twenty-nine ash ponds by
12 removing ash from twenty ponds and closing the remaining nine ponds in place using
13 proven engineering methods in accordance with the environmental strategy approved by
14 the Commission in the 2019 IRP proceeding and updated in the 2022 IRP. For the period
15 2023 through 2025, the Company projects to incur approximately \$107 million of O&M
16 expenses to comply with total state and federal environmental regulations, and projects to
17 invest approximately \$1.3 billion for CCR compliance costs and approximately \$188
18 million to comply with other state and federal environmental regulations.

19 **Q. PLEASE DESCRIBE HOW THE COMPANY IS INVESTING IN TECHNOLOGY**
20 **TO ENHANCE OPERATIONS AND CUSTOMER EXPERIENCE.**

21 A. Over the next three years, Georgia Power expects to invest approximately \$689 million in
22 several different technologies that will enhance operations and benefit our customers.
23 These include: the Company’s implementation of a new Customer Information System
24 (“CIS”), the continued evaluation of a Distributed Energy Resource Management System
25 (“DERMS”), and various technologies to support the continued electrification of
26 transportation. A new CIS will allow Georgia Power to enhance our customers’ experience
27 by improving our ability to manage customer information and requests, thereby providing

1 more efficient customer service and more tailored solutions to meet customers' needs.
2 DERMS is an integrated software resource platform that offers the Company real-time
3 visibility into the impact of distributed energy resources on the electric system and allows
4 for enhanced monitoring and operational capabilities. A robust DERMS platform will
5 enable Georgia Power to integrate distributed energy resources with both system and fleet
6 operations.

7 Finally, in response to increasing customer interest and market demand, the Company will
8 continue our efforts to invest in the infrastructure and technology needed to support the
9 growth of electric transportation in Georgia. Over the next three years, we will increase our
10 investments in community electric vehicle ("EV") charging facilities and necessary electric
11 transportation infrastructure upgrades to support customer EV charging. In addition to
12 these capital infrastructure upgrades, our rate request includes expenses for administrative
13 costs, infrastructure maintenance, and various rebates for homebuilders and residential and
14 commercial customers to accommodate growth in EV charging across the state. We will
15 support the growing EV ecosystem in our state as highlighted by the two major EV
16 manufacturing announcements this year.

17 **Q. HOW IS INFLATION IMPACTING THIS RATE REQUEST?**

18 A. Like so many industries across the country, the recent levels of significant inflation are
19 impacting our Company. We are in an unprecedented economic environment, resulting in
20 high uncertainty and increasing costs of goods and services for American consumers and
21 most certainly our customers here in Georgia. The state's economy remains strong as
22 Georgia has largely recovered from the pandemic-related recession. However, our
23 economy is and will continue to be challenged as recent geopolitical tensions intensify
24 already existing challenges to our economy including, stressed supply chains, historically
25 high inflation, and tight labor markets, which are all exacerbated by a rising interest rate
26 environment from a tightening federal monetary policy. Georgia's economy has the tools
27 to weather this economic storm, with several business-friendly competitive advantages that

1 should support the state's continued economic strength, including the availability of
2 reliable and affordable energy, low cost of living, Georgia's globally connected airport and
3 transportation infrastructure, the port of Savannah, employment levels that are currently
4 above pre-pandemic levels, continued population growth from net-migration, and a labor
5 force that feeds from new company entrants to the region and a deep pool of knowledge
6 and technical workers from our top-tier university system.

7 While some level of inflation is always anticipated and applies upward pressure on our cost
8 to serve, we have worked to mitigate typical levels of inflation through effective cost
9 management. The current significant levels of inflation fueled by national and local
10 economic forces impact our cost to serve customers and must be appropriately reflected in
11 our rates. Mr. Abramovitz, Ms. Adams, Mr. Houston, and Mr. Robinson will explain in
12 more detail how inflation impacts our rate request.

13 **Q. HOW DID THE RETURN OF THE BENEFITS FROM THE TAX CUTS AND**
14 **JOBS ACT IMPACT GEORGIA POWER'S CUSTOMERS AND THIS RATE**
15 **REQUEST?**

16 A. By the end of 2022, Georgia Power's customers will have fully realized approximately
17 \$660 million in certain tax benefits resulting from the Tax Cuts and Jobs Act of 2017
18 ("TCJA"). These benefits are in addition to the lower tax rate provided by the TCJA. From
19 2020 to 2022, the Company was able to offset a portion of its revenue requirement by fully
20 amortizing these benefits to customers from the TCJA, which reduced customers' rates by
21 \$220 million annually. By the end of 2022, however, those tax benefits will have been fully
22 passed on to customers and will no longer exist to put downward pressure on rates. This
23 will result in an increase in rates, although the benefits of the lower tax rates from the TCJA
24 will continue.

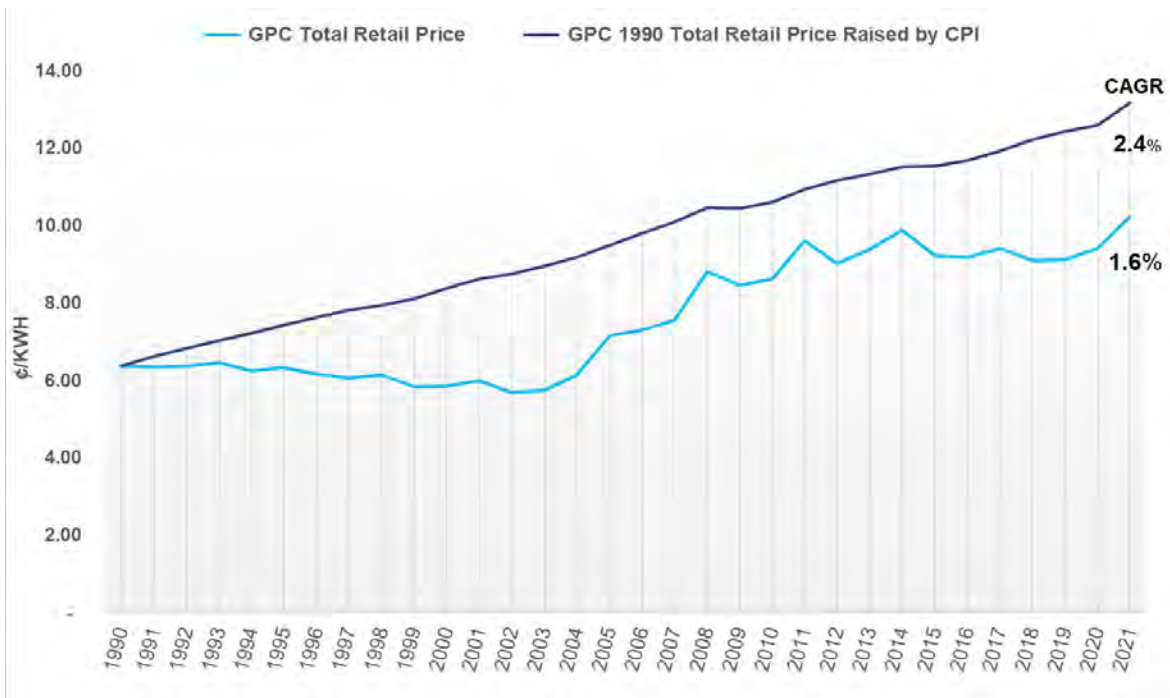
1 **Q. ARE THERE ANY ITEMS REDUCING THE AMOUNT OF THE COMPANY'S**
2 **REQUEST IN THIS PROCEEDING?**

3 A. Yes, several factors are reducing the amount of the Company's request. Despite inflation
4 and increased labor and healthcare costs over the last three years, the Company has worked
5 hard to hold O&M cost escalation below the rate of historical inflation, budgeting
6 approximately \$1.7 billion in 2023 compared to the approximately \$2.0 billion of O&M
7 currently in rates. Additionally, the Company continues to optimize staffing levels to be
8 more efficient in the work that we do. Effective O&M cost management and reduced O&M
9 associated with the transition of the generation fleet, combined with our proposed lower
10 storm damage expense accrual and reduced employee benefits cost, will reduce costs to
11 customers by approximately \$300 million starting in 2023. The testimony of Mr.
12 Abramovitz, Ms. Adams, Mr. Houston, and Mr. Robinson will discuss these items applying
13 downward pressure on rates, as well as lower financing costs and projected customer
14 growth.

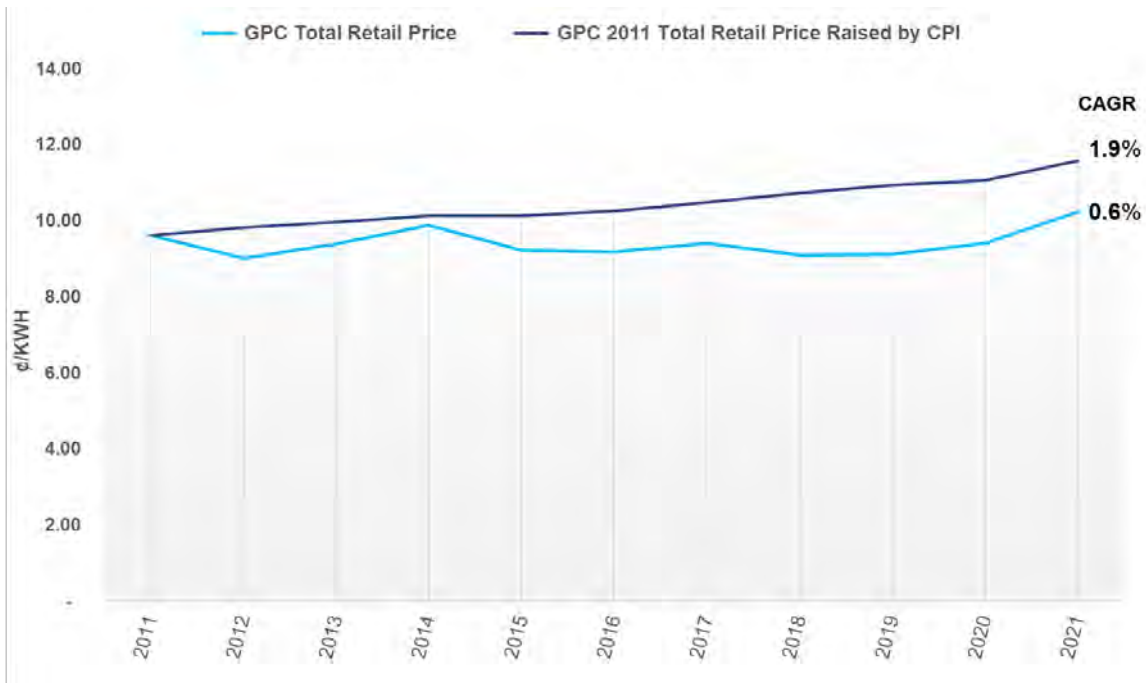
15 **Q. HOW DO THE COMPANY'S RATES COMPARE TO THE RATE OF**
16 **INFLATION?**

17 A. For nearly 30 years, the Company's rates have increased less than the rate of inflation. This
18 means that on an inflation-adjusted basis, customers pay less today than they paid in 1990,
19 as shown in Figure 1 below. Taking a more recent view of this information, the same
20 relationship holds true over the past decade, as shown in Figure 2.

1 **FIGURE 1. Georgia Power Retail Prices Compared to Inflation, 1990-2021**



2
3 **FIGURE 2. Georgia Power Retail Prices Compared to Inflation, 2011-2021**



4
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On Behalf of Georgia Power Company
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1 **Q. WHY IS IT IMPORTANT TO MAINTAIN THE COMPANY'S FINANCIAL**
2 **INTEGRITY?**

3 A. Georgia Power is a capital-intensive, regulated electric utility with an obligation to provide
4 reliable service to customers at a reasonable cost. For Georgia Power to continue our long-
5 standing record of exceptional service to customers, the Company must remain financially
6 strong. Financial strength and integrity ensure that Georgia Power can access capital as
7 needed and at reasonable cost for the benefit of our customers. A key measure of a utility's
8 financial strength and integrity is its credit rating. As Mr. Fetter explains in his testimony,
9 a utility with a strong credit rating can access capital markets to fund operations and
10 ongoing capital investment on a timely basis at reasonable rates and pass the benefit of
11 those interest rates on to customers since cost of capital gets factored into utility rates.
12 Conversely, but of equal importance, the lower a utility's credit rating, the more the utility
13 must pay to raise funds from debt and equity investors to carry out its capital-intensive
14 operations, and those higher capital costs get factored into the rates that consumers are
15 required to pay.

16 **Q. WHY IS IT IMPORTANT THAT THE COMPANY RECEIVE A FAIR RATE OF**
17 **RETURN?**

18 A. The foundations of public utility regulation require that utilities receive a fair rate of return
19 sufficient to attract needed capital to maintain important infrastructure for customers at
20 reasonable rates under a full range of capital market conditions. The criticality of a fair rate
21 of return is further discussed in Mr. Coyne's testimony.

1 **III. EXCEPTIONAL CUSTOMER SERVICE**

2 **Q. HOW DOES GEORGIA POWER’S CUSTOMER SERVICE COMPARE TO**
3 **OTHER UTILITIES?**

4 A. Georgia Power is consistently recognized for its exceptional customer service. In the last
5 five years alone, J.D. Power ranked Georgia Power No. 1 (three times) and No. 2 (twice)
6 in customer satisfaction in both the Electric Utilities residential and commercial customer
7 satisfaction studies for large utilities in the South. Additionally, in five of the last six years,
8 Escalent (formerly Market Strategies International) has recognized Georgia Power as a
9 Most Trusted Brand in the utility industry.

10 **Q. WHAT ARE SOME EXAMPLES OF HOW THE COMPANY HAS ENHANCED**
11 **CUSTOMER SERVICE OVER THE PAST SEVERAL YEARS?**

12 A. Georgia Power is consistently focused on how we can improve for the benefit of our
13 customers. This is especially true as we continue to see customers’ energy needs and
14 preferences evolve. Many customers now desire increased optionality and flexibility
15 regarding how they communicate with the Company, pay their bills, and manage their
16 energy usage.

17 In response to these evolving preferences, we have enhanced customer communications
18 and provided additional and more flexible payment options. For example, since July 2020,
19 we have enrolled approximately 493,000 customers in outage alerts, which enable
20 customers to receive critical information from the Company through multiple
21 communication channels, including text and email. Additionally, customers can now
22 interact with the Company directly via text message regarding service outages.

23 With regard to payment options, customers can now make credit and debit card payments
24 free of charge. The Company has also increased the number of Authorized Payment
25 Locations across the state, where customers can make in-person payments at retail and

1 grocery stores during business, evening, and weekend hours. The Company has expanded
2 Georgia Power CheckOut, which provides a fast and convenient way for customers to pay
3 their electric bills while checking out at participating retailers. Additionally, to give
4 customers more flexibility, the Company has extended the timeframe for customers to pay
5 their electric bills by five days.

6 Finally, over the last several years, the Company has continued to expand our PrePay and
7 Pay-by-Day programs, which provide residential customers with flexible ways to pay their
8 electric bills and manage their energy usage. We also launched an automatic reload option,
9 which provides PrePay and Pay-by-Day customers with a convenient auto-payment
10 solution. In addition, and as discussed more fully below, during the COVID-19 pandemic,
11 the Company developed and offered Installment Payment Plans to help customers better
12 manage through times of financial stress, while continuing to benefit from their electric
13 service.

14 **Q. DOES THE COMPANY PLAN TO IMPLEMENT ANY ADDITIONAL**
15 **CUSTOMER SERVICE ENHANCEMENTS DURING THE 2022 TO 2025**
16 **TIMEFRAME?**

17 A. Yes, we currently have several critical customer service initiatives underway. For example,
18 the Company's new CIS will enhance customer experience by facilitating more efficient
19 customer service. The CIS will integrate customer information into a single platform that
20 enables customer service employees to quickly access customer information, thereby
21 allowing them to provide customers with more comprehensive and timely solutions. The
22 Company is also developing a new, enhanced mobile app that will simplify mobile
23 transactions, provide direct communications with customers impacted by service outages,
24 and notify customers regarding company offerings for which they qualify. In addition to
25 the mobile app, we are developing a virtual platform (referred to as a digital assistant) that
26 will help customers by answering general questions and processing a variety of customer
27 transactions. The Company also plans to release a digital wallet option later this year,

1 which will allow customers to make payments conveniently from their mobile devices.
2 Finally, the Company is expanding credit card payment options within its Energy
3 Assistance Portal to make it easier for community assistance agencies to help customers
4 who need assistance paying their bills.

5 **Q. PLEASE DESCRIBE THE COMPANY'S PERFORMANCE IN STORM**
6 **RESPONSE.**

7 A. Storms and extreme weather conditions that bring down power lines and cause
8 interruptions in electric service are a reality of our business. At Georgia Power, given the
9 essential nature of electricity, we do not allow ourselves to take the reliability and resilience
10 of our system for granted. There is no greater evidence of our focus and commitment than
11 during severe weather events which disrupt the flow of power. When storms and natural
12 disasters strike, our people are there, working tirelessly to restore power across the state.
13 Our industry-leading performance during storms is a source of pride for our 7,000
14 employees, including our line crews – the men and women who set off across the state after
15 a storm to begin restoring power as safely and quickly as possible. Georgia Power is
16 recognized as an industry-leader in storm response. We have earned the prestigious Edison
17 Electric Institute Emergency Recovery Award for exemplary power restoration efforts nine
18 times, including as recently as 2020. Our consistent performance during storms and natural
19 disasters, made possible by the support of the Commission, exemplifies Georgia Power's
20 unwavering commitment to our customers and to delivering safe and reliable service when
21 they need us most.

1 **IV. COVID-19 PANDEMIC**

2 **Q. SINCE THE 2019 RATE CASE, COVID-19 SIGNIFICANTLY DISRUPTED THE**
3 **WORLD IN WHICH WE LIVE. HOW DID THE COMPANY MEET CUSTOMER**
4 **NEEDS DURING THIS TIME?**

5 A. The COVID-19 pandemic disrupted the lives of Georgia's residents, significantly impacted
6 the state's economy, and highlighted the criticality of having a strong utility and a
7 constructive regulatory environment. During this unprecedented time, Georgia Power was
8 always there. Our employees – many of whom could not work from home – worked
9 tirelessly to ensure that, in Georgia, the lights stayed on. As the pandemic wore on, the
10 Commission and Georgia Power worked collaboratively to ensure the energy needs of our
11 customers and the state continued to be met.

12 At the onset of the pandemic, Georgia Power immediately began executing its
13 comprehensive plans and procedures to ensure the Company could continue to safely and
14 reliably operate and in turn, continue safely and reliably serving our 2.7 million customers.
15 Because of the nature of the work performed by many of the Company's employees,
16 working remotely was not an option. For the Company to continue providing electricity –
17 an essential service – our frontline employees had to be on the ground, in person, at the
18 Company's numerous facilities across the state. As we learned more about the virus, we
19 modified system-wide protocols to ensure these men and women – individuals like our
20 linemen, control room operators, and maintenance personnel for our generation,
21 transmission, and distribution facilities – could work safely to continue serving our
22 customers and our communities.

23 For those employees who *could* perform their responsibilities remotely, we immediately
24 implemented our telecommuting plans to ensure employees could safely transition to
25 remote work without disruption or degradation to our customers' experience. For example,
26 we seamlessly transitioned our Customer Care Center team – the hundreds of men and
27 women responsible for answering our customers' calls – to remote work. These critical

1 employees provide 24/7 service, 365 days a year, answering thousands of calls from
2 customers daily, including power outage and emergency calls. With the COVID-19
3 pandemic beginning at the outset of the 2020 hurricane season, it was imperative that our
4 Customer Care Center team be prepared to serve and respond to customers. In this and
5 other areas across the Company, we worked diligently to ensure employees could safely
6 and successfully transition to remote work while continuing to serve customers and ensure
7 their needs were met during this critical and unprecedented time.

8 In addition to ensuring that our employees were safe and able to continue carrying out their
9 responsibilities, the Company worked with the Commission to develop plans to assist
10 customers struggling with financial difficulties related to the pandemic. Consistent with
11 the Commission's direction, the Company suspended non-payment disconnections for all
12 customers from March 14, 2020 through July 14, 2020. Additionally, with Commission
13 approval, Georgia Power extended the disconnection moratorium through June 15, 2021
14 for approximately 50,000 customers subject to the Governor's Shelter-in-Place Executive
15 Orders. The Commission, Commission Staff, and the Company also worked together to
16 develop flexible payment plans for all customers who were struggling to pay their electric
17 bills during the pandemic. The Company engaged with community action agencies to help
18 approximately 200,000 Georgians who were eligible for financial assistance. The
19 Company's ability to help customers navigate payment obligations during the pandemic
20 provides a concrete example of how Georgia's constructive regulatory environment
21 provides substantial benefits to customers.

22 **Q. DID THE COMPANY TAKE ANY ADDITIONAL STEPS TO ASSIST**
23 **CUSTOMERS DURING THE PANDEMIC?**

24 A. Yes. Supporting the communities in which we live and work is at the core of Georgia Power
25 – we are a citizen wherever we serve. During the pandemic, we partnered with nonprofit,
26 community, and faith-based organizations to offer assistance programs to those in need.
27 For example, Georgia Power committed \$1.5 million to emergency assistance programs

1 focused on areas such as food insecurity, homelessness, and assistance to displaced
2 workers. The Company also worked with the governor's statewide task force subcommittee
3 on homelessness to provide COVID-19 testing and housing solutions.

V. ECONOMIC DEVELOPMENT AND COMMUNITY INVOLVEMENT

4 **Q. HOW DOES THE COMPANY SUPPORT ECONOMIC DEVELOPMENT IN**
5 **GEORGIA?**

6 A. The health of a utility ties directly to the economic vitality of a state and the well-being of
7 its residents. A healthy and strong utility fuels economic growth by attracting businesses
8 and people to the state. For the last eight consecutive years, Georgia has been named the
9 Top State for Doing Business by Area Development. To make this determination, Area
10 Development assesses various factors that contribute to a pro-business environment,
11 including a favorable regulatory environment and energy availability and costs. As the
12 largest utility in Georgia, serving all but four of the state's 159 counties, Georgia Power
13 understands the critical role it plays in the state's economy. As such, Georgia Power is
14 committed to providing the clean, safe, reliable, and affordable electric service that existing
15 and future customers expect and deserve, to help support the continued healthy growth of
16 our state and its economy.

17 Georgia Power has a dedicated team of professionals who work closely with businesses,
18 community leaders, and state and local governments to facilitate the expansion of
19 businesses in Georgia and help bring new business and jobs to the state. Since 2015,
20 Georgia Power has helped bring or retain nearly 154,000 jobs to the state and supported
21 more than \$49 billion in additional capital investment. Additionally, because successful
22 economic growth must be supported by a qualified and highly skilled workforce, Georgia
23 Power partners with schools and communities throughout the state to support meaningful,
24 long-term investments in education and to develop both students and teachers to help
25 support a robust and highly trained Georgia workforce.

1 Georgia Power's site selection services, in particular, play an important role in driving
2 economic development and investment in the state. Georgia Power is known for innovation,
3 research, technology, and engineering expertise in site selection. The Company offers a
4 comprehensive online tool (*SelectGeorgia*) that is used by our state partners and businesses
5 from around the world who are interested in potentially coming to Georgia. In seven of the
6 last eight years, *Site Selection* magazine has named Georgia as the best state in the country
7 in which to do business and, for the last 23 consecutive years, has recognized Georgia
8 Power as one of the top 10 utilities in the nation for economic development.

9 **Q. PLEASE DESCRIBE GEORGIA POWER'S COMMUNITY INVOLVEMENT.**

10 A. Community involvement is a core principle of Georgia Power's business. Our Company's
11 motto is "Georgia Power, a citizen wherever we serve," and our 7,000 employees live this
12 principle every day.

13 Over the last two years, our employees and retirees volunteered nearly 124,000 hours to
14 community service and contributed nearly \$1.7 million to charities and qualified higher
15 education institutions through the Club of Hearts, a Georgia Power employee campaign.
16 During that same period, the Company's employee and retiree volunteer organizations
17 combined to raise \$300,000 for community organizations throughout the state. The
18 Company and its customers also donated more than \$4 million to the Salvation Army's
19 Project SHARE, which provides charitable donations to communities across Georgia.
20 Georgia Power's Energy Assistance team partners with state and local governments,
21 community leaders, and organizations statewide to advocate for customers, and in 2021,
22 helped facilitate the provision of \$2.3 million in financial assistance to more than 29,000
23 households.

24 These efforts demonstrate the Company's commitment to the communities it serves. That
25 commitment is fundamental to who we are and will continue to be for generations to come.

1 **VI. CASE STRUCTURE**

2 **Q. HOW IS THE REST OF THE COMPANY'S TESTIMONY STRUCTURED?**

3 A. The remainder of the Company's testimony will be structured as follows:

- 4 • The panel of Mr. Aaron Abramovitz, our Executive Vice President and Chief
5 Financial Officer; Ms. Sarah Adams, our Vice President and Comptroller; Mr.
6 Adam Houston, our Assistant Comptroller; and Mr. Michael Robinson, our Vice
7 President of Planning, Operations and Policy will explain why the Company's
8 current rates do not provide sufficient revenues to cover the Company's cost of
9 service to its customers. They will address the modifications we propose for
10 continuation of the existing ARP. Their testimony will also discuss the status of the
11 Company's Grid Investment Plan for transmission and distribution projects over
12 the next several years.
- 13 • Mr. James Coyne will present his expert opinion as to the appropriate return on
14 equity required by the financial markets.
- 15 • Mr. Steven Fetter will provide expert testimony from his perspective as a former
16 state regulatory commissioner and former head of a major credit rating agency. He
17 will focus on the importance of credit ratings for regulated utilities and their
18 customers, the importance of constructive utility regulation as an underpinning of
19 strong credit quality, how the Company is currently viewed by credit rating
20 agencies, and how the financial community currently views the utility regulatory
21 environment in Georgia.
- 22 • Mr. Lee Evans, Director of Demand Planning & Analysis at Southern Company
23 Services, will present the Company's cost of service study.
- 24 • Mr. Larry Legg, our Director of Pricing and Rates, will present Georgia Power's
25 rate design proposals.

1 **VII. CONCLUSION**

2 **Q. DO YOU HAVE ANY CONCLUDING REMARKS TO SHARE WITH THE**
3 **COMMISSION?**

4 A. At Georgia Power, our customers are, and will always be, at the center of all we do. With
5 this case, Georgia Power is requesting approval to establish rates that will enable the
6 Company to remain financially healthy so that we may continue to meet our customers'
7 energy needs today, tomorrow, and for years to come.

8 In this current environment of pandemic recovery, significant inflation, geopolitical events
9 and mounting economic pressure, Georgia Power and its 7,000 employees will continue to
10 champion the energy needs of our customers and our state. We will continue to do our part
11 to help grow Georgia by being a driving force for economic and community advancement.
12 As they have for over a century, our employees will continue to focus on serving our
13 customers and our communities – putting safety first, providing superior customer service,
14 and delivering reliable, resilient, and affordable energy.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.

1 MR. MARZO: Madam Chair, with your permission,
2 I will ask Mr. Womack to summarize his prefiled
3 testimony.

4 MADAM CHAIR PRIDEMORE: You may go ahead,
5 Mr. Womack.

6 MR. WOMACK: Thank you very much.

7 Good morning, Madam Chair, Commissioners. I am
8 honored by this opportunity to be here with you
9 today. The purpose of my testimony is to provide an
10 overview of Georgia Power's 2022 base rate case and
11 to explain why this request is necessary for us to
12 continue meeting the evolving needs of our state and
13 the 2.7 million customers we have the privilege to
14 serve.

15 Before I begin, let me take a moment to address
16 the ongoing developments with Hurricane Ian. As we
17 sit here today, our team at Georgia Power is
18 actively monitoring the hurricane and preparing to
19 respond. As we finalize our restoration plans, our
20 team will continue to assess the situation and, as
21 always, we will be ready to respond and to work
22 tirelessly to maintain and restore power safely and
23 as quick as possible.

24 For more than a century, Georgia Power has
25 served as Georgia's trusted electric utility

1 partner. Our longstanding and unwavering commitment
2 to serve our customers and to help Georgia grow
3 defines Georgia Power. It is who we are and it is
4 what we do. Electricity is our -- is vital to our
5 daily lives, and our 7,000 employees are both proud
6 and humble to have the opportunity to provide this
7 essential service to 155 of Georgia's 159 counties.
8 Whether it's working tirelessly to provide the safe
9 and reliable electric service Georgia businesses,
10 communities, and families depend on every day,
11 responding in times of need, like in the aftermath
12 of catastrophic storms or during the global
13 pandemic, or supporting economic growth by
14 attracting businesses that bring investments and
15 jobs to our state, our commitment to our customers
16 and to the state of Georgia is at the center of
17 everything we do.

18 Our company was founded with that
19 responsibility as its cornerstone, and it is in this
20 spirit that I appear before you today.

21 Georgia's experiencing a period of tremendous
22 growth. In the last ten years, over 1 million new
23 residents have moved to Georgia, the fourth highest
24 population gain in the nation. In 2021, Georgia was
25 named the "Top State for Doing Business" for the

1 eighth year in a row, and 2022 likewise has been a
2 banner year for job creation and economic
3 development, with commitments for 358 projects, more
4 than \$21 billion in investment, and 51,000 jobs all
5 across this state. This robust economic growth is
6 directly tied to the state's continued focus on
7 fostering a favorable environment for business and
8 economic prosperity.

9 This Commission's constructive approach to
10 regulation is a major factor in Georgia's status as
11 the number one state in the nation in which to do
12 business. Continuing to have the energy
13 infrastructure to meet the needs of its citizens and
14 businesses is imperative to the State's continued
15 economic success.

16 When a family is considering where to live, or
17 a business is deciding where to locate, they know
18 that in Georgia they will have clean, safe,
19 reliable, and affordable electric service. Because
20 of this Commission's constructive regulatory
21 policies, Georgia Power is a vital partner in the
22 state's economic development efforts, and we are
23 committed to driving growth throughout our state so
24 that Georgia continues to thrive.

25 As this Commission knows, the energy needs of

1 the state and our customers are rapidly evolving.
2 Having recently witnessed reliability challenges in
3 other parts of the country, Georgians today are
4 keenly focused on the reliability and the resiliency
5 of the electric system. Moreover, many customers
6 are also demanding an increasingly diverse mix of
7 generation resources for the energy they consume,
8 and a growing number of the customers want to expand
9 their use of renewable energy.

10 We also know that as the energy needs of our
11 customers in this state continue to evolve, our
12 customers expect more from us than ever before.
13 That is why Georgia Power continues to invest in
14 technologies that will enhance our operations and
15 our customers' experience.

16 We continuously strive for excellence and our
17 customers are at the center of everything we do.
18 Our residential customers, business of all sizes,
19 and the state's economic development leaders
20 routinely recognize Georgia Power for our superior
21 customer service and our support of Georgia's robust
22 economy. Just last week, J.D. Power again
23 recognized Georgia Power as a -- as number one in
24 customer satisfaction for large utilities in the
25 south. We understand the critical role we play in

1 serving the millions of Georgians and take our
2 obligation to serve seriously, which brings me to
3 why I appear before you today.

4 Our long-term commitment to our customers and
5 to furthering the prosperity of our state drives our
6 request in this case. We are seeking to establish
7 rates for the next three years that will allow us to
8 continue to provide clean, safe, and reliable energy
9 this state depends on and to deliver the first-class
10 service our customers expect and deserve.

11 Our request builds upon the strong foundation
12 this Commission established in our 2019 base rate
13 case and will allow us to continue to make critical
14 investments for the benefit of our customers and the
15 communities we serve. We plan to invest
16 approximately \$12 billion over the next three years
17 in statewide energy infrastructure for the benefit
18 of our 2.7 million customers.

19 These investments focus on maintaining and
20 improving the reliability and the resiliency of
21 Georgia's electric grid through initiatives that
22 include continuing our grid investment program,
23 replacing aging transmission assets, and continuing
24 to improve distribution reliability for our
25 customers with solutions like advanced control

1 monitoring techniques, self-healing feeder circuits,
2 and underground distribution feeders. The
3 investments we have made to date have already
4 improved reliability, reduced the number and
5 duration of the outages, and contribute to an
6 overall enhanced customer experience. And the
7 investments we plan to make over the next three
8 years will continue these system improvements and
9 customer benefits.

10 We are also continuing the thoughtful
11 transition of our generation fleet to more
12 economical and cleaner resources, which will
13 significantly benefit our customers long-term and
14 avoid environmental compliance costs that we would
15 otherwise incur.

16 Over the next three years, we also plan to
17 invest in technologies that will enhance operations
18 and provide substantial benefits to customers.
19 These investments include: A new customer
20 information system that will improve our ability to
21 manage customer data and provide solutions tailored
22 to meet the needs of our 2.7 million customers; a
23 distributed energy resource management system, which
24 will provide enhanced system operations and control
25 capabilities to manage the growing number of

1 distributed energy resources on our system now and
2 for years to come; and infrastructure that will
3 support the growing electric transportation
4 ecosystem in Georgia.

5 Finally, we will continue to meet our
6 environmental compliance obligations through
7 implementation of the company's Environmental
8 Compliance Strategy that this Commission approved in
9 the company's 2022 Integrated Resource Plan.

10 The company's request proposes to continue the
11 three-year Alternate Rate Plan structure that has
12 served Georgia Power and our customers well for
13 decades. These three-year rate plans have been
14 central to Georgia's constructive regulatory
15 environment for nearly 30 years. The three-year
16 rate plans have kept rates more stable and
17 predictable, with a sharing mechanism that has
18 returned nearly \$300 million to customers since
19 2013.

20 For nearly three decades, these three-year
21 plans have provided a strong foundation for
22 attracting substantial capital investments from the
23 financial markets at competitive rates, which has
24 further contributed to the overall affordability of
25 our services. The stability and predictability for

1 customers and investors created by a three-year ARP
2 structure has enabled Georgia Power to deliver
3 clean, safe, and reliable energy to our customers at
4 rates that are consistently below the national
5 average.

6 The company is not proposing any change in the
7 allowed earnings band of 9.5 percent to 12 percent
8 or the sharing mechanism, or the currently approved
9 retail capital structure of 56 percent equity and
10 44 percent debt. We are proposing that rates be set
11 using an 11 percent ROE, as recommended by our cost
12 of capital expert James Coyne.

13 We understand that any request -- any rate
14 request has implications to our customers. With
15 that in mind, we are proposing to levelize most of
16 the requested rate adjustment over the three-year
17 ARP because it provides customers with more stable
18 and predictable rates and will result in customers
19 paying \$40 million less over the three-year ARP.
20 This means that after the new rates go into effect
21 on January 1, 2023, rates will only be adjusted
22 annually for the cost of the company's Coal
23 Combustion Residuals and Asset Retirement Obligation
24 compliance program, Demand-Side Management programs,
25 and municipal franchise fees through the end of

1 2025.

2 Never has the importance of having a strong,
3 financially healthy utility been more evident than
4 during the COVID-19 pandemic that began in 2020.
5 During this unprecedented time, Georgia Power was
6 always there. Georgia Power was always on.

7 Our employees worked tirelessly to ensure that
8 lights stayed on and that Georgia's communities,
9 hospitals, governments, and businesses continued to
10 receive the electric service they needed. As the
11 pandemic wore on, this Commission and Georgia Power
12 worked collaboratively to keep our customers and
13 employees safe, meet our customers' energy needs,
14 and help customers navigate payment obligations when
15 many people were struggling. Our ability to
16 continue operating and meeting the needs of our
17 customers is a testament to Georgia's constructive
18 regulatory environment and we are proud to have
19 worked with this Commission to ensure that we could
20 be there for our customers when they needed us most.

21 We understand that making the investments our
22 customers need will result in additional costs. We
23 are always sensitive to the price of electric
24 service and how it impacts our customers. At the
25 same time, we must make the necessary investments to

1 ensure we can continue meeting the needs of our
2 customers as Georgia continues to grow. We work to
3 balance our customers' need for affordable
4 electricity with our obligation to provide clean,
5 safe, and reliable service. As we present the
6 Company's case in this proceeding, we will
7 demonstrate to this Commission that our request
8 strikes the appropriate balance.

9 Georgia Power dedicates substantial time and
10 resources to educating customers on how to save
11 energy and reduce their energy bills and to helping
12 customers in need of assistance, including
13 income-qualified senior citizens. The company has
14 numerous programs, rate offerings, and payment plans
15 to help customers more efficiently and effectively
16 use energy and pay their bills.

17 Our energy efficiency team is dedicated to
18 helping customers save energy and reduce their
19 bills. Further, our energy assistance team works
20 every day to help customers in need of financial
21 assistance with their bills, and with state and
22 local governments, community leaders, and
23 organizations statewide to advocate for customers in
24 need.

25 In addition to my testimony, throughout these

1 hearings you will hear from four other witness
2 panels, including internal and external subject
3 matter experts. These panels will discuss the
4 details of our revenue requirements, cost of equity,
5 credit quality evaluation, Georgia Power's cost of
6 service structure, and our rate design proposals in
7 this case.

8 Madam Chair and Commissioners, we are proud of
9 our tradition of service and of our role as
10 Georgia's trusted utility provider, trusted utility
11 partner. We are unwavering in our commitment to the
12 millions of Georgians we serve. As we look to the
13 future, Georgia Power will continue to champion the
14 energy needs of our customers and our state and
15 continue to do our part to grow Georgia by driving
16 economic growth and community advancement.

17 As we have for over a century, we will serve
18 our customers in Georgia's communities with an
19 unyielding focus on putting safety first, providing
20 superior customer service, and delivering reliable,
21 resilient, and affordable energy now and for years
22 to come.

23 MR. MARZO: Thank you, Mr. Womack.

24 Madam Chair, Mr. Womack is available for
25 questions from the Commission, and, obviously,

1 cross-examination from parties.

2 MADAM CHAIR PRIDEMORE: Questions from
3 Commissioners?

4 VICE-CHAIRMAN ECHOLS: Madam Chair?

5 MADAM CHAIR PRIDEMORE: Commissioner Echols?

6 VICE-CHAIRMAN ECHOLS: Mr. Womack, are you
7 familiar with Georgia Power's PrePay Plan that they
8 offer consumers?

9 MR. WOMACK: Yes.

10 VICE-CHAIRMAN ECHOLS: And are you familiar
11 with the fact that customers on this rate save
12 between 11 and 15 percent from what they were paying
13 as a monthly customer?

14 MR. WOMACK: I am, sir.

15 VICE-CHAIRMAN ECHOLS: And are you aware that
16 we have over 75,000 customers --

17 MR. WOMACK: I am.

18 VICE-CHAIRMAN ECHOLS: -- on the plan right
19 now?

20 Could I get a commitment from you to do more
21 marketing, more advertising about this program that
22 would essentially offset this rate increase for a
23 lot of customers if they went to this program?

24 People don't know about it and we just need --
25 we just need to get the word out. Could I get a

1 commitment from you that you -- that Georgia Power
2 will do -- will do more to let customers know?

3 MR. WOMACK: Yeah, Commissioner Echols, I agree
4 with you. And, yes, I give you that commitment that
5 we will look at additional creative ways to tell the
6 story about the PrePay Program and that we will put
7 together a communication.

8 COMMISSONER MCDONALD: Plan to, in fact, do
9 that. Thanks for your support and we look forward
10 to moving in that direction.

11 VICE-CHAIRMAN ECHOLS: Thank you so much.

12 MADAM CHAIR PRIDEMORE: Commissioner McDonald.

13 COMMISSONER MCDONALD: Mr. Womack, thank you
14 for your presence today.

15 MR. WOMACK: Mr. McDonald, it's always a
16 pleasure to be in front of you.

17 COMMISSONER MCDONALD: As some -- one of the
18 public witnesses said earlier, the buck stops there
19 and the buck stops here.

20 I have got a couple or three points that I'd
21 like to -- for you to elaborate on a little bit.
22 Number one, in your -- in your statement you talk
23 about federal and state compliance. Can you
24 elaborate a little bit more on what those
25 compliances are and how they affect a consumer's

1 rate?

2 MR. WOMACK: And --

3 COMMISSONER MCDONALD: Or you can defer that to
4 one of the more nodule experts that will probably be
5 on a panel a little bit later.

6 MR. WOMACK: No. I -- I will do that because I
7 think you're making reference to our Coal Combustion
8 Residual and our Coal Ash programs. And as you know
9 and as we discussed during the integrated resource
10 plan process, as we talked about our method of
11 managing coal ash and those programs, and the
12 approval that this Commission granted us during the
13 integrated resource plan, we talk a lot about the
14 fact that we are in compliance with our -- with
15 state and federal rules and regulations regarding
16 those programs.

17 So that program was litigated and discussed
18 during the IRP. But, yes, we will have some other
19 witnesses that can speak to that in more detail.
20 But, yeah, that was one of my references as we talk
21 about being in compliance.

22 COMMISSONER MCDONALD: Do those compliances
23 have dollars with them?

24 MR. WOMACK: They do --

25 COMMISSONER MCDONALD: Mandated?

1 MR. WOMACK: They are -- yeah, there are
2 dollars that are associated with being in
3 compliance.

4 COMMISSONER MCDONALD: Mandated by the state
5 and federal, but not mandated by this Commission?

6 MR. WOMACK: That's correct, sir.

7 COMMISSONER MCDONALD: Thank you.

8 Then one other thing. There's been a lot of
9 discussion earlier about Georgia Power being one of
10 the highest rates -- residential rates in the
11 nation, and, yet, you just discussed the fact that
12 we're 15 percent below the national average. Would
13 you elaborate on that, please?

14 MR. WOMACK: Commissioner McDonald, as we look
15 at information from the Energy Information
16 Administration that looks at 135 different utility
17 companies and today we see that our rates are some
18 11 percent below the national average. So that's
19 the data we take a look at and something we pay a --
20 pretty close attention to as we look at our rates
21 and our pricing, and as we make sure that our
22 product is affordable. But that's the most recent
23 data that we have that shows that we are 11 percent
24 below the national average.

25 COMMISSONER MCDONALD: In short, you're saying

1 that we are not in the highest category of rates in
2 the --

3 MR. WOMACK: We are not, sir.

4 COMMISSONER MCDONALD: Thank you, Madam Chair.

5 MADAM CHAIR PRIDEMORE: Any other questions
6 from Commissioners?

7 COMMISSIONER SHAW: I mean, I was just going to
8 echo what your -- I was going to ask the same
9 question because it's very contradictory. We hear,
10 you know, we're the eighth highest rates.

11 I can show you something from the AJC showing
12 we're the fifth highest. So I've dug into this
13 those, as well. And, you know, there's two
14 different -- there's always different ways to look
15 at these numbers.

16 But you can't -- if you're going to really
17 compare rates, you've got to just look at cost per
18 kilowatt. You can't just look at the total
19 consumption rate. And in some of these -- some of
20 these that I've looked at, they were including
21 utility costs across the board, not just looking at
22 electric rates.

23 But thank you for being here and --

24 MR. WOMACK: Thank you, Commission Shaw. It is
25 my honor -- my honor to be before you.

1 COMMISSIONER SHAW: Appreciate you.

2 MADAM CHAIR PRIDEMORE: Thank you for using EIA
3 versus WalletHub or whatever they call themselves,
4 these little groups that have come up, so -- it
5 makes sense.

6 MR. WOMACK: And we have historically. I think
7 it's important to be consistent in the resources you
8 use on the data, such as rates and pricing.

9 MADAM CHAIR PRIDEMORE: Reputable source is
10 important.

11 Any other questions for Mr. Womack? Comments?

12 (No Response.)

13 MADAM CHAIR PRIDEMORE: Okay. Let's start with
14 cross. Americans for Affordable Clean Energy.

15 And do me a favor -- and I'm not picking on
16 you, Newton, but speak -- everybody needs to speak
17 up. I either need you to come to the mic or I need
18 you to shout.

19 MR. GALLOWAY: No questions, Madam Chair.

20 MADAM CHAIR PRIDEMORE: There you go.

21 MR. THOMAS: The Public Service Commission has
22 some questions.

23 MADAM CHAIR PRIDEMORE: Oh, I'm sorry. Of
24 course. How could I forget you, Preston?

25 MR. MARZO: I'm fine if you don't.

1 MADAM CHAIR PRIDEMORE: Go ahead, Preston. Go
2 ahead.

3 MR. THOMAS: Good morning, Mr. Womack,
4 Commissioners.

5 MR. WOMACK: Good morning.

6 MR. THOMAS: Preston Thomas on behalf of
7 PIA Staff.

8 CROSS-EXAMINATION

9 BY MR. THOMAS:

10 Q Mr. Womack, I just have a few initial questions
11 about the company's request. As you're aware, you are
12 requesting an additional roughly \$3 billion in revenue
13 from customers over the next three years, 2023 through
14 2025.

15 Has Georgia Power ever asked for a rate
16 increase of this magnitude, \$3 billion over three years?

17 A I would say to you our request is a little bit
18 over \$1 billion. And, yeah, we have made that similar
19 request before.

20 But, once again, I think you look at the nature
21 of this request and the investments we're seeking to make
22 sure that we're able to meet the needs of our customers
23 now and into the future.

24 Q So are you -- are you disagreeing with the
25 question that the request is roughly \$3 billion for that

1 three-year --

2 A I think you are -- I don't want to make an
3 assumption, but I think you're looking at it from a
4 cumulative approach and that's not how --

5 Q Yes, sir.

6 A Right.

7 Q I'm asking for the three-year period, which
8 you're asking for this Commission, Schedule 1 of
9 worksheet entitled "Rev Requirement" shows a total of
10 2.9 billion from 2023 to 2025, and Schedule 5 worksheet,
11 page 1, shows 69 million for the franchise fees for that
12 period.

13 So that would be a \$2.969 billion ask; right?

14 MR. MARZO: Madam Chair, I would just ask if
15 we're going to ask Mr. Womack to confirm a
16 calculation, if he be provided the data point and
17 the worksheets that Mr. Thomas is using --

18 MR. THOMAS: Well, they're schedules from their
19 filing, but I can show it to him if he --

20 MR. MARZO: There are thousands of schedules.

21 BY MR. THOMAS:

22 Q Okay. Would you like to see --

23 MADAM CHAIR PRIDEMORE: You may approach,
24 Mr. Thomas.

25 MR. THOMAS: All right.

1 BY MR. THOMAS:

2 Q I'm sorry. I don't have a copy of that --
3 those two schedules from your filing. But, in general,
4 would you be willing to say that, subject to check,
5 that's what your filing says?

6 A Our -- our request is for just over a
7 billion-dollar requirement over this three-year period.
8 That's our filing in this case. And that's -- that's
9 what this case is asking for.

10 Q So it's your testimony that you're not asking
11 for 2.9 billion over a three-year period?

12 A Our request is for just over \$1 billion of
13 revenue requirement increase over the next three years.

14 Q Per year?

15 A Over the three-year period.

16 Q Okay. So in 2019 you asked for \$2.2 billion
17 request over the three-year period, didn't you?

18 And so you're saying this time you're asking
19 for less than you asked for in 2019?

20 A I was not here in 2019. I think there may --
21 Mr. Abramovitz, who's on the next panel, may be able to
22 speak to it, but I was not here in 2019.

23 Q Okay.

24 A Okay.

25 Q And Georgia Power's request of what staff is

1 calling 2.969 billion and you're calling 1 billion would
2 increase a typical residential customer's bill by
3 approximately \$15 per month; correct?

4 A That's correct. In the first year.

5 Q And the company will be making three additional
6 requests for more revenue in 2023 and 2024. These will
7 be Vogtle Unit 3, higher fuel expense sand
8 under-recovered fuel balance, and Vogtle 4; correct?

9 A Repeat your question in terms of your time
10 frame.

11 Q Okay. In the next two years the company is
12 going to come for -- before this Commission for three
13 additional requests. This will be for Vogtle Unit 3,
14 higher fuel expenses and under-recovered fuel balance of
15 approximately \$1 billion, and Vogtle Unit 4; is that
16 correct?

17 A That is. And let me also say that as we make
18 requests for the Vogtle units, that will then reflect
19 that those units are, in fact, online providing
20 carbon-free baseload energy for this state and for our
21 customers for some 60 to 80 years. So that is something
22 that we're really looking forward to.

23 Yes, we see volatility in the energy markets, a
24 lot of it as a result of the Russia/Ukraine war. We've
25 seen gas prices volatile, as well as coal prices.

1 And so, yeah, we see unrecovered balances in
2 our fuel clauses and we will prepare to come before this
3 Commission in February of next year to address that
4 issue. And as we have in the past, we will work
5 collaboratively with the Commission on those matters to
6 make sure we address them in a balanced way for the
7 company, as well as for our customers.

8 Q Okay. All right. Thank you, Mr. Womack.

9 MR. THOMAS: May I approach?

10 MADAM CHAIR PRIDEMORE: You may approach.

11 MR. THOMAS: Okay. I would like to show you
12 this schedule from your filing.

13 BY MR. THOMAS:

14 Q Looking at that scheduling for years '23, '24,
15 and '25, would you agree that the total ask for those
16 three years is roughly \$2.9 billion without the franchise
17 fees?

18 A I can't -- I can't agree to that at this time.
19 I need to -- would have to look at this a little.

20 Q It's a schedule from your filing. And under
21 each --

22 A Right.

23 Q -- each year, '23, '24, and '25, there's a
24 total of 612 million, 948 million, and 1.3 billion. It
25 comes out to roughly 2.9 billion; correct?

1 A I haven't added it up at this point. And --

2 Q Subject to check, would you agree with that?

3 A Yeah, subject to check. And I would ask you
4 to -- to also ask Mr. Abramovitz on our other -- on the
5 next panel. I would ask that you present this to them as
6 well; okay?

7 Q Sure. But you're coming here and you're --

8 MR. MARZO: Madam Chair, I'm just going to make
9 the objection that it's asked and answered.

10 Mr. Womack explained in the first answer that what
11 staff is doing is a cumulative calculation.

12 Our request is what our request is. It's a
13 12 percent increase, \$1 billion. Mr. Womack
14 answered that question.

15 If staff wants to do a different type of math,
16 do a cumulative calculation, they present a witness
17 to do that or they can ask Mr. Abramovitz about that
18 issue, but Mr. Womack answered that question.

19 MR. THOMAS: I don't believe he did. I
20 asked --

21 MR. MARZO: He said cumulative in his response.

22 MR. THOMAS: Can I -- I asked several times if
23 he agreed with over the three-year period that it
24 would be roughly 2.9 billion. He talks at length in
25 his testimony about rate impact on pages 5 and 10,

1 and in his opening statement. And how can we look
2 at rate impact without looking at the total for the
3 three-year period that the company is coming before
4 this Commission and asking for?

5 MADAM CHAIR PRIDEMORE: Mr. Thomas, I'm going
6 to allow it, but with some guardrails.

7 All right. So Mr. Womack is obviously the
8 chairman and CEO. He's not the CFO. Mr. Abramovitz
9 is coming up next and we know from past times of him
10 being a witness on the stand that he is the one that
11 we go very, very deep with these numbers with. So
12 I'm going to allow it for now, but with some
13 guardrails.

14 And, Mr. Womack, you can always say: Subject
15 to check. I tell my husband that all the time.
16 Subject to check.

17 Go ahead, Mr. Thomas.

18 MR. THOMAS: Thank you.

19 BY MR. THOMAS:

20 Q So walking through the four additional revenue
21 requests that are going to be coming before this
22 Commission, subject to check, would you agree, then, the
23 impact of all four increases would be in the range of 55
24 to \$60 per month for the typical residential customer and
25 approximately a 45 percent increase to customers?

1 A I wouldn't speculate on that number at this
2 time.

3 Q Are you disagreeing with that number?

4 A I wouldn't speculate on that number at this
5 time.

6 Q All right. Well, then, let's walk through the
7 additional requests that the company is going to be
8 bringing before the Commission. Subject to correct --
9 subject to check, am I correct that the company's fuel
10 costs are under-recovered by almost a billion dollars as
11 of June 2022?

12 A That's correct.

13 Q Okay. And the fuel case is going to be filed
14 no later than February 28th, 2023; correct?

15 A That's correct.

16 Q Okay. And a billion-dollar fuel recovery, that
17 will have about a 20 percent impact on bills; correct?

18 A Once again, we don't know where we will be by
19 February of next year. So I think it would be very
20 difficult for me to speculate on -- on what the number,
21 what the adjustment would need to be made in the interim
22 profiling.

23 Q So you agree that you have to bring it by
24 February of 2023, but as you're asking for this rate
25 impact, you haven't considered at all what the impact of

1 a billion dollars of under-recovered fuel might have on
2 rates?

3 A We take seriously any rate changes. And we
4 don't do this in a vacuum. Do I know exact what that
5 number will be by February of next year? I don't.

6 But, no, we don't -- we don't operate in
7 isolation. We are aware of where we are from a fuel
8 balance. We pay attention to what the adjustments will
9 be when the Vogtle units go online and they begin to
10 operate and provide this -- our customers and this state
11 with this carbon-free baseload energy.

12 We pay attention to all of that, but I can't
13 speculate on what -- what the fuel rate adjustment will
14 be in February of next year.

15 COMMISSONER MCDONALD: Madam Chair, if I might
16 speak to both parties here for a second.

17 Fuel cost is a pass-through. There's no profit
18 made by the power company on the fuel cost; is that
19 correct?

20 MR. WOMACK: That's correct.

21 COMMISSONER MCDONALD: Is that correct,
22 Mr. Thomas?

23 MR. THOMAS: Well, that's exactly right,
24 Commissioner. And that's why --

25 COMMISSONER MCDONALD: Is that a yes?

1 MR. THOMAS: That is right. And that's why
2 we're raising the issue now.

3 COMMISSONER MCDONALD: Okay. All right.

4 MR. THOMAS: Because in this case, you have a
5 lot of leeway and latitude to affect rate shock and
6 rate impact. But in a fuel case, you don't. So
7 that's why it's important that the issue be raised
8 now.

9 COMMISSONER MCDONALD: Well, and in past times,
10 Mr. Thomas, even though we recognized that the
11 billion dollars of under-recovered fuel costs, but
12 that's -- that's spread over some time because we
13 have had times when we over-recovered; correct?

14 Is that correct?

15 MR. THOMAS: Correct.

16 COMMISSONER MCDONALD: All right. Then with
17 that said, over the last year and a half, two years,
18 what have we seen? And we have combined cycle
19 generation that's natural gas for the generation of
20 electricity.

21 And what have we seen with the price of natural
22 gas per dekatherm from less than \$3 a dekatherm to
23 less than \$9 a dekatherm over the last year and a
24 half; is that correct or incorrect?

25 MR. WOMACK: That's correct.

1 COMMISSONER MCDONALD: Does Georgia Power have
2 control over that price?

3 It's the federal government that has control
4 over it, has caused the price increase for natural
5 gas to go. And then -- and one of the most recent
6 pieces of legislation, I think there was a
7 15 percent tax on coal that was implemented in that
8 area. That's the cost of coal generation.

9 So the fuel cost is one thing to generate
10 electricity, but it's not that Georgia Power Company
11 is making any profit on it. It's not that the
12 Commission is recovering any, or any other reason,
13 but it's just a pass-through. And I just want this
14 information identified for -- for anybody that
15 doesn't really know what the fuel cost is and how
16 it's applied.

17 MR. THOMAS: And, Commissioner, staff is just
18 pointing this up because a lot of the issues in the
19 rate case are about timing. You know, they --

20 COMMISSONER MCDONALD: I agree with you.

21 MR. THOMAS: The Commission wants to front-load
22 things. And so the overall -- you can't look at in
23 a vacuum, as Mr. Womack said.

24 BY MR. THOMAS:

25 Q So, Mr. Womack, you agree that you don't look

1 at it in a vacuum. I believe you've said that the
2 company has struck the appropriate balance, in your
3 opening statement, and, yet, you can't give me any idea
4 of what kind of rate impact that \$1 billion will have; is
5 that correct?

6 A I think it would be very difficult to speculate
7 on what that impact will be at this point in time.

8 Q And rates are also expected to increase next
9 year to reflect Plant Vogtle Unit 3 going into service;
10 correct?

11 A That's correct.

12 Q Okay. And the company has said that they
13 expect that to be a 10 percent impact and that -- you
14 know, staff says 13 percent impact.

15 But would you agree, at least, with the
16 10 percent impact that the company's number they have
17 used in Vogtle cases --

18 A Yeah. Subject to check, I would agree to that,
19 yes, sir.

20 Q And you agree that that 10 percent impact is if
21 the company only asks for 7.3 billion; correct?

22 A I'm not sure --

23 MADAM CHAIR PRIDEMORE: Even I don't understand
24 that question, Mr. Thomas. Try that one again for
25 me.

1 MR. WOMACK: Yeah.

2 BY MR. THOMAS:

3 Q So if the company asks for recovery of anything
4 more than the 7.3 billion, the impact will be greater
5 than 10 percent, and that's what staff points to,
6 anywhere from 12 to 15 percent impact on the consumer?

7 A I'm not sure if you're asking a question or
8 making a rhetorical statement at this point. I'm not
9 sure what you're asking.

10 Q Do you agree that the impact could be higher
11 than 10 percent?

12 A I -- I'm not -- the agreement with the
13 Commission on once those units go into effect, the month
14 afterward, this is what the increase would be. That is
15 what this Commission has agreed to. And that's a
16 reflection on those units coming online, providing this
17 state, providing our customers, with this carbon-free
18 baseload energy. So great value, great benefit that will
19 be coming online, so...

20 Q And at the 10 percent that you have agreed to,
21 subject to check, that would represent around \$6 per
22 month for the average residential customer; correct?

23 A I -- once again, I'd probably defer that to
24 Mr. Abramovitz on the next panel, but I think it's more
25 in the \$5 range, in terms of what -- what we expect.

1 Q And the rate increase associated with Vogtle 4
2 going into service will be in 2024; correct?

3 A Right now we are expecting Unit 4 to come
4 online in December of '23, yeah. So a month afterwards,
5 yes.

6 Q Okay. So do you see that staff have concern
7 with all of these different requests for rate increases
8 in such a short period of time and the impact that it
9 could have on the consumer?

10 A I can't -- I can't speak for staff. I can -- I
11 can speak for the company.

12 Q Do you have concerns?

13 A As I said, we take very seriously any -- any
14 changes in rates. And -- and we seek to balance those --
15 those adjustments with making sure that our ability to
16 meet the needs of our -- of our customers. So, yes, we
17 take that into full consideration.

18 Q When staff adds all of these different
19 estimates together for the different requests that are
20 coming in this time period, they get roughly 55 to
21 \$60-a-month impact on the average bill. What -- what
22 kind of numbers is the company getting with all these
23 different impacts?

24 A We have not gotten that. I mean, in terms of
25 what you -- what you're adding up, I think it's pure

1 speculation at this point, in terms of what the -- what
2 that number will be. And so we'll continue to follow it
3 very carefully and see where we are, particularly as it
4 relates to fuel, by the February time frame of next year.
5 And as we work with this Commission to address that
6 issue, we'll take all this into consideration.

7 Q And would you agree that the Commission has a
8 lot of discretion when setting base rates ranging from
9 the timing of recovery of costs to appropriate levels of
10 expenses and investment and determining of reasonable
11 ROE?

12 A And that's for the Commission to decide. I
13 mean, we enjoy and enjoy this constructive regulatory
14 relationship. And as we work with the Commission to
15 address particularly the under-recovered fuel balance,
16 we'll work to figure out the best manner and method to do
17 that over what -- over the time frame.

18 Q And since the Commission has been doing these
19 three-year accounting orders, the Commission has never
20 approved the company's base rate as filed; correct?

21 A Like I said, I was not here for previous cases.
22 So I can't -- I can't confirm that.

23 Q So although you weren't here, as CEO you
24 haven't looked at past Commission decisions and
25 understood how the process works here at the Commission?

1 MR. MARZO: Madam Chair, in the hundred-plus
2 years of regulation this Commission's had over
3 Georgia Power Company, I don't think it's fair to
4 ask Mr. Womack: Has there ever been an instance in
5 which the company's request has been granted in
6 total as filed?

7 MR. THOMAS: That's not what I asked. I asked
8 whether there has been an incident since the
9 three-year accounting orders, which he actually
10 referenced the history of the three-year accounting
11 orders in his opening statement. So he's obviously
12 familiar with that time period and that's the time
13 period I'm asking about. Since the '90s.

14 MR. WOMACK: Well, what is your specific
15 question?

16 BY MR. THOMAS:

17 Q My specific question is: Since we've been
18 doing that three-year accounting order, has there ever
19 been a time that the Commission has approved the
20 company's base rate -- rate request as filed?

21 A And I'm not able to answer that question.

22 MR. MARZO: Just asked and answered.

23 BY MR. THOMAS:

24 Q Would you -- would you be surprised to learn
25 that there's never been a time where the Commission has

1 approved the company's plan as filed?

2 A I don't think me responding to speculation is
3 appropriate or -- in this proceeding. I just -- I just
4 don't think so.

5 Q So knowing the history of how the company --
6 how the Commission has operated in the last 20 years is
7 speculation?

8 A I --

9 MADAM CHAIR PRIDEMORE: Mr. Thomas, it would --
10 I will step in here now.

11 MR. THOMAS: Well, Commissioner, he referenced
12 this three-year --

13 MADAM CHAIR PRIDEMORE: He mentioned a
14 three-year accounting order.

15 MR. THOMAS: And he has talked about how great
16 a system --

17 MADAM CHAIR PRIDEMORE: He mentioned the
18 Georgia Power Company, as well. He's not expected
19 to know the first person that screwed in the
20 lightbulb at the Georgia Power Company.

21 MR. THOMAS: I'm not asking that. I'm asking
22 if over the period that he referenced in his opening
23 statement, if he is familiar with a time that the
24 Commission has ever approved a filing --

25 MADAM CHAIR PRIDEMORE: Asked and answered.

1 MR. THOMAS: -- as filed.

2 And I'm saying now: Would he be surprised to
3 learn that that is the case; that it's never been
4 approved as filed?

5 BY MR. THOMAS:

6 Q Would you be surprised to know that?

7 A I -- I can't respond to that speculation of a
8 surprise. I -- I just can't. I mean, I don't know how
9 to answer that.

10 Would I be surprised? I simply don't know how
11 to answer that one.

12 Q Okay. If there have been times that the
13 company has filed and they have not been approved as
14 filed, would you say that the company has still been able
15 to provide safe and reliable service, even though the
16 bate race [sic] requests were modified by this
17 Commission?

18 A Whatever decision this Commission renders,
19 that's what we live with and that's what we will make
20 work.

21 Q When the company filed its rate case, the
22 company, too, had a lot of discretion to lower ratepayer
23 impact, didn't it?

24 A Yes. I mean, in making this -- the filing, the
25 answer is yes. But I would say, and as I've said in my

1 testimony and I will continue to say, as we look at where
2 we are in the state and where we are in our business,
3 this -- this request, this investment is what we need to
4 make sure that we're meeting the growing needs of our
5 customers and the growing needs of this state.

6 VICE-CHAIRMAN ECHOLS: Can I jump in here?

7 Just a quick question to ask you to clarify
8 something. You just said that whatever the
9 Commission decided, you -- you'll figure out how to
10 make that work.

11 So if we did punt some of these upgrades that
12 you're talking about, you know, on the grid, the
13 autonomous -- some of the autonomous controls, the
14 other things, what -- what's going to be the impact
15 on the grid if we delayed this?

16 MR. WOMACK: Once again, I mean, as we make
17 this filing and we look to replace aging
18 infrastructure and we look to change out bad
19 circuits, we improve service and we improve
20 reliability by making these -- by making these
21 changes, by making these investments. That supports
22 us making sure that our system, that our company is
23 operating more efficiently and more successful in
24 how we run our business.

25 VICE-CHAIRMAN ECHOLS: So you feel confident in

1 saying that if we don't make these necessary
2 improvements that our reliability will be impacted?

3 MR. WOMACK: Yeah. There will be reliability
4 impacts that we'll have by not changing some of the
5 aging infrastructure that we have on our system.

6 VICE-CHAIRMAN ECHOLS: Okay. Thank you.

7 BY MR. THOMAS:

8 Q So returning to the discretion that the company
9 had to lower ratepayer impact, which you get into on
10 page 14 of your testimony, would you agree that there are
11 things that you could have done, such as you could have
12 proposed leaving the return on equity where it was, you
13 could have chosen not to lower the depreciation expense
14 for Plant Hatch, even though you filed to extend the
15 license of the unit, you could have chosen to propose --
16 or you could have chosen not to propose a grid investment
17 plan that on its own is going to impact customer bills \$4
18 per month, and you could have made some of those types of
19 choices that could have lessened the impact?

20 Would you agree?

21 MADAM CHAIR PRIDEMORE: Mr. Thomas, I'm on
22 page 14 of the witness's testimony. Can you give me
23 a line where these things are --

24 MR. THOMAS: Okay. So --

25 MADAM CHAIR PRIDEMORE: -- are enumerated.

1 MR. THOMAS: -- on page 14 he talks about how
2 important it is for ratepayer impact and that they
3 take -- took that into account. And so I'm asking
4 him follow-up questions on how he took ratepayer
5 impact into account and whether he could have taken
6 these additional steps to reduce the impact that
7 consumers are going to see on their bill.

8 MADAM CHAIR PRIDEMORE: On page 14, I see two
9 questions with headlines: Why is it important to
10 maintain the company's financial integrity? And why
11 is it important that the company receive a fair rate
12 of return?

13 I'm just -- I'm looking for ratepayer impact,
14 just so I can follow along.

15 MR. THOMAS: Well, he talks about -- he talks
16 about on page 14 the fairness of the return on
17 equity. And then -- I'm sorry -- on page -- also on
18 page 12, he talks about anything they can do to
19 reduce the amount of the company's request in this
20 proceeding on lines 7 through 14.

21 And so I think both of those references he's
22 talking about fairness and rate on -- impact rate on
23 customers. And so my questions are simply
24 follow-up: Are there further things he could have
25 done to reduce that impact?

1 MADAM CHAIR PRIDEMORE: So you're saying
2 page 12, then line -- starting on line 7?

3 MR. THOMAS: That's right. Lines 7 through 14
4 on page 12. And on page 14, lines 18 through 21,
5 talk about the fairness and -- of the rate of
6 return.

7 So both of -- both of those areas talk about
8 the impact on the ratepayer and then I have
9 follow-up questions on that impact.

10 MADAM CHAIR PRIDEMORE: Go ahead.

11 MR. WOMACK: I guess I'm not sure what your --
12 what your follow-up question is.

13 BY MR. THOMAS:

14 Q Would you like me to ask it again?

15 A Yeah, you can ask again, but I would defer that
16 to Mr. Abramovitz and this next panel to give you more
17 detail on those financials because that is -- that is not
18 in my testimony.

19 Q So I don't want you to give me specifics. I'm
20 just asking if you could have taken some of those
21 measures or other measures than you did that could have
22 reduced bill impact. Would --

23 A Once again, I think you're -- once again, I
24 think you're moving towards speculation of things we
25 could have done. I mean, I -- I'm -- I'm not going to go

1 down that train of thought.

2 Q It's not --

3 MR. MARZO: Madam Chair, if I could, if it's
4 helpful, there is a panel following this who -- if
5 the staff wants to go through specific adjustments,
6 which is what I think Mr. Thomas just did, he's got
7 these various adjustments that staff might want to
8 make, there's a panel behind that will drill -- will
9 deal with specific adjustments in the case.

10 MADAM CHAIR PRIDEMORE: Are you objecting or
11 providing commentary?

12 MR. MARZO: I'm just -- I'm objecting to the
13 extent that he's asked and answered --

14 MADAM CHAIR PRIDEMORE: You're objecting, okay.
15 Sustained, Mr. Thomas.

16 MR. THOMAS: Okay.

17 MADAM CHAIR PRIDEMORE: Because there's nothing
18 in Mr. Womack's testimony --

19 MR. THOMAS: On page 12 --

20 MADAM CHAIR PRIDEMORE: -- on pages 12 or 14 --

21 BY MR. THOMAS:

22 Q Please turn to page 12 --

23 MADAM CHAIR PRIDEMORE: -- that go into this
24 detail.

25 BY MR. THOMAS:

1 Q -- of your testimony. Looking at page 12 of
2 your testimony, you are asked if there's any items
3 reducing the amount of the company's request in this
4 proceeding. You give ways that the company has tried to
5 reduce the request.

6 I am saying there's a lot of discretion for the
7 company in how they bring this request before the
8 Commission. And without getting into detail, it -- your
9 discretion is on things like the rate of return on equity
10 that you asked for, is it not?

11 That's in your discretion?

12 A Yeah. But in my testimony I also say the
13 testimony of Mr. Abramovitz, Ms. Adams, Mr. Houston will
14 discuss these items.

15 Q I'm not asking for detail. I'm asking if that
16 was in your discretion that you had -- the company has
17 discretion over the asks that they bring here, and that
18 those asks have impact on the ratepayer?

19 A We understand that our ask and our requests
20 have impact on ratepayers and I've spoken to that. And
21 we take that -- any changes very seriously.

22 At the same time, we know that in this
23 environment we're in and what we have to do to support
24 our customers in this growing environment, these are
25 investments we think we need to make.

1 Q All right. Lastly, I would like to turn to
2 levellization. The company has asked to front load costs
3 in the first year of the three-year plan. And by front
4 load I mean the company proposes to collect more in the
5 first year of their three-year plan than its actual
6 revenue deficiency for that year in order to lessen
7 additional rate increases in subsequent years; correct?

8 A Correct.

9 Q Okay. And would you agree with me, subject to
10 check, that while the company is asking for a
11 \$761 million base rate increase effective January 1,
12 2023, the company's traditional revenue deficiency is
13 only 318 million and its calendar year 2023 test year
14 revenue deficiency is around 477 million; correct?

15 A I would say subject to check.

16 Q Okay.

17 A But, once again, this leveled approach
18 provides over that three-year period about \$40 million in
19 savings to our customers. And that is why this approach
20 is recommended in this case.

21 Q Okay. But the Commission's not required to
22 allow the company to front load costs; correct?

23 A I think that's -- there's a bigger question to
24 include the Commission has the authority. I mean, they
25 have to approve this -- the entire request. And so this

1 is the request we bring before the Commission.

2 Q Right. But just like you said, these decisions
3 can't be made in a vacuum. If the Commission sees
4 economic hardship or three other rate increases coming
5 down the road, they could decide not to front load costs;
6 correct?

7 A And that's a decision for this Commission to
8 make.

9 MR. THOMAS: Madam Chair, I have no further
10 questions. Thank you.

11 Thank you, Mr. Womack.

12 MR. WOMACK: Thank you very much.

13 MADAM CHAIR PRIDEMORE: All right. Let's start
14 on this list again. And just because I love to hear
15 Mr. Galloway speak, Americans for Affordable Clean
16 Energy.

17 MR. GALLOWAY: Madam Chair, we still have no
18 questions.

19 MADAM CHAIR PRIDEMORE: There you go.

20 The Commercial Group.

21 MR. JENKINS: No questions.

22 MADAM CHAIR PRIDEMORE: Concerned Ratepayers
23 for Georgia.

24 (No Response.)

25 MADAM CHAIR PRIDEMORE: Cypress Creek

1 Renewables.

2 MR. STAIR: No questions.

3 MADAM CHAIR PRIDEMORE: EVgo Services, LLC.

4 MR. VIJAYKAR: No questions for me.

5 MADAM CHAIR PRIDEMORE: Georgia Association of

6 Manufacturers.

7 MR. JONES: Yes, ma'am.

8 Hi, Mr. Womack.

9 MR. PRENOVITZ: Madam Chair, I was in the back

10 room. I heard you and --

11 MADAM CHAIR PRIDEMORE: You're going to have to

12 wait. You missed your shot, Mr. Prenovitz. Sorry.

13 MR. PRENOVITZ: Very good.

14 MR. JONES: Thank you, Madam Chair.

15 CROSS-EXAMINATION

16 BY MR. JONES:

17 Q Good morning, Mr. Womack. How are you this

18 morning?

19 A I'm very good. Thank you. Good to see you

20 again.

21 Q I know we've been introduced before. I'm Clay

22 Jones on behalf of the Georgia Association of

23 Manufacturers.

24 On page 2 of your testimony, lines 11 to 14 --

25 I will give you a minute to get there.

1 Here you talk about Georgia's status as the
2 number one state in America to do business. And you also
3 emphasize the importance of retaining and attracting
4 business. Why is that important, in your mind?

5 A I think it's the cornerstone and the foundation
6 of a growing economy that serves and benefits all the
7 citizens of this great state.

8 Q Okay. And you would agree with me that this
9 Commission plays a vital role in promoting and enhancing
10 Georgia's status as a state that is friendly to business
11 investment; would you agree?

12 A I agree.

13 Q Okay. Well, let's talk specifically about the
14 companies that I work with; manufacturers.

15 Would you agree with me that manufacturing
16 itself plays a vital role in the state's economy and in
17 your business?

18 A And we are very supportive. We're very big
19 supporters of the manufacturing industry in this -- in
20 this state.

21 Q And you agree it plays a vital role; correct?

22 A It does, yes, sir.

23 Q Okay. And would you agree that modern
24 manufacturing operations are increasingly high-tech and
25 advanced and provide their employees with

1 higher-than-average salaries and benefits; is that your
2 understanding?

3 A That's my understanding, correct.

4 Q Okay. And often those manufacturing operations
5 are located in some of our state's more underserved areas
6 throughout the state; would you agree with that?

7 A I would -- I mean, that -- subject to check,
8 but I -- I mean, if that's your assertion, I would --

9 Q I mean, in other words --

10 A I won't argue with it.

11 Q Excuse me. I didn't mean to talk over you.

12 In other words, many manufacturing operations
13 are located in some of the more rural areas of Georgia;
14 would you agree?

15 A Yeah. Well, you -- you're located all across
16 the state.

17 Q That's right.

18 A Yeah.

19 Q Thank you.

20 So in some of those situations those operations
21 can be absolutely critical for the health of Georgia
22 communities; would you agree with that?

23 A Yes. They are very important, vital to many
24 communities.

25 Q Great. Thank you very much.

1 On page -- I want to switch over to page 14 of
2 your testimony. And at the top of your -- lines 1 to 14
3 you answer the question about the importance of
4 maintaining the company's financial integrity. Would you
5 also agree with me that the financial integrity of
6 Georgia businesses, including manufacturers, is important
7 in this growth agenda that Georgia Power has?

8 A That's correct.

9 Q And would also agree with me that manufacturers
10 have faced and continue to face serious challenges of
11 their own, including the impact of the pandemic, supply
12 chain challenges, work force shortages, and energy
13 crisis?

14 A And we all have, yes.

15 Q Right.

16 A Yes, we have.

17 Q And so we can agree that the Commission in this
18 case, and in the series of cases that Mr. Thomas was
19 referring to earlier that will follow, should be
20 especially sensitive and aware of those challenges and
21 should help ensure that its decisions continue to
22 encourage growth; would you agree with that?

23 A Encouraging growth is a good thing, that's
24 correct.

25 Q And we would not want to place Georgia

1 manufacturers at a competitive disadvantage because those
2 companies have to compete with companies in other states
3 and overseas; would you agree with that?

4 A Yes.

5 MR. JONES: Okay. Thank you, Madam Chair. No
6 further questions.

7 MADAM CHAIR PRIDEMORE: Georgia Coalition of
8 Local Governments.

9 CROSS-EXAMINATION

10 BY MS. BROWN:

11 Q Hi, Mr. Womack. Alicia Brown for the Georgia
12 Coalition of Local Governments. Thank you for being here
13 today.

14 A Thank you very much.

15 Q Let's begin with electric vehicle
16 infrastructure. On page 10 of your testimony, if you'd
17 like to turn there, you mention that the company is
18 requesting to increase its investments in EV charging
19 infrastructure.

20 Can you tell us how much the company is
21 requesting for Make Ready and for Community Charging?

22 A I think our total investment, subject to
23 check -- and I think the other panel can give you more
24 details. But it's probably around \$90 million between
25 the Make Ready and the -- and the Community Charging

1 program.

2 Q And can you tell us how that's divided between
3 the two programs?

4 A Majority -- most of that is for the Make Ready
5 Program where we seek to work with customers and -- and
6 put the wiring and infrastructure in place so they can
7 then establish charging.

8 Q Yeah. Savannah has received that program twice
9 and certainly appreciates it.

10 A Yeah.

11 Q So we know between the Bipartisan
12 Infrastructure Law and the Inflation Reduction Act that a
13 lot of money has come into Georgia for electric vehicle
14 charging. Has the company had any conversations with
15 GDOT to see if they will be working with the company to
16 make use of Make Ready funds?

17 A We've had a lot of discussions with the Georgia
18 Department of Transportation. We've had a lot of
19 discussions -- currently there is a -- the legislature
20 authorized a study committee.

21 So we've been involved with a lot of different
22 parties around how do we make sure that we build out the
23 EV infrastructure in this state. And we're going to be
24 very supportive in making that happen, yeah.

25 We have two -- two programs that we're thrilled

1 to have in place, but there are a lot of other bigger
2 issues to address and we're going to be supportive
3 wherever we can.

4 Q So in the past the Make Ready Program has
5 focused on larger sites, where perhaps you have a
6 government fleet or a large business fleet, but we know
7 that EVs are going to be the future for just everyday
8 people like you and me. Is the company going to expand
9 the focus of the Make Ready Program to ensure that it
10 serves the needs of neighborhoods, community centers,
11 those smaller sites that might only need two, three, four
12 chargers?

13 A No. That's not what we're seeking to do here.
14 This is a continuation of what we're currently doing. I
15 think there are -- there are a number of other efforts
16 underway across this state to address some of those
17 issues. And we're going to be very -- work collectively
18 and collaboratively with all the parties involved in this
19 conversation to build out the EV ecosystem in the state
20 of Georgia.

21 Q So out of -- I believe it's 81 million out of
22 the 90 million that's earmarked for Make Ready, none of
23 that's going to go to some of these smaller projects,
24 like at community centers and churches?

25 A I can't tell you exactly how that's going to be

1 spent at this time.

2 Q Would you support some of that funding going
3 more directly --

4 A As -- as the requests come in, I mean, we'll
5 respond to the requests as they come forward.

6 Q Okay. If we can shift our attention to
7 renewable energy. Just one thing: In 2020 Southern
8 Company expressed a net zero goal. Of course, being the
9 parent company of Georgia Power.

10 Is Georgia Power committing itself to the same
11 goal?

12 A That is a Southern Company goal. We -- working
13 with this Commission, we make a number of decisions, in
14 terms of transitioning our fleet, as we make economical
15 decisions that are sustainable, that are cleaner. But
16 that is -- that's the direction we're taking.

17 Q But are you committing to the same goal?

18 A That's a Southern Company goal. That's not a
19 Georgia Power goal. But we'll -- like I said, working
20 with this Commission, in terms of making the transition
21 and the changes that we're making, they will align with
22 what -- with the goal at Southern Company.

23 Q On page 8 of your testimony, you speak to the
24 transition to those cleaner --

25 A Uh-huh.

1 Q -- renewable energy resources and you reference
2 the 2,300 megawatts that were recently approved in the
3 IRP. Since that decision, the Inflation Reduction has
4 been passed and has restored -- the investment tax credit
5 for 30 percent is restored, the production tax credit for
6 solar, and there are specific incentives for projects in
7 low-income communities.

8 With all that additional incentive now
9 available, is the company planning to re-evaluate or
10 perhaps even increase its request for renewable energy
11 from the Commission?

12 A That is something we'll engage with the
13 Commission. We are -- we are -- you have seen the
14 requests that we have made and what this Commission has
15 approved in regard to solar. And we're very pleased with
16 where we are and very excited about the future growth and
17 future development of solar in this state.

18 And, yeah, the Inflation Reduction Act, we
19 continue to evaluate what it means for us going forward.
20 Yes, we'd love to own more solar ourselves. And so as we
21 look at some of the tax changes that have come forward,
22 we'll take a look at that and work with this Commission
23 to decide what we do going forward.

24 Q Mr. Thomas informed us that the fuel costs have
25 been under-recovered by over a billion dollars just as of

1 June of 2022. Does that not shift the conversation
2 towards no fuel cost resources, like solar, given that
3 natural gas futures and, of course, coal remain high in
4 cost?

5 A We've always been a big supporter of all of the
6 above. All the resources that -- generation resources
7 that are available. And, yeah, I mean, it speaks to that
8 kind of strategy that we'll continue to support and
9 embrace.

10 Q In your statement you talked about how Georgia
11 Power Company is a big supporter of businesses and
12 Georgia is a wonderful state to do business. I believe
13 you even mentioned the first.

14 Has Georgia Power supported the -- any
15 businesses coming to the state who want 100 percent
16 renewable energy?

17 A We do have companies that are interested in
18 this state that look for renewable resources on a 24-by-7
19 basis.

20 Q Have any of those companies chosen Georgia
21 Power as their supplier under the Territorial Act?

22 A Restate your question.

23 Q Have any of those companies that are interested
24 in 24-hour-a-day renewable energy selected Georgia Power
25 as their supplier under the Territorial Act?

1 A And, subject to check, we are working with a
2 number of companies that have that renewable profile that
3 they are seeking.

4 COMMISSONER MCDONALD: Is it not true that if a
5 company wanted a hundred percent renewable energy,
6 they could do it themselves without Georgia Power?

7 MR. WOMACK: They could.

8 BY MS. BROWN:

9 Q Are there not limits on the amount of renewable
10 energy that you can interconnect to Georgia Power's grid
11 without their approval?

12 COMMISSONER MCDONALD: If they are not
13 connected to Georgia Power, they can use whatever
14 energy resource they want to have. The only thing
15 they can't do is sell it to their neighbor.

16 MS. BROWN: Understood.

17 COMMISSONER MCDONALD: They have to use it
18 themselves.

19 And one of the other things that we need to
20 keep in mind as we move forward, as Georgia has done
21 in its renewable energy program, with no upward
22 pressure on our ratepayers and no state subsidies,
23 but the fact is that we can't -- we can't
24 overproduce in renewable, unless we address the grid
25 situation.

1 MS. BROWN: Yes, sir.

2 COMMISSONER MCDONALD: It's absolutely
3 necessary.

4 BY MS. BROWN:

5 Q If I can direct you to page 13 of your
6 testimony. You've got two very pretty graphs for us
7 there. And you have shown that Georgia Power's rates
8 have risen at a rate that's below inflation.

9 Now, I'll note that the number for 2021 is
10 around 8 cents. And just as a residential customer
11 myself, I know that's not what I pay per kilowatt-hour.

12 So my question is: Does that retail rate on
13 that graph include customer charges and riders for things
14 like fuel and nuclear cost recovery?

15 A Yeah. And these are all total retail prices,
16 yes. So that would all be included, yes.

17 Q And, finally, we had some conversation about
18 this idea that Georgia Power's rates are 11 percent below
19 the national average; is that correct?

20 A That's correct.

21 Q Is it not true that states that, on average,
22 use more electricity are also going to have a lower rate?

23 A I -- I'm not going to speculate on that one.

24 Q If you have a revenue requirement of a million
25 dollars, is the rate not going to be lower if you sell a

1 thousand kilowatt-hours than if you sell 100?

2 A I'm -- I'm not going to go down that path. I
3 mean, I doubt it.

4 Q Mr. Womack, you're not going to do some basic
5 math for us?

6 A I mean, what -- I -- I mean, what's the point?
7 What are you asking?

8 Q Do states like Georgia that have electric
9 heating and use a lot of air conditioning sell more
10 kilowatt-hours, and, therefore, have a lower rate than
11 states that use a lot of natural gas in the winter?

12 A I -- I don't know the profile of those other
13 states. I just don't.

14 MADAM CHAIR PRIDEMORE: Also, Ms. Brown,
15 that's an apples-and-oranges comparison. You're
16 using a fuel type to compare with the amount of
17 energy produced. So you're using energy generation
18 or electric generation with a particular fuel type.
19 Those things -- that's an apples-and-oranges
20 comparison.

21 MS. BROWN: But, Madam Chair, if you use
22 electric heating and lots of air conditioning, you
23 are using more kilowatt-hours, which means you can
24 spread a cost over a wider number of people;
25 therefore, having a lower rate.

1 MADAM CHAIR PRIDEMORE: You still have to
2 generate to compensate for the amount that is
3 required by the system.

4 MS. BROWN: I understand that.

5 MADAM CHAIR PRIDEMORE: So it's -- that's an
6 apples-and-oranges comparison. Gas -- natural gas
7 being -- being of its own, in terms of -- of use
8 for -- for electrification is totally different than
9 the amount of energy that must be generated.

10 MS. BROWN: I think my question might be a
11 little bit unclear.

12 BY MS. BROWN:

13 Q So, Mr. Womack, where does Georgia rank in
14 terms of the bill that customers pay?

15 A And I don't -- I don't have that data at this
16 time.

17 Q So the rate is not the only factor that affects
18 customers; is that true?

19 A The rate affects customers, yes, but customers
20 then also, their -- their total bill impacts customers.
21 And that's -- and, once again, as we -- as we think about
22 customers and we think about rates, we think about how --
23 you know, from pricing, but also support.

24 The work we do with this Commission on energy
25 efficiency programs, the things we do about energy

1 assistance, I mean, there's a whole portfolio of
2 activities that we seek to engage in to support our
3 customers. We have energy assistance teams, energy
4 efficiency teams that are working with our customers on
5 an ongoing, continuous basis. So, yeah, we look at it
6 holistically.

7 Q And we appreciate that. But just to be clear,
8 you can have a low rate, or a comparatively low rate, but
9 you can still have a high bill; is that correct?

10 A And that would be -- the variable there would
11 be usage.

12 MS. BROWN: Thank you.

13 MR. WOMACK: Thank you.

14 MADAM CHAIR PRIDEMORE: Georgia Conservation
15 Voters.

16 MS. OPIE: No questions.

17 MADAM CHAIR PRIDEMORE: Georgia Interfaith
18 Power & Light.

19 CROSS-EXAMINATION

20 BY MS. KYSOR:

21 Q Good morning, Mr. Womack. How are you?

22 A I'm very good. Thank you.

23 Q My name is Jill Kysor. I'm here on behalf of
24 Georgia Interfaith Power & Light.

25 In your introduction and also on page 4 of your

1 testimony, you discuss the importance of keeping rates
2 stable and predictable. Do you recall that?

3 A I do.

4 Q And just if you're flipping there, I was just
5 referencing that one clause that's on line 13.

6 Is it fair to say you also want to keep
7 electric bills stable and predictable?

8 A Once again, we want to keep our prices stable
9 and predictable, but usage is -- that's a control that --
10 that customers have.

11 Q Do you anticipate electric bills -- or rates, I
12 guess we'll answer it that way. Do we anticipate
13 electric rates being stable and predictable over the next
14 three years?

15 A And as we -- the filing that we have in this
16 proceeding, with the request that we make to make these
17 investments to support our grid, support the system going
18 forward to meet the needs of our customers over this
19 three-year period, yes, they are predictable and stable.

20 Q And when considered in conjunction with other
21 rate increases during this three-year ARP period, do you
22 think that rates will remain stable and predictable?

23 A Once again, I mean -- and I talk about us
24 taking very seriously any adjustments and changes in
25 rates. And we see a number of changes potentially out

1 there, particularly as it relates to fuel, and those are
2 things that we'll take a hard look at and we'll work with
3 this Commission on, in terms of how we address and how we
4 respond to it.

5 Q And I'm turning now to page 19 of your
6 testimony.

7 A Uh-huh.

8 Q Looking at the long answer on lines 8 through
9 21, where you discuss measures that the company took to
10 assist customers struggling with financial difficulties
11 related to the pandemic. Do you see that?

12 A I do.

13 Q Okay. Specifically looking at line 16, you
14 talk about the flexible payment plans. Do you recall
15 that?

16 A I do.

17 Q Are similar payment plan options still
18 available to customers?

19 A They are.

20 Q Okay. In your testimony now, I'm turning to
21 page -- sorry -- back to page 4, line 14, and you also
22 discuss this in your introduction. You reference nearly
23 \$300 million in benefits to ratepayers. Do you recall
24 that?

25 A Yes.

1 Q And are you referring there to the share of
2 earnings above and beyond the top end of the earnings
3 band that is used for the benefit of customers?

4 A Exactly.

5 Q And so the company still retains a share of the
6 earnings above and beyond the top end of the earnings
7 band, too; right?

8 A That's correct.

9 Q Do you have a ballpark for what -- what that
10 dollar amount was for that same time period?

11 A Over 12 -- I don't know what the dollar value
12 is. I would ask -- maybe Mr. Abramovitz with the next
13 panel can give you that detail.

14 Q Well, generally -- we don't have to talk about
15 the number. But would you agree that the benefits to
16 customers would be even greater if none or a smaller
17 amount of the earnings above the top end of the band were
18 used for the benefit of customers?

19 A They would be.

20 Q And turning now -- sorry I'm flipping around --
21 to page 14 of your testimony where you discuss -- you
22 answer a question about the importance of earning a fair
23 rate of return. It's on line 16 and 17, the question,
24 and then your answer follows. Do you see that?

25 A I do.

1 Q Would you agree with me that fair does not
2 necessarily need to mean higher than all of your peers?

3 A Once again, I think it's a little speculative,
4 but we look at fair as reflecting what our cost to serve
5 is, and recognizing the quality and the level of service
6 that we provide.

7 Q And so the Commission might find that a fair
8 rate of return is one that's more in line with the
9 average of your peers; right?

10 A I would also say, I -- and this Commission
11 expects us to run a -- a very good business and provide
12 premium service to our customers. And if we do that, we
13 are incentivized to -- in terms of how we perform.
14 And -- and so that's what they expect from us and that's
15 what we -- that's what we strive to deliver each and
16 every day.

17 Q And then in your introduction, and I believe in
18 response to Ms. Brown's questions, you discussed
19 promoting ways that customers can reduce their electric
20 usage and see parallel reductions in their electric
21 bills; right?

22 A Yes. I do talk about that in my testimony,
23 yes.

24 Q So you agree that customers should have the
25 right to reduce their electric usage and see reductions

1 on their electric bills?

2 A And -- yes. I mean, we strongly support energy
3 efficiency programs and working with customers to -- to
4 find ways to -- to control their usage.

5 MS. KYSOR: Thank you so much, Mr. Womack.
6 That's all I have.

7 MR. WOMACK: Thank you very much.

8 COMMISSIONER JOHNSON: Madam Chair.

9 Ms. Kysor, before you go, can I just ask a
10 quick question? I'm not trying to be smart here
11 either.

12 When you say fair, what is fair?

13 MS. KYSOR: Thank you, Commissioner. I
14 actually was hoping to ask Mr. Womack the same, just
15 because there's a question in his testimony that
16 says: Why is it important for the company to
17 receive a fair rate of return?

18 And I think it's a term that has a high level
19 of subjectivity for y'all to consider as you're
20 making your decision in this case. So your
21 definition of fair may be different than
22 Mr. Womack's or mine.

23 COMMISSIONER JOHNSON: Clear. Thank you.

24 MADAM CHAIR PRIDEMORE: Georgia Solar Energy
25 Industries Association, Solar Energy Industries

1 Association and Vote Solar.

2 MR. THOMASSON: No questions, Madam Chair.

3 MADAM CHAIR PRIDEMORE: Georgia Solar Energy
4 Association, "GA SOLAR".

5 MR. MORELAND: No questions at this time.

6 MADAM CHAIR PRIDEMORE: Georgia Watch.

7 MR. COYLE: Commissioners, Liz Coyle for
8 Georgia Watch. Nice to see you, Mr. Womack.

9 MR. WOMACK: It's good to see you, as well,
10 Ms. Coyle.

11 MS. COYLE: I have just a few follow-up
12 questions from some of the areas that you've been
13 discussing already this morning. And we'll try not
14 to go too much past into the afternoon.

15 CROSS-EXAMINATION

16 BY MS. COYLE:

17 Q On the -- on page 2 of your testimony, around
18 lines 17 to 19, and in some of your conversations earlier
19 this morning, you have been talking about the impact that
20 this requested rate increase could have on customer
21 rates. And that, by extension, means customers' bills
22 are going to go up.

23 Is it correct -- am I correct that you believe
24 that because customers' rates, per your testimony, may be
25 on average lower than other states or other -- with other

1 utilities, that that does not -- does that have a direct
2 impact on keeping their bills lower?

3 A I guess I'm not sure. Can you -- I'm not sure
4 what your question is.

5 Q So Ms. Brown was asking, as well. Would you
6 agree that -- and I'm thinking specifically about
7 residential customers.

8 A Yeah.

9 Q That they're really less concerned on their
10 bill about what they are paying per kilowatt-hour than
11 they are about the cost on the bill, how much their bill
12 is.

13 So would you agree that your residential
14 customers in particular are looking at how many more
15 dollars a month is this rate increase going to cost me?

16 A Yeah. I would agree with that, yes.

17 Q And when you look at the impact in terms of the
18 monthly cost, you're really looking at the average
19 customer's monthly budget for all the things; correct?

20 A I would agree with that.

21 Q And are you familiar with the term energy
22 burden?

23 A I've heard it used before.

24 Q And would you agree that that is a reference
25 that looks at the size of the utility bill relative to

1 the household income and the size of their monthly
2 budget?

3 A If you say so.

4 Q Well, would you -- would it surprise you to
5 know that there have been a number of organizations,
6 including folks out of Georgia Tech and the national
7 organization called the ACEEE, American Council for
8 Energy-Efficient Economy, who have ranked Georgia as one
9 of the states with the highest energy burden?

10 Would that surprise you?

11 A I -- I wouldn't speculate here. I don't --

12 Q Would you agree that Georgia --

13 MR. MARZO: Madam Chair, the question he was
14 asked, there's no information presented being to
15 Mr. Womack, there's nothing in his testimony
16 specifically to that.

17 I just ask that if there's going to be a
18 question like that, that something be presented.
19 Something that Mr. Womack's aware of and has read
20 before, before something like that be asked or
21 accepted subject to check.

22 MADAM CHAIR PRIDEMORE: Do you have an exhibit
23 that you would like for this witness to speak to?

24 MS. COYLE: Could I ask the question a
25 different way?

1 MADAM CHAIR PRIDEMORE: Certainly.

2 BY MS. COYLE:

3 Q Would you agree that if you have a lower
4 income, high power bills are going to be harder for you
5 to afford?

6 A I mean, clearly the answer is yes.

7 And let me say this. And I've said it to some
8 of the previous intervenors. We take very seriously any
9 changes in any rate adjustment.

10 We understand that a number of our customers'
11 income levels are below the national average and are
12 low-income qualified. And so we take -- we take any
13 change very seriously.

14 That's why we have energy assistance programs
15 and we work hard across our territory to help provide
16 funding, help with working with the Department of
17 Community Affairs on additional assistance for energy
18 bills or those who may even need rental assistance.

19 I mean, we take this stuff very seriously at
20 the power company. I mean, that's what we do. We know
21 our customers. We know our communities. And we're
22 committed to helping any way that we can. And I -- I
23 mean, I understand that. I understand exactly what
24 you're saying.

25 Q So then looking at your testimony on page 3,

1 lines 10 and 11, you -- you state that customers are
2 rightly focused on reliability and resiliency of
3 Georgia's electric system.

4 But would you also say -- and, again, thinking
5 about your residential customers -- that they are also
6 very much focused on whether or not they can afford to
7 pay their power bills and meet their monthly obligations?

8 A We know there's also -- we need strong
9 attention to the cost and price of the product. At the
10 same time, I mean, I will tell you -- you know,
11 recognizing where we are in this growing state and things
12 we need to make as we make changes in our business, we
13 have to make these changes to make sure we can meet the
14 needs of our customers now and into the future.

15 I mean, I hear you. I understand what you're
16 saying.

17 Q Okay. And then looking at page 4 of your
18 testimony, at the top there, line 2, you -- you
19 specifically use the term "timely." You say: This
20 company must timely recover the remaining costs
21 associated with coal plants.

22 Could you be more specific about "timely" and
23 why that is -- what impact that potentially has on
24 people's power bills going up in the near term versus the
25 longer term?

1 A And I'm going to ask -- I'm going to defer that
2 to Mr. Abramovitz and the financial team that can go into
3 more detail about the timing as it associates with some
4 of our retiring facilities and how that -- how that
5 relates to the timing recovery of some depreciation of
6 assets and other financial measures that they look at in
7 making those decisions.

8 Q All right. Thank you. We can do that.

9 A Thank you.

10 Q But would you -- would you agree that the word
11 "timely" there in your testimony suggests that there are
12 options for the company and the Commission to consider,
13 in terms of the schedule by which the company recovers
14 the remaining equity value of retired coal plants?

15 A Yeah. I mean, timely is important for recovery
16 for understanding all the implications associated with
17 recovery.

18 Once again, I'd ask you if there is a specific
19 question there to address that to Mr. Abramovitz or
20 Ms. Adams or the next round.

21 Q Ms. Kysor asked you about the \$297 million in
22 customer benefits from the sharing mechanism that's part
23 of the alternate rate plan. And she asked you how much
24 did the company retain in that sharing mechanism.

25 And, as I recall, you're not aware of that

1 number?

2 A No. She asked me for a total, which I don't
3 have. The mechanism is over 12 percent. 80 cent on that
4 dollar goes back to customers. 20 percent is retained by
5 the company.

6 Q Okay. But you don't have a dollar figure?

7 A I don't. I don't. Once again, I'd ask you
8 to -- I defer that question for those specifics to the
9 next panel.

10 Q But, again, that 20 percent is above your
11 12 percent earnings band; is that correct?

12 A It is. But I also, once again, because the
13 band incentivizes the company to be -- to be efficient.
14 And so as a result of premium performance, you know,
15 that -- that sharing ratio I think recognizes and
16 provides some incentive for the efficiency and operation
17 of this company.

18 Q Would you agree over the last three -- just
19 over the last three years that the company has
20 consistently earned at the top of that earnings band?

21 A Subject to check, I think you're correct.

22 Q Would you be able to then -- looking not at the
23 sharing mechanism, that 20 percent above the earnings
24 band, but when you are earning -- going back to 2013,
25 could you tell me how much the company has earned in its

1 profit since 2013?

2 A I cannot.

3 MS. COYLE: Could I make that a hearing
4 request?

5 MADAM CHAIR PRIDEMORE: Certainly.

6 MS. COYLE: Thank you.

7 BY MS. COYLE:

8 Q And then -- let's see. Turning page -- back on
9 page 3.

10 So turning to page 12, you are describing some
11 of the ways. And you talked with Mr. Thomas earlier, as
12 well, about ways that the company might be looking to put
13 some downward pressure on rates --

14 A Yes.

15 Q -- to kind of offset some of the cost increases
16 that are included in the rate request?

17 A Yes.

18 Q So are you familiar with the utility financing
19 tool known as securitization?

20 A I am.

21 Q And would you agree that it provides a
22 lower-cost capital option for investor-owned utilities,
23 like Georgia Power?

24 A I don't -- I'm not -- I mean, I can't be
25 specific that that is one of the benefits of it. So I

1 can't speak to that point.

2 It is -- once again, I think as we look at this
3 business and the relationship with this Commission, I
4 think the Commission has all the tools it needs to
5 support all the decisions and cost implications that this
6 company faces.

7 And so, yeah, at this point in time, I don't --
8 if you're moving down that path, I don't see
9 securitization as an option for this company or for this
10 Commission at this time.

11 Q Are you aware that investor-owned utilities,
12 like Georgia Power and other states, including North
13 Carolina and Florida, have used this bond financing
14 option to lower costs associated with coal ash cleanup
15 and recovering assets --

16 A I know it has been used in other places. I
17 just -- I don't think that's something -- that's a tool
18 we need at this point in time to manage the issues that
19 we have -- that we're dealing with.

20 Q But why would Georgia Power not have that
21 option at least?

22 A I just -- I don't see it as a tool or resource
23 that we need at this time.

24 Q Even though it could put some downward pressure
25 on rates?

1 A Once again, I think we can address all the
2 issues we have with the resources and the tools that we
3 have available.

4 MR. MARZO: I think he answered the question.

5 MR. WOMACK: Thanks, Ms. Coyle.

6 MADAM CHAIR PRIDEMORE: Interstate Gas Supply?
7 Interstate Gas Supply?

8 (No Response.)

9 MADAM CHAIR PRIDEMORE: The Kroger Company?

10 MR. CARVER: No questions, Madam Chair.

11 MADAM CHAIR PRIDEMORE: Okay.

12 MR BOEHM: No questions from the Kroger
13 Company.

14 MADAM CHAIR PRIDEMORE: Thank you.

15 MARTA?

16 MS. STURM: No questions from MARTA at this
17 time.

18 MADAM CHAIR PRIDEMORE: Resource Supply
19 Management?

20 MR. CLARKSON: No questions.

21 MADAM CHAIR PRIDEMORE: Sierra Club?

22 CROSS-EXAMINATION

23 BY MS. ARIZA:

24 Q Good morning, Mr. Womack.

25 A Good morning.

1 Q I just have a few questions for you. Ms. Brown
2 already asked some of them. And do you recall she was
3 asking you about the Bipartisan Infrastructure Law, the
4 bill?

5 A She was referring to the Inflation Reduction
6 Act.

7 Q No. I'm actually referring to the Bipartisan
8 Infrastructure Law which creates the National Electric
9 Vehicle Infrastructure Program.

10 Are you familiar with that?

11 A I am not.

12 Q Okay. When you answered to Ms. Brown that you
13 were coordinated with the Georgia Department of
14 Transportation on some EV programs, could you describe
15 how that coordination is taking place or what it consists
16 of?

17 A I'm happy to be -- we are excited in the state
18 with the forthcoming addition of two major EV
19 manufacturers. And we see new technology that is being
20 brought online on a regular basis that -- that we're
21 excited about.

22 And so, you know, there are a lot of
23 conversations, legislature with the Department of
24 Transportation, with other companies, in terms of: How
25 do we make sure we build out EV infrastructure in this

1 state?

2 And that's something that we are excited about.
3 We're fully engaged and we're having a lot of
4 conversation with a lot of different players.

5 Q Okay. And as part of your conversations with
6 GDOT, are you coordinating with them on how to build out
7 the alternative fuel corridors in Georgia?

8 A I'm not involved in those exact discussions.
9 So I can't speak to that.

10 Q Okay. And are you familiar with the Clean
11 School Bus Program?

12 A I am not.

13 Q Okay. Let me see. Are you aware of the
14 programs like the Vehicle-to-Grid that exist in other
15 parts of the country that use school buses as grid
16 storage?

17 A And in -- in wide parameters, I know that there
18 are a number of manufacturers as they develop EVs, there
19 are a lot of conversations about: Can they supply some
20 of that power, some of that energy back to the grid?

21 And so, yes, there are conversations that I
22 know many in our company are having with different
23 manufacturers with those ideas and those -- those
24 concepts in mind.

25 Q And are you considering similar programs in

1 Georgia?

2 A Once again, I think as this whole EV ecosystem
3 and EV technology continues to advance, I think those are
4 definitely some items we'll have to consider. We -- I
5 mean, we enjoy, we embrace technology.

6 And I think there's great value and benefits to
7 our customers, great value and benefits to this entire
8 state. And so we're going to be fully involved and fully
9 invested in some of those conversations.

10 Q Thank you.

11 And I know you mentioned before that the panel
12 of Mr. Abramovitz and Ms. Adams and others could speak
13 about some -- some of the questions that other
14 intervenors had. Do you know if there's a witness I
15 could ask some EV questions to?

16 A I think there's -- Mr. Abramovitz, Ms. Adams,
17 Mr. Houston, Mr. Robinson, I think they would be
18 appropriate to also raise some of those questions with.

19 Q Okay. And would you be supportive of this
20 Commission opening an EV investigatory docket at the
21 close of the legislative session next year to
22 methodically plan out, for example, how available federal
23 funds will be deployed?

24 A No. I don't think that's a decision for me to
25 make. That's just not -- that's the decision for the

1 Commission to engage in.

2 Q Okay. And if this Commission, and perhaps its
3 staff, proposed an EV investigatory docket, would you be
4 supportive of it?

5 A Once again, I mean, I take my lead from the
6 Commission in that regard.

7 Q Okay. And I just have a few final questions
8 regarding environmental compliance costs and the coal
9 combustion residuals.

10 A Uh-huh.

11 Q On page 9 of your testimony, lines 8 through
12 12, you say that you're meeting environmental compliance
13 obligations, including CCR compliance, in a
14 cost-effective manner; is that right?

15 A Yes.

16 Q And Commissioner McDonald asked you about your
17 compliance with state and federal regulations already.
18 But when you say that it is cost-effective the way that
19 you've spent money on CCR compliance, is it
20 cost-effective that your costs have gone up to \$2 billion
21 in the last three years?

22 A Once again, as we look at our compliance
23 strategies, if we look at and make decisions on the
24 lowest-cost -- cost options and lowest-cost strategies,
25 and that's what drives our decisions. And that's what

1 drove as we had these method and strategy conversations
2 about how we manage coal ash and these -- these
3 processes. As we had those discussions during the
4 integrated resource plan that was approved by this
5 Commission -- during those proceedings, that was a part
6 of their consideration.

7 Q On this same page, page 9, lines 14 through 18,
8 you testified that the company is requesting recovery of
9 costs needed to be in compliance, as you've just said
10 once again.

11 So if the company were to be found not in
12 compliance with CCR rules, wouldn't you agree that it
13 would be unreasonable to get recovery for those expenses
14 through higher rates?

15 A I would deny -- your question is interesting,
16 but it's also very speculative. And I -- I don't think
17 it's appropriate for me to comment on it at all -- on
18 that question at this time.

19 Q Okay. Are you aware -- and I will ask the
20 next --

21 A And I would also say, but we are in compliance.
22 We just -- just remember that we are in compliance with
23 current rules, federal and state. We are in compliance.

24 MS. ARIZA: Okay. No further questions. Thank
25 you.

1 MADAM CHAIR PRIDEMORE: Thanks, Ms. Ariza.

2 Southern Alliance for Clean Energy and
3 Southface Energy Institute.

4 MR. DOWDY: No questions for Mr. Womack, Madam
5 Chair.

6 MADAM CHAIR PRIDEMORE: Southern Renewable
7 Energy Association is not present. I forget I said
8 that.

9 United States Department of Defense and All
10 Other Federal Executive Agencies.

11 MS. MEDLYN: Madam Chair, just a few questions.

12 CROSS-EXAMINATION

13 BY MS. MEDLYN:

14 Q Good afternoon, Mr. Womack. I'm Emily Medlyn
15 on behalf of the United States Department of Defense and
16 All Other Federal Executive Agencies. Just a few
17 questions for you today.

18 In terms of the traditional base rates, Georgia
19 Power is proposing a first year levelized increase this
20 coming January, correct, rather than three annual step
21 increases?

22 A Yeah. It would be a base -- an adjustment in
23 January of next year.

24 Q Okay. Do you know the dollar amount of the
25 increase in traditional base rates proposed for January

1 2023?

2 A The incremental addition in '23 would be
3 888 million in the first year, 107 in '24, and 45 in '25.

4 Q And are there Georgia Power witnesses that
5 could speak more to that?

6 A Yes. I mean, Mr. Abramovitz, Ms. Adams,
7 Mr. Houston can speak to that in -- in detail.

8 Q Okay. Do you know the percentage increase in
9 just the traditional base rates; that would be excluding
10 any riders proposed for January 2023?

11 A It would be a little bit over 10 percent.

12 Q And would that same panel be the one to --

13 A Yes.

14 Q -- speak more to that?

15 A Yes. Absolutely.

16 Q Okay. Are you familiar with the minimum filing
17 requirements in this case?

18 A I am not.

19 Q Okay. Do you know which witnesses would be
20 able to speak to the minimum filing requirements?

21 A The next panel should -- would be able to speak
22 to those items, as well.

23 Q Okay. All right. So any of the questions that
24 I have regarding the minimum filing requirements would be
25 more appropriate for them?

1 A Yes.

2 MS. MEDLYN: Okay. Thank you. That's all I

3 have.

4 MR. WOMACK: Thank you very much.

5 MADAM CHAIR PRIDEMORE: Thank you, Ms. Medlyn.

6 Okay, Mr. Prenovitz. This witness has 23 pages

7 of testimony.

8 MR. PRENOVITZ: Yes, ma'am.

9 MADAM CHAIR PRIDEMORE: Your questions will be

10 about these 23 pages of prefiled testimony.

11 MR. PRENOVITZ: Understood.

12 MADAM CHAIR PRIDEMORE: Okay.

13 MR. PRENOVITZ: Yes, ma'am. Give me a moment.

14 CROSS-EXAMINATION

15 BY MR. PRENOVITZ:

16 Q Good morning, Mr. Womack. I'm Steve Prenovitz,

17 Concerned Ratepayers of Georgia.

18 A Good morning.

19 Q Congratulations on becoming CEO.

20 A Thank you very much.

21 Q The purpose of your testimony, you mentioned,

22 was to meet the customers' evolving energy needs and then

23 you said: The customer is the focus of everything we do.

24 What do you mean by evolving customer energy

25 needs?

1 A I think it's pretty -- pretty clear. To meet
2 the electric energy needs and our supplying their needs.

3 Q Well, hasn't the need of an average residential
4 customer been pretty consistent over many years?

5 A Once again, I think it's a little speculative.
6 I would say there has been some changes in appliances and
7 technology. And so there have been some ebbs and flows
8 and changes there over time.

9 Q Yeah. That's true. But the basic point,
10 though, is, you know, having enough power to power the
11 stuff in your house. I mean, that hasn't changed.

12 Maybe over the years you have more things or
13 move from an apartment to a house and use more energy,
14 but the consistency is the same: You need power when you
15 need power at a rate that is, you know --

16 MR. MARZO: Is this cross or is he testifying?

17 MR. PRENOVITZ: Okay.

18 BY MR. PRENOVITZ:

19 Q Okay. Next question. You heard from the
20 public witnesses before, right, many of them were talking
21 about their energy need was basically rate stability. So
22 how would you reconcile those two passively inconsistent
23 things?

24 One, they would like consistent rates. The
25 other you're saying: Well, we have to keep making

1 investments to meet changing energy needs?

2 A And we do have to -- we have to make
3 investments to meet evolving energy needs, to meet the
4 growing needs of our state, and the growing needs of our
5 customers.

6 Q Okay. But haven't you been doing that
7 successfully for the past 50 years or so?

8 A And we have to continue to do that.

9 Q And that requires multibillion-dollar
10 investments?

11 A And we have to continue to do that, yes.

12 Q Okay. Basically, though, would you say --
13 like, again, like from the -- excuse me.

14 The public witnesses testified, many, that what
15 they want is safe, reliable energy at the lowest possible
16 cost. Wouldn't that be their objective?

17 A I can't speak to their objective.

18 Q Okay. When referencing that Georgia Power's
19 rates are below the national average, looking at
20 residential customers -- and basically that would be
21 2.3 million, I believe that's right, does that refer -- I
22 have my power bill here.

23 Does that refer to the base rate or the total
24 power bill?

25 Because how the power bill rates is -- here is

1 my own. This was the highest one. It's got current
2 service, then it's got environmental compliance costs,
3 nuclear construction costs, municipal franchise fee,
4 sales cost, and at the end it says: Total electric
5 service. And you politely say: Please pay this amount
6 by such and such a date.

7 So the question is: When you're comparing your
8 rates to the national average, is that just the base rate
9 or does it include everything?

10 A All rates. Total retail rates.

11 Q Okay. Everything?

12 A Yes.

13 Q Okay. And then you mention on page 9 that you
14 have to do critical investments to beat a growing
15 economy. And you reference that basically the population
16 grew in the past ten years to roughly a million, you
17 know, people; is that right?

18 A That's correct.

19 Q Okay. And from the Census Bureau, it went
20 from -- and you're correct. It went from 9.7 to
21 10.7 million in the census.

22 And you're aware, like, on your customer growth
23 for residential -- because I have those numbers. For
24 2010, it was 2,050 -- 2.05 million residential customers.

25 And in 200 --

1 MR. MARZO: Madam Chair --

2 MR. PRENOVITZ: Well, let me get to -- I'm

3 referencing this.

4 BY MR. PRENOVITZ:

5 Q What you're saying is you have to make this --

6 basically, there's tremendous growth because of this

7 population increase. So let me compare the growth of

8 your residential customers to your population growth.

9 MR. MARZO: There are numbers that are not in

10 Mr. Womack's testimony.

11 MR. PRENOVITZ: But his --

12 MR. MARZO: He's not been given any sort of

13 exhibit to look at or review. They're just simply

14 being read to him.

15 MADAM CHAIR PRIDEMORE: Mr. Marzo --

16 MR. MARZO: And it's just --

17 MADAM CHAIR PRIDEMORE: Mr. Prenovitz, do you

18 have an exhibit that you would like for this witness

19 to look at?

20 MR. PRENOVITZ: If you want --

21 MADAM CHAIR PRIDEMORE: Your question -- stick

22 with me, Mr. Prenovitz. Your question about

23 population growth --

24 MR. PRENOVITZ: Yes.

25 MADAM CHAIR PRIDEMORE: -- is a good question.

1 MR. PRENOVITZ: Thank you.

2 MADAM CHAIR PRIDEMORE: We don't need all the
3 background. We don't need the sub-bullets. Just
4 ask a question about the population growth.

5 MR. PRENOVITZ: Yeah. The population growth
6 went up about 10 percent or 1.1 percent annually.

7 MADAM CHAIR PRIDEMORE: That's great.

8 MR. PRENOVITZ: Okay. And then you want to
9 say: Okay. What was your customer growth in that
10 same period?

11 Is that a fair question?

12 MADAM CHAIR PRIDEMORE: The customer growth is
13 going to be a percentage of the population growth
14 based upon the territory, which is customers move.

15 MR. PRENOVITZ: Which was about --

16 MADAM CHAIR PRIDEMORE: The CEO of the company,
17 he's not going to know that right off the top of his
18 head.

19 MR. PRENOVITZ: I understand. But,
20 basically --

21 MADAM CHAIR PRIDEMORE: Ask him a population
22 question. That was a good question.

23 MR. PRENOVITZ: Thank you, thank you.

24 But the residential growth kind of tracked the
25 population by 1.1 percent.

1 MADAM CHAIR PRIDEMORE: You've got it.

2 MR. PRENOVITZ: Okay. Fine. So basically --

3 MR. WOMACK: You may have answered your own

4 question.

5 BY MR. PRENOVITZ:

6 Q Okay. What it comes down to is saying: Okay.

7 We spent \$10 billion in the last ten years; right?

8 Is that correct? Capital expenditures.

9 That was part -- oh, you had 9.7 and then your

10 DS is, say, \$10 billion.

11 MR. WOMACK: Yeah. As we look at some of the

12 transfers and distribution investments that are

13 prior, you've got -- you've got the right number.

14 BY MR. PRENOVITZ:

15 Q Okay. So if we had, like, an initial 250,000

16 new customers in ten years and basically we're spending

17 \$400,000 a year incrementally for new customers; is that

18 about right?

19 A I think you're trying to make the correlation,

20 but that's not accurate. And I'm -- I'm not going to

21 speculate on that.

22 Q Okay. Who would be -- would Aaron Abramovitz

23 panel for that one?

24 A I think, once again, even --

25 Q That's fine. I'm fine.

1 A They would speculate on that correlation.

2 Q Okay. But you've got three finance guys there,

3 so...

4 A They would speculate on your --

5 MADAM CHAIR PRIDEMORE: Mr. Prenovitz --

6 MR. PRENOVITZ: Yes, ma'am.

7 MADAM CHAIR PRIDEMORE: So what you're asking

8 is a -- is a quality question.

9 MR. PRENOVITZ: Thank you.

10 MADAM CHAIR PRIDEMORE: But it's an

11 apples-and-oranges comparison. You can't

12 necessarily say that the growth in population --

13 that all of the expenditures of the company annually

14 go to that growth in population.

15 So there's a -- there's regulatory, federal and

16 state, that requires them to make expenditures. But

17 keep going down the population track. You're doing

18 good.

19 MR. PRENOVITZ: Okay. Well, that was the key

20 point on that because they said that was a major

21 driver.

22 MADAM CHAIR PRIDEMORE: Okay.

23 MR. PRENOVITZ: And you want to compare that to

24 what the actual customer base was.

25 MADAM CHAIR PRIDEMORE: Okay.

1 MR. PRENOVITZ: So good.

2 BY MR. PRENOVITZ:

3 Q Would you say then that basically that your
4 capital -- major capital expenditure projects are a key
5 contributor to additional rate increases?

6 A They are, yes, sir.

7 Q Okay. Fair enough.

8 Okay. Now, you talked about the sensitivity
9 about, you know, what the rate impact has on your
10 customers. So let me just quote. I think the AJC said
11 it a little clearer and tell me if you agree with this.

12 It said -- basically it talked about the amount
13 that you're asking for. And according to you, it says:
14 The company realizes the economic hardships facing many
15 Georgians, but the increases are needed and critically
16 important.

17 And it said: We acknowledge -- basically
18 recognize the overall economic conditions are and this
19 request is sensitive to those conditions.

20 So how is your \$1 billion rate increase
21 sensitive to the economic hardships that this might cause
22 your customers?

23 A Once again, as I've said earlier in this
24 proceeding, we take very seriously any changes we make in
25 rates. At the same time, we have to balance that with

1 making sure that we're making investments to meet the
2 needs of our customers now and into the future.

3 Q That's --

4 A That's a continuous balance that we must -- we
5 must address and deal with.

6 Q So it's a balancing act basically?

7 A It actually is because -- to a large extent,
8 yes.

9 Q Okay. Now, you say here -- this is on page 3.
10 Georgia Power's request seeks to build upon a strong
11 foundation established in our 2019 rate base case that
12 allows us to continue making critical --

13 COMMISSIONER JOHNSON: Mr. Prenovitz, you don't
14 need to read. You just --

15 MR. PRENOVITZ: Yeah. I've got to set the
16 framework.

17 COMMISSIONER MCDONALD: He's already testified
18 before that -- just ask him the question.

19 MR. PRENOVITZ: This ties into the 2019 rate
20 case.

21 BY MR. PRENOVITZ:

22 Q Okay. Now, your predecessor, Mr. Bowers,
23 testified on page 203 of his testimony -- and I was
24 involved in that one, too.

25 He said he acknowledged the potential hardships

1 of a major rate increase, the critical importance of
2 electricity, and knowledge that major rate increases can
3 cause financial hardships to customers. And then he
4 continued --

5 MR. MARZO: Madam Chair --

6 MR. PRENOVITZ: Wait a minute. Let me finish.
7 One more sentence.

8 MR. MARZO: One, if he's going to ask a
9 question about a prior testimony, he needs to
10 provide the transcript.

11 MADAM CHAIR PRIDEMORE: Sustained.

12 MR. PRENOVITZ: Wait, wait. He said this.
13 They referenced the 2019 testimony.

14 MADAM CHAIR PRIDEMORE: Come on, Mr. Prenovitz.
15 Sustained.

16 MR. PRENOVITZ: Let me make this -- although
17 rates --

18 MADAM CHAIR PRIDEMORE: This is Mr. Womack, not
19 Mr. Bowers.

20 MR. PRENOVITZ: Okay. Here's the question.

21 BY MR. PRENOVITZ:

22 Q Okay. This problem was acknowledged in 2019 by
23 Mr. Bowers. He said, you know, it can cause a lot of
24 harm and so on like that. And he said: Because we're
25 below the national average that doesn't justify our

1 increase.

2 So my question is this. And basically it was
3 testified before the rate increase in 2019 was they
4 requested 2.24.

5 Okay. Given the historical financial problems
6 of this project -- on the capital expenditures, what
7 is -- what is being done to kind of address that issue
8 that you knew for the past three years additional rate
9 increases caused by major capital expenditures cause
10 great hardship to a lot of your customers?

11 Is there a plan to deal with that?

12 A I'll agree -- with deference and respect to
13 Mr. Bowers, I was not here in 2019 and I -- I'm not sure
14 what you are -- what you're asking.

15 MADAM CHAIR PRIDEMORE: That's right.

16 Mr. Prenovitz, how many more questions you got
17 for Mr. Womack?

18 MR. PRENOVITZ: I've got another --

19 MADAM CHAIR PRIDEMORE: Because, you know, a
20 lot of your questions have a lot of detail. It
21 would probably be better for the subsequent panel
22 today.

23 MR. PRENOVITZ: I'll do that.

24 Okay. All right. Almost done.

25 //

1 BY MR. PRENOVITZ:

2 Q Going on page 5, you mentioned: We understand
3 that this request will result in additional costs for
4 customers. With that in mind, I'm committed to ensuring
5 Georgia Power continues to operate efficiently and
6 effectively, manage our ways that minimize costs.

7 Is that a fair statement?

8 A It is.

9 Q Okay. Is this kind of a strong commitment
10 or -- not to be cynical, it's just a PR piece?

11 A No. It's -- I mean, it's what we do every day,
12 in terms of being efficient as we run our business and as
13 we manage our head count, as we manage our labor
14 expenses, and we manage our operation and maintenance
15 expenses, meals and travel.

16 Q I understand.

17 A As we engage with suppliers. We -- this is a
18 daily activity that we engage in, in terms of making sure
19 we're running a very efficient business.

20 Q Let me ask you the question that I don't want
21 you to answer right away. Just think about it; okay?

22 As you know, I've been doing this stuff for
23 13 years. And I was going to quote it as rolling a
24 boulder up a hill only to have it roll down when you get
25 close to the top.

1 So let me ask you this one. Since you're --
2 there are considerable opportunities for improvements
3 that you may not have considered. And we presented some
4 of them in our 2020 IRP testimony, which included an
5 improvement process article that was published years ago.

6 MADAM CHAIR PRIDEMORE: Ask him a question.

7 MR. PRENOVITZ: Okay.

8 MADAM CHAIR PRIDEMORE: You have two questions,
9 Mr. Prenovitz.

10 MR. PRENOVITZ: Here is the question.

11 BY MR. PRENOVITZ:

12 Q Would you consider exploring them?

13 If so, I would be agreeable to meet and discuss
14 with you and your staff in confidence -- no
15 Commissioners, no court reporters, no press, no YouTube
16 videos. Again, I don't want you to answer that now.
17 Just give that some thought.

18 If you're interested, I'd be glad to go over
19 what I've learned from the past 13 years here and then
20 many years before.

21 MADAM CHAIR PRIDEMORE: Thank you,

22 Mr. Prenovitz. If Mr. Womack is interested in your
23 invitation, we can set him up with the Executive
24 Secretary.

25 MR. PRENOVITZ: No, no. In private. Not

1 through the Commission. This is --

2 MADAM CHAIR PRIDEMORE: Mr. Prenovitz, last

3 question. Final question.

4 MR. PRENOVITZ: That's all I had, Mr. Womack.

5 MR. WOMACK: Thank you very much,

6 Mr. Prenovitz.

7 MR. PRENOVITZ: I wish you the best in your new

8 endeavor.

9 MR. WOMACK: Thank you very much.

10 MADAM CHAIR PRIDEMORE: Thank you,

11 Mr. Prenovitz.

12 MR. PRENOVITZ: I was pretty quick, wasn't I?

13 MADAM CHAIR PRIDEMORE: Good job. Happy Rosh

14 Hashanah.

15 MR. PRENOVITZ: I appreciate it.

16 MADAM CHAIR PRIDEMORE: Redirect?

17 MR. PRENOVITZ: Can I get to keep my place next

18 round?

19 MADAM CHAIR PRIDEMORE: You're back up with the

20 Cs. I will see you Number 5 next time.

21 MR. PRENOVITZ: What happened, you did mention

22 to go in the other room, you know. And I tried as

23 quick as you could. I answered, but you couldn't

24 hear from there.

25 MADAM CHAIR PRIDEMORE: We'll catch you at

1 Number 5 next time.

2 MR. PRENOVITZ: Thank you.

3 MADAM CHAIR PRIDEMORE: Redirect?

4 MR. MARZO: Thank you, Madam Chair. Just a few
5 questions in redirect for Mr. Womack.

6 REDIRECT EXAMINATION

7 BY MR. MARZO:

8 Q One, just for clarification, something I heard
9 earlier. Mr. Thomas asked you some questions about the
10 rate impacts of Vogtle.

11 Do you recall those?

12 A I do.

13 Q Okay. And for Unit 3, there's already been an
14 order in place; is that right?

15 A That's correct.

16 Q And the impact, as you said, is about -- I
17 think you said \$5 for the typical residential customer?

18 A That's correct.

19 Q Okay. I think Mr. Thomas referred to
20 10 percent. Am I correct, 10 percent is Vogtle 3 and 4?

21 A Both 3 and 4.

22 Q Okay.

23 A And I think it's also clear -- I think it's
24 important to make known that when those rates take
25 effect, that's a reflection that those units have come

1 online and are providing our customers in this state with
2 carbon-free baseload energy. And so that will be an
3 exciting time for us.

4 Q Thank you, Mr. Womack.

5 You were also similarly asked some questions
6 about fuel in the upcoming -- potential for a fuel case.
7 Will the company work with the Commission in that forum
8 to determine the proper approach to fuel?

9 A We will.

10 Q Okay. And that's very similar to what the
11 company always does?

12 A That's what we always do. Like I said, we talk
13 about -- talk about what we're seeing and what's
14 forthcoming. We're beginning to have early
15 conversations. Not sure what the numbers will be, but
16 making sure it's on -- it's on the table. And we will
17 begin to look at considerations about how we respond to
18 those circumstances.

19 Q Thank you, Mr. Womack.

20 Is it fair to say, as we think about Vogtle
21 Unit 4 and fuel, those are all transparent processes that
22 are fully vetted in front of the Commission --

23 A Completely, yes.

24 Q -- and parties are allowed to participate?

25 A Completely.

1 Q Okay. You were also asked some questions
2 regarding settlements in prior cases. And I think the
3 suggestion was being that the Company has gotten less
4 than it has requested. Do you recall those?

5 A I do.

6 Q Can we agree that settlements in a rate case
7 involve gives and takes on a number of complicated and
8 complex issues?

9 A I agree completely.

10 Q And would a settlement that provided for less
11 than what you requested in this case require you to
12 potentially defer or alter some of your investments?

13 A It would.

14 Q Okay. And would that be good for customers, in
15 your opinion?

16 A I think the requests that we're asking is what
17 our customers need now and into the future.

18 Q Now, you also got a number of questions
19 regarding total bills for customers. And I think people
20 were trying to draw a comparison between the rate charts
21 that are in your testimony.

22 Do you recall those?

23 A I do.

24 Q Would you agree that the company has control
25 over the price per unit it charges and the rates that it

1 charges customers?

2 A We do.

3 Q Okay. And is it fair to say the company
4 doesn't control usage?

5 A I completely agree.

6 Q Okay. And is it -- are you aware of or are
7 there programs that the Commission and the company have
8 worked together on to help customers control ways to use?

9 A We've got a number of energy efficiency
10 programs, demand-side management programs, a number of
11 programs that we -- in partnership with this Commission
12 that we put in place to help customers manage their
13 usage.

14 Q Okay. Mr. Womack, I'm going to ask this
15 question. You were asked some questions about energy
16 burden.

17 Do you know if energy burden includes more than
18 just electricity costs?

19 A That's my assumption. Once again, I think
20 energy burden sometimes becomes a very subjective
21 reference and is a catch-all phrase for a lot of
22 energy-related activities. So it's not just electricity
23 many times.

24 Q So there are a number of definitions. And, in
25 fact, if someone talks about energy burden, they could be

1 talking about total utility, beyond just Georgia Power's?

2 A Correct.

3 Q Now, you were asked some questions about the
4 ROE requested in this case by the company. Do you recall
5 those?

6 A I do.

7 Q Is your requested ROE in this case based upon
8 the recommendations of Mr. Coyne?

9 A Yes.

10 Q And his recommendations is based on current
11 market conditions?

12 A Yes.

13 Q Is Mr. Coyne using recognized data to run
14 models to determine the required return equity?

15 A He is.

16 Q Okay. Is it fair to say that setting the
17 appropriate ROE is critical to maintaining sufficient
18 cash flows and excess of capital that you need to make
19 investments?

20 A It is.

21 Q Now, you were also asked some questions about
22 the alternative rate plan by a few cross-examiners. Do
23 you recall those?

24 A I do.

25 Q Okay. Is it fair to say that the ROE ban

1 allows the company to operate over a three-year period
2 and encourages efficiencies?

3 A Yes.

4 Q Under a traditional rate case, would the
5 company be required to share earnings with customers when
6 efficiencies are gained?

7 A Yes.

8 Q Okay. Under a traditional case, would they?
9 No?

10 A No.

11 Q Okay. But under the ARP, earnings are shared,
12 I think you said -- what is; 80 --

13 A 80/20.

14 Q Do you believe that the ability of the company
15 and the Commission to agree to one of -- to agree to ARPs
16 is one of the reasons that Georgia is viewed as a
17 constructive regulatory environment?

18 A Completely.

19 MR. MARZO: Madam Chair, that's all the
20 redirect that I have.

21 MR. WOMACK: Thank you.

22 MR. MARZO: I appreciate it.

23 I ask that Mr. Womack be excused.

24 MADAM CHAIR PRIDEMORE: You are excused,
25 Mr. Womack.

1 MR. WOMACK: Thank you.

2 MADAM CHAIR PRIDEMORE: We are going to recess
3 for lunch. We're going to come back at 1:30 p.m.
4 (A recess was held from 12:37 p.m. until 1:30 p.m.)

5 MADAM CHAIR PRIDEMORE: Okay. Let's get
6 started. Go ahead, Mr. Hewitson.

7 MR. HEWITSON: Thank you, Madam Chair. At this
8 time, Georgia Power calls Mr. Aaron Abramovitz,
9 Ms. Sarah Adams, Mr. Adam Houston, and Mr. Michael
10 Robinson as the company's next witnesses.

11 Would you please raise your right hands.

12 Thereupon,

13 Aaron Paul Abramovitz,
14 Sarah Pool Adams,
15 Adam Duncan Houston,
16 Michael B. Robinson,
17 having been duly sworn, testified as follows:

18 DIRECT EXAMINATION

19 BY MR. HEWITSON:

20 Q Let's start with you, Mr. Abramovitz. Would
21 you state your full name, your employer, and your
22 responsibilities for the record.

23 A (Witness Abramovitz) Aaron Paul Abramovitz. I
24 work for Georgia Power Company. I am executive vice
25 president, chief financial officer and treasurer of the
company.

Q Ms. Adams?

1 A (Witness Adams) Good afternoon. I am Sarah
2 Pool Adams. I am the vice president and comptroller at
3 Georgia Power Company, responsible for accounting and
4 regulatory issues.

5 Q Okay. And Mr. Houston?

6 A (Witness Houston) Yes. Adam Duncan Houston,
7 assistant comptroller for Georgia Power.

8 Q And Mr. Robinson?

9 A Yes. Good afternoon. I am Michael B.
10 Robinson. I am the vice president for planning
11 operations and policy for our power delivery
12 organization.

13 Q Thank you, panel.

14 Mr. Abramovitz, on June 24th of this year, did
15 you prefile or cause to be prefiled 56 pages of direct
16 testimony in question-and-answer format?

17 A (Witness Abramovitz) Yes.

18 Q Did you also at that time prefile eight
19 exhibits identified as APA, SPA, ADH, MBR 1 through 8?

20 A (Witness Abramovitz) Yes.

21 Q Were those exhibits prepared at your
22 supervision and direction?

23 A (Witness Abramovitz) They were.

24 Q Are there any corrections you need to make to
25 your prefiled testimony or exhibits?

1 A (Witness Abramovitz) No.

2 Q If I were to ask you the same questions today
3 under oath, would your answers be the same as set forth
4 in your prefiled testimony?

5 A (Witness Abramovitz) Yes, they would be.

6 MR. HEWITSON: Madam Chair, the court reporter
7 was previously given a copy of the prefiled direct
8 testimony. I would now ask the testimony of
9 Mr. Abramovitz, Ms. Adams, Mr. Houston and
10 Mr. Robinson be copied into the record as if given
11 here today.

12 MADAM CHAIR PRIDEMORE: So marked.

13 (Whereupon, the prefiled direct testimonies
14 of Aaron Paul Abramovitz, Sarah Pool Adams, Adam
15 Duncan Houston, Michael B. Robinson, follows:)

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**DIRECT TESTIMONY OF
AARON P. ABRAMOVITZ, SARAH P. ADAMS, ADAM D. HOUSTON,
AND MICHAEL B. ROBINSON
ON BEHALF OF
GEORGIA POWER COMPANY**

DOCKET NO. 44280

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAMES, TITLES, AND BUSINESS ADDRESSES.**

2 A. Aaron P. Abramovitz. I am the Executive Vice President, Chief Financial Officer, and
3 Treasurer for Georgia Power. My business address is 241 Ralph McGill Boulevard N.E.,
4 Atlanta, Georgia 30308.

5 A. Sarah P. Adams. I am the Vice President and Comptroller for Georgia Power. My business
6 address is 241 Ralph McGill Boulevard N.E., Atlanta, Georgia 30308.

7 A. Adam D. Houston. I am the Assistant Comptroller for Georgia Power. My business address
8 is 241 Ralph McGill Boulevard N.E., Atlanta, Georgia 30308.

9 A. Michael B. Robinson. I am the Vice President of Planning, Operations and Policy for
10 Georgia Power. My business address is 241 Ralph McGill Boulevard N.E., Atlanta,
11 Georgia 30308.

12 **Q. MR. ABRAMOVITZ, PLEASE SUMMARIZE YOUR EDUCATION AND**
13 **PROFESSIONAL EXPERIENCE.**

14 A. I graduated from the University of Georgia with a Bachelor of Business Administration in
15 Finance and Management Information Systems. I joined Southern Company as a contractor

1 in the Financial Strategy and Decision Support organization. This was followed by a series
2 of Financial Analyst roles in various disciplines that included Financial Planning, Financial
3 Analysis, and Regulatory Support. From there I transitioned to Georgia Power to serve as
4 the Coordinator for Forestry and Right of Way services. In 2008, I was assigned to the
5 Kemper Project in Mississippi, where I served in financial leadership roles of increasing
6 responsibility, eventually serving as the Project's Finance Director, where I was
7 responsible for governance, reporting, regulatory support, and communications to
8 Executives and the Board of Directors. In 2015, I returned to Atlanta to serve as the
9 Director of Investor Relations for Southern Company, where I was responsible for
10 Southern Company's communications and relationships with the investment community.
11 In 2018, I was named the Southern Nuclear Vogtle 3 and 4 Vice President of Business
12 Operations. In this role, I had responsibility for Southern Nuclear's Project Controls, Risk
13 Management, Budgeting and Reporting, and Commercial Analysis & Controls. I moved to
14 my current role as Executive Vice President, Chief Financial Officer, and Treasurer for
15 Georgia Power in September 2021. I now oversee all accounting and finance functions for
16 the Company including financial reporting, regulatory accounting, financial planning,
17 analysis, and enterprise risk management.

18 **Q. MR. ABRAMOVITZ, HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE**
19 **GEORGIA PUBLIC SERVICE COMMISSION ("COMMISSION")?**

20 **A.** Yes. I testified in the Vogtle Construction Monitoring proceeding, Docket No. 29849,
21 regarding the Nineteenth, Twentieth/Twenty-first, Twenty-second, Twenty-third, and
22 Twenty-fourth Semi-annual Reports and the Plant Vogtle Unit 3 and Common Rate
23 Adjustment proceeding in Docket No. 43838 ("Plant Vogtle Unit 3 and Common Rate
24 Adjustment").

1 **Q. MS. ADAMS, PLEASE SUMMARIZE YOUR EDUCATION AND**
2 **PROFESSIONAL EXPERIENCE.**

3 A. I graduated from the University of Georgia in 1993 with a Bachelor of Science in Middle
4 School Education and in 1998 with a Master of Accountancy degree. I began my
5 professional accounting career with Arthur Andersen, LLP in Atlanta as an auditor
6 primarily serving Southern Company. From 2002 to 2003, I served as senior financial
7 analyst at Mirant Corporation. In 2003, I joined Southern Company and held several
8 leadership positions in the Southern Company Generation and Southern Power Company
9 organizations. In 2011, I joined Georgia Power as the manager of fuel and bulk power
10 accounting and led several departments, including internal controls and compliance,
11 corporate secretary support, and accounting and finance operations before being elected to
12 Assistant Comptroller in 2017. In 2020, I was promoted to Vice President and Comptroller
13 where I am responsible for the financial and regulatory functions of Georgia Power and
14 manage and oversee accounting research, preparation of financial statements, and
15 regulatory accounting filings with the Securities and Exchange Commission (“SEC”),
16 Federal Energy Regulatory Commission (“FERC”), and Commission. I am a Certified
17 Public Accountant licensed in Georgia.

18 **Q. MS. ADAMS, HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE**
19 **COMMISSION?**

20 A. Yes, I testified before this Commission regarding Georgia Power’s 2019 base rate case in
21 Docket No. 42516 (“2019 base rate case”). I also testified in the Company’s Fuel Cost
22 Recovery proceeding in Docket No. 43011 and the Plant Vogtle Unit 3 and Common Rate
23 Adjustment proceeding.

1 **Q. MR. HOUSTON, PLEASE SUMMARIZE YOUR EDUCATION AND**
2 **PROFESSIONAL EXPERIENCE.**

3 A. I graduated from Victoria University of Wellington, New Zealand in 1995 with a Bachelor
4 of Commerce and Administration in Economics and Finance. I began my professional
5 accounting career with Arthur Andersen, LLP in Wellington as an Associate performing
6 audits for multinational and local clients. From 2002, I worked for
7 PricewaterhouseCoopers, LLP in Los Angeles and Chicago specializing in Power and
8 Utility audits across the United States, including Exelon utility subsidiaries, PHI Holdings
9 and AGL Resources Inc. In 2017, I joined Southern Power Company ("Southern Power")
10 as the Assistant Comptroller responsible for accounting research, accounts payable, and
11 internal controls and compliance. While at Southern Power, I was also given responsibility
12 for financial accounting and reporting, and property accounting. In 2021, I joined Georgia
13 Power as the Assistant Comptroller responsible for financial accounting and reporting,
14 regulatory accounting (including fuel), and accounting research. I am a Chartered
15 Accountant member of the Chartered Accountants Australia and New Zealand.

16 **Q. MR. HOUSTON, HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE**
17 **COMMISSION?**

18 A. No, I have not previously testified before the Commission.

19 **Q. MR. ROBINSON, PLEASE SUMMARIZE YOUR EDUCATION AND**
20 **PROFESSIONAL EXPERIENCE.**

21 A. I graduated from Auburn University in 1993 with a Bachelor of Electrical Engineering. I
22 began my career as a cooperative education student with Georgia Power working in
23 distribution and marketing. After leaving the Company to serve in the United States Navy,
24 I worked for an electric municipality in Texas, the Kerrville Public Utility Board, for five
25 years where I was responsible for all distribution and substation facilities. In 1999, I

1 returned to Southern Company as an engineer on the Enhanced Power Quality team with
2 Alabama Power. Throughout my career at Southern Company, I have served in a variety
3 of positions, including: principal engineer in Transmission Planning; supervisor of the
4 transmission maintenance center in Albany, Georgia; supervisor of the transmission
5 control center in Valdosta, Georgia; transmission planning manager; South Georgia area
6 transmission manager; Metro South distribution manager; and general manager of
7 Transmission Planning and Operations.

8 From 2017 through 2020, I served as the Power Delivery Operations General Manager for
9 Georgia Power. I began my current role as Planning, Operations, and Policy Vice President
10 in 2021. I lead a team of 425 employees that consists of Project Management, Planning and
11 Policy, Systems and Standards, Storm Center operations, Transmission and Distribution
12 Operations, and North American Electric Reliability Corporation (“NERC”) Compliance.
13 This team is responsible for the planning and operation of 75,000 miles of distribution
14 lines, 17,000 miles of transmission lines, and over 2,000 substations statewide.

15 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

16 A. Yes, I testified before this Commission in Georgia Power’s 2019 base rate case in Docket
17 No. 42516 and in Georgia Power’s 2022 Integrated Resource Plan (“IRP”) in Docket No.
18 44160.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. The purpose of our testimony is to support the Company’s filing in this docket, including
21 the calculation of the test period revenue requirement. The Company files this base rate
22 case in accordance with the Commission’s Final Order in Docket No. 42516, which
23 required that the Company file a base rate case by July 1, 2022, so that the Commission
24 may consider whether to continue, modify, or discontinue the rate plan established in the
25 2019 base rate case. In our testimony, we demonstrate and explain how the Company’s

1 revenues under current rates are insufficient to cover the Company's increasing cost of
2 service and we propose an Alternate Rate Plan ("ARP") similar to the ARPs Georgia Power
3 has had in place since 1995. Our testimony will also discuss the continuation of the Coal
4 Combustion Residuals ("CCR") Asset Retirement Obligation ("ARO") recovery method
5 and Grid Investment Plan that were both approved in the 2019 base rate case.

6 **Q. PLEASE SUMMARIZE THE COMPANY'S REQUEST IN THIS CASE.**

7 A. The base rates established by the Commission's final order in the Company's 2019 base
8 rate case and revised through the 2021 and 2022 compliance filings (collectively the "2019
9 base rate case Order") are no longer sufficient for the Company to recover the costs
10 necessary to provide our customers with the clean, safe and reliable electric service they
11 expect.

12 The Company requests an increase to base rates, on a levelized basis, of \$852 million in
13 2023, and additional step increases of \$107 million in 2024, and \$45 million in 2025. This
14 requested rate adjustment will help ensure that Georgia Power remains positioned to
15 continue meeting the energy needs of our customers and the communities we serve.

16 Since the approval of the 2019 base rate case and through the end of 2022, the Company
17 expects to have invested approximately \$8.6 billion on behalf of our customers, which
18 includes investments that support enhanced reliability and resiliency in the electric grid,
19 transitioning the Company's generation fleet to more economical and cleaner resources,
20 technology to enhance operations and our customers' experience, and compliance with
21 state and federal environmental regulations.

22 The Company's ARP request in this case is a continuation of items approved in the 2019
23 base rate case and includes considerations for:

- 1 • The recovery of both the necessary capital investments in the electric grid the
2 Company has made since 2019 and investments that are expected to be made over
3 the next three years, as well as updates to the corresponding depreciation rates.
4 These investments primarily relate to the Company’s transmission and distribution
5 systems and the continuation of the previously approved Grid Investment Plan.
- 6 • The need to continue transitioning the Company’s generation fleet to more
7 economical and cleaner resources, including renewables, with a proposed deferred
8 recovery of a portion of depreciation expense associated with the generating units
9 that the Company proposes retiring after 2025 as set-forth in the 2022 IRP.
- 10 • Timely recovery of the costs needed to comply with federal and state regulations
11 for CCR ARO.
- 12 • Decreasing operations and maintenance (“O&M”) costs driven by a reduced storm
13 damage accrual, lower costs for employee benefits, and continued focus on
14 effective cost management throughout the business.
- 15 • Full recognition and return of certain benefits to customers from the Tax Cuts and
16 Jobs Act of 2017 (“TCJA”).
- 17 • An 11% Return on Equity (“ROE”) and a retail capital structure of 56% equity and
18 44% debt that maintain the Company’s financial integrity and ensure its ability to
19 raise capital at reasonable cost and upon reasonable terms for the benefit of
20 customers.
- 21 • The recent significant levels of inflation impacting our cost of providing electric
22 service.
- 23 • Establishing amortization periods for the following regulatory assets: (1) net book
24 value for Wansley Units 1, 2, 5A, and Plant Boulevard Unit 1, (2) software and
25 cloud computing costs, (3) incremental COVID-19 costs, and (4) customer hourly
26 usage data costs.

1 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

2 A. The remainder of our testimony is organized as follows:

- 3 • Section II (pages 9 to 14) provides an overview of the Company’s request.
- 4 • Section III (pages 14 to 21) provides a summary of the key cost drivers affecting
5 the rate request.
- 6 • Section IV (pages 22 to 27) describes the ARP.
- 7 • Section V (pages 27 to 31) discusses various tariffs, including the Environmental
8 Compliance Cost Recovery (“ECCR”), Demand Side Management (“DSM”) and
9 Municipal Franchise Fee (“MFF”) Tariffs.
- 10 • Section VI (pages 31 to 35) discusses forecasted revenue requirements for both
11 the statutory test period and the three-year proposed ARP.
- 12 • Section VII (pages 35 to 47) summarizes projections for the test period ending
13 July 31, 2023.
- 14 • Section VIII (pages 47 to 49) discusses the 2022 IRP.
- 15 • Section IX (pages 49 to 53) discusses the Grid Investment Plan.
- 16 • Section X (pages 53 to 54) discusses taxes.
- 17 • Section XI (page 54) provides a discussion of wholesale sales.
- 18 • Section XII (pages 55 to 56) discusses working capital requirements.

II. OVERVIEW OF THE COMPANY'S REQUEST

Q. PLEASE EXPLAIN THE COMPANY'S REQUEST IN THIS CASE.

A. The Company requests continuation of the three-year ARP with a levelized rate increase taking effect on January 1, 2023, combined with two annual step increases for specific cost components during the second and third years of the ARP. As shown in Table 1 below, the Company requests increases of \$852 million, \$107 million, and \$45 million to become effective January 1, 2023, January 1, 2024, and January 1, 2025, respectively.

Table 1: Proposed Rate Adjustments (in millions)¹

Amounts may not sum to total due to rounding

Effective Date	January 1, 2023	January 1, 2024	January 1, 2025
Traditional Base	\$739	\$0	\$0
ECCR			
ECCR Traditional	(1)	0	0
ECCR CCR ARO*	64	78	47
DSM*	30	27	(2)
MFF	20	2	1
Total	\$852	\$107	\$45

*As determined by the Commission through annual CCR ARO and DSM Compliance filings.

The proposed rate adjustment includes a levelized increase of \$739 million for traditional base rates and a levelized decrease of \$1 million for the traditional costs of the ECCR tariff effective January 1, 2023. As directed by the Commission, the Company's base rates will be separately adjusted to account for the cost recovery of Plant Vogtle Units 3 and 4 per

¹ Table 1 is supported by the following exhibits: Exhibit___(APA/SPA/ADH/MBR-1, Schedule 2 Traditional Base) Page 1; Exhibit___(APA/SPA/ADH/MBR-1, Schedule 3 ECCR) Page 1; Exhibit___(APA/SPA/ADH/MBR-1, Schedule 3 ECCR) Page 6; Exhibit___(APA/SPA/ADH/MBR-1, Schedule 4 DSM) Page 1, and Exhibit___(APA/SPA/ADH/MBR-1, Schedule 5 MFF) Page 1.

1 Docket No. 43838 and following the prudence review as provided in the Vogtle VCM 17
2 Order.

3 For each year 2023 through 2025, the Company requests recovery of CCR ARO
4 compliance costs through annual increases in the ECCR tariff through required annual
5 compliance filings, which is consistent with the methodology approved by the Commission
6 in the 2019 base rate case. Therefore, the CCR ARO compliance costs are not included in
7 the proposed levelized ECCR tariff amount over the three-year period, as the Company
8 will continue to submit annual compliance filings to capture actual and revised projected
9 CCR ARO compliance costs for recovery.

10 Similarly, the DSM tariffs will be adjusted annually to collect the Commission-approved
11 DSM costs addressed in Georgia Power's DSM certification proceeding in Docket No.
12 44161 ("2022 DSM Certification"). The Company will also continue the true-up of actual
13 revenues collected and expenses incurred under the DSM tariffs through required annual
14 compliance filings. Therefore, like the CCR ARO compliance costs, the proposed costs to
15 be recovered through the DSM tariffs are not levelized over the three-year period.

16 The annual changes in the ECCR and DSM tariffs will have a corresponding effect on the
17 MFF tariffs in 2024 and 2025. Accordingly, the MFF tariff will be adjusted to capture the
18 increase in the tariffs discussed above and updated to incorporate any change in percentage
19 of revenues collected from inside municipalities. Consistent with the current MFF tariff,
20 the MFF tariff may be modified during the term of the proposed ARP to account for
21 incorporation of any new municipalities.

22 As shown in Table 1, the Company's 2023 requested rate increase totals \$852 million. This
23 represents a change of 10.2% to the Company's current retail rates and will result in an
24 increase of approximately \$14.32 to the monthly bill of a typical residential customer using
25 an average of 1,000 kWh per month.

1 As further shown in Table 1, the requested rate increases for 2024 and 2025 are \$107
2 million and \$45 million, respectively. These represent the combination of expected
3 increases from three tariffs: the (1) ECCR tariff (for projected incremental CCR ARO
4 compliance costs); (2) DSM tariff; and (3) MFF tariff. These changes represent increases
5 to retail rates of 1.2% in 2024 and 0.5% in 2025 and will result in increases of
6 approximately \$1.35 in 2024 and \$0.62 in 2025 to the monthly bill of a typical residential
7 customer using an average of 1,000 kWh per month.

8 In total, over the three-year period, the requested rate increase totals \$1,004 million
9 representing a change of 11.9% to the Company's current retail rates and will result in an
10 increase of approximately \$16.29 to the monthly bill of a typical residential customer using
11 an average of 1,000 kWh per month.

12 **Q. HOW DOES THIS RATE REQUEST SUPPORT THE FINANCIAL NEEDS,**
13 **CREDIT QUALITY, AND OVERALL FINANCIAL INTEGRITY OF GEORGIA**
14 **POWER?**

15 A. The current economic environment is challenging and volatile considering global
16 economic challenges in recent years, the ongoing COVID-19 pandemic, the elevated
17 inflationary environment, and uncertain market and worldwide geopolitical conditions.
18 Given the challenges in the economic environment, the Company must maintain its
19 financial integrity to effectively navigate and respond to both recent and future economic
20 challenges to support both fair terms on and access to capital for the benefit of our
21 customers.

22 Approval of the cost of equity and capital structure as supported by Mr. Coyne in his direct
23 pre-filed testimony will provide an appropriate capital structure, a fair rate of return on the
24 Company's investments, and recovery of prudently incurred costs, which will help ensure

1 that Georgia Power maintains the financial integrity needed to operate a reliable electric
2 system and meet the energy needs of our customers.

3 Moreover, as discussed in Mr. Fetter's direct pre-filed testimony, the financial community
4 views strong credit ratings as a measure of financial integrity. Accordingly, a utility's credit
5 ratings are central to its ability to raise capital at a reasonable cost and upon reasonable
6 terms.

7 As Mr. Fetter further notes, regulation is a key qualitative component of a utility's credit
8 ratings, and Georgia's demonstrated constructive regulatory environment is viewed by the
9 financial community or market as among the most credit supportive states. This long-
10 standing constructive and credit supportive environment is a very positive factor in the
11 credit ratings assigned to this state's regulated utilities.

12 **Q. WHY IS AN APPROPRIATE CAPITAL STRUCTURE CRITICAL TO THE**
13 **FINANCIAL HEALTH OF THE COMPANY?**

14 A. Sufficient equity in the capital structure is a critical factor for maintaining Georgia Power's
15 financial integrity and investment grade credit rating and is an essential component of
16 Georgia Power's financial practices enabling access to capital on favorable terms in a
17 variety of market circumstances. The Commission previously recognized Georgia Power's
18 need for, and the benefits of, a strong capital structure when it approved the current ratio
19 of 56% equity and 44% debt. The Company requests that the Commission continue the
20 currently approved capital structure, which supports the Company's overall financial
21 health and continued access to capital markets at reasonable rates and terms.

1 **Q. HOW DOES THE ROE BAND CONTRIBUTE TO THE FINANCIAL HEALTH OF**
2 **THE COMPANY?**

3 A. Establishment of a reasonable ROE band allows the Company flexibility to conduct
4 business and manage risk under a variety of economic and operational conditions during
5 the three-year ARP period. The Company is proposing to continue the ROE band of 9.5%-
6 12.0%, which was approved by the Commission in the 2019 base rate case. The earnings
7 band defines a reasonable range of return within which the Company is allowed to earn.
8 Earnings below this band could indicate a rate adjustment is necessary, whereas earnings
9 above this band would trigger the sharing mechanism whereby 80% of the excess earnings
10 above 12.0% is returned to benefit customers. The sharing mechanism provides direct
11 financial benefits to Georgia Power customers. Since 2013, customers have received the
12 benefit of approximately \$297 million through the sharing mechanisms.

13 **Q. WHY IS IT VITAL FOR THE COMPANY TO HAVE THE ABILITY TO ACCESS**
14 **CAPITAL MARKETS UNDER A VARIETY OF MARKET CONDITIONS?**

15 A. Like most electric utilities, Georgia Power's operations are extremely capital intensive and
16 our credit rating is fundamental to how the Company accesses liquidity. In times of strained
17 economic market conditions, our ability to access needed capital directly correlates to our
18 credit ratings. For example, in the span of roughly one decade, there have been two acute
19 economic disruptions that have highlighted the need for strong credit ratings. During the
20 2008-2009 financial crisis, and also during the onset of the COVID-19 pandemic, our
21 economy experienced a severe tightening of credit. Lending institutions reduced the
22 amount of credit supply and tightened lending standards. This meant that only the highest-
23 rated companies enjoyed access to the constrained supply of debt capital. For certain
24 companies with lower credit ratings, this simply meant a delay of non-critical business
25 expansion and investment. For utilities, like ours, that provide customers with critical,
26 continuous and essential services, the restricted credit markets were more threatening. In

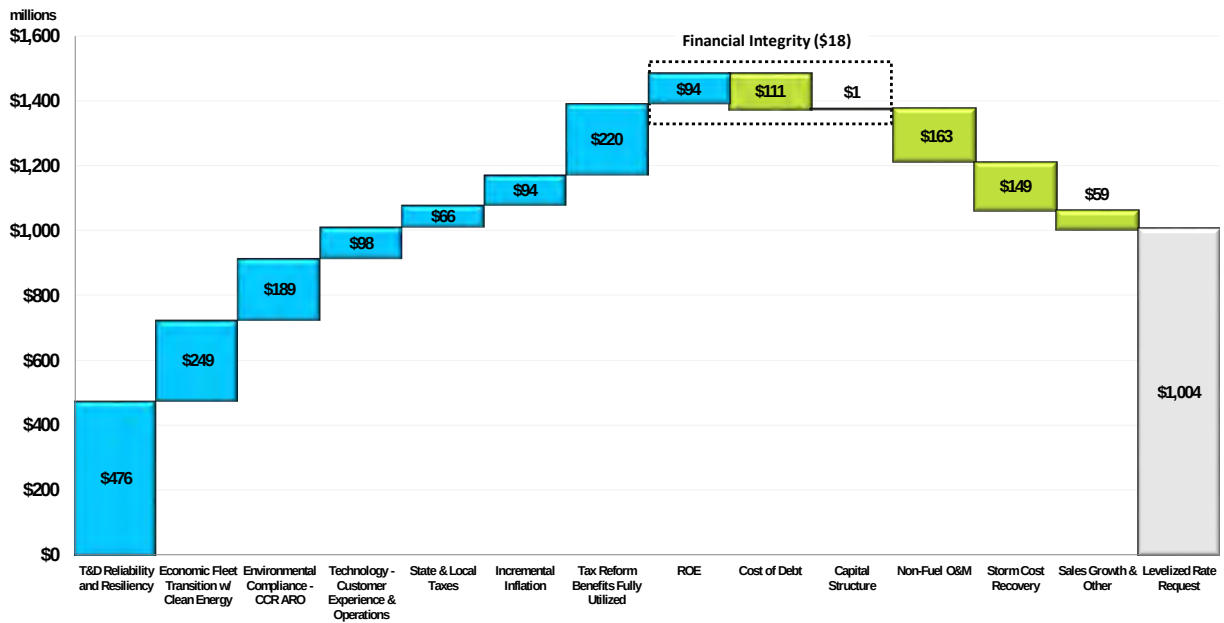
1 both of these historic, highly uncertain, and volatile financial instances, Georgia Power's
2 strong credit history and financial integrity allowed the Company to navigate through those
3 threatening economic events. In order for the Company to safely and reliably provide
4 electric service to our 2.7 million customers across the state, substantial utility
5 infrastructure is necessary. Accordingly, we rely heavily on access to both debt and equity
6 capital markets to conduct the construction activities that are essential to operating our
7 business. Approval of the Company's rate request will help ensure that we continue to have
8 the ability to access capital markets to support these critical activities, and to continue
9 providing reliable electric service to Georgia's communities.

10 **III. KEY DRIVERS OF THE COMPANY'S PROPOSED LEVELIZED REVENUE**
11 **REQUIREMENT INCREASE**

12 **Q. PLEASE PROVIDE ADDITIONAL DETAILS REGARDING THE KEY DRIVERS**
13 **OF THE COMPANY'S LEVELIZED 2023-2025 INCREASE TO ITS REVENUE**
14 **REQUIREMENT.**

15 **A.** The chart below illustrates the primary drivers of the Company's proposed 2023-2025
16 levelized increase to its revenue requirement of \$1,004 million, with each block identifying
17 the amount by which the costs associated with a particular driver are projected to increase
18 or decrease relative to costs included in 2022 rates.

Chart 1: Drivers Impacting the 2023-2025 Levelized Revenue Requirement



Additional details regarding each of these key cost drivers of the Company's rate request are provided below:

- Transmission and Distribution Reliability and Resiliency:** Over the last three years, the Company has made significant investments in its transmission and distribution infrastructure across the state. These investments were necessary to maintain safe and reliable electric service and expand our power delivery system to accommodate customer growth and development in the communities we serve. Over the next three years, to further enhance the reliability and resiliency of the system and accommodate projected customer growth, the Company must continue investing in the electric grid, including necessary transmission and distribution system investments and the continuation of the Grid Investment Plan approved in the 2019 base rate case. This and increased depreciation associated with our investments results in an increase of approximately \$476 million in the Company's revenue requirement.

- **Economic Fleet Transition with Clean Energy:** An increase of approximately \$249 million in the Company’s revenue requirement associated with the fleet transition can be primarily attributed to the net increase in depreciation expense related to the change in depreciation rates, additional purchased power expense in 2024 and 2025 related to the purchased power contracts requested to be certified in the 2022 IRP, capital investments in solar, hydroelectric, and other renewable generation assets, and increase in DSM expenses associated with its programs and initiatives filed in the 2022 DSM Certification application. Also, as we transition the generation fleet to more economical and cleaner resources, we project to reduce or eliminate spending, where appropriate, for outages and maintenance work on existing and retired coal units, resulting in projected O&M reductions, which are included in the “Non-Fuel O&M” key cost driver.

In its 2022 IRP filing, the Company proposed to retire or make unavailable the following coal-fired generating units: Wansley 1-2, Bowen 1-2, and Scherer 1-3, and replace them with more economical generation resources. Consistent with this proposal, the depreciation rates established in the 2019 base rate case Order must be adjusted to reflect the updated useful lives of these assets in support of timely recovery of the Company’s related capital investments and removal costs. The shortened useful lives of these coal-fired units result in increased depreciation expense, a portion of which the Company is proposing to defer as a regulatory asset to partially mitigate impacts to customers as described in more detail in Section VII below. This regulatory asset treatment is similar to the treatment previously approved by the Commission for other unit retirements and allows for a longer recovery period than the depreciable lives contemplated in the Company's new depreciation study.

- **Environmental Compliance – CCR ARO:** The Company must continue to comply with, and recover costs associated with, state and federal environmental regulations pertaining to the ongoing closure of the Company’s twenty-nine coal ash ponds. Georgia Power will continue to meet its environmental compliance obligations in a

1 cost-effective manner by implementing the Company’s environmental compliance
2 strategy approved by the Commission in the 2019 IRP proceeding and updated in the
3 2022 IRP. Therefore, the Company’s revenue requirement for 2023 through 2025 will
4 increase by approximately \$189 million for incremental costs associated with CCR
5 ARO compliance that are not currently reflected in rates.

- 6 • **Technology – Customer Experience & Operations:** The Company continues to
7 recognize the importance of investing in applications and equipment that allow us to
8 provide the level of customer service our customers expect and deserve. During the 3-
9 year ARP we will be investing in a new Customer Information System (“CIS”) to
10 replace our existing customer service and billing system that has been in place for over
11 25 years. This critical system currently uses technology that is increasingly challenging
12 to support and it is cost prohibitive to update the existing system for the evolving needs
13 of our growing customer base. In addition, using the accounting methodology for
14 software and cloud computing costs approved in the 2019 base rate case, the Company
15 proposes amortizing certain software and cloud computing costs deferred through
16 December 2022 over the upcoming five-year period. Also, with the increasing levels
17 of distributed energy resources being installed on our system, the Company will begin
18 investing in a Distributed Energy Resource Management System (“DERMS”) that will
19 enable enhanced monitoring and operational capabilities of a more complex power
20 delivery system. In response to increasing customer interest and market demand, the
21 Company is also continuing to invest in the infrastructure and technology needed to
22 support the growth of electric transportation in Georgia. Cumulatively these items
23 represent an approximate \$98 million increase in the proposed levelized revenue
24 requirement.

- 25 • **State & Local Taxes and Fees:** The Company projects its requested levelized revenue
26 requirement to be increased by approximately \$66 million for state and local taxes. This
27 amount is made up of a \$59 million increase for property taxes associated with

1 increased capital investment and \$23 million for increased MFF related to increased
2 revenues partially offset by a reduction in other taxes.

- 3 • **Incremental Inflation:** In addition to the aforementioned drivers, to address the impact
4 of current and near-term significant, incremental inflation levels on the cost of service,
5 an adjustment beyond typical inflationary expectations was made to certain cost
6 components used in preparing the Company's annual budget. This incremental
7 inflation results in an increase of approximately \$94 million in the Company's revenue
8 requirement.
- 9 • **TCJA:** By the end of 2022, Georgia Power's customers will have fully realized
10 approximately \$660 million in certain tax benefits resulting from the TCJA. These
11 benefits were a portion of the total tax benefits, including the lower tax rate, provided
12 by the Tax Reform Act. During the current ARP period (2020 – 2022), the Company
13 was able to offset a portion of its revenue requirement by amortizing a regulatory
14 liability of approximately \$660 million over a three-year period, which reduced
15 customers' rates by \$220 million annually. By the end of 2022, those tax benefits will
16 have been fully passed on to customers, and the balance in the regulatory liability
17 related to these tax benefits will be zero, which results in a \$220 million net increase to
18 the Company's revenue requirement in this case.
- 19 • **Non-Fuel O&M:** A reduction of approximately \$163 million to the Company's
20 revenue requirement is attributed to projected decreases in costs for employee benefits
21 and effective cost management. Customers will benefit from an approximately \$81
22 million reduction in costs for employee benefits. Additionally, as we transition the
23 generation fleet to more economical and cleaner resources, we project to reduce or
24 eliminate O&M spending, where appropriate, for outages and maintenance work on
25 existing and retired coal units, resulting in further projected O&M reductions of
26 approximately \$79 million.

1 • **Storm Cost Recovery:** The Company’s previously under-recovered storm restoration
2 costs balance of \$410 million is now fully recovered. In fact, at the time of this filing,
3 the Company projects to have a positive storm reserve balance of approximately \$100
4 million by the end of 2022. The Company is proposing to reduce the annual storm
5 damage expense accrual from \$213 million per year to \$65 million per year, which
6 reflects the average annual storm damage cost incurred over the past ten years and
7 reduces the Company’s proposed revenue requirement by \$149 million.

8 • **Sales Growth and Other:** On a weather-normalized basis, 2023 retail base revenues
9 are projected to be higher than the 2022 retail base revenues approved in the 2019 base
10 rate case, as adjusted by the 2021 and 2022 compliance filings. Although sales growth
11 was slightly lower than expected in the Company’s pre-pandemic sales forecast, current
12 forecasted sales growth, driven primarily by a growing residential customer base, has
13 reduced the projected levelized revenue requirement increase by approximately \$68
14 million. Additional items not included in other key cost drivers are reflected here as
15 “other.” Together, the sales growth impact and “other” items result in a net revenue
16 requirement decrease of \$59 million.

17 • **Financial Integrity:** While there are multiple factors impacting the Company’s
18 financial integrity, three key quantitative components impacting the Company’s
19 revenue requirement in this request are the approved capital structure, projected cost of
20 debt, and allowed cost of equity. Taken together, these components result in a net
21 decrease of \$18 million to our requested revenue requirement.

22 Maintaining the 56% equity and 44% debt capital structure approved in the 2019 base
23 rate case reduces the company’s revenue requirement by approximately \$1 million,
24 while at the same time it provides an appropriate capital structure to support an optimal
25 credit rating.

1 Over the past three years, with the continued credit supportive actions of the
2 Commission, the Company has taken advantage of a historically low interest rate
3 environment and relatively flat yield curve and is passing those savings to customers
4 with the projected embedded cost of debt (or average interest rate) decreasing by 107
5 basis points, down to 3.53% for 2023 from 4.60% for 2022 in the 2019 base rate case.
6 The projected lower cost of long-term debt financing from lower interest rates provides
7 approximately \$111 million in revenue requirement savings. Considering the current
8 rising interest rate environment, it is possible that during the next base rate case, the
9 long-term cost of debt could increase.

10 Finally, since the 2019 base rate case, when considering the current state of financial
11 markets and when compared to peer companies, the required return on our equity
12 investment has increased from a set point of 10.5% to the 11% recommended by Mr.
13 Coyne, which corresponds to an increase in revenue requirement of \$94 million.

14 The combination of the three quantitative components necessary to maintain the
15 Company's financial integrity – capital structure, cost of debt and cost of equity –
16 results in a net reduction to the requested revenue requirement of approximately \$18
17 million.

18 **Q. DURING THE THREE-YEAR ARP PERIOD, WHAT WOULD THE ANNUAL**
19 **RATE INCREASES BE IF THE COMPANY'S RATE REQUEST WAS NOT**
20 **LEVELIZED?**

21 A. If the Company proposed annual step increases as opposed to a levelized increase, the
22 revenue deficiencies (and corresponding annual increases) would be as depicted in Table
23 2 below:

Table 2: Projected Revenue Requirement Deficiency by Year (in millions)²

Amounts may not sum to total due to rounding

	2023	2024	2025
Traditional Base	\$461	\$718	\$1,080
ECCR			
ECCR Traditional	29	(12)	(25)
ECCR CCR ARO*	64	143	189
DSM*	30	56	54
MFF	14	22	31
Total	\$599	\$927	\$1,330

*As determined by the Commission through annual CCR ARO and DSM Compliance filings.

As Table 2 illustrates, under an annual step increase structure, the projected revenue requirement deficiency is substantially lower in 2023 and slightly lower in 2024 than the proposed levelized revenue requirement. However, the projected revenue requirement deficiency is significantly higher under a step increase structure for 2025. Notably, under an annual step increase structure, the ultimate amount of the rate change from year to year creates additional uncertainty for our customers as projected costs for traditional base and ECCR can change.

² Table 2 is supported by the following exhibits: Traditional Base: Exhibit____(APA/SPA/ADH/MBR-1, Schedule 2 Traditional Base) Page 3; ECCR Traditional: Exhibit____(APA/SPA/ADH/MBR-1, Schedule 3 ECCR) Page 2; ECCR CCR ARO: Exhibit____(APA/SPA/ADH/MBR-1, Schedule 3 ECCR) Page 6; DSM: Exhibit____(APA/SPA/ADH/MBR-1, Schedule 4 DSM) Page 1; MFF: Exhibit____(APA/SPA/ADH/MBR-1, Schedule 5 MFF) Page 2

1 **IV. THE PROPOSED ALTERNATE RATE PLAN**

2 **Q. HOW DOES THE COMPANY PROPOSE TO COLLECT THE REVENUE**
3 **REQUIREMENT UNDER THE THREE-YEAR ARP?**

4 **A.** The Company proposes to continue the existing ARP structure, which includes the
5 following:

- 6 • **Traditional Base Rate Tariffs:** Continue traditional base rate tariffs through
7 December 31, 2025, with adjustments necessary to collect the levelized three-year
8 revenue requirements effective January 1, 2023. The tariff adjustments will reflect
9 currently projected revenues, expenses, rate base growth, and cost of capital that
10 includes a fair and reasonable ROE, based on a test year ending July 31, 2023, modified
11 for an appropriate levelization adjustment;
- 12 • **ECCR Tariff:** Continue the ECCR tariff through December 31, 2025, with revisions
13 effective January 1, 2023 for currently projected revenues, expenses, rate base, and cost
14 of capital that includes a fair and reasonable ROE based on a test year ending July 31,
15 2023, modified for an appropriate levelization adjustment for all items except the CCR
16 ARO compliance costs. The ECCR tariff will be adjusted further on January 1, 2024
17 and January 1, 2025 to reflect the change in revenue requirement for CCR ARO
18 compliance costs, as described later in our testimony;
- 19 • **DSM Tariff:** Adjust the DSM tariffs with revisions effective January 1, 2023 to
20 account for prior period over-recovery, the cost of the Company's programs, and
21 additional sum as proposed in the 2022 DSM Certification, with annual filings to
22 update the DSM tariffs to be effective January 1, 2024 and January 1, 2025;
- 23 • **MFF Tariff:** Adjust the MFF tariff with revisions effective January 1, 2023 to update
24 the percentage of revenues inside municipalities with the option to file annual

1 compliance filings to be effective January 1, 2024 and January 1, 2025 to account for
2 the impacts on the MFF tariff from other rate changes, as well as account for any new
3 incorporation of municipalities;

- 4 • **ROE Band:** Continue the currently approved ROE band of 9.50% to 12.00%;
- 5 • **Annual Surveillance Report (“ASR”):** Continue the ASR process whereby 80% of
6 any earnings above the allowed ROE band are dedicated to the benefit of customers
7 and 20% are retained by the Company; and
- 8 • **Interim Cost Recovery (“ICR”):** Continue the option to file an ICR tariff in the event
9 that earnings are projected to fall below the bottom of the ROE band during any
10 calendar year of the three-year term of the ARP.

11 The ARP proposed by the Company will retain the existing structural features, which were
12 approved in the ARP under the 2019 base rate case Order. Importantly, this balanced
13 approach provides stable and predictable rates for customers, annual adjustments over time
14 for CCR ARO compliance, and provides Georgia Power with timely recovery of the costs
15 to serve our customers and maintain strong credit metrics.

16 **Q. PLEASE DESCRIBE THE ACCOUNTING FOR LEVELIZATION OF THE**
17 **REVENUE REQUIREMENT UNDER THE PROPOSED THREE-YEAR ARP.**

18 A. As presented in Exhibit____(APA/SPA/ADH/MBR-1, Schedule 2), the Company’s
19 projected revenue requirements for traditional base rate tariffs in 2023 and 2024 is lower
20 and the 2025 revenue requirement is higher than the levelized revenue requirement over
21 the three-year period. To balance revenues associated with the revenue requirement for the
22 corresponding years, the Company proposes to defer \$277 million and \$21 million of the
23 levelized projected over-collections in 2023 and 2024, respectively, to a regulatory liability

1 account that will reduce rate base in 2023 through 2025 and be fully amortized at the end
2 of 2025.

3 For the ECCR tariff presented in Exhibit____(APA/SPA/ADH/MBR-1, Schedule 3 ECCR),
4 the Company's projected ECCR excluding the CCR ARO revenue requirement is higher
5 in 2023, but lower in 2024 and 2025 than the levelized revenue requirement over the three-
6 year period. To balance revenues associated with the revenue requirement for the
7 corresponding years, the Company proposes to defer the projected under-collection of \$30
8 million in 2023 to a regulatory asset account that will increase rate base in 2023 through
9 2025 and be fully amortized at the end of 2025.

10 **Q. DOES THE COMPANY PROPOSE CONTINUING AN ANNUAL RATE**
11 **ADJUSTMENT TO RECOVER CCR ARO COMPLIANCE COSTS?**

12 A. Yes. The current ECCR tariff includes estimates for coal ash pond and certain landfill
13 closure costs developed for the Company's 2022 Compliance Filing made pursuant to the
14 2019 base rate case Order. Therefore, current recovery does not include projected CCR
15 ARO compliance costs for 2023 and beyond for projected or adjustments for actual costs
16 incurred in 2021 or 2022. The Company proposes to continue to recover CCR ARO
17 compliance costs on an annual basis, adjusting rates January 1, 2023. The current CCR
18 ARO compliance cost recovery is discussed further in Section V.

19 **Q. HOW WILL THE COMPANY'S PROPOSED ARP BENEFIT CUSTOMERS?**

20 A. The Company's proposed ARP will provide several benefits for Georgia Power customers.
21 First, the ARP provides rate stability and predictability over the three-year period during
22 which it is in effect, thus allowing customers to better plan and manage their energy budgets.
23 Second, both customers and the Company benefit from the fact that the ARP reduces
24 regulatory lag, allowing the Company to recover prudently incurred costs on a more-timely
25 basis. Timely recovery of costs is a cornerstone of a constructive regulatory policy and

1 considered favorably by credit rating agencies. Favorable credit ratings, in turn, support
2 the Company's continued ability to access capital markets at competitive rates and on a
3 timely basis, which ultimately translates into lower costs for Georgia Power customers.
4 Sufficient access to capital markets is essential to the Company's overall financial stability,
5 which allows it to continue providing customers with safe and reliable electric service at
6 affordable rates. Finally, the sharing mechanism provided for under the ARP provides
7 direct financial benefits to Georgia Power customers. Through the sharing mechanism, if
8 the Company performs better than expected, customers will receive 80% of any earnings
9 above the approved ROE range through customer refunds and the reduction of the CCR
10 ARO regulatory asset. Notably, since 2013, customers have received the benefit of
11 approximately \$297 million through the sharing mechanisms.
12

13 **Q. PLEASE DESCRIBE THE EXHIBITS SUPPORTING YOUR TESTIMONY.**

14 A. The exhibits supporting our testimony are as follows:

- 15 • **Exhibit___(APA/SPA/ADH/MBR-1)** consists of five schedules demonstrating and
16 supporting the calculation of the requested revenue requirements based on a test period
17 ending July 31, 2023, as well as calendar years 2023, 2024, and 2025.
18

19 Schedule 1 contains the calculations of the requested revenue requirements for the twelve
20 months ending July 31, 2023 and calendar years 2023, 2024, and 2025 for the total
21 Company (excluding MFF), including projected retail rate base by components and
22 calculation of retail operating income.

23 Schedule 2 contains the calculations of the requested revenue requirements for the twelve
24 months ending July 31, 2023 and calendar years 2023, 2024, and 2025 for the traditional
25 base tariffs. This schedule also includes the calculation of the levelized revenue
26 requirement necessary to provide stable rates over the three-year period.

1 Schedule 3 shows the components and calculation of the requested revenue requirements
2 related to the ECCR tariff. This schedule covers the test period ending July 31, 2023 and
3 calendar years 2023, 2024, and 2025. This schedule includes the calculation of the
4 levelized revenue requirement excluding CCR ARO compliance costs as well as the
5 projected annual step increases for those costs.

6 Schedule 4 shows the components and calculation of the proposed revenue requirements
7 related to the DSM tariffs. This schedule covers the test period ending July 31, 2023 and
8 calendar years 2023, 2024, and 2025.

9 Schedule 5 provides the calculation and the revenue requirement impact of the MFF tariff
10 associated with each of the base tariffs for the test period ending July 31, 2023 as well as
11 the calendar years 2023, 2024, and 2025.

- 12 • **Exhibit___(APA/SPA/ADH/MBR-2)** is the Summary of Projections. This exhibit
13 demonstrates the changes in revenues, expenses and rate base from the historic period, after
14 regulatory adjustments as approved by the Commission in Docket No. 42516 and previous
15 rate cases, for the year ended December 31, 2021, to the test period ending July 31, 2023.
16 The exhibit also displays the adjusted retail cost of service amounts and balances for the
17 test period ending July 31, 2023, taking into account previously approved and proposed
18 regulatory adjustments. The exhibit provides explanations for the corresponding changes
19 between periods, as well as the regulatory adjustments within each period.
- 20 • **Exhibit___(APA/SPA/ADH/MBR-3)** displays the details and the calculation of the 7.70%
21 weighted average cost of capital ending July 31, 2023, including the Company's projected
22 capital structure and cost of debt, proposed cost of equity as supported by Mr. Coyne in his
23 testimony, and a reconciliation of the budgeted balances to the adjusted balances used in
24 calculating the retail revenue requirements. In addition, we have included the components

and calculations of the 13-month weighted average cost of capital for the calendar years ending 2023, 2024, and 2025.

- **Exhibit___(APA/SPA/ADH/MBR-4)** contains various schedules that provide detailed support for amounts included in projected retail rate base included in the Company's revenue requirement for the test period.
- **Exhibit___(APA/SPA/ADH/MBR-5)** contains various schedules that provide detailed support for amounts included in projected retail expenses included in the Company's revenue requirement for the test period.
- **Exhibit___(APA/SPA/ADH/MBR-6)** contains various schedules that provide detailed support for amounts excluded from projected retail rate base and expenses in the Company's revenue requirement for the test period.
- **Exhibit___(APA/SPA/ADH/MBR-7)** contains detailed information regarding the distribution investment packages.
- **Exhibit___(APA/SPA/ADH/MBR-8)** contains detailed information regarding the transmission investment packages.

V. ECCR, DSM, AND MFF TARIFFS

Environmental Compliance Costs Recovery

Q. WHAT IS THE COMPANY REQUESTING RELATED TO ECCR COSTS?

- A. The Company is requesting an increase of \$63 million to be collected through the ECCR tariff in 2023. This amount includes a decrease of \$1 million of the levelized traditional ECCR tariff revenue requirements, designed to provide stable rates for customers over the three-year period, and an increase of \$64 million corresponding to CCR ARO revenue

1 requirement deficiency in 2023. The levelized revenue requirement is reflected in
2 Exhibit____(APA/SPA/ADH/MBR-1, Schedule 3 ECCR), which also shows the projected
3 required environmental investments and expenses associated with the ECCR tariff
4 (excluding CCR ARO) in 2023, 2024, and 2025. The costs supporting these projections are
5 consistent with the Environmental Compliance Strategy set forth in the Company's 2022
6 IRP. The annual CCR ARO revenue requirements for 2023, 2024, and 2025 are reflected
7 in Exhibit____(APA/SPA/ADH/MBR-1, Schedule 3 ECCR), which also provides the
8 annual projected expenditures.

9 **Q. IS THE COMPANY PROPOSING TO RECOVER CCR ARO COMPLIANCE**
10 **COSTS USING THE SAME METHODOLOGY APPROVED IN THE 2019 BASE**
11 **RATE CASE?**

12 A. Yes. The Company proposes to continue the recovery of CCR ARO costs under the
13 methodology that was approved by the Commission in the 2019 base rate case. As set forth
14 in the Company's 2022 IRP filing, as updated, the projected annual spend on compliance
15 activities necessary to comply with federal and state CCR environmental regulations, are
16 estimated to be \$320 million, \$408 million, and \$510 million for 2023, 2024, and 2025,
17 respectively, on a retail basis. The contingency included in these amounts is \$47 million,
18 \$50 million, and \$105 million for 2023, 2024, and 2025, respectively. Based on the
19 methodology approved in the 2019 base rate case, the Company excluded these
20 contingency costs from the annual recovery requested in this filing. In addition, the ARO
21 regulatory balance related to CCR AROs is projected to be cumulatively under-collected
22 by \$282 million as of December 31, 2022.

1 **Q. PLEASE ELABORATE ON THE COMPANY’S PROPOSED PROCESS FOR THE**
2 **ANNUAL RATE ADJUSTMENTS FOR CCR ARO COMPLIANCE COSTS.**

3 A. The Company proposes to continue the annual rate adjustment process as approved by the
4 Commission in the 2019 base rate case. Following the increase effective January 1, 2023,
5 the Company proposes to submit a filing by October 1, 2023, for recovery of the projected
6 incremental increase in CCR ARO compliance cost for 2024. The proposed adjustments
7 would be based on the most current CCR ARO Semi-Annual Program Status Report, with
8 new rates effective January 1, 2024. By October 1, 2024, the Company would submit an
9 additional filing for the recovery of the projected incremental increase in CCR ARO
10 compliance costs for 2025, with new rates effective January 1, 2025.

11 ***Demand Side Management***

12 **Q. WHAT COSTS ARE TO BE RECOVERED BY THE COMPANY’S PROPOSED**
13 **DSM TARIFFS?**

14 A. The Company has included an increase of \$30 million. This amount reflects recovery of
15 the program costs and additional sum filed in the Company’s 2022 DSM Certification
16 application, partially offset by the return of prior period over collections to be recovered
17 through the DSM tariffs, effective January 1, 2023, as detailed on
18 Exhibit___(APA/SPA/ADH/MBR-1, Schedule 4 DSM).

19 **Q. HOW IS THE COMPANY PROPOSING TO RECOVER REVENUE**
20 **REQUIREMENTS ASSOCIATED WITH THE DSM TARIFFS?**

21 A. Consistent with the 2019 base rate case Order, the proposed DSM tariffs will be set to
22 collect program costs and additional sum as approved in the Company’s 2022 DSM
23 Certification Application filed in connection with the 2022 IRP. The Company’s annual

1 compliance filings in 2023 and 2024 will reflect the budget approved by the Commission
2 in the 2022 DSM Certification proceeding.

3 ***Municipal Franchise Fee***

4 **Q. WHAT ARE THE TERMS OF THE CURRENT MFF TARIFF?**

5 A. In the Commission's Final Order in the 2007 base rate case, Docket No. 25060, the
6 Commission ordered the establishment of the MFF tariff in accordance with the
7 Commission's MFF Order in Docket No. 21112. The MFF tariff reflects 50% of MFF
8 revenues being collected from customers located within municipal areas covered by a
9 franchise agreement and 50% being collected from all customers, regardless of location.
10 Because the tariff is a percentage rate and is calculated based on each customer's bill before
11 sales taxes are applied, the percentage rate does not have to be adjusted even if revenues
12 change.

13 **Q. IF THE MFF TARIFF IS BASED ON PERCENTAGE RATES, WHAT COULD**
14 **CAUSE THE MFF TARIFF TO CHANGE?**

15 A. The primary driver that could cause the MFF tariff to change from year to year is the
16 proportion of revenues collected from customers receiving service within the
17 municipalities' boundaries, due to load growth within and/or expansion of municipal
18 boundaries. The MFF tariff is designed to recover the amount of franchise fees paid
19 pursuant to our franchise agreements with the cities across the Company's service territory.
20 Under those agreements, the cities charge, and we pay, 4% of total revenues generated
21 inside the respective city, which includes amounts collected from all of the tariffs:
22 traditional base; NCCR; ECCR; DSM; and Fuel Cost Recovery ("FCR"). Therefore, as
23 customer demographics (proportion of electric sales revenues generated inside versus
24 outside municipalities) as well as customer usage patterns change from year to year, so will

1 the amounts of our franchise fee payments and so should the MFF tariff. Therefore, we
2 propose adjusting the MFF tariff annually, if needed, to align revenues with costs.

3 **Q. HOW IS THE COMPANY PROPOSING TO RECOVER REVENUE**
4 **REQUIREMENTS ASSOCIATED WITH THE MFF TARIFF?**

5 A. The Company is requesting approval of the \$20 million increase shown on
6 Exhibit___(APA/SPA/ADH/MBR-1, Schedule 5 MFF) in connection with this proceeding,
7 to be effective January 1, 2023. The Company will continue to evaluate changes in the
8 proportionate share of revenues collected within municipalities and, if necessary, file an
9 update to the MFF tariff by submitting an annual filing by November 1st as provided for in
10 the current MFF tariff.

11 **VI. REVENUE REQUIREMENT**

12 **Q. WHAT PERIODS ARE COVERED BY THE INFORMATION IN THIS FILING**
13 **COVER?**

14 A. The historical data in this filing is based on the Company's actual performance for the
15 twelve-month period that ended December 31, 2021. The projected test period for the
16 traditional revenue requirement is for the twelve-month period ending July 31, 2023. In
17 addition, the Company has provided projected data for each of the twelve months ending
18 December 31, 2023, 2024, and 2025 to meet the requirements of the 2019 base rate case
19 Order and to support the basis for a levelized revenue requirement.

20 **Q. PLEASE SUMMARIZE THE RESULT OF YOUR REVENUE REQUIREMENT**
21 **CALCULATIONS FOR THE TRADITIONAL TEST PERIOD ENDING JULY 31,**
22 **2023.**

23 A. The revenue requirement calculation in Exhibit___(APA/SPA/ADH/MBR-1, Schedule 1
24 Total Company) shows a revenue deficiency, excluding MFF, of \$448 million for the

1 period ending July 31, 2023 to be collected through the base tariffs. The jurisdictional
2 allocations are based on an allocated cost-of-service study for the projected test period
3 ending July 31, 2023 as discussed in Mr. Evans' testimony.

4 **Q. PLEASE DESCRIBE THE DEVELOPMENT OF THE RETAIL REVENUE**
5 **DEFICIENCY AMOUNT FOR THE TRADITIONAL TEST PERIOD ENDING**
6 **JULY 31, 2023.**

7 A. Revenue collected from customers must cover all costs of service, including O&M
8 expenses, taxes, depreciation, and the cost of capital (including an appropriate ROE). Retail
9 rates must be sufficient to satisfy the interest requirements of the Company's debt, while
10 providing an opportunity for a fair and reasonable return on common equity invested.
11 These cost of capital requirements are weighted by the mix of long-term debt and common
12 equity, and reflect certain Commission rate-making adjustments, to produce an overall
13 required retail rate of return. This rate of return is then applied to the retail rate base to
14 yield the Company's retail earnings requirement.

15 The retail earnings requirement is then compared to earnings projected under the
16 Company's current base rates to determine the retail earnings deficiency amount during
17 the test period. This earnings deficiency is then adjusted to cover income taxes by using an
18 "income expansion factor." This factor, 74.606%, reflects a federal income tax rate of 21%
19 and a state income tax rate of 5.75%. The income expansion factor also includes a reduction
20 for uncollectible accounts, slightly offset by compensation for collection of sales tax. The
21 retail earnings deficiency is then divided by the income expansion factor to determine the
22 total revenue deficiency from retail customers, excluding MFF.

23 The computation of the income expansion factor is shown in
24 Exhibit___(APA/SPA/ADH/MBR-1, Schedule 1 Total Company), page 2.

1 **Q. WHAT IS THE SOURCE OF THE PROJECTED COSTS USED IN THE FILING?**

2 A. The projected costs used to calculate the revenue deficiency and rate base come from the
3 Company's 2022 annual budget. The preparation of the Company's annual budget is a
4 cyclical process of planning, resource identification, review, revision and approval. The
5 process involves all functional areas throughout the Company. This process results in a
6 comprehensive financial budget, which reflects the Company's best estimate of the
7 resources required to serve our customers' evolving needs, while effectively managing
8 costs.

9 **Q. WHAT IS THE RETAIL RATE BASE UPON WHICH THE COMPANY IS**
10 **BASING ITS REVENUE DEFICIENCY FOR THE TRADITIONAL TEST**
11 **PERIOD ENDING JULY 31, 2023?**

12 A. The projected retail rate base is \$24.0 billion and is based on the 13-month average from
13 July 31, 2022 through July 31, 2023, as shown in the revenue deficiency calculation in
14 Exhibit____(APA/SPA/ADH/MBR-1, Schedule 1 Total Company) page 1.

15 **Q. WHAT RATE OF RETURN IS APPLIED TO THE RETAIL RATE BASE IN THE**
16 **REVENUE REQUIREMENT CALCULATION FOR THE TRADITIONAL TEST**
17 **PERIOD ENDING JULY 31, 2023?**

18 A. The Company's requested overall retail cost of capital is 7.70% for the period ending July
19 31, 2023, as determined in Exhibit____(APA/SPA/ADH/MBR-3, Schedule 1), which is
20 lower than the 7.91% that was approved for 2022 in the 2019 base rate case.

21 **Q. HOW IS THE COMPANY'S OVERALL COST OF CAPITAL DETERMINED?**

22 A. The Company's overall cost of capital of 7.70% is based on the 13-month average of the
23 estimated capitalization from July 31, 2022 through July 31, 2023. The long-term debt
24 proportion of capitalization is multiplied by its average estimated embedded cost for each

1 month through July 31, 2023. The required return on common equity of 11.00% is
2 described by Mr. Coyne in his testimony. Exhibit____(APA/SPA/ADH/MBR-3, Schedule
3 1) shows the capital structure components for the test period, together with associated costs.

4 **Q. HOW HAS THE COMPANY PRESENTED THE REVENUE REQUIREMENT**
5 **CALCULATIONS FOR THE THREE-YEAR PERIOD IDENTIFIED IN THE**
6 **PROPOSED ARP?**

7 A. The attached exhibits focus on the test period ending July 31, 2023, as required by the
8 Commission's 2019 base rate case Order. The Company has also filed revenue requirement
9 information for the calendar years 2023, 2024, and 2025, consistent with the intent of the
10 2019 base rate case Order and with respect to the three-year ARP. This information is
11 intended to support the Company's requested adjustment to the test period revenue
12 requirement for those periods. The 2023, 2024, and 2025 revenue requirements for
13 traditional base rates, ECCR tariff including incremental ARO costs related to CCR
14 compliance, and DSM tariff are shown separately in Exhibit____(APA/SPA/ADH/MBR-1,
15 Schedule 2 Traditional Base), Exhibit____(APA/SPA/ADH/MBR-1, Schedule 3 ECCR),
16 and Exhibit____(APA/SPA/ADH/MBR-1, Schedule 4, DSM), respectively.

17 **Q. WHY IS THE COMPANY CHOOSING TO BASE THE REVENUE**
18 **REQUIREMENT ON A TEST PERIOD ENDING JULY 31, 2023 WITH A**
19 **LEVELIZED ADJUSTMENT FOR CALENDAR YEARS 2023, 2024, AND 2025?**

20 A. There are two primary reasons the Company has chosen to present the requested revenue
21 requirement based on a test period ending July 31, 2023 with a levelized adjustment for
22 calendar years 2023, 2024, and 2025. First, the test period ending July 31, 2023 only
23 partially recognizes the increase in rate base and expenses that the Company will incur in
24 the first full year following an approved rate increase. By presenting an adjusted revenue
25 requirement for the entire period ending December 31, 2023, the Company is

1 demonstrating the first full year revenue deficiency, which mitigates the amount of time
2 between incurring the cost and recovering the cost (regulatory lag). Second, by using the
3 three calendar years ending December 31, 2025, the Company reflects the annual revenue
4 deficiencies used in determining a levelized revenue requirement in order to provide more
5 stable base rates during the three-year period.

6 **VII. SUMMARY OF PROJECTIONS FOR THE TEST PERIOD**
7 **ENDING JULY 31, 2023**
8

9 **Q. PLEASE DESCRIBE THE RATE-MAKING ADJUSTMENTS PREVIOUSLY**
10 **ALLOWED OR REQUIRED BY THE COMMISSION THAT ARE REFLECTED**
11 **IN THE COMPANY’S REQUESTED REVENUE REQUIREMENTS.**

12 A. The Company has made the following adjustments as reflected in
13 Exhibit___(APA/SPA/ADH/MBR-2):

- 14 1. Pursuant to the Commission’s Order in Docket No. 3270, the corporate
15 headquarters lease was reflected as an operating lease rather than as a capital lease.
- 16 2. Pursuant to the Commission’s Order in Docket No. 3840, institutional and goodwill
17 advertising expenses have been removed from retail expenses.
- 18 3. Pursuant to the Commission’s Order in Docket No. 3840, 75% of economy energy
19 profits were returned to retail customers through the fuel clause with 25% retained
20 by the Company.
- 21 4. Pursuant to the Commission’s Order in Docket No. 18300, 80% of profits from
22 short-term capacity sales were returned to retail customers with 20% retained by
23 the Company.

- 1 5. Pursuant to the Commission’s Order in Docket No. 3673, expenses associated with
2 the Nuclear Energy Institute have been excluded from retail expenses.
- 3 6. Wholesale revenues and expenses associated with non-territorial power marketing
4 transactions have been removed from retail income.
- 5 7. Pursuant to the Commission’s Orders in Docket Nos. 4900, 22528, 25036, 34218,
6 37854, 38877, 41596, 41734, and 42625, the approved additional sum has been
7 added to expenses for certain Purchase Power Agreements (“PPA”).
- 8 8. The carrying charge on over or under-recovered fuel costs added to revenues has
9 been removed since they are credited to customers through the fuel clause.
- 10 9. Pursuant to the Commission’s Order in Docket No. 3936, revenues and costs
11 associated with Unregulated Outdoor Lighting have been removed from retail
12 operations.
- 13 10. Accumulated Deferred Income Taxes (“ADIT”) related to Construction Work In
14 Progress (“CWIP”) have been removed.
- 15 11. Income tax expense has been adjusted to reflect, as a tax deduction, only the interest
16 expenses applicable to the retail rate base.
- 17 12. The reserve held by the external trustee for nuclear decommissioning has been
18 removed from the ARO regulatory liability balance.
- 19 13. Pursuant to Commission’s Order in Docket No. 3397, nuclear fuel stock related to
20 Plant Vogtle Units 3 and 4 has been removed from retail rate base and Allowance
21 for Funds Used During Construction is recorded on the related balance.
- 22 14. Nuclear Construction Cost Recovery tariff revenues and associated rate base items
23 have been removed.

1 15. DSM additional sum has been added to expenses, and the carrying charge on over-
2 or under-recovered DSM tariffs has been adjusted to revenues. The ADITs
3 associated with the DSM over/under-recovery have also been removed.

4 16. Pursuant to the Commission's Order in Docket No. 25060, any shoreline
5 maintenance costs in excess of licensing fees collected from lake lot lessees in
6 association with FERC Boundary Land have been removed.

7 17. Pursuant to the Commission's Orders in Docket No. 25322 and No. 36989, 50% of
8 any revenues net of program expenses associated with the Co-location Wireless
9 Equipment program on the transmission tower assets, and 40% of any revenues net
10 of program expenses associated with the co-location programs associated with
11 small cell installations or macro cell development on retail facilities such as telecom
12 towers and land leases on the Company's regulated assets have been removed for
13 retail regulatory purposes.

14 18. Pursuant to the Commission's Order in Docket No. 26550, the market differential
15 adjustment was applied to retail revenues relating to certain wholesale assets
16 transferred to retail rate base.

17 19. Pursuant to the Commission's Order in Docket No. 36989, the interest portion of
18 the capacity payments associated with capital lease PPAs was removed.

19 20. The cumulative impact of these regulatory adjustments has been reflected on cash
20 working capital.

21 All of these adjustments are consistent with the treatment reflected in the Company's
22 previously filed ASR.

1 **Q. WHAT OTHER ADJUSTMENTS ARE INCLUDED IN THE COMPANY'S**
2 **FILING THAT HAVE BEEN INCLUDED IN PREVIOUS CASES?**

3 A. As described more fully below, the Company is proposing the following adjustments:

4 1. Depreciation expense to reflect new depreciation rates.

5 2. Nuclear Decommissioning expense.

6 3. Storm Damage expense.

7 4. Environmental Remediation expense.

8 5. Staff consultant fees paid by the Company.

9 6. Proration of federal ADITs.

10 7. Test Period Normalization items.

11 8. Unprotected Excess Deferred Taxes.

12 **Q. HOW HAVE THE NEW DEPRECIATION RATES BEEN REFLECTED IN THE**
13 **REVENUE REQUIREMENT FOR THE PERIOD ENDING JULY 31, 2023?**

14 A. The depreciation rates used by the Company are reviewed in every base rate case to ensure
15 that they continue to reflect the current cost of providing service to our customers. The
16 Company's most recent depreciation study filed in this proceeding shows that current
17 depreciation rates, which were approved in the 2019 base rate case, need to be adjusted to
18 reflect updated estimates of generating unit retirements and unavailability dates, asset
19 service lives, cost of removal, and to recognize the additional investments in new facilities
20 and retirements that have been made since the previous depreciation study. The proposed
21 revenue requirement in this filing reflects the depreciation rates set forth in the new

1 depreciation study. Please refer to Exhibit____(APA/SPA/ADH/MBR-5, Schedule 1) and
2 the depreciation study, which can be found in Appendix____Exhibit 2 of this filing.

3 **Q. WHO PREPARED THE NEW DEPRECIATION STUDY AND ON WHAT**
4 **PRINCIPLES IS IT BASED?**

5 A. The depreciation study was developed by Alliance Consulting Group. In addition, Southern
6 Company Services and Brandenburg, a national demolition firm, updated the
7 dismantlement study through 2020, which was used by Alliance Consulting Group for
8 certain assumptions in their study. The key principles reflected in depreciation rates are the
9 average life group procedure, the remaining life technique, and the traditional net salvage
10 approach. The current depreciation study is consistent with the general principles and
11 processes followed in the 2019 base rate case with one exception. For assets within the
12 Steam Function, the depreciation rates have been adjusted to account for the typical 2-year
13 difference in timing between the balances used to calculate the new rates December 31,
14 2020 and when the new rates are implemented January 1, 2023.

15 **Q. WHY DID THE COMPANY CONCLUDE THAT THIS TWO-YEAR**
16 **ADJUSTMENT WAS APPROPRIATE?**

17 A. In the Company's 2022 IRP, specific decertification, retirement, or unavailability dates
18 have been requested for Plant Bowen Units 1-2 and Plant Scherer Units 1-3 and Common.
19 Because there is a two-year lag between the balances used to calculate the new depreciation
20 rates and when those rates become effective, an undepreciated balance will remain upon
21 the retirement of the asset. In order to reduce the amount of this undepreciated balance
22 projected at retirement, the depreciation rates for steam generating units were adjusted to
23 address the two-year lag.

1 **Q. WHY DID THE COMPANY ASSUME IN THE CURRENT DEPRECIATION**
2 **STUDY THAT SCHERER UNITS 1-2 SHOULD BE FULLY DEPRECIATED BY**
3 **2028?**

4 A. The Company's request in the 2022 IRP filing assumes, for planning purposes, that Scherer
5 Units 1-2 will be unavailable after 2028. This useful life assumption also reduces the
6 projected net book value in rate base (undepreciated balance) upon the physical retirement
7 of the units.

8 **Q. HOW IS THE COMPANY PROPOSING TO RECOVER THE DEPRECIATION**
9 **ASSOCIATED WITH THE RETIREMENT OF PLANT BOWEN UNITS 1-2 AND**
10 **SCHERER UNITS 1-3?**

11 A. The Company proposes to recover the depreciation related to the reduction in the useful
12 lives of Plant Bowen Units 1-2 and Plant Scherer Units 1-3 over a nine-year period
13 beginning January 1, 2023. Based on the depreciation study filed in this case, Plant Bowen
14 Units 1-2 are scheduled to be depreciated through 2027 and Plant Scherer Units 1-3 are
15 scheduled to be depreciated through 2028 in accordance with the retirement dates proposed
16 in the 2022 IRP. For these units, the Company requests the Commission to defer the
17 difference each year between the amount of depreciation expense recommended under the
18 rates provided in the Company's new depreciation study and the amount depreciation
19 expense would be assuming a nine-year remaining life into a regulatory asset account
20 beginning January 1, 2023. Once the generating units are retired, the deferred regulatory
21 asset balance, including any remaining undepreciated balance at the retirement date, would
22 be amortized over the remainder of the nine-year recovery period ending December 31,
23 2031.

1 **Q. WHY IS THE COMPANY PROPOSING A NINE-YEAR RECOVERY PERIOD**
2 **FOR THESE GENERATING UNITS?**

3 A. There are several reasons. First, a nine-year recovery period reduces the revenue
4 requirement by extending the recovery period of the remaining investment in assets that
5 have reliably served customers for decades. Also, a nine-year recovery period aligns evenly
6 with the three-year accounting order periods. Lastly, this period ensures recovery does not
7 extend beyond the current estimated useful life for Plant Bowen Units 3 and 4 (the last coal
8 units expected to be in-service).

9 **Q. HAS THE COMPANY INCLUDED AN ADJUSTMENT FOR FUNDING**
10 **NUCLEAR DECOMMISSIONING?**

11 A. Yes. The Company has updated funding amounts in the budget for the nuclear
12 decommissioning trust accounts for existing units (Plant Hatch Units 1 and 2 and Plant
13 Vogtle Units 1 and 2) to reflect the treatment approved by the Commission since 2001.
14 External trust fund balances were updated as of December 31, 2021 to calculate the
15 projected fund contributions until decommissioning. Based on the Company's calculation,
16 an annual funding is not projected to be required during the proposed ARP, which results
17 in revenue requirement savings for customers of \$4.3 million from the current nuclear
18 decommissioning accrual.

19 The proposed level of nuclear decommissioning funding is currently expected to meet
20 Nuclear Regulatory Commission minimum funding requirements for decommissioning
21 structures and equipment. This will also provide funding for the storage and eventual
22 removal of spent nuclear fuel. Consistent with the Commission's previous orders, the
23 Company also excluded any costs related to site restoration of the facilities. Information
24 supporting the funding requirement calculation can be found in
25 Exhibit___(APA/SPA/ADH/MBR-5, Schedule 4).

1 **Q. PLEASE DESCRIBE THE CHANGE IN THE STORM DAMAGE REGULATORY**
2 **ASSET BALANCE SINCE THE 2019 BASE RATE CASE.**

3 A. The storm damage regulatory asset balance has decreased from \$410.0 million as of
4 December 31, 2019 to \$48.4 million as of December 31, 2021. Since the Commission
5 approved the annual storm damage expense of \$213.3 million in the 2019 base rate case,
6 there have been fewer significant storms than anticipated impacting Georgia Power's
7 service territory. The amount approved in the 2019 base rate case has allowed the Company
8 to recover the storm balance deficiency.

9 **Q. PLEASE EXPLAIN THE CHANGE IN STORM DAMAGE EXPENSE AS**
10 **INCLUDED IN THE COMPANY'S REVENUE REQUIREMENT.**

11 A. As stated above, the Commission set the amount of annual storm damage expense at \$213.3
12 million in the 2019 base rate case Order, which consisted of \$63.5 million for projected
13 annual storm costs and \$149.8 million for annual recovery of prior storm costs. Consistent
14 with the 2019 rate case, the Company has used a 10-year historical average to project
15 annual storm costs in this filing. As a result, the Company projects average annual storm
16 costs of \$64.8 million. Since the 2019 base rate case, the regulatory asset associated with
17 storm restoration costs will have been fully recovered and it is estimated that by the end of
18 this year will become a regulatory liability of \$100.2 million. Therefore, there is no
19 recovery of prior storm costs required in this case, and the requested annual storm damage
20 expense is a decrease of \$148.5 million. The methodology used to develop the projected
21 annual storm damage expense is shown in Exhibit___(APA/SPA/ADH/MBR-5,
22 Schedule 2).

1 **Q. PLEASE EXPLAIN THE CHANGE IN ENVIRONMENTAL REMEDIATION**
2 **EXPENSE AS INCLUDED IN THE COMPANY'S REVENUE REQUIREMENT.**

3 A. The environmental remediation regulatory balance has decreased from a net regulatory
4 asset of \$37.4 million as of December 31, 2019 to a projected net regulatory asset of \$14.6
5 million at December 31, 2022. The requested annual environmental remediation expense
6 included in this filing is \$5.1 million, or a decrease of \$7.2 million from the \$12.2 million
7 annual expense set in the 2019 base rate case Order. This decrease is primarily driven by
8 the recovery of the December 2019 environmental remediation net regulatory asset balance
9 as noted above. The requested expense reflects the Company's request to recover the
10 projected net regulatory asset balance for environmental remediation over the proposed
11 three-year rate period. The methodology used to develop the annual accrual is the same as
12 approved by the Commission in previous cases and is shown in
13 Exhibit___(APA/SPA/ADH/MBR-5, Schedule 3).

14 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR THE FEES PAID BY THE**
15 **COMPANY FOR CONSULTANTS RETAINED BY THE COMMISSION STAFF.**

16 A. Based on O.C.G.A. § 46-2-33(a) and the April 7, 2022 Commission Procedural Scheduling
17 Order in Docket No. 44280, the Company is required to provide up to \$785,405 per case
18 per year toward fees for reasonably necessary specialized testimony and assistance in
19 certain proceedings initiated by the Company, with escalation provided on an annual basis
20 based on the Consumer Price Index. This adjustment reflects the Company's projection of
21 such costs not included in the Company's budget.

22 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR THE PRORATION OF FEDERAL**
23 **ADITS.**

24 A. The Company's calculations to determine federal ADITs conforms with Internal Revenue
25 Code Section 167(l), which requires the federal ADITs provided under its normalization

1 rules to be prorated or weighted by the number of days in each month instead of a 13-month
2 average, when included in the revenue requirement for setting rates.

3 **Q. PLEASE EXPLAIN THE TEST PERIOD NORMALIZATION ADJUSTMENTS IN**
4 **THE FILING.**

5 A. The test period normalization adjustments provide for certain revenues and expenses to be
6 normalized in the test period to align the revenue requirement impact of those adjustments
7 with the effective date of the proposed base rates. Therefore, customers are not charged for
8 costs or credited for revenues that are included in the test period but are eliminated effective
9 January 1, 2023; likewise, the adjustments include revenues or costs that begin January 1,
10 2023 and should be included for the full year in the test period revenue requirement. These
11 normalization items primarily consist of changes in expenses including changes in
12 depreciation rates and recovery of AROs, changes in the amortization of existing regulatory
13 assets and liabilities such as those related to storm damage and tax reform, and new
14 amortization of regulatory assets or liabilities such as those related to the net book value
15 associated with retirement of certain generating units and software and cloud computing
16 costs.

17 These adjustments are consistent with the Commission's prior precedent and in accordance
18 with general rate-making principles. All of the costs were incurred in order to provide
19 service to customers and under the approval of the Commission.

20 **Q. PLEASE EXPLAIN THE CHANGE IN THE TCJA BENEFITS IN THE**
21 **COMPANY'S REVENUE REQUIREMENT IN THIS FILING?**

22 A. During the current ARP period (2020-2022), the Company was able to offset a portion of
23 its revenue requirement by recording a regulatory liability and amortizing a portion of the
24 benefits from the TCJA, which reduced customers' rates by \$220 million annually. By the
25 end of 2022, Georgia Power's customers will have fully realized the approximate \$660

1 million total in benefits related to unprotected excess deferred taxes. As such, the
2 regulatory liability related to these benefits will be zero at December 31, 2022, and no
3 longer exist to put downward pressure on rates, which results in an increase to the requested
4 revenue requirement in this case. Customers continue to benefit from the impact of lower
5 federal and state income tax rates in the Company's income tax calculations, resulting from
6 the TCJA.

7 **Q. WHAT NEW ADJUSTMENTS OR ACCOUNTING ITEMS ARE INCLUDED IN**
8 **THE FILING THAT HAVE NOT BEEN INCLUDED IN PREVIOUS CASES?**

9 A. The Company has included the following adjustments:

- 10 1. Amortization of Net Book Values ("NBV") of Plant Wansley Units 1-2 and 5A and
11 Plant Boulevard Unit 1.
- 12 2. Amortization of Deferred Software Costs.
- 13 3. Amortization of Incremental COVID Costs.
- 14 4. Amortization of Customer Usage Data Access Costs.

15 **Q. HOW IS THE REMAINING NBV OF PLANT WANSLEY UNIT 1-2 AND 5A AND**
16 **PLANT BOULEVARD UNIT 1 REFLECTED IN THIS FILING?**

17 A. As proposed in the 2022 IRP, the Company has deferred the NBV of Plant Wansley Units 1,
18 2, and 5A and Plant Boulevard Unit 1 to regulatory asset accounts upon the projected
19 retirement dates of the units to be amortized at the current approved depreciation rate
20 through December 31, 2022. Effective January 1, 2023, the Company proposes to amortize

1 these NBVs over their remaining useful lives as approved in Docket No. 42516. Please see
2 Section VIII for further discussions on other accounting items requested in the 2022 IRP.

3 **Q. WHAT AMOUNT IS THE COMPANY SEEKING TO RECOVER REGARDING**
4 **SOFTWARE AND CLOUD COMPUTING COSTS IN THIS FILING?**

5 A. As approved in the 2019 base rate case, the Company changed its accounting for software
6 and cloud computing projects and now defers to a regulatory asset certain costs expensed
7 under Generally Accepted Accounting Principle (“GAAP”) which, prior to 2020, were
8 capitalized. The Company has deferred \$33.0 million of software and cloud computing
9 costs as of December 31, 2021 and is projected to defer an additional \$15.9 million through
10 December 31, 2022, for a total of \$48.9 million. The Company is requesting to recover the
11 \$48.9 million over a five-year amortization period ending December 31, 2027, which is
12 consistent with the allowed five-year GAAP depreciation period for capitalized software.
13 This represents an annual amortization expense of \$9.8 million.

14 **Q. WHAT INCREMENTAL COSTS RELATED TO THE COVID-19 PANDEMIC**
15 **HAS THE COMPANY DEFERRED, AND OVER WHAT PERIOD DOES THE**
16 **COMPANY PROPOSE RECOVERY OF THESE COSTS?**

17 A. As approved by the Commission in Docket No. 42516, the Company has deferred \$105,000
18 of incremental bad debt expense and \$20.9 million of other costs related to the COVID-19
19 pandemic to a regulatory asset as of December 31, 2021. The incremental other costs
20 include additional expenses impacting the Company’s operations of the business, such as
21 cleaning supplies and personal protective equipment, overtime labor hours, and meal
22 vouchers deployed to front line workers in order to help protect employee's health while
23 performing critical operations. The Company projects an additional \$4.2 million of
24 incremental other costs to be deferred to the regulatory asset in 2022. The Company is
25 requesting a three-year amortization period ending December 31, 2025 to recover these

costs. This represents an annual amortization expense of \$8.4 million. Beginning January 1, 2023, the Company will no longer defer costs it will incur related to its COVID-19 pandemic response.

Q. HAS THE COMPANY INCURRED COSTS RELATED TO PROVIDING HOURLY USAGE DATA TO CUSTOMERS AS DIRECTED BY THE COMMISSION IN DOCKET NO. 42516?

A. Yes. The Company has deferred \$238,000 of incremental costs incurred in its efforts to provide hourly usage data to customers through December 31, 2021 and projects to defer an additional \$548,000 related to its efforts in 2022.

Q. WHAT AMOUNT IS THE COMPANY SEEKING TO RECOVER REGARDING HOURLY USAGE DATA ACCESS COSTS IN THIS FILING?

A. The Company is requesting to recover a regulatory asset balance of \$786,000 as of December 31, 2022 over a three-year amortization period ending December 31, 2025. This represents an annual amortization expense of \$262,000. Beginning January 1, 2023, the Company will no longer defer costs it will incur related to hourly usage data access costs.

VIII. GEORGIA POWER'S 2022 INTEGRATED RESOURCE PLAN

Q. IN ADDITION TO THE ITEMS NOTED IN SECTION VII, PLEASE EXPLAIN THE ACCOUNTING REQUESTS RELATED TO THE COMPANY'S PENDING DECERTIFICATION REQUESTS IN THE 2022 IRP.

A. As proposed in the 2022 IRP, the Company projects to reclassify \$19 million of estimated unusable material and supplies inventory from Plant Wansley to a regulatory asset upon the projected retirement date. Considering the uncertainties around the salvage value of the inventory, the Company is not proposing to amortize the unusable inventory regulatory asset at this time and requests the amortization to be addressed in the next base rate case.

Consistent with unusable inventory of previously decertified units, the regulatory asset amount has been included in the ECCR revenue requirement.

Q. IS THE COMPANY OFFERING ANY WHOLESALE CAPACITY TO RETAIL CUSTOMERS IN THE 2022 IRP?

A. Yes. The Company is offering 88 MWs of wholesale block capacity to the retail jurisdiction associated with Plant Yates Units 6 and 7 and Combustion Turbines (“CT”) at Plant McManus and Plant Wilson. If approved by the Commission, 65 MWs from Plant Yates Units 6 and 7 and 23 MWs from Plants McManus and Wilson CTs will be transferred to retail cost of service on January 1, 2024 and January 1, 2025, respectively.

Q. HOW IS THE WHOLESALE CAPACITY TO RETAIL OFFER REFLECTED IN THE FILING?

A. Consistent with the 2022 IRP filing, the Company has included the rate base components associated with the capacity offer and the related allocation of the expenses in retail cost of service at the proposed dates of the transfer. Consistent with prior wholesale offers, the Company has also included a market differential adjustment (“MDA”) in this filing to meet the requirement that the transaction be offered at then-current wholesale market terms, which serves to reduce the revenue requirement in this filing. The MDA represents the difference between the levelized market value and the levelized revenue requirement of the net asset over its remaining useful life.

Q. ARE ANY OF THE PURCHASE POWER AGREEMENTS FROM THE 2022 IRP SCHEDULED TO BEGIN DURING THIS ARP PERIOD?

A. Yes. As part of the 2022 IRP, the Company requested certification of six PPAs for a combined annual contract capacity of 2,356 MW (winter rating). Of the 2,356 MW, 1,671 MW are scheduled to begin in 2024 and 429 MW are scheduled to begin in 2025, with the

1 remaining 256 MW scheduled to begin in 2028. The Company has included the related
2 capacity costs of these PPAs in this ARP.

3 **IX. GRID INVESTMENT PLAN PROGRESS AND UPDATE**

4 **Q. MR. ROBINSON, PLEASE BRIEFLY SUMMARIZE THE GRID INVESTMENT**
5 **PLAN APPROVED IN THE 2019 BASE RATE CASE.**

6 A. Georgia Power's Grid Investment Plan, approved by the Commission in the 2019 base rate
7 case, is a 12-year program that focuses on improving distribution reliability and replacing
8 aging transmission assets. The Commission specifically approved the Company's request
9 to invest \$1.3 billion for the 2020-2022 period. The Grid Investment Plan consists of
10 investment packages that target underperforming feeders (also referred to as circuits) and
11 aging transmission lines and substations that deliver electricity from generation to our
12 customers throughout the state. Importantly, for investments focused on improving
13 customer reliability, the Company performed an extensive economic benefit study that
14 evaluated and determined the optimal investment range for the Grid Investment Plan to
15 improve customer reliability across the system.

16 **Q. WHAT APPROVAL IS THE COMPANY SEEKING IN THIS PROCEEDING**
17 **REGARDING THE GRID INVESTMENT PLAN?**

18 A. Consistent with the 2019 base rate case, the Company requests that the Commission
19 approve dollars associated with the next three-year period of the Grid Investment Plan. For
20 2023-2025, the Company will invest approximately \$2.2 billion. Exhibit
21 ____ (APA/SPA/ADH/MBR-7) contains the distribution packages for the 2023-2025 period
22 and Exhibit ____ (APA/SPA/ADH/MBR-8) contains the transmission packages for the 2023-
23 2025 period. These refined plans align with the Company's overall commitment to improve
24 reliability and system performance efficiently and cost effectively.

1 **Q. HAVE THE GRID INVESTMENT PLAN OBJECTIVES REMAINED**
2 **CONSISTENT WITH THOSE APPROVED IN THE 2019 BASE RATE CASE?**

3 A. Yes. The Grid Investment Plan objectives remain unchanged: distribution investments
4 focusing on improving reliability for customers and transmission investments focusing on
5 replacing aging system assets. As mentioned above and reflected in
6 Exhibits___(APA/SPA/ADH/MBR-7-8), Georgia Power refined certain program
7 components and assumptions based on positive insights, learnings, and data gathered
8 during the initial three-year period of the Grid Investment Plan.

9 **Q. PLEASE ADDRESS THE PRELIMINARY RESULTS OF THE 2020-2022**
10 **INVESTMENTS AND DISTRIBUTION SYSTEM PERFORMANCE**
11 **IMPROVEMENTS SINCE THE LAST RATE CASE.**

12 A. The results from the projects completed to date have produced positive reliability benefits
13 for Georgia Power customers. It is important to highlight that the Company tracks results
14 of feeders selected for investment that have a full year of reliability data post-construction
15 completion. Tracking in this manner ensures that the results reflect improvements across
16 all seasonal variations within a full calendar cycle. These preliminary results continue to
17 reinforce the Company's confidence in the overall strategy and execution to date of the
18 Grid Investment Plan.

19 Given that only a subset of projects have been completed and in-service for a full calendar
20 cycle, the Company determined that revising benefit estimates for distribution investment
21 packages is not warranted at this time. The benefit assumptions for these investment
22 packages for the 2023-2025 period remain consistent with those applied in the 2019 Grid
23 Investment Plan.

1 **Q. EARLIER IN THE TESTIMONY YOU STATED THAT THE COMPANY**
2 **REFINED CERTAIN COMPONENTS OF THE GRID INVESTMENT PLAN**
3 **BASED ON POSITIVE INSIGHTS AND LESSONS LEARNED. PLEASE**
4 **EXPLAIN.**

5 **A.** During the 2020-2022 period, the Company acquired valuable knowledge about the overall
6 program strategy and the structure required to successfully transition a program of this
7 scale on paper to projects on the ground. The list below highlights examples of distribution
8 investment insights and learnings the Company gained from this experience:

- 9 • **Program Strategy & Rationale:** Georgia Power confirmed that the overall strategy
10 and economic rationale supporting the Grid Investment Plan is optimal for Georgia
11 Power customers. The specific investment packages being deployed are producing
12 expected benefits and delivering positive results.
- 13 • **Investment Packages Scope & Cost:** The total cost required to deliver individual
14 investments are higher than the Company originally projected, driven by increases in
15 both scope and cost of work. To realize the target benefits for customers, the Company
16 refined the scope of the investment packages. As the Company learned more about
17 existing feeder conditions, the Company made these refinements after concluding that
18 additional work was necessary to ensure that grid investment projects operate and
19 deliver as planned. Regarding costs, the Company has experienced increases driven by
20 several factors, including land acquisition, traffic management and escalation in costs
21 related to contractor labor and materials.
- 22 • **Undergrounding:** Undergrounding remains the most effective solution for improving
23 customer reliability. However, in developing and executing projects during the 2020-
24 2022 timeframe, the Company learned that these projects are costing more than initially
25 expected and require longer construction times, which causes significant public
26 disruption.

1 Given the learnings discussed above, the Company reassessed and refreshed the Grid
2 Investment Plan, within the bounds of the original core strategy, to confirm which specific
3 investment packages will continue to provide reliability improvements that benefit Georgia
4 Power customers.

5 **Q. WILL THE REFINED GRID INVESTMENT PLAN PACKAGES AND**
6 **STRATEGY BENEFIT FROM LESSONS LEARNED FROM THE FIRST THREE**
7 **YEARS OF IMPLEMENTATION?**

8 A. Yes. The Company incorporated learnings and positive insights gained during initial
9 execution of the Grid Investment Plan. The Company only made refinements that aligned
10 with the overarching strategy and economic rationale underpinning the Grid Investment
11 Plan approved in the 2019 base rate case.

12 The Company made two key changes based on the learnings to date; these changes have
13 driven the refresh of the Grid Investment Plan:

- 14 • Updated the cost of distribution investment packages to match the costs observed
15 through the work to date.
- 16 • Reevaluated distribution investment packages selected for each feeder to ensure that
17 the Grid Investment Plan is still delivering reliability improvements at an optimum
18 cost/benefit return for Georgia Power customers.

19 The outcome of these refinements is a distribution plan that continues to deliver, where it
20 is economically beneficial, strong reliability benefits for customers. For example, the
21 Company no longer leverages a hierarchy that defaults to undergrounding if a feeder
22 qualifies, but instead allows the cost benefit analysis to determine the most cost-effective
23 solution (e.g., hardening, sectionalizing) to achieve reliability improvements. In addition,
24 the Company refined transmission package criteria to ensure that the appropriate scope of

work continues to be considered for investment. For example, the condition of relays, which are devices that protect the system when faults and other abnormal conditions are detected, is now considered in transmission substation investment decisions instead of regulators.

Q. PLEASE PROVIDE AN UPDATE ON OTHER TRANSMISSION AND DISTRIBUTION RELATED SPENDING.

A. As discussed in the Company's most recent IRP filing, the state of Georgia has experienced positive customer growth over the last ten years and is expected to continue its robust economic growth and population trends above U.S. averages. As a result, the Company must continue to make the investments necessary to serve these new customers. The Company must also make transmission and distribution investments to support the transition of the generation fleet to more economical and cleaner resources. Importantly, these investments will ensure the Company is able to continue to provide reliable, affordable, and safe electric service to meet the long-term needs of Georgia Power customers.

X. TAXES

Q. WHAT TAXES DOES THE COMPANY PAY?

A. The Company pays federal and state income taxes, local property taxes, sales and use taxes, payroll taxes and several other miscellaneous taxes. Taxes other than income taxes are shown on Exhibit__(APA/SPA/ADH/MBR-5, Schedule 5) and the computation of income taxes is shown on Exhibit__(APA/SPA/ADH/MBR-5, Schedule 6, Workpaper 1).

Q. WHAT TIMING DIFFERENCES RESULT IN DEFERRED INCOME TAXES?

A. Exhibit__(APA/SPA/ADH/MBR-4, Schedule 6) identifies the categories of timing differences that result in deferred income taxes. It also shows both the provision for

1 deferred income taxes and the reversal of income taxes deferred in prior years for each
2 specific item.

3 **Q. WHAT DOES THE COMPANY PROPOSE IN THE EVENT LEGISLATION IS**
4 **PASSED THAT ALTERS THE CURRENT FEDERAL OR STATE CORPORATE**
5 **INCOME TAX RATES?**

6 A. If federal or state legislation is passed altering the federal or state corporate income tax
7 rates that would impact the Company's revenue requirement calculations, the Company
8 would work with the Commission to appropriately address such changes at that time.

9 **XI. WHOLESALE SALES**

10 **Q. PLEASE DESCRIBE ANY CHANGES TO THE TREATMENT OF WHOLESALE**
11 **SALES IN REGARD TO RETAIL COST OF SERVICE SINCE THE 2019 RATE**
12 **CASE.**

13 A. The only change to the treatment of wholesale sales in regard to retail cost of service since
14 the 2019 base rate case is related to the Transmission Service Agreement ("TSA") to
15 facilitate the transfer of energy generated at Plant Scherer Unit 4 to its owners, Jacksonville
16 Electric Authority and Florida Power and Light. This contract was terminated at the end of
17 2021 due to the retirement of Scherer Unit 4. Therefore, the allocation of transmission
18 investments and expenses associated with the contract will no longer be excluded from
19 retail cost of service beginning in 2022.

1 **XII. WORKING CAPITAL**

2 **Q. PLEASE EXPLAIN THE CONCEPT OF WORKING CAPITAL AS IT RELATES**
3 **TO A REGULATED UTILITY.**

4 A. Working capital for a regulated utility can be described as the average amount of capital
5 (in excess of that used to finance net utility plant and other separately identified rate base
6 components) necessary to operate the business. This working capital bridges the gap from
7 the time costs are incurred by the Company to provide electric service until the payments
8 are received from customers for that service. Additionally, it covers other assets that must
9 be financed by investors pending recovery from customers. This definition of working
10 capital as applied to a regulated utility is different from the definition of working capital as
11 used in the ordinary business or accounting sense. Working capital, as applied to
12 commercial enterprises, is defined as current assets less current liabilities and is used for
13 purposes of evaluating the liquidity of a commercial business at a given point in time.

14 **Q. WHAT IS INCLUDED IN THE COMPANY'S WORKING CAPITAL**
15 **REQUIREMENT?**

16 A. The working capital requirement included in this filing consists of 13-month average
17 balances of materials and supplies inventories, minimum bank balances, and prepayments.
18 A provision for cash working capital (i.e., the cash necessary to pay operating expenses
19 prior to collection of revenues) is included in overall working capital.
20 Exhibit___(APA/SPA/ADH/MBR-4, Schedule 4, Workpaper 1) provides a summary of
21 the Company's working capital components included in this filing. In addition,
22 Exhibit___(APA/SPA/ADH/MBR-1, Schedule 5 MFF) provides the estimated cash
23 working capital requirement related to municipal franchise fees.

1 **Q. WHAT METHOD WAS USED IN COMPUTING THE COMPANY'S CASH**
2 **WORKING CAPITAL REQUIREMENT FOR THE TEST PERIOD?**

3 A. The Company performed a lead-lag study to determine the estimated cash working capital
4 requirement for the test period. The study method used in this filing is consistent with
5 studies approved by the Commission in prior rate case proceedings. The lead-lag
6 methodology performed involves a study of the time lag between the date customers
7 receive service from the Company and the date they pay for such service. This is reduced
8 by any offsetting lead time between the date suppliers and employees render service to the
9 Company and the date the Company pays for such services. This lead-lag methodology is
10 generally accepted as the most reliable method for determining a cash working capital
11 requirement and has historically been the stated preference of the Commission. One of the
12 most important aspects of this methodology is that it provides specific analysis of day-to-
13 day operations of the Company, and the results are applied to specific Company cost of
14 service accounts. It does not rely on point-in-time balances from historical accounting
15 records; rather, it provides a picture of the average flow of funds a utility requires in its
16 operating cycle which can be applied to projected expenses to determine cash working
17 capital. Although this approach is much more time-consuming than some other methods,
18 it produces a more refined analysis. A complete description of the lead-lag study is included
19 in Appendix Exhibit 3.

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 A. Yes.

1 MR. HEWITSON: Also, for the record, Madam
2 Chair, I would like to identify the prefiled
3 exhibits APA/SPA/ADH/MBR-1 through 8 as Georgia
4 Power Company's Exhibits GPC 1 through GPC 8, and
5 have them admitted into the record, subject to
6 cross-examination.

7 MADAM CHAIR PRIDEMORE: So moved, so marked.

8 (Documents referred to were marked and admitted
9 into evidence as GPC's Exhibits 1 through 8.)

10 BY MR. HEWITSON:

11 Q As part of your filing on June 24th, did you
12 file a one-volume appendix which contains the minimum
13 filing requirements for the projected test year revenue
14 requirement calculations per this Commission's rules?

15 A (Witness Abramovitz) Yes.

16 Q As part of the June 24th filing, was there also
17 an appendix containing four exhibits entitled "Load and
18 Energy Forecast/Retail Revenue Forecast," "Depreciation
19 Rate Study," "Lead/Lag Supporting Cash Working Capital"
20 and "Nuclear Decommissioning Cost Study"?

21 A (Witness Abramovitz) Yes, there was.

22 Q Were these documents all prepared as a part of
23 this filing under your supervision and direction?

24 A (Witness Abramovitz) Yes, they were.

25 Q Are there any corrections you need to make to

1 these documents?

2 A (Witness Abramovitz) No.

3 MR. HEWITSON: Madam Chair, at this time I ask
4 that the filing designated as the Minimum Filing
5 Requirements be identified as Georgia Power Company
6 Exhibit GPC 9, and the exhibits in the appendix be
7 identified as Georgia Power Exhibits GPC 10 through
8 13 and have them admitted into the record subject to
9 cross-examination.

10 MADAM CHAIR PRIDEMORE: So moved, so marked.

11 (The documents referred to were marked for
12 identification and admitted into the record as
13 GPC Exhibits 9 through 13.)

14 BY MR. HEWITSON:

15 Q Finally, on August 22nd of this year, did you
16 file or cause to be filed a supplemental filing
17 containing the revenue requirement impacts from the
18 Commission's final order in the 2022 IRP and DSM
19 certification proceedings?

20 A (Witness Abramovitz) Yes.

21 Q Was that supplemental filing prepared under
22 your supervision and direction?

23 A (Witness Abramovitz) Yes, it was.

24 Q Are there any corrections you need to make to
25 that supplemental filing?

1 A No.

2 MR. HEWITSON: Madam Chair, I ask that the
3 supplemental filing be marked as Georgia Power
4 Exhibit GPC 14 and admitted into the record, subject
5 to cross.

6 MADAM CHAIR PRIDEMORE: So marked.

7 (The document referred to was marked for
8 identification as GPC Exhibit 14 and admitted into
9 evidence.)

10 MR. HEWITSON: Madam Chair, with your
11 permission, I will ask Mr. Abramovitz to summarize
12 the testimony of the panel.

13 MADAM CHAIR PRIDEMORE: Please go ahead,
14 Mr. Abramovitz.

15 MR. ABRAMOVITZ: Good afternoon, Madam Chair
16 and commissioners. Ms. Adams, Mr. Houston,
17 Mr. Robinson, and I each thank you for the
18 opportunity to be here today.

19 We are here today to support Georgia Power's
20 2022 base rate case filing. In preparing this base
21 rate case, our focus, as it has always been and will
22 continue to be, is ensuring our customers receive
23 clean, safe, reliable, and affordable electric
24 service.

25 With this case, we seek to continue this

1 Commission's longstanding tradition of constructive
2 regulation that has benefited our customers,
3 supported Georgia's growing economy, and produced
4 rates below the national average. Georgia Power's
5 request in this case seeks to continue the
6 fundamental principles that have made prior rate
7 plans successful.

8 Our testimony supports the calculation of the
9 company's revenue requirement over the next three
10 years, and explains how our request will enable us
11 to continue making the critical investments
12 necessary to meet our customers' evolving energy
13 needs. Our testimony also supports the company's
14 proposed three-year alternate rate plan, or ARP,
15 which is similar to the ARP's that have benefited
16 both our customers and our company since 1995.

17 The proposed ARP provides sufficient rates and
18 a capital structure that will enable the company to
19 maintain its financial integrity and continue
20 meeting the energy needs of our customers and
21 communities we proudly serve across Georgia.

22 As reflected in our filing, the company's
23 current rates are not sufficient to cover the
24 company's projected revenue requirement. Georgia
25 Power is seeking an increase to base rates of \$889

1 million in 2023, with subsequent increases of \$107
2 million in 2024, and \$45 million in 2025.

3 These proposed increases include a one-time
4 levelized adjustment for our traditional base rates
5 and an increase of \$5 million for traditional
6 environmental compliance costs that the company
7 recovers through the environmental compliance cost
8 recovery, or ECCR, tariff.

9 For each of the next three years, the company
10 is also seeking recovery of Coal Combustion Residual
11 Asset Retirement Obligation, or CCR ARO, compliance
12 costs through annual increases in the ECCR tariff
13 based on the required annual environmental
14 compliance filings.

15 The combination of levelized and smaller
16 subsequent annual increases is similar to the
17 methodology approved by this Commission in the 2019
18 base rate case, and appropriately balances the rate
19 stability customers desire with the timely cost
20 recovery needed to continue providing customers with
21 clean, safe, and affordable energy.

22 As I previously mentioned, the company is
23 proposing to continue the three-year alternate rate
24 plan framework that has been a central part of
25 Georgia's constructive regulatory environment for

1 nearly three decades. This framework appropriately
2 incentivizes the company to innovate and manage its
3 business officially, keep rates stable and
4 predictable, all while sharing the benefits of the
5 company's performance with customers.

6 Through prior ARP's, we have delivered strong
7 operational performance and exceptional customer
8 service, managed business risk within an appropriate
9 earnings band and consistently delivered rates below
10 the national average. This framework supports the
11 timely recovery of costs, as well as the company's
12 financial integrity and credit quality, all of which
13 ultimately translates into lower costs for
14 customers. In addition, the ARP sharing mechanism
15 has enabled the company to return almost \$300
16 million in benefits to customers since 2013.

17 Georgia Power's request in this proceeding
18 builds upon the strong foundation this Commission
19 established in the 2019 base rate case by allowing
20 us to continue making the critical investments that
21 are necessary to meet our customers' evolving energy
22 needs.

23 Our request includes costs related to continued
24 investments in the reliability and resiliency of a
25 transmission and distribution system, which are

critical to our customers and the continued growth of our state. Nearly half of the Company's requested revenue requirement relates to investments that will enhance system reliability and resiliency, which includes investments associated with continuation of the Grid Investment Plan approved in the 2019 base rate case.

These investments will also accommodate projected customer growth, support the continued transition of the generation fleet, and continue the replacement of aging transmission and distribution system infrastructure.

These critical investments, which will support a reliable and resilient electric grid are so key to Georgia's ability to maintain its economic advantage in the future, especially when we consider the reliability challenges in other parts of the country.

In addition, approximately \$249 million of the requested revenue requirement will support the continued transition of the company's generation fleet to more economical and cleaner resources.

This portion of our request includes additional expense in 2024 and 2025 related to purchase power contracts certified in the 2022 IRP, capital

1 investments in solar, hydroelectric, and other
2 renewable generation assets, an increase in
3 demand-side management expenses associated with
4 programs approved in the 2022 IRP, and an increase
5 in depreciation expense related to the change in
6 depreciation rates that is partially offset by
7 deferral of some other depreciation expense.

8 The company must continue to comply with the
9 mandatory state and federal environmental
10 regulations pertaining to the ongoing closure of its
11 29 coal ash ponds. As a part of our request, the
12 company is seeking approximately \$189 million for
13 incremental costs associated with CCR ARO
14 compliance, as reflected in the Environmental
15 Compliance Strategy this Commission approved in the
16 2019 and 2022 IRP proceedings.

17 Our revenue requirement request also includes
18 \$98 million for critical technology investments that
19 will enhance system operations, and the customer
20 experience. Over the next three years, our plans
21 include investing in:

22 A new customer information system to replace
23 our existing customer service and billing system
24 that has been in place for more than 25 years;

25 A distributed energy resource management

1 system, or DERMS, that will enable enhanced
2 monitoring and operational capabilities necessary
3 for a more complex power delivery system; and

4 The infrastructure and technology needed to
5 support the growth of electric transportation in
6 Georgia.

7 Another key driver to our request is the impact
8 of recent inflation. As we have all witnessed
9 across the state and the country, the cost of basic
10 goods and services has increased. From gasoline to
11 groceries, the cost inflation we have all
12 experienced is substantial.

13 Georgia Power's cost of service is not immune
14 to the significant inflation seen across multiple
15 business sectors. And while we always consider
16 inflation in our projections, this year's extreme
17 levels of inflation are anything but typical.

18 Our request includes an incremental inflation
19 adjustment to certain labor, non-labor, and capital
20 expenditure components that increases our request by
21 approximately \$94 million.

22 Even in the face of significant inflation,
23 Georgia Power continues to seek out cost
24 efficiencies across our business. In fact, several
25 items help offset and significantly reduce the

1 company's request. For example, as a result of this
2 Commission's decision in the 2019 rate case, the
3 company has now fully recovered its \$400 million
4 under-recovered storm cost. Our request proposes to
5 reduce the annual storm damage expense accrual from
6 \$213 million per year to \$65 million per year.

7 This amount reflects the average annual storm
8 damage cost incurred over the last ten years and
9 reduces the company's revenue requirement by \$149
10 million. In addition, as our residential customer
11 base continues to grow, our current projected sales
12 growth provides a \$68 million reduction to our
13 request.

14 Finally, the company's revenue requirement
15 calculation also reflects approximately \$163 million
16 of projected decreases in employee benefit costs and
17 other expenses resulting from effective cost
18 management, inclusive of \$79 million reduction
19 related to the economic transition of our generating
20 fleet.

21 Finally, our request represents a balanced
22 approach that provides stable and predictable rates
23 for customers with timely recovery of our cost to
24 serve, while maintaining the financial integrity
25 needed to continue providing our customers with

1 clean, safe, reliable, and affordable electric
2 service.

3 Consistent with this Commission's 2019 rate
4 case order, our request proposes to maintain the
5 current earnings band of 9.5 percent to 12 percent
6 and the retail capital structure of 56 percent
7 equity and 44 percent debt, as well as the
8 alternative rate plan sharing mechanism.

9 As Mr. Coyne and Mr. Fetter will testify, an
10 11 percent return on equity rate set point combined
11 with an equity ratio of 56 percent will help
12 maintain the company's financial integrity and, when
13 evaluated together with this Commission's
14 constructive policies, will enable Georgia Power to
15 raise capital in the current market at reasonable
16 cost and upon reasonable terms for the benefit of
17 our customers.

18 As Georgia's largest electric service provider,
19 Georgia Power is proud of its critical role in
20 meeting the energy needs of our customers and the
21 communities we have the privilege to serve
22 throughout our state.

23 Our rate request and the proposed alternate
24 rate plan will enable the company to:

25 Recover its cost of service over the next three

1 years and maintain its financial integrity;

2 Make the critical investments necessary to
3 support the reliability and resiliency of the
4 electric grid;

5 Continue our transition of the company's
6 generation fleet to more economical and cleaner
7 resources; and

8 Implement technology to enhance operations and
9 customer experience, all while complying with state
10 and federal environmental regulations.

11 With this proposal, Georgia Power will be well
12 positioned to deliver superior customer service as
13 we continue to provide the clean, safe, and reliable
14 electric service that our customers expect and
15 deserve.

16 Thank you for your time and attention.

17 MR. HEWITSON: Madam Chair, the panel is
18 available for questions from the Commission, as well
19 as cross-examination.

20 MADAM CHAIR PRIDEMORE: Thank you,
21 Mr. Hewitson.

22 Questions from commissioners for this panel?

23 Commissioner McDonald.

24 COMMISSIONER MCDONALD: On page 13, line 10 --
25 well, start at around 8 to 10 -- you discuss the '19

1 rate case and the band between the low of nine
2 and-a-half and top of 12 percent.

3 Normally, in years past, the rate cases, they
4 were 100 basis points above and below the adopted
5 ROE, correct?

6 MR. ABRAMOVITZ: That's right, Commissioner
7 McDonald. In the past, it has been more of a
8 midpoint.

9 COMMISSIONER MCDONALD: Right.

10 MR. ABRAMOVITZ: The 2019 rate case made it
11 more of a set point to where you didn't have that
12 equal distribution in the bank.

13 COMMISSIONER MCDONALD: And you talk about the
14 sharing above the 12 percent, but you don't talk
15 about the sharing of where the money went between
16 the normal of 100 basis points, which would have
17 been 11 1/2 above the 10.5 ROE and the 12. Do you
18 know that number?

19 MR. ABRAMOVITZ: I don't know that number off
20 the top of my head, but what I can tell you is when
21 the company does earn above the set point of rates,
22 that doesn't increase the cost to customers. What
23 it does do is incentivize us to be as efficient as
24 possible with our operating expenses, in the way we
25 run the company, so that every three years we can

1 come to this Commission and put downward pressure on
2 rates or recognize the most cost efficiencies and
3 that's how our customers recognize those benefits.

4 COMMISSIONER MCDONALD: Well, we recognize the
5 breakdown above the band goes to the customer, the
6 company, but in the '19 rate case, the difference
7 between the 11 and-a-half and the 12, plus the fact
8 that the company received also a third of the above
9 the band part, so there was a considerable number of
10 dollars that the Georgia Power earned in that rate
11 case that's above -- in the hundreds of millions of
12 dollars above the 11 and-a-half and the 12; correct?

13 MR. ABRAMOVITZ: So 50 basis points or so
14 represents, I would say, roughly \$100 million of
15 revenue, if you will. And out of a -- if you are
16 thinking about this request, out of a \$1 billion
17 incremental request, it's around 10 percent.
18 Thinking back to the 2019 rate case, if I recall,
19 with the Commission's order, all of the dollars that
20 the company recognized above its allowed ROE band
21 were actually returned to customers at that time.

22 COMMISSIONER MCDONALD: And you are also
23 requesting that that ceiling be 12 percent again in
24 this rate case; is that correct?

25 MR. ABRAMOVITZ: That's correct.

1 COMMISSIONER MCDONALD: Just want to share that
2 as we plow this rate case over the next few days and
3 next few weeks, whatever, that, you know, there are
4 a lot of businesses in this state, small businesses,
5 medium-sized businesses, manufacturers, that the
6 COVID, you know, gets blamed for a lot of things.
7 And there has been a lot of -- lot of
8 disappointments because of COVID, because of
9 business closing, because of financial pressures, et
10 cetera. And I just want Georgia Power to understand
11 that a lot of these small businesses don't have a
12 monopoly. They have a customer base that's assigned
13 to them.

14 I am in business also. My family is in
15 business. And we don't have an assigned territory
16 that we serve. We -- you know, we take them as they
17 come. But what I'm saying is, I want you to be
18 aware that as we go through this, that I am going to
19 be very, very, very passionate toward the consumer
20 out there, the small businesses, the individual
21 residential customers that have shared in this COVID
22 experience, if we want to blame everything on COVID.
23 That seems what we are doing now.

24 But the company has also got to take a bit of
25 that into consideration, too, as it looks at its

1 earning and its potential earnings as we go through
2 this rate case.

3 MR. ABRAMOVITZ: Yes, Commissioner.

4 MADAM CHAIR PRIDEMORE: Commissioner Echols --

5 VICE CHAIRMAN ECHOLS: Thank you, Madam Chair.

6 I was just going to ask about the donations
7 that were mentioned in the public comment.

8 Donations to -- for sponsorships and to
9 charities and things. Does that come from ratepayer
10 money or does that come from the power company's own
11 source?

12 MR. ABRAMOVITZ: You know, Commissioner Echols,
13 that is all what we would call below the line, so it
14 does not get reflected or charged to our customers.

15 Since 2019, Georgia Power Company has given
16 roughly \$21 million, our foundation has also given
17 \$32 million -- that's over \$50 million over the past
18 three years. I would also mention that our 7,000
19 employees have put about 124,000 hours of volunteer
20 service in the community. And then on top of that,
21 our employees actually have the opportunity to match
22 donations and our employees have actually matched \$3
23 million of our donations.

24 So all that is below the line, if you will. It
25 goes against the direct, if you will, bottom line of

1 the company and is not charged to customers.

2 COMMISSIONER MCDONALD: President Womack --

3 excuse me, Commissioner Echols. Are you through?

4 VICE CHAIRMAN ECHOLS: I am finished,

5 Commissioner. Thank you.

6 COMMISSIONER MCDONALD: Several months ago,

7 Commissioner Womack had an op-ed regarding

8 \$75 million, 15 million a year for the next five

9 years for small businesses and small colleges and

10 universities; correct?

11 MR. ABRAMOVITZ: That's correct.

12 COMMISSIONER MCDONALD: He said this comes out

13 of foundation money, and foundation money comes out

14 of ratepayers' money.

15 MR. ABRAMOVITZ: No, sir.

16 COMMISSIONER MCDONALD: Not at all?

17 MR. ABRAMOVITZ: No.

18 COMMISSIONER MCDONALD: Tell me how it gets

19 there then. Where does that money come from if it

20 doesn't come from the ratepayers to offset taxes

21 that might be paid somewhere down the line?

22 MR. ABRAMOVITZ: So I can see where your

23 question is coming from. Obviously, Georgia Power

24 Company is in the business of providing electric

25 service and we collect revenues associated with

1 that.

2 When our bottom line is allow -- when we --
3 when our bottom line allows it, we provide a
4 contribution to our foundation to further the
5 greater good for the state and surrounding areas.
6 And so that's where the foundation gets its, if you
7 will, initial funding. But then the foundation is
8 completely independent of the company and runs its
9 own financial productions, has investments and
10 whatnot to make sure that it can grow its financial
11 basis to support its mission.

12 COMMISSIONER MCDONALD: That's admirable, but
13 it -- you have to go back to where it comes from.
14 Your revenue comes from the ratepayer.

15 MR. ABRAMOVITZ: You're right. Our revenue --

16 COMMISSIONER MCDONALD: And it's an accounting
17 procedure as it goes through the process, but it all
18 forms around coming from the ratepayer and coming
19 from the return on equity that you have established
20 by a Public Service Commission in cooperation with
21 the power company; correct?

22 MR. ABRAMOVITZ: Correct. One, just to
23 clarify, it doesn't impact the amount we share back
24 to customers. We don't make a foundation
25 contribution or contribute to our foundation in the

1 stead of sharing the benefit of those -- of earning
2 over the authorized ROE. That's not how it works at
3 the company. It truly is whatever, if you will,
4 profit is left that we want to fund that foundation
5 with, then that's after sharing with the customers.

6 COMMISSIONER MCDONALD: I am not -- I am not
7 disappointed about what you do and how you have done
8 it with the foundation. I just want it to be
9 understood that your revenue comes from the
10 ratepayer, no matter how it's distributed or where
11 it goes. Isn't that correct?

12 MR. ABRAMOVITZ: That is correct.

13 COMMISSIONER MCDONALD: Thank you.

14 MR. ADAMS: Commissioner, just if I might add,
15 we also have non-retail revenues that come through
16 the company -- we have a total company view. Part
17 of that is retail. Most of it is retail. And some
18 is also wholesale.

19 COMMISSIONER MCDONALD: Get closer to that
20 microphone, please --

21 MR. ADAMS: You want me to start over?

22 COMMISSIONER MCDONALD: Yes, please.

23 MR. ADAMS: My point was that we have a total
24 company view. Most of that is retail, but not all
25 of it. And some of it is wholesale revenues and

1 such that also contribute to the Company's reported
2 earnings to the SEC. As we, every year, report in
3 our annual surveillance report, you will see that
4 there are no charitable contributions that are
5 included in that information that's there because
6 it's not part of retail at all.

7 COMMISSIONER MCDONALD: And you also report to
8 the Southern Company on an annual basis also; is
9 that correct?

10 MR. ADAMS: That's part of the SEC Financial
11 Service.

12 COMMISSIONER MCDONALD: Yes. Thank you.

13 Do you know that number? I do. You don't have
14 to say it.

15 COMMISSIONER JOHNSON: Madam Chair.

16 MADAM CHAIR PRIDEMORE: To be clear, though,
17 the only revenue that -- Georgia Power's only
18 revenue is not retail electric sales. Correct or
19 incorrect?

20 MR. ADAMS: That's correct. We have other
21 unregulated businesses.

22 MADAM CHAIR PRIDEMORE: There you go. Thank
23 you.

24 COMMISSIONER MCDONALD: Do you want to give us
25 the breakdown of it?

1 MR. ADAMS: I don't have that with me.

2 MR. ABRAMOVITZ: It is predominantly --

3 COMMISSIONER MCDONALD: Subject to check?

4 MR. ABRAMOVITZ: Subject to check. We don't

5 have the breakdown, but the majority of it is from

6 our retail electric service.

7 MADAM CHAIR PRIDEMORE: They are not

8 not-for-profit. Go ahead.

9 COMMISSIONER JOHNSON: Your foundation, does it

10 raise money separately, independent of what comes in

11 from the ratepayers?

12 MR. ABRAMOVITZ: It does not. And so where the

13 foundation can increase its financial standing, if

14 you will, is not only from contributions from the

15 corporation, but then also the return on its own

16 investments that it makes in the open marketplace,

17 whether it be real estate, stock, private

18 investments, those kind of things. But there's no

19 other contributions, other than from the Georgia

20 Power Company.

21 COMMISSIONER JOHNSON: Okay. Thank you.

22 MADAM CHAIR PRIDEMORE: Any other questions for

23 the panel from commissioners?

24 (No Response.)

25 MADAM CHAIR PRIDEMORE: Okay. I have some.

1 On page 7 of your prefiled testimony, the first
2 bullet on line 1, you talk about the recovery of
3 both necessary capital investments and the electric
4 grid the company has made since 2019.

5 Grid investments, explain to me the causality
6 for that. Why the grid investments? Why are they
7 necessary at this time?

8 MR. ROBINSON: So, Madam Chair, there are many
9 drivers to our capital investment. First one is the
10 credit investment plan that we have brought forward
11 in this proceeding. But there are other traditional
12 drivers on capital investment for both T&D. Those
13 are for new business, as we see growth in the state
14 and businesses come here, there are investments we
15 have to make to meet that, that growth.

16 There are commitments that we have for DOT
17 right-of-way expansion. We have to move
18 transmission line, distribution line. There are
19 investments made there.

20 All the solar expansion that we're seeing in
21 the state, all the interconnection costs associated
22 with those are borne by the company.

23 On the distribution side, capital investments
24 are looking at capital maintenance, our -- as our
25 poles age and as our underground infrastructure

1 ages, that has to be replaced. There are
2 reliability drivers, investments we make to improve
3 reliability of the system. And many others. But
4 those are the main drivers that we have in T&D
5 investment.

6 MADAM CHAIR PRIDEMORE: So everywhere I go in
7 this industry, whether it be NARUC or one of the
8 four state university programs that provide degrees
9 in utility regulation, transmission is the topic
10 that everybody is discussing. I don't care what
11 state you are in, I don't care your population
12 level, your income growth, whether you are regulated
13 or deregulated, the number one thing that's being
14 discussed is transmission.

15 MR. ROBINSON: Yes, Madam Chair, that is
16 correct. It is definitely at the forefront of this
17 rate request and our drivers moving forward as well.

18 MADAM CHAIR PRIDEMORE: And not to harp on
19 Mr. Womack's testimony, but I found yours is very
20 detailed and over my engineering head, because I
21 don't have an engineering head.

22 But Mr. Womack's testimony gets, I think,
23 detailed enough into talking about the new
24 technology that's required as we make a clean energy
25 transition and we put more solar into the system,

1 and what that means to transmission. If you would,
2 explain -- explain what a self-healing distribution
3 fielder circuit is.

4 MR. ROBINSON: Sure, Madam Chair.

5 A self-healing network is a network that -- it
6 also goes by the word FLISAR, fault location,
7 isolation, switching and restoration. So when a
8 fault happens on the system, a tree falls on the
9 line, we have devices out there that sense that
10 fault, will locate it on the system, will
11 automatically open devices and then restore power
12 from alternate sources so that we -- we make sure
13 that we keep as many customers on as possible.

14 We have been investing in self-healing networks
15 since the 2000s, and it is definitely part of our
16 grid investment plan moving forward.

17 Another thing that is mentioned in Mr. Womack's
18 testimony is this concept of the DERMS, Distributed
19 Energy Resource Management System. As we see
20 distributed resources put on the distribution
21 system, they are moving from transmission, to more
22 of a centralized dispatch, to more of a distributed
23 dispatch.

24 So you think about the -- the retail
25 distributed energy resource of pilots that got

1 approved in the IRP, the 250 megawatts behind the
2 meter, distributing energy resources. Those now
3 have to be integrated into the system and dispatched
4 as a whole with the system.

5 You are asking now distribution operators that
6 have never had to deal with these devices before to
7 now interface with these, understand what they do
8 and how to operate those.

9 So a distributed energy resource management
10 system is critical for us moving forward as we see
11 technology come on -- on-line, as we see the
12 evolution of the grid, as we see more distributed
13 energy resources to ensure the efficient dispatch
14 and reliability of the grid.

15 MADAM CHAIR PRIDEMORE: Explain to me what an
16 underground distribution feeder is and what it does.

17 MR. ROBINSON: So distribution feeders, we have
18 three different types of distribution feeders --
19 overhead, underground, and then we have network
20 underground.

21 So overhead are your traditional wood pole
22 structures that you see driving down the street.
23 Some of them are concrete steel as well. So those
24 are exposed to the air. They have the ability for
25 trees to fall on those, squirrels, and vehicle

1 accidents. In fact, right when we walked in here,
2 there was one in the Savannah area, a vehicle
3 accident.

4 Underground feeders are cables that are
5 underground that serve the same purpose as overhead
6 feeders, to distribute the electricity from the
7 substation to the customers.

8 And then we have network underground, which is
9 in our major cities, Atlanta, Macon, Savannah,
10 that's more of a network system that delivers
11 service through an underground system that's a lot
12 more reliable.

13 MADAM CHAIR PRIDEMORE: So one of the
14 discussions that's being had and that -- within the
15 industry right now is all of this transmission
16 having self-healing capabilities and a lot of
17 technology behind it.

18 Talk to me then about what the company has to
19 do from a cybersecurity standpoint, because now more
20 of the system and the interoperability of the system
21 is not manual any longer.

22 MR. ROBINSON: Any time you push control out
23 from a centralized fashion, you have more
24 opportunities for bad actors, for folks to intercept
25 those messages. You have to rely on communications,

1 whether it's a company-owned communication pass,
2 whether it's through Verizon or some type of
3 third-party communication. Those can be
4 intercepted. Those can have parties trying to hack
5 into those, if you will. And so there are
6 cybersecurity protections that we have to put into
7 place, firewalls, to ensure the safe operability of
8 the grid. And then we don't have any exposure.

9 If you remember Ukraine, back in the mid-2000s
10 where you had some Russian hackers that were able to
11 get in to a distribution system on an old Windows
12 system and start moving a cursor around and
13 operating devices.

14 So we have the systems in place and have to
15 invest in those systems to ensure that our
16 transmission and distribution operations are at the
17 utmost security and that we do not have as much
18 exposure to those threats as we would if we weren't
19 taking those provisions.

20 MADAM CHAIR PRIDEMORE: Back to page 7 of your
21 prefiled testimony. On lines 21 and 22, you talk
22 about the recent significant levels of inflation
23 impacting our cost of providing electric service.

24 Ms. Adams or Mr. Abramovitz, talk us through
25 the inflation impacts that have occurred just over

1 the last two and-a-half years.

2 MR. ABRAMOVITZ: Sure, Madam Chair.

3 So, historically, we typically see 2 to
4 3 percent annualized inflation, right. That's what
5 we would call more typical. And that's usually
6 reflected in our rates, our rate requests.

7 At the start of this year, 2022, and towards
8 the back half of last year, we really started to see
9 what I would call significant inflationary pressure
10 to our costs. What does that mean? For the first
11 part of the year, year-over-year inflation was at
12 sometimes 7 percent, 8 percent. I think
13 year-over-year inflation most recently has been 8 or
14 9 percent. And so that really impacts everything we
15 do and our cost of service.

16 So when we think about this additional
17 inflation adjustment that we made, we took that
18 typical 2 to 3 percent inflation that we normally
19 see -- data proves that out -- and we added an
20 additional 3 to 7 percent on top of that. So that
21 doesn't mean that it's -- not additive, it's more of
22 a multiplication equation -- but it's -- you end up
23 with something around 4 to 8 percent inflation
24 across the different cost categories, whether that's
25 the cost of labor, the cost of our goods and

1 materials, or even the cost of just gasoline to fuel
2 our trucks.

3 An example I like to use is, since -- I would
4 say since 2019, or even since pre-pandemic, it costs
5 us roughly 40 percent more to hook up a new
6 customer. Just through the materials we have to buy
7 through our supply chain.

8 MADAM CHAIR PRIDEMORE: You said 40 percent
9 more?

10 MR. ABRAMOVITZ: Four zero. That's correct.
11 So the inflationary impacts are real. Hopefully we
12 are nearing the end of that cycle where maybe it
13 will level off. But in our request, we have also
14 assumed that eventually it will taper down. And
15 this incremental adjustment that we made for
16 inflation is more of a one-time adjuster for this
17 year and the first part of next year and then we do
18 see more normal levels of inflation going forward.
19 That remains to be seen if that's true or not, but
20 that's what the adjustment we have made in our
21 filing.

22 MR. ROBINSON: An example of the reality of
23 that, we had, just two weeks ago, our largest
24 provider of distribution transformers -- whether it
25 be padmount underground transformers or those that

1 are on poles -- sorry. A little feedback.

2 MADAM CHAIR PRIDEMORE: Maybe bend the neck

3 flat.

4 Max, we are getting some bad feedback.

5 MR. ROBINSON: That's better.

6 MR. HEWITSON: Max is good.

7 MADAM CHAIR PRIDEMORE: Max is real good.

8 COMMISSIONER SHAW: Hey, y'all don't try to

9 hire him.

10 MADAM CHAIR PRIDEMORE: I second that.

11 MR. ROBINSON: As I was saying, we had our

12 largest provider of distribution transformers notice

13 us that they were going to be placing a 12 1/2

14 percent increase on all open orders. And that's a

15 pretty significant cost to us, given all the new

16 business that we have and the dollars that we have

17 in the budget for those transformers.

18 MADAM CHAIR PRIDEMORE: Does the company

19 currently have under contract -- not even the

20 ability to receive this year, but under contract --

21 materials that you have just scoped out over the

22 next year, year and a half?

23 MR. ROBINSON: We do. Particularly on those

24 larger items, on the medium size distribution power

25 -- what we call power transformers that are inside

1 our substations. We have slots that are out two
2 years in the future. We are actually going beyond
3 that. So all the economic development that we are
4 seeing in the state, we are going beyond that
5 two-year slot time frame and ordering transformers
6 to be delivered in three to four years from now.

7 MADAM CHAIR PRIDEMORE: The stories from
8 utilities and Commissions across the country about
9 the fights over transformers and wire, it's
10 unbelievable what's going on. Okay.

11 So, labor, materials, commodities, insurance,
12 all of the fundamental things that make up your
13 balance sheet, have you seen inflation in any level
14 of your business where it has not impacted the cost
15 of any expenditure that the company has?

16 Are you seeing any relief anywhere?

17 MR. ROBINSON: Not in power delivery.

18 MR. ABRAMOVITZ: Yeah, I would say across the
19 rest of the business, the only -- not a pure, like,
20 cost increase maybe, our pension expenses, our
21 employee benefits are maybe a little bit down. But
22 we have healthier employees and return on our
23 pension. But in general, the actual cost out the
24 door to pay a salary or to pay for a piece of wire
25 or a transformer or even pens and pencils, the costs

1 are up.

2 MADAM CHAIR PRIDEMORE: Okay. On line 23 of
3 page 7, you talk about establishing amortization
4 periods for regulatory assets, including the net
5 book value of Wansley's Units 1, 2 and 5A. You
6 didn't mention Plant Scherer 3. Why was it not
7 included? What am I missing?

8 MR. ADAMS: So at this point, Plant Scherer is
9 not yet retired, whereas these, for Wansley and
10 Boulevard are retired. So at the point of
11 retirement, they -- the dollars are reclassified to
12 a regulatory asset and amortized.

13 MADAM CHAIR PRIDEMORE: So you won't come back
14 for amortization for Scherer 3 until '25?

15 MR. ADAMS: After it's retired, so 2028. So in
16 that next proceeding. What we have proposed is
17 adjusting the depreciation rates to catch up a bit,
18 because Scherer 3 was not expected to be retired
19 until 2047. So it was a long period of time. So we
20 are looking to accelerate the depreciation, but then
21 really extend that recovery out over the next nine
22 years.

23 MADAM CHAIR PRIDEMORE: Okay. All right.
24 That's all I have.

25 All right. Go ahead. Georgia Public Service

1 Commission.

2 MR. WALSH: Thank you, Madam Chair.

3 For the record, my name is Daniel Walsh. I am
4 with the Georgia Attorney General's office. I
5 represent the Public Interest Advocacy staff.

6 Good afternoon.

7 PANELISTS: Good afternoon.

8 MR. WALSH: Madam Chair, with the first line of
9 questions that I have, I was going to refer to a
10 couple pages from the Company's supplemental filing,
11 Exhibit 1, Schedule 2. Just for ease of reference,
12 even though I am not going to mark it for
13 identification because it is already part of the
14 Company's filing, I was going to ask if the panel
15 could be provided a copy and a copy for each of the
16 commissioners, just for ease of reference.

17 MADAM CHAIR PRIDEMORE: Please do, Mr. Walsh.

18 You may approach.

19 CROSS-EXAMINATION

20 BY MR. WALSH:

21 Q I am going to just direct my questions
22 generally to the panel and whoever is the correct person
23 to answer them, speak up.

24 The company supplemented its rate case filing
25 on August 22nd; is that correct?

1 A (Witness Abramovitz) That's correct.

2 Q And what I have provided you with is Exhibit 1,
3 Schedule 2, pages 1 and 2 of that supplemental filing.

4 Do you see that?

5 A (Witness Abramovitz) We do.

6 Q Okay. I am going to ask the first question
7 about page 1. Now, the company has calculated an updated
8 revenue deficiency of about \$318.494 million for the test
9 year; is that correct?

10 A (Witness Abramovitz) That's correct.

11 Q Okay. And then looking down at line 3, the
12 company is requesting a traditional base revenue increase
13 of about \$761.9 million effective January 1, 2023;
14 correct?

15 A (Witness Abramovitz) That's correct. For,
16 like you said, traditional base rates.

17 Q Okay. Could I get you to look at the second
18 page of the schedule now. And, in particular, I am going
19 to be looking at line 6, where it says "Last projected
20 revenue requirement." Do you see that?

21 A (Witness Abramovitz) We do.

22 Q And for 2023, the company has calculated a
23 revenue deficiency of \$477.656 million; is that correct?

24 A (Witness Abramovitz) That's correct.

25 Q So the company is seeking a rate increase

1 effective January 1, 2023, that is actually higher than
2 the revenue deficiency amount that the company has
3 calculated for the 2023 rate plan year; is that correct?

4 A (Witness Abramovitz) That's correct. We are
5 requesting a levelized rate increase, which does have a
6 higher revenue request in the first year. That's all for
7 the benefit of customers. That is what we see as the
8 lowest cost option for customers.

9 Q When you say it's "for the benefit of
10 customers," when you do the calculation, are you
11 considering the net present value of the money? So that
12 the --

13 A (Witness Abramovitz) (Nods.)

14 Q So you're saying you are considering, when you
15 are quantifying the benefit to customers, that the
16 customers are paying more in Year 1. And wouldn't you
17 need to know about the company -- what spending pressures
18 the customers, each individual customer is facing in
19 order to make the conclusion that charging them greater
20 than the actual revenue deficiency you have identified is
21 in their benefit?

22 A (Witness Abramovitz) So when we look at
23 this -- you are not wrong -- we have to consider any
24 increase to customers. I think Mr. Womack addressed that
25 very well. So any kind of increase or any kind of change

1 in rates we take very seriously.

2 When I say "to the benefit of customers," just
3 on a pure revenue requirement basis, this is \$40 million
4 cheaper than doing a traditional step-up.

5 Q Considering that present value of money?

6 A (Witness Abramovitz) Correct.

7 Q Would you accept that the rate increase the
8 company is seeking is about \$284.244 million more than
9 the deficiency you've calculated?

10 A (Witness Adams) Would you say that again?

11 That was a long number.

12 COMMISSIONER MCDONALD: Y'all get close to that
13 microphone, please, when you -- I'd appreciate it.

14 I'm old.

15 A (Witness Adams) I just asked him to repeat it.

16 It was a long number.

17 Q Okay. Well, let me go back through. Is the
18 difference between -- is the difference between what you
19 have identified as the revenue deficiency in 2023 about
20 \$284 million less than the \$761.9 million that you have
21 identified on line 3 of page 1 of your schedule?

22 A (Witness Abramovitz) That's correct. As shown
23 on line 7 and line 9 of the exhibit.

24 Q Okay. In the company's 2019 rate case, the
25 company also proposed a three-year rate plan, didn't it?

1 A (Witness Abramovitz) We did.

2 Q And just like it proposed here, the company
3 proposed front loading the increase such that the
4 increase in Year 1 of the three-year plan would exceed
5 the revenue deficiency that the company had calculated
6 for that year?

7 A (Witness Abramovitz) We did as an option for
8 the Commission to consider, and we also filed what the
9 rate request would look like if we did not levelize the
10 rate -- the rate impact, or the incremental rate increase
11 as well.

12 So in our filing, there's actually two options
13 that we have made, that we filed. Of course, what we are
14 proposing is what I would also remind the Commission is
15 the lowest cost option on a revenue requirement basis for
16 customers.

17 Q In 2019, the company's proposed front loading
18 of the three-year rate plan revenue requirement into the
19 first year was ultimately not used in the settlement that
20 was approved by the Commission; is that correct?

21 A (Witness Abramovitz) That's correct.

22 Q Okay. If the company filed the traditional
23 rate case, then the proposed rate increase would be based
24 on the statutory test year; is that correct?

25 A (Witness Abramovitz) That is also correct.

1 Q And in that scenario, would the company be
2 entitled to a rate increase that exceeded the revenue
3 deficiency in the test year?

4 A (Witness Abramovitz) I am actually not sure.
5 We would have to try that out in a different proceeding.
6 That's not what we have requested today. We have
7 requested a three-year ARP.

8 Q So you have -- you were not -- you, the
9 company, did not consider the traditional test year and
10 the impact on ratepayers from filing a traditional rate
11 case?

12 A (Witness Abramovitz) We filed our case with
13 the traditional test year, but our request is for a
14 three-year alternate rate plan.

15 Q But there is a statute that discusses the -- I
16 know you're not an attorney, but are you aware of a
17 statute that discusses a traditional test year and what
18 would govern in that instance?

19 A (Witness Abramovitz) In general, yes.

20 A (Witness Adams) Also, in a traditional test
21 environment where we use the test period, you would not
22 have what we have today, is the three-year alternate rate
23 plan. You would file a rate case every year. So that
24 would be each year coming back to speak of the revenue
25 requirements.

1 Q You might file a rate case every year. That
2 would be the company's prerogative as to whether to come
3 back in if it felt that it was going to face another
4 revenue deficiency; correct?

5 A (Witness Abramovitz) It would increase the
6 likelihood of us making annual filings.

7 Q You understand that the company is not -- well,
8 strike that.

9 The Commission has ordered three-year plans in
10 prior cases because ultimately it was determined that the
11 three-year rate plan benefited both ratepayers and the
12 company; correct?

13 A (Witness Abramovitz) That's correct. Since
14 1995.

15 Q Okay. But the company is not entitled to an
16 alternative rate plan. Are you aware of that?

17 A (Witness Abramovitz) I am most aware of that.

18 Q So if the Commission determined that the
19 company's proposed rate plan did not provide benefits to
20 customers, then the Commission could simply order a
21 traditional rate case; correct?

22 A (Witness Abramovitz) Well, that is the
23 Commission's purview. I would just remind this
24 Commission that for almost three decades, the three-year
25 ARP has provided our customers and the company with rate

1 stability and significant incentives for the company to
2 optimize and operate efficiently. And so each three
3 years, we are able to return those savings back to
4 customers.

5 Q But you would agree that the structure of an
6 alternative rate plan alone does not mean that it
7 provides benefits to customers. It also is the actual
8 components and rates charged to customers as part of that
9 alternative rate plan that would dictate whether there is
10 an actual benefit to customers from the plan; correct?

11 A (Witness Abramovitz) I think the design has
12 proven, through history, that it does benefit customers.

13 A (Witness Adams) And we --

14 Q But what I'm saying is that it is -- I am
15 saying that it is not the design itself, though; right?
16 The components of the design have to be beneficial to
17 customers. The actual inputs into the company's rates
18 and designs have to be beneficial; right?

19 A (Witness Abramovitz) Of course. I am speaking
20 merely to the framework that the ARP provides, which
21 includes that authorized earnings band, sharing between
22 the corporation and customer, which is -- the majority
23 goes to customers we earn over the authorized earnings
24 band. So I think, to your point, it's -- the inputs do
25 matter, as they always do. But the framework has shown

1 great benefit to customers over the past three decades.

2 Q But if in deciding -- if in making the decision
3 this time around as to whether the proposed rate plan
4 that the company has proposed this time is still in the
5 benefit of customers, as well as the company, the
6 Commission could consider whether the fact that the
7 company's proposed three-year plan includes a much higher
8 increase to consumers in year 1 than ratepayers would
9 experience under a traditional rate case. They could
10 consider that fact; right?

11 A (Witness Abramovitz) They could consider that,
12 and that's also why we provided, in our filed testimony,
13 those two options, one being a levelized and one being
14 what we would call more of a traditional step-up of
15 cadence of increases.

16 A (Witness Adams) But that also still includes
17 the three-year alternate rate plan. So the step-up
18 alternative that we proposed includes continuing the
19 three-years, continuing the ROE band, and sharing with
20 customers when the earnings happen to go over the band.

21 Q The cumulative effect of the company's
22 three-year rate plan request, this was discussed some in
23 the testimony of Mr. Womack, but I am not sure if, in the
24 end, there seemed to be some possible confusion.

25 So let me just see if we can get for the

1 record. Is the cumulative effect of the company's
2 three-year rate plan just over \$2.9 billion?

3 A (Witness Abramovitz) So this is where the -- I
4 think, the disagreement is here. Yes, you can add up
5 three years of revenue requirement and get to that
6 number. That is a cumulative basis.

7 Q Right. That is my question.

8 A (Witness Abramovitz) Right. That is -- that's
9 your question. The way that we look at the changes to
10 rates, up or down, is on an incremental basis. And our
11 incremental change to rates with this request is
12 approximately \$1 billion over three years. That's an
13 incremental change to rates.

14 Q Okay. And I understand that's the way -- that
15 that was not actually the question that I asked. So I
16 was just asking the cumulative.

17 So it's also been discussed whether the company
18 considered other potential increases that are -- that are
19 coming down in the next few years for customers. And
20 while it's been discussed, also some of it has been
21 referred to your panel. So I'm going to ask a few
22 questions about this.

23 As has been discussed, the company is currently
24 under-recovered on fuel; is that correct?

25 A (Witness Abramovitz) Yes. Through the first

1 half of this year, we are approximately \$1 billion
2 under-recovered.

3 Q Okay. So is that the amount -- what amount of
4 revenue increases during the 2023 through 2025 plan year
5 is the company expecting related to the fuel clause?

6 A (Witness Abramovitz) So our request today and
7 what we are here to talk about today has nothing to do
8 with fuel. I think to your question, next February we
9 will make a fuel filing or fuel case filing.

10 Q But you did not consider the impact on
11 customers in avoiding rate shock in determining your
12 request in this case? Did you not consider that the
13 customers are also going to be facing additional
14 increases in other proceedings? Did that not factor into
15 your analysis at all?

16 A (Witness Abramovitz) So I missed the first
17 part of your question. I didn't know that was your
18 actual question. Of course we consider the path in front
19 of us of additional changes or potential changes to
20 rates.

21 What I will remind the Commission of is that
22 this Commission has set out a very thoughtful and
23 thorough process to where, whether it's a fuel case
24 filing, a base rate filing, Plant Vogtle Units 3 and 4,
25 each one of those issues has a specific proceeding which

1 offers ample discovery, very robust discussion, and
2 allows this Commission to provide the utmost transparency
3 to everybody about the decision it makes and the impact
4 to customers' rates.

5 A (Witness Adams) In addition to considering
6 those aspects, as we said earlier, we are continuously
7 looking at our operating and maintenance expenses and
8 finding ways to lower the revenue requirement and
9 continuing to look for ways to reduce meals and travel
10 expenses, reduce operating expenses, and make those
11 changes to the benefit of customers. So that when we
12 come for a rate case proceeding and speak to you today,
13 we are able to share those benefits that last in
14 perpetuity for customers.

15 Q Mr. Abramovitz, I think what I was responding
16 to was when you said that the fuel has nothing to do with
17 this proceeding. And I guess what I'm asking is, isn't
18 it appropriate for the Commission, in deciding some of
19 the requests that the Commission -- that the company is
20 asking of it for rate increases in this case, to consider
21 the overall impact of the -- on customers' bills that we
22 see coming down in the next couple of years in order to
23 avoid rate shock? Isn't that something that's
24 appropriate for this Commission to consider?

25 A (Witness Abramovitz) Yes. I would expect this

1 Commission to put this request in context with what is
2 already on the docket or planned for potential future
3 changes to rates.

4 Q So you would say then that the fuel cost, while
5 it's not going to be decided in this case, that it is out
6 there, does have something to do with the company's
7 request in this case, and a reasonable Commission
8 consideration in this case?

9 A (Witness Abramovitz) It does. And I will
10 remind the Commission that the company doesn't make any
11 profit off of fuel. It is what we would call a
12 pass-through. We can't control the cost of natural gas
13 or coal. We can monitor it. We can find ways to
14 mitigate that through our hedging programs.

15 There are -- some of this is, I would say,
16 somewhat out of our control, but is always a
17 consideration of the price for our product. It's always
18 a balance of how much we ask our customers or request our
19 customers to pay for the services that we provide. We
20 always consider this. It's always a balance.

21 Q To be clear, I am certainly not suggesting that
22 in this case the Commission should be talking about
23 making disallowances to the fuel clause. That's not what
24 I am talking about at all. What I'm saying is that if we
25 know that the company has a fuel cost under-recovery, and

1 it will be coming in and that there will be a significant
2 increase in the fuel cost driver that will affect
3 customers, should that inform the Commission's decision
4 on some of the company's requests where it's
5 discretionary at the time.

6 It may -- it is a matter of timing maybe, that
7 maybe the request could be put off to the next rate case,
8 et cetera. Things like that. Could that be an
9 appropriate consideration for the Commission, whether
10 this is the appropriate case to order increases in
11 customer bills that are not mandated by statute or
12 regulation?

13 MR. HEWITSON: Madam Chair, I think that
14 question has been answered a couple times.

15 MADAM CHAIR PRIDEMORE: Sustained.

16 MR. WALSH: Madam Chair, the last answer from
17 the witness was talking about how the company
18 doesn't always have discretion in controlling its
19 fuel costs. I am not -- I was explaining that's not
20 what I am asking. I am asking about whether the --
21 the Commission should be considering the timing of
22 certain requests in this case because we know these
23 other rate increases are coming. That was my
24 question.

25 MR. HEWITSON: And Mr. Abramovitz answered that

1 earlier. He added something on, and Mr. Walsh is
2 trying to go back to the earlier answer. The record
3 will show the full answer of Mr. Abramovitz.

4 MADAM CHAIR PRIDEMORE: Did you not understand
5 the answer?

6 MR. WALSH: I guess because the answer was
7 talking about the discretion in managing fuel costs,
8 I was feeling that I needed to go back, because the
9 witness's testimony made it sound like that -- all
10 we were asking is to whether we were going to
11 disallow fuel costs in this proceeding. And I was
12 clarifying the question because I didn't think that
13 the witness understood it, if that was -- if he felt
14 that discussing the lack of discretion the company
15 has in managing certain fuel costs was responsive to
16 my question, then I don't believe the witness
17 understood my question.

18 MADAM CHAIR PRIDEMORE: Rephrase your question.

19 MR. WALSH: I will be happy to do so. Thank
20 you.

21 BY MR. WALSH:

22 Q Okay. Because the company may have less
23 control in the context of fuel costs, that gives perhaps
24 the Commission less discretion in disallowing certain
25 requests for increases in the fuel; correct?

1 A (Witness Abramovitz) Correct.

2 Q Okay. But the Commission has more discretion
3 in the rate case on certain types of requests that the
4 company is making if it's to implement a certain program
5 that is not mandated by law or regulation; is that
6 correct?

7 A (Witness Abramovitz) That's correct. And let
8 me be clear that we don't make this request lightly. It
9 is a balance. And to your question, yes, do we consider
10 the pressure of the pending fuel case or fuel requests,
11 yes. Do we consider when Vogtle Units 3 and 4 go into
12 rates, that's going to impact rates as well because it
13 will be a useful asset for our customers.

14 Did we consider those? Yes. We made this
15 request. It's all based on the balance to serve our
16 customers and to ensure that we have the reliability and
17 resiliency necessary for the next -- over the next
18 decade. That's why we made the request we made today.
19 There's no time to delay these costs. As Mr. Robinson
20 has already talked about, the transmission distribution
21 investments are critical. We have an aging
22 infrastructure.

23 We were very thoughtful and balanced in how we
24 made this request. And yes, we did take into account the
25 other potential changes to rates coming down the line.

1 Q Has the company quantified the impact on the
2 typical electric residential customer bill of the -- of
3 its request in this case, its request or its
4 under-recovery on fuel, and Vogtle 3 and 4 coming
5 on-line?

6 A (Witness Abramovitz) So while we have been
7 very clear about our request in this case, and we have
8 been very clear about the request for Vogtle Units 3 and
9 4, being approximately 10 percent in totality, fuel is
10 unknown. I can't tell you if the price of natural gas or
11 coal are going to go up extremely or go down extremely
12 over the next six to seven months. I can't really tell
13 you how long we are going to ask for or the Commission
14 will allow us to recover this under-recovery expense. I
15 also can't tell you what the forward-looking commodity
16 market is going to be next February or May when we set
17 the new fuel factor, which will impact energy rates for
18 our customers. There are a lot of unknowns for fuel.

19 What we do know is the cost of Vogtle Unit 3
20 and 4, the rate impact is approximately 10 percent in
21 totality. And this rate request is approximately -- my
22 book --

23 A (Witness Adams) 10 percent for year one.

24 A (Witness Abramovitz) 10 percent in year one
25 and 12 percent of totality.

1 Q 10 percent in year 1 under the front-loading
2 option?

3 A (Witness Abramovitz) That's correct.

4 Q Okay. There were also questions about where
5 Georgia Power Company ranks as far as the total -- the
6 total bill to customers. Among utilities, where the
7 company ranks. Is the panel aware of that information?

8 A (Witness Abramovitz) I am.

9 Q Okay. Where does Georgia Power Company rank as
10 far as total customer bill?

11 A (Witness Abramovitz) So today, our rates are
12 11 percent below the national average.

13 Q I am talking about the total bill. Not -- you
14 said rates. I was talking about -- I was asking about
15 not rates, but total bill.

16 A (Witness Abramovitz) So I am unaware of the
17 total bill amounts, just because bills can be impacted by
18 usage, the size of a home, the kind of appliances that
19 are hooked up. But I can tell you what matters here is
20 the actual rates or the unit cost of our commodity as
21 compared to other parts of the country or the southeast.

22 MADAM CHAIR PRIDEMORE: Mr. Walsh, we are
23 working on your mic right now. Okay, it's not you.
24 It's not you. It's the system. We are working on
25 your mic and Mr. Abramovitz's mic. I'm sorry for

1 the feedback.

2 COMMISSIONER MCDONALD: Madam Chair.

3 MADAM CHAIR PRIDEMORE: Sure.

4 COMMISSIONER MCDONALD: These mics -- you don't
5 have any problem hearing the Chair, do you?

6 MADAM CHAIR PRIDEMORE: She talks loud.

7 COMMISSIONER MCDONALD: She is talking about
8 that far from that mic. These mics are very
9 sensitive. They don't pick up side stuff. You have
10 got to pull that mic up there and it makes all the
11 difference in the world to what we are doing. They
12 are very sensitive. So they are not going to bite
13 you. I promise.

14 MADAM CHAIR PRIDEMORE: I would try to
15 straighten the neck, too, both on Mr. Walsh's and on
16 Mr. Abramovitz's.

17 MR. ABRAMOVITZ: How is that?

18 MADAM CHAIR PRIDEMORE: Let's see. Keep going.
19 Just try to get it straight and we will keep working
20 with IT. They are on it right now, though.

21 Some comments were made -- back to the
22 questions.

23 Some comments were made earlier about total
24 cost to the bill, rates, where Georgia Power falls
25 nationally. And everybody seems to be drawing

1 information from all these different sources, which,
2 you know, I made a crack about WalletHub, but I
3 don't know what a WalletHub is or where they got
4 their information.

5 And so, you know, I don't -- this organization,
6 this -- this American Energy Efficiency -- let's
7 see. ACEE, that -- from what I can tell, that
8 includes fuel. I mean, so the standard by which we
9 have always determined Georgia Power and ranked
10 Georgia Power, as well as other Georgia utilities,
11 is still the energy administration, which is part of
12 the federal government; correct?

13 MR. ABRAMOVITZ: That's correct.

14 MADAM CHAIR PRIDEMORE: For anyone interested,
15 you can go to EIA, the Energy Information
16 Administration.gov.

17 MR. WALSH: Ready?

18 MADAM CHAIR PRIDEMORE: If you are.

19 MR. WALSH: Thank you.

20 BY MR. WALSH:

21 Q I am going to shift now to depreciation. To
22 begin with, could the panel please explain what the term
23 "interim retirement" means?

24 A (Witness Adams) An interim retirement refers
25 to the replacement of a particular item, it may be

1 something that Mr. Robinson might be able to give us an
2 example of. Just -- it's not the end of life. It's not
3 the replacement or the end of -- sorry -- the cost of
4 removal for Plant Wansley, for example. It's a component
5 within Plant Wansley -- or today, now it might be Plant
6 Scherer, that would be replaced and then continuing.

7 Q Would you agree with this? I think this is
8 what you were saying, but let me just restate it and see
9 if we are on the same page. A retirement of an asset at
10 a facility that occurs before the terminal or final
11 retirement of the facility.

12 A (Witness Adams) That's right. So a component
13 within the full -- the full asset.

14 A (Witness Robinson) So, for example, on T&D
15 asset, we have FERC accounts that we've calculated
16 depreciated life for, say a transformer that fails or is
17 upgraded in the 20th year ahead of that full account
18 depreciated life. I think that's what we are referring
19 to; is that correct?

20 Q Okay. Thank you. I would like to ask you a
21 few questions about account 332 in the company's
22 depreciation study.

23 Do you need a minute to pull out the study?

24 A (Witness Adams) I don't have the study with
25 me. Do you have that?

1 Q I don't have copies of the study. It is quite
2 lengthy. I thought that somebody on the panel might have
3 a copy since it's part of the filing.

4 MADAM CHAIR PRIDEMORE: Is it referenced or is
5 it an exhibit?

6 MR. WALSH: It's an exhibit to their filing.

7 MADAM CHAIR PRIDEMORE: Can we get a copy of
8 that for the witnesses?

9 MR. WALSH: I think it was on the CD.

10 MR. HEWITSON: The electronic CD?

11 MR. WALSH: But I thought they might --

12 MR. HEWITSON: Have a computer?

13 MR. WALSH: I thought they might print out.

14 MR. HEWITSON: We don't know what people are
15 asking about.

16 MADAM CHAIR PRIDEMORE: Try a new question,
17 Mr. Walsh. Let's see.

18 BY MR. WALSH:

19 Q Okay. Do you know what account 332 is? What
20 type of assets are in account 332?

21 A (Witness Adams) I understand that to be part
22 of our hydro facilities.

23 Q Okay. Reservoirs, dams and waterways?

24 A (Witness Adams) Correct.

25 Q Okay. I am going to present you with an

1 exhibit about the -- about -- specific to account 332.

2 And what I would like to do before I ask to approach, let
3 me explain what this is.

4 I can provide the response as well. This is
5 part of the company's response to SDF-AI-1-1; okay? And
6 in order for ease of reference, we have just -- we have
7 kept the amounts and the items the same, but we have
8 rearranged them in order of dollar value. I can provide
9 the -- the actual exhibit as well. But I would like to
10 refer to the one that we have arranged, just because it
11 will be easier to track.

12 MADAM CHAIR PRIDEMORE: Refer to the one on
13 your right. And if the witnesses need the one on
14 your left, you might have to let them borrow it.

15 MR. WALSH: Sure. Madam Chair, I will go ahead
16 and mark both items, just so the record shows, since
17 counsel would like the panel to have both.

18 The item -- the copy that the staff arranged in
19 order of dollar value, I would ask be marked for
20 identification Staff Exhibit 1.

21 MADAM CHAIR PRIDEMORE: So marked.

22 (The document referred to was marked for
23 identification as Staff Exhibit 1.)

24 MR. WALSH: And the actual response from --
25 provided by the company or the excerpt of

1 STF-AI-1-1, that response be marked for
2 identification as Staff-2.

3 MADAM CHAIR PRIDEMORE: So marked.

4 (The document referred to was marked for
5 identification as Staff Exhibit 2.)

6 BY MR. WALSH:

7 Q Do you agree that dams are the largest
8 retirement unit by value in this account?

9 A (Witness Adams) I think I have mixed up which
10 file you wanted me to look at. Is it the --

11 Q Okay. Could you please refer to staff -- what
12 has been marked for identification as Staff-1, which is
13 the one that says at the top 332 Reservoir, Dams and
14 Waterways.

15 A (Witness Adams) Thank you.

16 Q Okay. I have given you a little bit of a cheat
17 sheet on the answer to this question because I've told
18 you that we have ordered them in dollar value. And I
19 have just asked you if the top one is the highest dollar
20 value. But you will agree that dams are the largest
21 retirement unit by value in this account?

22 A (Witness Robinson) I would agree that concrete
23 and masonry work are the number 1.

24 Q Yes.

25 A Not necessarily dam.

1 Q Okay. And that one account makes up
2 approximately 25 percent of the value of the assets in
3 this account?

4 A (Witness Adams) That looks like about right.

5 Q Has Georgia Power Company ever fully removed a
6 dam in account 332 prior to the end of a facility's
7 production life?

8 A (Witness Adams) I -- the dams have been around
9 about 100 years, so I'm not sure that I could say yes to
10 "ever." As far as I know --

11 A (Witness Abramovitz) Can you be a little bit
12 more specific on your question?

13 Q I'm sorry?

14 A (Witness Abramovitz) Can you be a little bit
15 more specific on your question?

16 Q Well, my question was specific, but it was not
17 limited in the sense that it was, has the company -- do
18 you know whether the company has ever fully removed a dam
19 in account 332 prior to the end of a facility's
20 production life. If that's not a question -- if that's
21 too broad for you, I can ask a more narrow question.

22 A (Witness Abramovitz) Let's try to go a bit
23 narrower considering the history of our hydroelectric
24 facilities.

25 Q Okay. Do you agree that in the company's

1 experience, interim retirements of dams is uncommon?

2 A (Witness Adams) That makes sense to me, but
3 I -- yeah.

4 A (Witness Abramovitz) It sounds reasonable,
5 but...

6 A (Witness Robinson) Define "dam." Are you
7 talking about concrete and masonry work? That's the top
8 item that you mean, in millions?

9 Q Well, I am talking about the dam as a whole.
10 Would that be something that would be retired?

11 A (Witness Robinson) Well, there are plenty of
12 things on this list that could be interimly -- retired in
13 the interim.

14 Q I'm talking about just the top item.

15 A (Witness Abramovitz) So to Mr. Robinson's
16 initial comment, dam-concrete or mason is one piece of a
17 dam. A tunnel, precast -- I mean, dam complete or any
18 survey for \$267,000. Bulkhead. There's many components
19 of a dam that are on this list.

20 MADAM CHAIR PRIDEMORE: There is also not
21 concrete or masonry anywhere else listed. So would
22 concrete or masonry be under a separate item for
23 reservoir and waterways when that was just listed
24 dam? You would use concrete and masonry for a
25 reservoir. You would also use it to construct a

1 waterway.

2 WITNESS ABRAMOVITZ: That's correct. That's
3 just the way this has been labeled.

4 MADAM CHAIR PRIDEMORE: Okay.

5 MR. ROBINSON: It is hard to tell from these
6 items.

7 BY MR. WALSH:

8 Q Okay. So again, we didn't change the label on
9 the -- any of the items. We just changed the order. So
10 do you know what is included, then, in the first item,
11 dam, concrete or mason?

12 A (Witness Robinson) I do not. I am not a dam
13 expert. I am sorry.

14 MADAM CHAIR PRIDEMORE: He got you that time,
15 Walsh.

16 MR. WALSH: I have been waiting for that one.

17 MADAM CHAIR PRIDEMORE: Say it next time with
18 more feeling, Mr. Robinson.

19 BY MR. WALSH:

20 Q But -- so nobody on the panel can say what's in
21 this item, dam, concrete or mason, what that applies to?

22 A (Witness Adams) That's correct. There are 100
23 FERC subs in this category of the 300s and then probably
24 hundreds within each category. So I cannot be an expert
25 on each of them.

1 Q Well, let me back up. Maybe this is a good
2 time to make this point.

3 The panel is sponsoring the depreciation study,
4 but the panel did not prepare the depreciation study;
5 correct?

6 A (Witness Adams) That's correct. We have an
7 external expert that does that.

8 Q Okay. And the external expert is not available
9 for cross-examination; is that correct?

10 A (Witness Adams) That's correct. I believe he
11 did meet with staff maybe twice during the proceedings
12 and then we did have over 2,000 data requests during this
13 proceeding. I know a lot of those were related to
14 depreciation.

15 Q Okay. What interim curve did the company use
16 to calculate depreciation rates for account 332?

17 A (Witness Adams) So while I can't answer that
18 specific question, what we look at in depreciation is
19 making sure that we recover the cost over a reasonable
20 amount of time, while a unit is in service ideally. And
21 so there are thousands of lines of transactions that may
22 occur over time, especially with the hydro facilities,
23 since they have been in existence, some of them, up to
24 100 years. So we have lots of assets that come into play
25 in building up what we, today, have on our books.

1 And so the depreciation study that that expert
2 considers, conversations with our subject matter experts
3 internally.

4 MR. WALSH: Madam Chair, I'm sorry. My
5 question was simply what interim retirement curve
6 did the company use to calculate depreciation rates
7 for 332. I believe the answer was she doesn't know.
8 But this was --

9 MR. HEWITSON: We wouldn't know what the answer
10 was because he cut her off. So if he could let the
11 witness finish her answer.

12 MR. WALSH: Her answer was she doesn't know,
13 and she said that at the beginning. And none of
14 this is responsive to what the question is.

15 MR. HEWITSON: It's an explanation of why she
16 doesn't know. So maybe he could let her finish her
17 response and then we would know.

18 MR. WALSH: I didn't ask her why she didn't
19 know. I asked her the question. If she doesn't
20 know, I will move to the next question.

21 MR. HEWITSON: If Mr. Walsh doesn't want to let
22 witnesses explain their answers, then we can go
23 through the entire proceeding that way. But I'm not
24 sure he is going to have that same feeling when his
25 witnesses are on the stand.

1 MR. WALSH: I will have the same feeling that
2 if my witness doesn't know the answer to the
3 question, that they don't get to answer another
4 question. I mean, I -- I'm just saying that when
5 you ask a question that's a yes-or-no question and
6 the witness doesn't know the answer to it, if the
7 witness then just gets to talk about -- I mean, it's
8 not an answer to my -- it's not responsive to my
9 question, by definition, because she said she didn't
10 know the answer to my question.

11 MADAM CHAIR PRIDEMORE: I'm going to let you
12 start from the very beginning, Ms. Adams. I'm going
13 to let you answer the question again.

14 You are going to ask the question and she is
15 going to answer it.

16 BY MR. WALSH:

17 Q Will you accept -- I can -- let me modify the
18 question.

19 Do you know that the company uses or will you
20 accept that the company uses an R 4 with 100-year average
21 life curve for account 332?

22 A (Witness Adams) Subject to check, sure.

23 MADAM CHAIR PRIDEMORE: Is that better?

24 MR. WALSH: That's better for me. Yes. Thank
25 you.

1 MADAM CHAIR PRIDEMORE: Okay.

2 MR. WALSH: And I can provide -- I do have

3 extra copies of 332, of the depreciation study, that

4 I can provide to the panel and the commissioners, if

5 that would help?

6 MADAM CHAIR PRIDEMORE: If you want them to

7 speak to it, you better give it to them. If you

8 want these commissioners to follow it, you better

9 give it to us.

10 MR. WALSH: I will provide it to everybody.

11 It's not going to be marked for identification

12 because it's already part of the company's file.

13 MADAM CHAIR PRIDEMORE: So be it.

14 BY MR. WALSH:

15 Q Are you familiar with this page of the

16 depreciation study?

17 A (Witness Adams) I have. Many of the FERC

18 accounts show this type of...

19 Q Okay. What do the black triangles represent?

20 A (Witness Adams) So over the course of the --

21 of years, that is showing the actual data.

22 Q And do you agree that the actual data appear to

23 extend to an age of 118 years?

24 A (Witness Adams) That seems -- that seems

25 reasonable.

1 Q And do you agree that the black triangle at 117
2 or 118 years, about there, indicates that the percent
3 surviving is approximately 90 percent?

4 A (Witness Adams) Yes. Yes.

5 MR. WALSH: Madam Chair, I have been provided
6 with one additional copy of the depreciation study
7 so I can provide it to the panel. I don't have an
8 extra copy for counsel.

9 MADAM CHAIR PRIDEMORE: If you want the panel
10 to be able to answer questions about their
11 depreciation study, you should supply it to them,
12 Mr. Walsh.

13 MR. WALSH: Again, Madam Chair, I am not
14 arguing the point. I'm happy to provide anything
15 that I have. I thought because it was part of the
16 filing, that they typically have it. But I am happy
17 to provide it to them.

18 MADAM CHAIR PRIDEMORE: I know, Mr. Walsh. But
19 you know as well as I do that 2,000 data requests
20 and all the exhibits --

21 MR. WALSH: This wasn't --

22 MADAM CHAIR PRIDEMORE: A lot of trees have
23 died in this case already, and we just don't
24 necessarily have it in front of us.

25 MR. WALSH: Right. I will provide any response

1 to a data request. I don't expect them to have
2 that. That has not been -- that was not part of
3 their company's filing. But for things in the
4 filing, traditionally that's been the way it's
5 handled and that's why I didn't have copies of the
6 depreciation study.

7 MADAM CHAIR PRIDEMORE: We don't always have
8 all the exhibits. We don't. So just as long as
9 you've got them, and if not, we will have the
10 executive secretary's office -- give us a few
11 minutes, and we will get it for you.

12 MR. WALSH: Okay.

13 BY MR. WALSH:

14 Q Can you look at this chart -- again, I am still
15 sticking on page 46, which I have provided to you -- the
16 white squares on the -- on the chart, what do they
17 represent?

18 A (Witness Adams) They are showing the years
19 based on the curve that you mentioned.

20 Q Okay. Looking at this figure, the R 4
21 100 survival curve begins to fall below the actual
22 survival curve at around age 60 years; is that correct?

23 A (Witness Adams) I guess that's reasonable,
24 between -- that particular 60-year mark is not
25 identified.

1 Q It's not identified. I'm -- it's between 48
2 and 72 and I am guesstimating about 60, if you think
3 that's reasonable.

4 A (Witness Adams) That's reasonable.

5 Q And the R 4 survival curve stays below the
6 actual data from around age 60 to the end of the data at
7 age 118; correct?

8 A (Witness Adams) That's correct. What that is
9 telling us is that our hydro dams are actually lasting
10 longer than what the curve is suggesting.

11 Q Right. At the end, about the 120-year mark, we
12 are looking close to 20 percent for the R 4 100 curve;
13 correct?

14 A (Witness Adams) That's correct.

15 Q As compared to the 90 percent surviving;
16 correct?

17 A (Witness Adams) Correct.

18 Q So the R 4 100 curve does not come close to
19 accurately representing the company's actual interim
20 retirements for this account after age 60.

21 Would you agree with that?

22 A (Witness Adams) Yes, for this particular FERC
23 account.

24 Q And all else being equal, the depreciation
25 expense that the company is requesting in this case is

1 greater because the company used R 4 100 curve for this
2 account rather than using the actual data; correct?

3 A (Witness Adams) So as you take a look at all
4 of the factors when you consider the hydro damage, again,
5 it is not based on just the FERC account here in terms of
6 thinking about the depreciable life. We have composite
7 rates which include all of the FERC accounts within a
8 hydro facility, so that hydro facilities are depreciated
9 based on a composite rate considering all of the lives of
10 all of the components for all of the units. So that's a
11 big group that we are looking to -- that would have a
12 variety of lives versus just one in particular.

13 So the combination of this particular FERC
14 account for 332, combined with all the others, gives the
15 composite rate for the entirety of the hydro facilities.

16 Q So saying all else being equal, though, if the
17 company used actual data for account 332, that would
18 result in a lower request for depreciation expense;
19 correct?

20 A Well --

21 Q Because you would be depreciating the asset
22 over a longer period of time. All else being equal. I
23 understand your answer, that there's other accounts and
24 we'll speak to those.

25 A (Witness Adams) Right. It's hypothetical just

1 because we don't account for our depreciation in that
2 way. We don't have individual assets that have
3 individual lives to depreciate over. It's the
4 combination of the whole.

5 Q I know. It is a hypothetical. And I'm asking
6 you hypothetically, all else being equal, would the
7 depreciation request be a lower expense if you went with
8 the actual data rather than the curve.

9 A (Witness Adams) I get that it's a
10 hypothetical, but at the same time, we would have to
11 change our entire depreciation methodology in order to
12 identify this one FERC account with thousands of
13 transactions that have happened in it over years to
14 modify that.

15 MADAM CHAIR PRIDEMORE: The depreciation
16 methodology has been the same for how long?

17 MR. ADAMS: Well, definitely as long as I know.
18 For decades.

19 MADAM CHAIR PRIDEMORE: For as long as you've
20 been in this role?

21 MR. ADAMS: Right.

22 MADAM CHAIR PRIDEMORE: And you have testified
23 in previous rate cases.

24 MR. ADAMS: That's correct, that's correct.
25 Definitely decades. I would say. Multiple.

1 BY MR. WALSH:

2 Q The Commission has used the methodology the
3 company is proposing in this case for decades or the
4 company has proposed?

5 A (Witness Adams) We have used a composite rate
6 for depreciation.

7 Q Okay. But I just want to make sure, when you
8 testify, are you testifying to the company's proposal or
9 what the Commission has adopted in prior rate cases?

10 A (Witness Adams) To my knowledge, we have never
11 changed the composite rate methodology for depreciation.

12 Q Okay. The analysis on the top of this page 46,
13 does that explain the basis for using the R 4 100 curve
14 for this account?

15 A (Witness Adams) It just indicates that the
16 study recommends retaining the existing 100-year life
17 with the R 4 dispersion curve.

18 Q Okay. But it doesn't explain, specific to this
19 account, why the company used the R 4 as opposed to the
20 actual data?

21 A (Witness Adams) That's -- that's correct.

22 Q Okay. Could I get you to turn to page 74 of
23 the depreciation study. It's actually 74 and 75 we will
24 look at together, if that's okay. This is account 358,
25 Scenario Georgia Power Actuarial.

1 A (Witness Adams) Okay.

2 Q Are you there? Do you see about four lines
3 down the paragraph on page 74 where it says, "Actuarial
4 Analytics show a shorter life than is currently
5 approved"?

6 A (Witness Abramovitz) Yes, we see that.

7 Q Okay. Is the currently approved curve the same
8 as the recommended curve?

9 A (Witness Adams) I believe so.

10 Q Would it be fair to say, then, that the
11 actuarial analytics show a shorter life than is proposed
12 by the study?

13 A (Witness Adams) And -- yes, and I would
14 believe that is possible because, again, the actuarial
15 study is going to look at points in time and give a
16 guide, if you will, for how depreciation may be assigned
17 or calculated at that rate. But then the depreciation
18 study expert, with their industry knowledge, as well as
19 the conversations with our subject matter experts, are
20 able to consider how we use our assets as well and
21 consider the particular point in time where they are.

22 So it's a balance between both approaches,
23 versus using a completely statistical approach.

24 Q Could you look down the paragraph on page 74.
25 It is about five lines from the bottom. The sentence

1 that begins "Company personnel."

2 Do you see that?

3 A (Witness Abramovitz) We do.

4 Q Do you see where it says, "Company personnel
5 feel that a shorter life is not representative of the
6 future, and from an operations and perspective, the
7 current life seems more reasonable"?

8 A (Witness Robinson) We do.

9 A (Witness Abramovitz) Yes. And that's the
10 subject matter expert that Ms. Adams has referenced.

11 Q Do you agree with this statement as well?

12 A (Witness Robinson) So there's many things to
13 take into consideration here and unpack in this account.
14 There are oil-filled cables, non-oil-filled cables, XLP
15 cables, which is cross-link polyethylene. And so I think
16 with the very little amount of transmission underground
17 conductor that we have, it is -- it's very difficult to
18 nail down a life looking at oil filled, which is a
19 technology that has a metal conduit that the conductor
20 sits in, and a lot of that was installed in downtown
21 Atlanta. It is subject to many different elements that
22 XLP cable is not, particularly, like, stray currents from
23 MARTA trains that are nearby. So we have to do a lot of
24 maintenance on that as it relates to cathodic protection.

25 On XLP, we do have a cable testing program so

1 we can test the health of our cables. And there are some
2 things that we can do to -- we have treeing in those
3 cables. We can fill them to increase their life.

4 So given the amount of underground conductor we
5 have and transmission, given the 12,600 miles that we
6 have of overhead conductor, it is very difficult to
7 unpack all of this and nail down -- nail down a life. I
8 would have to rely on the subject matter experts.

9 And, by the way, our subject matter expert for
10 underground cable is a national underground expert. And
11 so he consults with IEEE and others. And he's very well
12 respected. So this -- there's a lot to unpack here other
13 than just reading two sentences and making a conclusion.

14 Q But, I mean, you are sponsoring the study, so I
15 was asking whether you agree with the conclusion that was
16 in the --

17 A (Witness Robinson) I believe I stated that I
18 did agree with the conclusion. And I went on to unpack
19 all of the information that's listed here as it relates
20 to oil filled, non-oil filled, XLP, the very little
21 amount of underground cable that we have compared to
22 overhead. And I -- our subject matter expert is an
23 industry expert as it relates to underground cable.

24 Q And do you agree that this statement describes
25 the reason in this instance that the company deviated

1 from the actuarial analysis?

2 A (Witness Robinson) I believe so.

3 Q Okay. And this is an account where the
4 company's model results in a longer life than the actual
5 data; correct?

6 A (Witness Robinson) I am not a depreciation
7 expert. And it's hard to tell from this chart because
8 there is movement in the actual data compared to the
9 curve that was used. So you go out in time towards 60
10 years, they start to converge.

11 Q Okay.

12 A (Witness Robinson) That's also, you know, like
13 I said, very little data here that we are using; and so
14 it's hard to tell for this type of account.

15 Q That wasn't intended as a criticism. It was
16 just me trying to understand the chart.

17 Is it the case that because the white squares
18 are registering a higher percentage than the black
19 triangles, does that reflect a higher survival rate as
20 being assumed under a model than would be assumed under
21 the actual data?

22 A (Witness Robinson) I don't agree with that.

23 Q Okay. Explain the difference then, please.

24 A (Witness Robinson) The data converges at
25 around the 40th year, plus or minus.

1 Q What's the significance of the triangle at the
2 very bottom?

3 A I don't have that data. It is -- it shows a --

4 Q In about year 55, does it show that the actual
5 survival would be zero?

6 A (Witness Robinson) For that one data point?

7 Q For that one data point.

8 A (Witness Robinson) It is hard to tell what
9 that failure was. If it has to do with stray currents
10 from harmonics -- from harmonics or third -- or stray
11 currents from MARTA trains that affected that. It's just
12 hard to tell with such little data that we have in that
13 category.

14 Q And you would agree that for each account in
15 the depreciation study, the actuarial analysis is either
16 going to support the recommended curve, show a shorter
17 life than the recommended curve or show a longer life
18 than the recommended curve?

19 A (Witness Adams) Yes, that makes sense.

20 Q Okay. And the actuarial analysis for account
21 332 support a longer life than the recommended curve;
22 isn't that correct?

23 A (Witness Adams) That's correct.

24 Q But as we talked earlier -- well, let me go
25 over -- I'm not going to revisit that.

1 Could I get you to look at account 331.

2 A (Witness Abramovitz) Do you have a page
3 number?

4 Q I'm thinking it is around page 46 because
5 that's where account 332 was, but I will get you an exact
6 page number here. It is page 45.

7 In that instance, the actual data is showing a
8 higher survival rate than the curve; correct?

9 A (Witness Abramovitz) Yes, that's what the
10 graph shows.

11 Q But just like with account 332, there is no
12 explanation, as there was for account 358, as to what
13 judgment was employed to adopt a curve that's showing a
14 shorter life than the actual data would support?

15 A (Witness Adams) That's true.

16 Q Okay.

17 A (Witness Adams) I think as we have just been
18 talking about with the great investment plan and the
19 significant investments that we have in T&D in general,
20 it would be appropriate to have additional discussion
21 around those assets.

22 Q Was that the reason for the curve in the
23 depreciation study, because of the great investment plan?

24 A (Witness Adams) I am not talking -- I am
25 comparing this compared to -- 331 is hydro versus the

1 transmission that we were just looking at before.

2 Q Okay. Thank you.

3 A (Witness Robinson) There is no relation
4 between the two. Great investment plan and the --

5 Q And 331 is Georgia Power actuarial structures
6 and improvements. Do you see that?

7 A (Witness Abramovitz) For hydro production.

8 Q Okay. Thank you. Well -- okay. And account
9 334 on page 48, would you also agree that the actuarial
10 data would support a longer life than the curve that's
11 used in the study?

12 A (Witness Abramovitz) Yes.

13 Q Would you say a significantly longer life?

14 A (Witness Abramovitz) So, in comparison, the
15 black triangles are somewhere around 70, and the --
16 that's actual. And the R 380s are close to -- probably
17 about -- closer to 5.

18 Q Okay.

19 A (Witness Abramovitz) And, you know, just
20 for -- kind of reiterating, Ms. Adams mentioned earlier,
21 this is a composite. And your reference -- you kind of
22 jumped around a little bit here. These FERC accounts,
23 330 to 336, are hydro related, and in the middle of this
24 we talked about transmission structures. So I think we
25 are just trying -- we are trying to answer your questions

1 as thoughtfully as we can, but we are having an issue
2 following you.

3 Q Okay. I appreciate that.

4 Account 336, and this will be the last one,
5 would you also agree that the actual data supports a much
6 longer life than the -- than the curve supports?

7 A (Witness Abramovitz) That is what the graph
8 shows, and I will just kind of also note that the
9 vintages here on this is 1904 to 2020. So as Ms. Adams
10 mentioned, these structures have a long history and a
11 long, useful life.

12 Q Would you also agree that for the accounts that
13 I just highlighted, each of them where the actual data
14 supports a longer life than the curve the company is
15 using, that none of them concern -- include an
16 explanation as to the judgment that was used to go with
17 the curve as opposed to the actual data?

18 A (Witness Abramovitz) In several of these
19 pages, there is less explanation than others.

20 Q Would you -- I mean, is there any explanation
21 on account 336 as to why the curve was adopted as opposed
22 to going with the -- as opposed to relying heavily --
23 more heavily on the actual data?

24 A (Witness Abramovitz) It's more conclusionary.

25 Q I'm sorry?

1 A (Witness Abramovitz) It's more conclusionary
2 than explanatory.

3 Q Thank you. I would like to now ask you a few
4 questions about Plant Hatch.

5 In the recent integrated resource plan, which
6 is Docket No. 44161, the company requested Commission
7 approval for the capital and O&M costs that the company
8 will incur for the subsequent license renewal for Plant
9 Hatch Units 1 and 2; is that correct?

10 A (Witness Adams) That's correct.

11 Q In the IRP case, the company requested approval
12 of the capital and O&M costs the company will incur for
13 the license renewal for Plant Hatch, but not yet the
14 recovery of such costs; is that correct?

15 A (Witness Adams) That's correct.

16 Q And the staff recommended approval of the
17 company's proposal; correct?

18 A (Witness Adams) That's correct.

19 Q And the Commission approved the company's
20 request for those costs; correct?

21 A (Witness Adams) Yes.

22 Q In the rate case, the company is requesting
23 approval of the costs for the license renewal; correct?

24 A (Witness Adams) Yes.

25 Q And is it correct that the company expects the

1 Nuclear Regulatory Commission to grant approval of the
2 Plant Hatch license renewal application?

3 A (Witness Adams) The application process takes
4 more than five years, I believe. And so while I hope
5 that they will approve that, that's a bit uncertain at
6 this point.

7 Q We were on such a nice "yes" rhythm there for a
8 while.

9 COMMISSIONER MCDONALD: We hope so, too.

10 MR. ADAMS: Yes. Yes.

11 BY MR. WALSH:

12 Q Does the company have an expectation at all as
13 to whether its application will be granted? Do you
14 have --

15 A (Witness Abramovitz) We certainly wouldn't
16 apply it if we didn't want an extension of that license
17 for the benefit of our customers.

18 Q Well, I'm not asking -- I understand. I think
19 we are all on the same page on that. But does the
20 company have any expectation as to whether it will be
21 granted? Do you have any thoughts as to whether you
22 expect it to be granted?

23 A (Witness Abramovitz) You know, we make a very
24 good habit of not front running our regulators, including
25 the Nuclear Regulatory Commission. We will make our

1 application. As Ms. Adams mentioned, it's a pretty
2 time-intensive process. And we wouldn't have filed it if
3 we didn't expect some sort of renewal. But it is up to
4 the NRC whether we get that license extension or not.

5 Q NRC has granted subsequent license renewals for
6 several other U.S. nuclear power plants, hasn't it?

7 A (Witness Abramovitz) They have.

8 Q And for calculating depreciation rates in this
9 case, the company did not reflect an extended operating
10 life as an extension of the retirement date for Plant
11 Hatch Units 1 and 2, did it?

12 A (Witness Adams) That's correct. Since the
13 license hasn't been approved at this point, we have
14 maintained the assumption that the original 60-year --
15 based on the composite rate that I won't try explaining.

16 Q In the company's 2007 rate case docket, which
17 was Docket No. 25060, the depreciable life for the
18 currently operating Plant Vogtle Nuclear Units 1 and 2
19 was extended based on an application that had been
20 submitted. And the expectation that the requesting --
21 requested operating life extension request would be
22 granted.

23 Are you familiar with that decision by this
24 Commission?

25 A (Witness Adams) I am not.

1 Q Okay.

2 MR. WALSH: May I approach the panel to provide
3 the order in the 2007 rate case?

4 COMMISSIONER MCDONALD: You may.

5 MR. WALSH: Thank you.

6 BY MR. WALSH:

7 Q Could you look at paragraph 6 on page 6, the
8 second paragraph underneath that section, beginning with
9 the statement, "The stipulation extends the environmental
10 plant life from 55 to 60 years, based on a study prepared
11 by advocacy staff witness, Mr. Charles King.

12 "In addition, the stipulation extends the life
13 of Plant Vogtle from 50 to 60 years, which is consistent
14 with the testimony of Mr. King that it is likely that the
15 Nuclear Regulatory Commission will grant the application
16 to renew the license for Plant Vogtle."

17 Did I read that correctly?

18 A (Witness Adams) Yes.

19 Q Okay. So it would be consistent with the
20 Commission's treatment of Vogtle 1 and 2 renewal in the
21 2007 rate case for the company's depreciation rates in
22 this case to reflect an extension for retirement dates
23 for Plant Hatch; is that correct?

24 A (Witness Adams) That seems reasonable, if the
25 facts and circumstances in this case coincide with this.

1 Q Okay. Thank you.

2 I would like to ask a few questions now about
3 the transmission investment plan.

4 The company performs testing and inspections on
5 its transmission and distribution system; isn't that
6 correct?

7 A (Witness Robinson) Yes. And we filed several
8 data requests with those procedures.

9 Q And the company also replaces those parts of
10 its transmission system that need to be replaced; isn't
11 that correct?

12 A (Witness Robinson) Those that fail within
13 their expected life, if we test it and we retest and
14 determine that that asset is in need of replacement, yes,
15 we will replace that. If that -- if it has been
16 determined to be failed in service, whether it's a
17 transformer or a structure, but yes.

18 Q As a result of these practices by the company,
19 would you agree that failures in service of this
20 equipment are rare?

21 A (Witness Robinson) I wouldn't say that. We
22 have many different pieces of equipment. There can be --
23 there can be reasons for failure. There -- I don't know
24 if you are familiar with the bathtub curve that shows
25 failure at the beginning of life and then there is, you

1 know, failure during life, and then there's failure at
2 the end of life.

3 What we are addressing with our preventative
4 and corrective maintenance procedures is that bottom of
5 the bathtub curve where you have failures that are inside
6 expected life of a piece of equipment.

7 Q In the 2022 IRP, the company stated that it
8 plans for its transmission system to maintain backup in
9 the event of an unexpected loss of a transmission
10 facility.

11 Is that an accurate characterization of the
12 company's case in the IRP?

13 A (Witness Robinson) Well, we are required by
14 NERC reliability standards to perform certain studies
15 that look at certain contingencies, what are called N-1,
16 G-1. So if we have an element out or a generator out and
17 we have to plan to build the system for such failures or
18 contingencies, loss of, whether it's a failure, whether
19 it's -- a tree hits a line, whether it's -- a plane hits
20 a line. We have to plan for those types of
21 contingencies.

22 Q Is the answer to my question, then, yes,
23 because you are required to do so?

24 A (Witness Robinson) We have planned the system
25 to or above NERC reliability standards for years, and we

1 do so with the integrated transmission system
2 participants -- that's Georgia Transmission Corporation,
3 MEAG, and City of Dalton.

4 Q You mentioned the term N-1 design. Could you
5 explain for the Commission what that means?

6 A (Witness Robinson) Sure. N-1 is a statistical
7 term where you take one element out of a system and you
8 study for the loss of that element.

9 So for an N-1 study, you are taking a
10 transmission element out, restudying that transmission
11 system, and determining any overloads, any voltage
12 problems, and then you go fix those.

13 We are also required to look at N-G -- or G-1,
14 so N-1, G-1, which is taking a generator out of service
15 and looking at how the system responds to both of those.

16 Q Would that mean that in the instance where a
17 transmission equipment does fail, that a backup is
18 available?

19 A (Witness Robinson) Not in all circumstances.
20 So when we look at those studies, we are looking at
21 snapshots during the year. So typically that's during
22 summer peak. It could be during winter peak, depending
23 on when the constraint is. Most of the time it's during
24 the summer peak when it's hot outside. The ambient
25 temperatures are hotter, therefore the rating of the line

1 is lower. So we have to design to that.

2 When you get into spring and fall, you have
3 multiple contingencies. You've got work that's being
4 done across the system, taking elements of the system
5 out, transmission lines, all of the solar
6 interconnections that we have, have to be interconnected
7 and they bisect transmission lines.

8 So we have to take those elements out. We take
9 generators out for maintenance during the fall and
10 springtime as well. And so during a period of time
11 during fall and spring, we could have N-8, G-4
12 contingencies that we're not necessarily planning for and
13 we can't plan for.

14 We have to plan the system looking at being
15 able to accommodate those outages, the generator outages,
16 so we do forecast those. But for the NERC compliance
17 requirements, we look at a snapshot in time, and that's
18 typically around summer peak.

19 Q Did you say you go beyond the NERC compliance
20 requirements?

21 A (Witness Robinson) We have for years. And so
22 a lot of those are operational constraints that we
23 identify with the ITS participants across the state where
24 it's difficult to manage certain areas of the system
25 because of contingencies, because of outages that occur,

1 or generator outages that occur.

2 It could be flows from other systems. We have
3 loop flows to the system that might come from MISO, going
4 to PJM, which are two different planning areas. And so
5 those are things that we don't necessarily plan for, but
6 we have to manage in real time.

7 Q A significant part of the company's
8 transmission investment plan in this case involves
9 replacing aging equipment; is that accurate?

10 A (Witness Robinson) The transmission part of
11 the grid investment plan targets a facility's equipment
12 that have -- have or will at the end of the grid
13 investment plan program be beyond their expected life.

14 Q Does the -- does the company replace
15 transmission equipment if it fails?

16 A (Witness Robinson) Yes.

17 Q So if equipment is aging or characterized as
18 aging by the company, that would mean that it has not yet
19 failed; correct? Or else it would have been replaced
20 already.

21 A (Witness Robinson) So -- well, let's talk
22 about failure for a minute. There is controlled failure,
23 there is catastrophic failure. Oftentimes when a piece
24 of equipment fails, it fails catastrophically -- the tank
25 ruptures, we have an explosion, there's a fault in the

1 tank. It damages equipment adjacent to it. And when we
2 don't have an opportunity to replace that equipment in a
3 controlled manner, it increases cost significantly.

4 It also, for all those N-X contingencies we are
5 talking about in spring and fall, it makes it that much
6 more difficult for us to operate the system because we
7 have an unplanned element of the system that is now out.

8 And so we have seen cost for catastrophic
9 failure of transmission equipment 2 1/2 to 13 times the
10 cost of doing it in a controlled manner. And so that
11 doesn't take into consideration effects on adjacent
12 projects that have to be canceled, generator outages that
13 have to be moved, outages to customers that's actual
14 costs to customers as it relates to not having service.

15 So there is a significant benefit to replacing
16 assets ahead of a -- either a failed in service or a
17 catastrophic failed in service.

18 Q I just want to be clear because you talked
19 about different types of failure, controlled and
20 catastrophic. Is it -- is it the case that if equipment
21 fails, whether controlled or catastrophic, that if
22 transmission fails, transmission equipment fails,
23 regardless of it being controlled or catastrophic, that
24 the company would replace it?

25 A (Witness Robinson) Yes. However, there is

1 incurred costs associated with the controlled failed in
2 service or a catastrophic failed in service. When you
3 look at damage to adjacent equipment, the 2 1/2 to 13
4 times the cost that I mentioned, all of the work that we
5 are planning on the transmission system and trying to get
6 done, all that has to be rescheduled if you have an
7 element out that's not done in a planned manner.

8 So all of those things have to be considered
9 when we are talking about replacing assets. And so we do
10 not want to wait until equipment fails to replace it. So
11 we want to do that in a controlled manner, looking at --
12 and what we're looking at with the grid investment plan
13 on the transmission part are those failures that are on
14 the back side of the bathtub curve. So at -- at or
15 beyond expected life.

16 And so there is a significant benefit to
17 customers, to the company, to reliability of the grid, to
18 replace those assets ahead of failure.

19 Q And I apologize if this was part of your
20 answer; I just didn't catch it. Is it the case, then,
21 that the -- that the aging equipment that is being --
22 would be replaced under the company's transmission
23 investment plan has not yet failed? Because it would
24 have been replaced had it failed? That's what my
25 understanding is. But I want to confirm that that's

1 correct.

2 A (Witness Robinson) That is correct.

3 Q Okay. Has the company performed any studies
4 which show that the reliability improvements of replacing
5 equipment that has passed its most recent tests and
6 inspections is worth the incremental cost of the
7 preemptive replacement practice?

8 MADAM CHAIR PRIDEMORE: Mr. Walsh, can I ask
9 you to straighten your mic. IT is working. We did
10 a lot of replacements. Make sure that the neck is
11 straight. Audio equipment. But we are the
12 government and didn't have the money to do new mics,
13 and we think that's where we are getting this
14 feedback from. So if everybody could keep their
15 necks straight, in more ways than one.

16 MR. WALSH: I apologize. I am just getting bit
17 by my own height here. Sorry.

18 MADAM CHAIR PRIDEMORE: I think you can raise
19 and lower it from the bottom.

20 MR. WALSH: Okay. There we go. It's a
21 combination of my height and my laziness. I'm
22 sorry.

23 BY MR. WALSH:

24 Q Has the company performed any studies that show
25 that the incremental reliability improvements of

1 replacing equipment that has passed its most recent test
2 is worth the incremental cost of the preemptive
3 replacement practice?

4 A (Witness Robinson) As it relates to equipment
5 that's at its expected life or beyond its expected life,
6 it would be impossible to do so. For those unknowns that
7 I mentioned before, how is the equipment going to fail?
8 Is it going to fail in a controlled manner or
9 catastrophic manner? Is it going to damage adjacent
10 equipment? Are there outages that need to be rescheduled
11 because that element is out of the system? Is there
12 generation maintenance schedules that have to be impacted
13 because of that element being out?

14 When we don't get a chance to plan the system,
15 it has significant impacts on reliability and cost that
16 cannot be captured and calculated into -- whether it's a
17 cost-benefit analysis or some type of reliability reward.

18 Q Are you aware of any nonprofit utility in
19 Georgia that replaces equipment that has exceeded its
20 expected useful life but has passed its most recent tests
21 and inspections?

22 A (Witness Robinson) Can you define "nonprofit"?

23 Q Are you aware of any utility in Georgia that
24 replaces equipment that is -- other than Georgia Power --
25 that has exceeded its expected useful life?

1 A (Witness Robinson) So let's talk about the age
2 of our assets for Georgia Power Company.

3 So there are four transmission owners in the
4 state of Georgia: Georgia Power Company, Georgia
5 Transmission Corporation, who represents the EMCs, MEAG,
6 who represents the municipalities; and the City of
7 Dalton.

8 When the state of Georgia grew in the '50s,
9 '60s, and '70s, Georgia Power was the only transmission
10 owner at that point in time and invested a significant
11 amount in the state. Those assets are turning 50, 60, 70
12 years old, are beyond or will be beyond expected life by
13 the end of this program.

14 When in the mid '70s -- 1975, '76 -- when we
15 sold assets to GTC, MEAG, and the City of Dalton when
16 they were created, we did not sell any of those old
17 assets. We sold shiny new assets, and then they were
18 able to invest in the system as they invested to come
19 up -- what's called parity.

20 So each of the transmission owners are required
21 to own transmission equal to their load share ratio in
22 the state of Georgia. And so if you look at the
23 distribution curves of the age of our assets, there's a
24 significant amount of aging assets, distribution
25 transformers, transmission transformers, transmission

1 lines that are at or beyond expected life.

2 So those entities that you speak of, GTC, MEAG,
3 and City of Dalton, who are nonprofit, do not have the
4 opportunity to invest in those because they don't have
5 assets that are aged as long as ours have because they
6 bought shiny new stuff from Georgia Power in the mid '70s
7 and invested beyond that.

8 Q Are you aware of any nonprofit utility outside
9 of Georgia, or any nonprofit in any state, that replaces
10 its transmission equipment once it exceeds its expected
11 useful life?

12 A (Witness Robinson) I believe California has
13 been ordered to by the Commission to replace aged assets.

14 Q Nonprofit utilities in California?

15 A (Witness Robinson) I would hope, given -- I
16 don't know of the nonprofits, but I believe there were
17 some orders in California, particularly because of some
18 of the issues that they had there, to replace aging
19 assets, particularly transmission lines.

20 Q Okay.

21 A I will -- I will add that the ITS, the
22 Integrated Transmission System is GTC, MEAG, City of
23 Dalton and Georgia Power, we all plan the system together
24 and we make decisions on what goes into parity and what's
25 appropriate.

1 GTC, MEAG, and City of Dalton support our
2 transmission investment plan and replacing of assets.

3 Q How does Georgia Power define "aging
4 transmission equipment"? Is it that it's older than
5 expected useful life?

6 A (Witness Robinson) No. We go by what we call
7 "company expected life," which is beyond industry
8 expected life. So we have looked at studies that EPRI
9 has done, others have done on distribution transformers,
10 on relays, on other equipment to determine what industry
11 expected life is.

12 Our preventative maintenance, corrective
13 maintenance programs over the years have extended those.
14 So take distribution transformers, for example. EPRI
15 shows the expected life for a transformer is 35 years.
16 We have extended that to 50 years, with our maintenance
17 procedures, our subject matter experts maintaining that
18 equipment. So we have put risk into that decision by
19 maintaining that equipment and extending the life of
20 those assets beyond industry expected life.

21 Q And does your depreciation study capture those
22 extended lives -- that's the company expected life -- as
23 opposed to the expected useful life that's more general?

24 A (Witness Robinson) I believe if you read the
25 sections that are specific to transmission, they talk

1 about the SME's, or subject matter experts, weighing in
2 on those decisions. And I believe there are some of
3 those accounts that are pushed beyond the recommendations
4 because of the SME's.

5 Q Some of the accounts in the depreciation study?

6 A (Witness Robinson) I believe so. Subject to
7 check. But also understand that when you talk about --
8 it's like a distribution substation for that account, not
9 everything in there is the distribution transformer.
10 There's other pieces of equipment. So all those lives
11 have to be taken into consideration, similar to what we
12 just talked about with the hydro facility.

13 Q So if you have a company expected life, let's
14 say just for example, 40-year expected life for an asset,
15 that would mean at least some of that type of equipment
16 would last longer than 40 years and some might last
17 shorter; is that correct?

18 A (Witness Robinson) So if you are beyond
19 expected life, it means your probability of failure,
20 whether you are human or a piece of equipment,
21 significantly increases when you hit that date.

22 So expected life of a human being is, subject
23 to check, 72 years old. When you get to 72 years old,
24 chance of death increases significantly.

25 COMMISSIONER MCDONALD: That's not fair to make

1 that statement. You are not getting anywhere.

2 MR. ROBINSON: Sorry, Commissioner.

3 MADAM CHAIR PRIDEMORE: He said "subject to
4 check."

5 A (Witness Robinson) But so -- and that's what
6 we are trying to address, is the back end of that bathtub
7 curve where you hit a point in time where failure is
8 increasing significantly. And as I mentioned before, the
9 company wants to be ahead of those. We are supported by
10 the ITS participants in this effort. We don't want to be
11 the utility to wait to failure. We have seen what
12 happens across the United States when companies wait to
13 failure, whether it is transmission lines or substation
14 assets.

15 BY MR. WALSH:

16 Q My question was simply that if you have an
17 expected life, hypothetically, of 40 years, that that
18 would mean that some -- would -- some of those assets
19 would last longer than 40 years, some might last less.
20 But some assets might last longer; correct? You would
21 expect that some would last longer than the expected
22 life?

23 A (Witness Robinson) I believe a better way to
24 look at that is once you reach that expected life, the
25 chance of failure starts to increase significantly.

1 If you look at the bathtub curve, you have an
2 infant mortality rate, you have a mortality rate within
3 life, and then you have an end-of-life mortality rate.
4 And that end-of-life mortality rate goes up significantly
5 once you have hit that expected life.

6 Q I understand that's the way that you would like
7 to look at it, but if you can answer the question the way
8 I like to look at it, which is that some of the -- some
9 of the assets last longer than the expected life;
10 correct?

11 MR. HEWITSON: If Mr. Walsh could just tell the
12 witness how he would like them to answer the
13 question.

14 MADAM CHAIR PRIDEMORE: I think it speaks to
15 the overall tone we have today from cross from PIA.
16 So, okay.

17 MR. WALSH: I am saying I think he's
18 answering --

19 MADAM CHAIR PRIDEMORE: Do your best to exceed
20 Mr. Walsh's expectations, Mr. Robinson.

21 A (Witness Robinson) I will agree with your
22 statement that when you get into expected life, there
23 will be some assets that go beyond that date. We are not
24 willing to wait until those failures happen. We want --
25 we are -- the plan that we have in place is to replace

1 those assets ahead of failure. There is no way to do a
2 cost-benefit analysis. There is no way to look at
3 reliability because of the unknowns of transmission, how
4 interconnected it is, for all of the reasons I already
5 testified to, is we are targeting those assets for
6 replacement ahead of catastrophic or even -- even a
7 coordinated -- not coordinated -- even a un- -- a
8 non-catastrophic failed in service condition.

9 A (Witness Adams) And as Mr. Robinson said
10 earlier, the cost of that catastrophic failure is 2 times
11 to 13 1/2 times more expensive -- did I get that right?

12 A (Witness Robinson) 2 1/2 to 13 times that
13 we've seen for catastrophic failure. And as I said
14 before, that's just replacement of equipment.

15 That is not everything else that has to be
16 factored into that, looking at canceling adjacent outages
17 that were already scheduled or adjacent work, generator
18 outages that have to be rescheduled, the cost of
19 reliability to customers, if there's actually a
20 reliability event.

21 So there was a transformer that failed
22 catastrophically in the eastern part of Atlanta -- I
23 can't say where. It was 2 1/2 times the cost to replace
24 because it catastrophically failed. But we had
25 significant customers out because of the nature of that

1 transformer, for 12 -- I believe some were 12 hours, some
2 were 24 hours. The most were three to four days that
3 they were out until we got that asset replaced.

4 MADAM CHAIR PRIDEMORE: Out west we have seen
5 catastrophic failure that has resulted in death and
6 injury as well.

7 MR. ROBINSON: We have.

8 Madam Chair, that's what I was speaking to,
9 those failures that we've seen out there, that they
10 are now being mandated to go out and replace those
11 assets.

12 A (Witness Abramovitz) This does go back to that
13 balanced approach we talked about earlier today.
14 Proactive in nature, planning in nature, so that we can
15 enjoy -- this state can enjoy the reliability and
16 resiliency that it has for decades. It really does take
17 a proactive, thoughtful, balanced approach.

18 A (Witness Robinson) Another thing to mention to
19 that is if we do not take this approach, 44 percent of
20 our transformers will be beyond company expected life --
21 not industry expected life, but company expected life by
22 2031. That's a significant amount.

23 As I mentioned before, those are the assets
24 that were installed in the '50s, '60s and '70s that are
25 now turning 50, 60, and 70 years old.

1 And Madam Chair asked about supply chain and
2 how far are you out with slots for transformers. When
3 you have to replace those assets when they fail in an
4 uncoordinated manner, you don't have the ability to
5 purchase those, to plan for those purchases, to schedule
6 those. So you are having to take transformers that would
7 have served maybe a new economic development customer,
8 missing their deadlines. All of those things are things
9 that have to be considered that can't be considered in a
10 cost-benefit analysis or some type of reliability
11 analysis.

12 BY MR. WALSH:

13 Q Any equipment that reaches its expected useful
14 life, does that mean that it's fully depreciated at that
15 point?

16 A (Witness Robinson) They are not the same
17 thing.

18 Q Do you -- does the company not use expected
19 useful life in looking at its depreciation?

20 A (Witness Adams) It's a balance between the
21 two. So when you consider the expected life that
22 Mr. Robinson and his teams would see, they are looking at
23 the life of when that's expected to be in use.

24 The depreciable life is looking at -- earlier I
25 spoke about the broad group of assets in an entire group

1 that has a composite rate that seeks to recover the cost
2 associated with thousands of assets within a category.

3 Q Equipment that's fully depreciated has no book
4 value; is that correct?

5 A (Witness Adams) If you look at one particular
6 asset, then, yes.

7 Q Okay. And regulated utilities don't earn
8 profits on equipment with no book value. Meaning
9 equipment that is fully depreciated; is that correct?

10 A (Witness Adams) So -- yes, when you are
11 talking about one asset, if it's fully depreciated and
12 you can pull that aside -- once the rate base is zero,
13 then there is no return.

14 Q And customers benefit when the company is able
15 to use equipment for longer -- as many years as
16 possible -- as long as tests and inspections indicate
17 that the equipment is safe and reliable?

18 A (Witness Robinson) Within expected life, I
19 agree with that. Once you get past expected life, you
20 have to measure that risk of failure increasing
21 significantly beyond that period of time. And if we do
22 not move forward with this program, we will see impacts
23 to reliability. We will see slippages of schedules for
24 interconnection developers. We will see generator
25 schedules slip. We will see reliability issues. We will

1 impact the economic development viability of this -- or
2 economic viability of this state that we have enjoyed for
3 years that I know this Commission is very proud of. We
4 cannot wait to failure of this equipment to replace it.
5 We are not that kind of company. I know we are not that
6 kind of state.

7 Q And the company does do tests and inspections
8 on all of its equipment to indicate whether the equipment
9 is safe and reliable?

10 A (Witness Robinson) We do preventive
11 maintenance, corrective maintenance. We also have
12 condition-based maintenance where we manage risk within
13 that expected life. We are looking for those failures or
14 addressing issues that are inside that period of time,
15 that zero-to-40-year time frame so that we can maintain
16 equipment, replace equipment ahead of -- ahead of
17 failure. But once you get to that expected life, that
18 failure increases significantly and we are not willing to
19 take that chance. We are not willing to put customer
20 reliability at risk. We are not willing to put the state
21 of Georgia at risk as it relates to the reliability of
22 this transmission system.

23 And as I mentioned before, the ITS participants
24 are supportive of this program. They are allowing these
25 investments in the parity and sharing in the cost.

1 Q And the company -- just to be clear, the
2 company does test and inspect equipment beyond its
3 expected life as well, does it not?

4 A (Witness Robinson) If it is in service, it's
5 being maintained either through preventive maintenance,
6 corrective maintenance, or condition-based maintenance.

7 Q I would like to ask you a few questions about
8 your distribution investment plan. If -- in the
9 company's 2019 rate case, the company presented a
10 customer benefit study which identified a \$4.9 billion
11 distribution investment plan. Are you aware of that?

12 A (Witness Robinson) Yes.

13 MR. WALSH: Madam Chair, may I approach? I
14 would like to provide the company panel witnesses
15 with the company's response to STF-REC-1-1.

16 MADAM CHAIR PRIDEMORE: You may approach.

17 MR. WALSH: I would ask that this response be
18 marked for identification as Staff Exhibit Number 3.

19 MADAM CHAIR PRIDEMORE: So marked.

20 (The document referred to was marked for
21 identification as Staff Exhibit 3.)

22 MR. WALSH: That this is the public disclosure
23 version of the discovery response.

24 BY MR. WALSH:
25

1 Q Could I get you to turn to the first page of
2 the Executive Summary.

3 A (Witness Robinson) Is that page little "i"?

4 Q Yes.

5 A (Witness Robinson) Okay. I am there.

6 Q Okay. In the third paragraph on the page, the
7 company discusses what is known as a System Average
8 Interruption Duration Index or SAIDI, I believe it's
9 pronounced. Are you familiar with that?

10 A (Witness Robinson) Yes.

11 Q And it says that in 2019, the company presented
12 its cost-benefit study and a targeted SAIDI of 65 by
13 2031.

14 Do you see that?

15 A (Witness Robinson) Yes.

16 Q A SAIDI means the average outage time for the
17 year per average customer measured in minutes; is that
18 correct?

19 A (Witness Robinson) Yes.

20 Q And just so we're clear, does that exclude
21 major storms?

22 A (Witness Robinson) Correct. Major -- what we
23 call major event days. Not necessarily storms. But
24 major event days are excluded from this number.

25 Q Okay. Thank you.

1 Am I correct that the company's request was
2 approved as part of the stipulation?

3 A (Witness Robinson) The first three years of
4 the plan were approved in the 2019 rate case.

5 Q And in this rate case, the company presented an
6 updated customer benefit study which identified that if
7 \$3.4 billion were spent, 2023 through 2031, SAIDI would
8 be 80 by 2031; is that correct?

9 A (Witness Robinson) That's correct.

10 Q And that \$3.4 billion, is that on top of the
11 \$4.9 billion that was approved as part of the 2019 rate
12 case?

13 A (Witness Robinson) No. The 3.4 is for the
14 remaining years of the program. If you look at the
15 total, including 2020, '21 and '22, along with the 3.4
16 that you referenced, the total number would be, subject
17 to check, I believe, 4.8 over the 11-year plan.

18 Q So the company is modifying its request. It's
19 not asking for something in addition in this case?

20 A (Witness Robinson) The company has taken what
21 we have learned over the last three years from
22 implementation of the program and modeled it back into
23 the economic benefit analysis. So looking at the cost of
24 undergrounding, looking at what we have learned with
25 ramping up of resources, the challenges we've had around

1 COVID, the reliability results that we have seen,
2 although a small population to this point. But we -- we
3 have made some modifications based on our learnings and
4 recalculated that.

5 When you take in consideration the economic
6 cost of reliability for customers, the O&M savings, as
7 well as the revenue requirements for these investments,
8 that the optimal range for investment moving forward is
9 to move to an 80 SAIDI from 65.

10 Q And if I understand your testimony correctly,
11 when you look at the bottom of this page, where it says
12 \$3.4 billion over the remaining eight years, you're
13 stating that if you take that \$3.4 billion over the
14 remaining eight years and add it to what the company has
15 spent since the 2019 rate case, you are getting a number
16 that's 4.8 billion as opposed to the 4.9 billion that the
17 company was approved for in the 2019 rate case?

18 A (Witness Robinson) Subject to check.

19 Q Thank you.

20 A (Witness Robinson) But it did go down. So in
21 retiming -- well, not retiming.

22 In redoing this analysis, and we have learned a
23 lot about undergrounding, it's very expensive. There are
24 benefits to it. It is the -- it is the most effective
25 way to reduce these types of events to improve

1 reliability, but it is very disruptive. There is a lot
2 of rock in Atlanta. We are sitting on top of Stone
3 Mountain. So we have had a lot of coordination with
4 traffic and all the permits that go along with it.

5 We are also looking at a five-year average.
6 The 2019 study looked at 2017 alone. We are looking at a
7 five-year average of reliability performance. And so
8 with this new plan, targeting 80 SAIDI, which is still in
9 first quartile as it relates to peer utilities and
10 utilities in the state, we will move the customer
11 experience to an 80 SAIDI across the system, which we
12 believe that's what our customer expectations are for
13 reliability.

14 So that, you know, where we are going to be
15 touching more feeders with this new program, so it
16 mentions 800 in the paragraph that you mentioned before,
17 we are now going to be targeting a little bit more than
18 1,000 feeders and touching 1.6 million customers across
19 the state.

20 Q I would like to ask you a few questions about
21 the distribution investment plan.

22 MR. WALSH: Madam Chair, I would like to ask
23 the panel questions about the company's response to
24 STF WG-1-8. May I approach?

25 MADAM CHAIR PRIDEMORE: You may approach.

1 MR. WALSH: Madam Chair, I would ask that this
2 Response to Staff Data Request WG-1-8 be marked for
3 identification as Staff 4.

4 MADAM CHAIR PRIDEMORE: So marked.

5 (The document referred to was marked for
6 identification as Staff Exhibit 4.)

7 BY MR. WALSH:

8 Q Could I direct your attention to the request in
9 part F where it asks for any cost-benefit analysis that
10 the company has completed or has applied to various
11 circuits as part of the distribution investment plan.
12 The response is on the back of the page.

13 Is it fair to characterize that response as
14 saying that no cost-benefit analyses were performed at
15 the package level?

16 A (Witness Robinson) So the question that you
17 are referring to is F?

18 Q Yes.

19 A (Witness Robinson) And that question is: Any
20 cost-benefit analysis the company has completed on the
21 package?

22 Q Yes.

23 A (Witness Robinson) So I assume that you
24 mean -- or we assumed when we answered this question, is
25 that there are now six packages that are part of the

1 program and if we do a package-by-package cost-benefit
2 analysis; is that correct?

3 Q Yes. In fact, if we could look back at staff
4 request 3 -- I'm sorry. Staff Exhibit 3, it is on
5 page 1, I believe, lists the six packages, and that might
6 be a good reference point for the panel.

7 A (Witness Robinson) Yes. Thank you.

8 So this is not to infer that the company did
9 not do a cost-benefit analysis. This is answering the
10 question: Did the company do a cost-benefit analysis at
11 the package level. We did not do a cost-benefit analysis
12 at the package level because that's not what this
13 analysis is about. This analysis is looking at the six
14 different packages, the criteria for those packages
15 running millions of scenarios on all of our feeders,
16 looking at all 2,356 feeders that we have, selecting
17 investment packages, applying costs to those at the
18 system level, looking at the net present value at the
19 system level and making a decision that's in the best
20 interest for all customers to move system level SAIDI to
21 80, from where it is right now, which is about 124, 125,
22 which puts us in third quartile.

23 So we did do a cost-benefit analysis with the
24 economic benefit analysis, but we did not do, and did not
25 see a benefit in doing, a cost-benefit analysis at the

1 package level or at the feeder level.

2 Q Okay. So it's your testimony that the
3 cost-benefit analyses that you did captured the packages?

4 A (Witness Robinson) Yes. The cost of the
5 packages, the reliability improvement, the predicted
6 reliability improvement of the packages that we have
7 developed over time with our subject matter experts, over
8 a decade of investment, that those components of the
9 packages are applied in millions of scenarios across all
10 2,356 feeders, selecting roughly 1,000 feeders for
11 investment, and making the best decision on behalf of
12 customers of what that optimal investment is, which is 80
13 SAIDI. And we moved that from 65 to 80. We believe that
14 based on the three-year of learnings that we have, the
15 data that we have collected, the costs that we are
16 seeing, that that is the optimal investment range for
17 customers and is in the best interest of customers for
18 the state of Georgia.

19 Q And did the company produce those cost-benefit
20 analyses as part of its request?

21 A (Witness Robinson) The cost-benefit analysis
22 that I refer to were done under the economic benefit
23 analysis.

24 Q So they were produced as part of company's
25 request in this case?

1 A (Witness Robinson) I don't know what you mean
2 were they -- were they produced.

3 Q Were they part of the company's filing in this
4 case? Has the company presented those cost-benefit
5 analyses to the Commission for its consideration?

6 A (Witness Robinson) I don't believe that they
7 have been specifically asked for. I believe there is a
8 meeting that's upcoming with staff where we are sitting
9 down and going through some the models so they can better
10 understand the models that went behind the cost-benefit
11 analysis. But the EBA itself, the economic benefit
12 analysis, the STF REC-1-1 that you referred to is the
13 cost-benefit analysis for the program. And so, yes, we
14 have presented our cost-benefit analysis to the
15 Commission.

16 Q Okay. So I just want to make sure what's out
17 there and what's not. What's in response to STF REC-1-1,
18 that's the full extent of the company's analysis, the
19 cost benefits that would apply to the packages?

20 A (Witness Robinson) There have been countless
21 data requests that have been submitted by the company
22 that document and detail all of the different scenarios
23 that we ran, looking at all the reliability improvements.
24 We have agreed to sit down with staff. I can't remember
25 the date. Sometime coming up in October to go over the

1 modeling because it's a very complex model. As I
2 mentioned before, it's running millions and millions of
3 scenarios to come up with an optimal range for investment
4 for customers.

5 Q So -- okay.

6 So the company has produced -- the full extent
7 of the cost-benefit analyses that it has performed, it's
8 produced to the Commission or the staff in this case?

9 A (Witness Robinson) We have been responsive to
10 the data requests that we have been asked, and we have
11 been asked for terabytes and terabytes of information
12 that we have provided.

13 We are also sitting down with staff to go over
14 the model, to answer questions, to allow them to look to
15 see how the model runs. But there is a significant
16 amount that went into this analysis. It's not just a
17 spreadsheet. So it -- there is -- and it's all detailed
18 in the EBA.

19 But as I mentioned before, we have submitted
20 significant amount of data requests in response to the
21 staff's questions explaining the program.

22 Q And I understand that. Nobody is
23 questioning -- I think the company has provided a lot of
24 information to the staff.

25 My question I was just trying to get at,

1 whether there is additional analysis that the company has
2 performed beyond that which it has presented to the
3 staff. Additional cost-benefit analysis related to the
4 packages.

5 A (Witness Robinson) As I have mentioned before,
6 we have been responsive to every single data request that
7 has been made. And we have submitted terabytes of
8 information. I can't answer the question of whether
9 there's things that the staff did not ask for or did not
10 get. There is a significant amount of information.

11 As I mentioned before, at the request of staff,
12 we are sitting down with them in a couple weeks to go
13 over the model. It's a very complicated model, how you
14 run it, how the assumptions go in, what comes out of the
15 model. But I believe we have answered all of the data
16 requests that have been made of us around this EBA,
17 around cost-benefit analysis.

18 Q I would like to ask some questions about the
19 grid investment plan. Is it correct that the grid
20 investment plan is not mandated by law or regulation?

21 A (Witness Robinson) Just to be correct, the
22 grid investment plan are the last two things we have been
23 talking about. The EBA associated with the distribution
24 investment for reliability for the 1,000 underperforming
25 feeders that we are addressing and the transmission aging

1 assets where I think you referred to as the transmission
2 investment plan.

3 Q Is the grid investment plan mandated by law or
4 regulation? The investments that the company is
5 proposing as part of this case?

6 A (Witness Robinson) It is not. But I think we
7 have been very clear on the benefit to customers, the
8 benefit to the state of Georgia, as it relates to
9 replacing aging transmission infrastructure. And we --
10 we have heard from our customers the desire to have
11 reliability in power quality. When you look at the
12 customer satisfaction scores that we have, the data that
13 we collect from our customers, reliability is Number 1
14 ahead of cost for residential customers.

15 For commercial customers, it's Number 2. And
16 so we know our customers desire and expect reliability
17 and resilient grid. We are responding to that and
18 investing in the future of the state for our customers.

19 Q But because it is not required by law or
20 regulation, it is still within the Commission's
21 discretion whether to approve the plan as the company has
22 proposed; correct?

23 A (Witness Robinson) Yes.

24 Q Okay. And there has been a lot of discussion
25 about other increases that ratepayers are likely to be

1 facing in the near future. So if the grid investment
2 plan request was not approved in its entirety in this
3 case, but considered more in the next rate case, that
4 would at least not add to the burdens of Georgia Power
5 customers who are already having to bear additional
6 increases; correct?

7 A (Witness Robinson) And we are very aware and
8 will take seriously this increase. We do believe the
9 time to act is now. For the distribution reliability,
10 there is continuing erosion of performance on these
11 thousand feeders that I mentioned. You can see it in the
12 data. They are only going to get worse and worse and
13 worse. And so the experience of those customers is going
14 to get worse and worse and worse. There's approximately
15 1.1. -- subject to check, 1.1 million customers that are
16 sitting at a SAIDI level that's around that 80, that they
17 enjoy that today. So the expectation is, we bring all
18 customers up to that level of reliability.

19 Reliability, as I mentioned before, is Number 1
20 as it relates to what customers value in electric service
21 from our customers.

22 For the transmission grid, if we don't start
23 acting, we are going to have significant impact on
24 reliability and cost moving forward, for the reasons that
25 I mentioned before.

1 Q Ask you a few questions about electric vehicle
2 charging. I am going to provide you with a response to
3 STF-LA-2-120.

4 MR. WALSH: Madam Chair, may I approach?

5 MADAM CHAIR PRIDEMORE: You may approach.

6 MR. WALSH: Madam Chair, I would ask that this
7 response be marked for identification with the next
8 staff exhibit number, which I believe is Staff 5.

9 MADAM CHAIR PRIDEMORE: So marked.

10 (The document referred to was marked for
11 identification as Staff Exhibit 5.)

12 BY MR. WALSH:

13 Q This response asks the company to identify all
14 costs and revenues for electric vehicle charging stations
15 and rate base revenue and operating expense for the
16 forecasted test year and forecasted calendar years, 2020
17 through -- 2022 through 2025.

18 Do you see that?

19 A (Witness Houston) Yes, I do.

20 Q And if you could look at the attachment to the
21 response, do you see that the test year, for the test
22 year the net rate base amount is \$7.547 million?

23 A (Witness Houston) That's right. That's
24 cumulative of the test year.

25 Q I'm sorry, sir. I couldn't quite hear you.

1 A (Witness Houston) I'm sorry. That's the
2 cumulative of the test year. That's the balance.

3 Q Thank you.

4 For calendar years 2022 through 2025, the net
5 rate base amount is six point -- I am going to round up
6 here -- 6.4 -- or round to the nearest thousand -- 6.461
7 million, 8.503 million, 10.896 million, and 13.138
8 million; is that correct?

9 A (Witness Houston) That's correct.

10 Q Are the company's EV charging stations located
11 in areas that are also being served by competitive
12 enterprises?

13 A (Witness Houston) Okay. So just to be clear,
14 this schedule here, this represents Community Charging.
15 So Community Charging, we are the provider of last
16 resort. And we go where other third-party providers are
17 not.

18 Q So there are -- there are not any competitive
19 enterprises located in the areas that -- well, I'm sorry.
20 Let me rephrase that.

21 Is it your -- is the answer to the question
22 that the company's EV charging stations are not located
23 in areas that are also being served by competitive
24 enterprises?

25 A (Witness Houston) Yes. As it relates to the

1 Community Charging Program, that is one of the key tenets
2 of program, that we do not place them alongside where
3 third-party providers are.

4 Q Okay. And the dollar amounts on this request,
5 are they related to -- specifically to the community
6 program?

7 A (Witness Houston) Yes, that's correct.

8 Q What portion of the company's EV charging
9 stations are located in areas where no other EV -- where
10 there is no other provider providing EV charging?

11 A (Witness Houston) I mean, by "no other area,"
12 do you mean in terms of a radius or a county or...

13 Q Well, I'll talk about -- I'll talk about
14 county. Is that something that the company uses for
15 planning, is countywide?

16 A (Witness Houston) I certainly have no
17 knowledge of county-specific matrix.

18 Q Okay.

19 A (Witness Houston) I would say that as a
20 general rule, high level in the state of Georgia, since
21 2020 approximately 80 percent of our Community Charging
22 stations have been outside of metro Atlanta.

23 Q Okay. For each time period in this attachment
24 to 2-120, the test -- the O&M expenses exceed the
25 operating revenues; is that correct?

1 A (Witness Houston) That's correct.

2 Q And the company's response says that the
3 revenue forecast for the test period and forecasted
4 calendar year should be increased; correct? That's on
5 the first -- front page of the response.

6 A (Witness Adams) Would you repeat your
7 question?

8 Q Yes. The company's response says that the
9 revenue forecast for the test period and forecasted
10 calendar years should be increased. Is that correct? Am
11 I reading the front page of this response correctly?

12 A (Witness Houston) Yes, that's correct. And
13 this is actually reflected on the errata filing that we
14 have.

15 Q Okay. Is it also correct that even with those
16 increases, the operating expenses would still exceed the
17 revenues? You can accept, subject to check, or do the
18 math.

19 A (Witness Houston) Yes. Subject to check, yes.

20 Q If the revenue from the EV charging stations
21 don't cover the cost to providing EV charging, does that
22 mean that EV charging stations are being subsidized by
23 customers who do not use EV charging?

24 A (Witness Houston) Yes. I would say across all
25 the ET programs, they are really putting a downward

1 pressure on rates between the Community Charging and the
2 Make Ready. The Community Charging is just a very small
3 piece of the overall ET program. It represents about
4 10 percent. And we do view it as a provider of last
5 resort.

6 And I will also say in the 2019 case, when the
7 decision came out, it was clear that we should look at
8 monetary and nonmonetary considerations when it comes to
9 Community Charging stations.

10 Q Subject to that explanation -- would the answer
11 to my question be, yes, subject to that explanation?

12 A (Witness Abramovitz) I think what Mr. Houston
13 said is taking the totality of the electric
14 transportation programs into account, not just Community
15 Charging, but also Make Ready, when you take the two into
16 account, it puts a downward pressure on rates, which
17 means no substation.

18 Q Does the company keep record of what days and
19 hours customers are using its EV charging stations?

20 A (Witness Houston) Not being part of the team
21 that administers that, I do not know the answer.

22 Q Does anybody on the panel know?

23 A (Witness Abramovitz) We don't know.

24 A (Witness Robinson) I don't know.

25 MR. WALSH: Madam Chair, can I make a hearing

1 request for whether the company keeps records of
2 what days and hours customers are using its EV
3 charging stations?

4 MADAM CHAIR PRIDEMORE: Yes, you may.

5 MR. WALSH: Thank you.

6 COMMISSIONER MCDONALD: How do they pay? How
7 does the customer pay?

8 MR. HOUSTON: So, for the Community Charging,
9 the customer pays by a minute fee, so by time, not
10 by kilowatt hour.

11 BY MR. WALSH:

12 Q Is the pricing for EV charging --

13 MADAM CHAIR PRIDEMORE: Excuse me just a
14 minute. Let me clarify that.

15 The customer, Georgia Power's customer doesn't
16 pay that way. Georgia Power's customer pays by
17 kilowatt hour, BY kW.

18 MR. HOUSTON: Yes, that's right. I was talking
19 about if someone turns up at a station, how they
20 pay, which is this revenue.

21 MADAM CHAIR PRIDEMORE: Okay. Right.

22 MR. HOUSTON: Correct.

23 MADAM CHAIR PRIDEMORE: Okay.

24 BY MR. WALSH:

25 Q Is the pricing for EV charging at the company's

1 EV charging stations designed to encourage off peak
2 charging?

3 A (Witness Abramovitz) At our EV charging
4 stations, so we're talking about Community Charging, it's
5 by time. So there's no encouragement either way. It's
6 when you pull up, as Mr. Houston said, you plug in and
7 you are charged for how long you are plugged in.

8 Q And the rates don't change depending on whether
9 it's off peak?

10 A (Witness Houston) No, I do not believe so.

11 COMMISSIONER MCDONALD: Is it like a -- I
12 shouldn't use fossil fuels at this time, but do you
13 put your credit card in and buy so much time? Is
14 that what you are doing? How do you pay it?

15 MR. HOUSTON: Yes, it's very automated. You
16 can use a tap card or a credit card and then you
17 just plug it into your car with adapters. And I
18 think it's approximately 25 cents a minute. But
19 that is subject to check. And then once you feel
20 like you are charged enough, and certain people have
21 their preferences on how full they want to get on
22 the battery, then they will say, I'm fine, and then
23 they will unplug and they will pull away.

24 VICE CHAIRMAN ECHOLS: Commissioner McDonald, I
25 charged my car across from the capitol today. It

1 was \$6.41 to get me about 50 miles to be able to get
2 back. So \$6.41 for 50 miles. And I used a
3 ChargePoint card and I just swiped it on the
4 machine.

5 BY MR. WALSH:

6 Q I have some questions regarding EV Make Ready.
7 The Make Ready Program is open to commercial and
8 governmental customers but not residential customers; is
9 that correct?

10 A (Witness Houston) That's correct.

11 Q Under the Make Ready Program, the customer --
12 I'm sorry. The company will install equipment at a
13 customer's premise to facilitate the installation of EV
14 charging stations by individual customers. Is that how
15 it works?

16 A (Witness Houston) Yes. For customers that
17 qualify, commercial and industrial and some other --
18 multi-apartment complexes, we will build out the
19 infrastructure behind the meter, up until the point where
20 the charger starts.

21 Q How much of the Make Ready equipment installed
22 by the company is on the customer's side of the meter?

23 A (Witness Houston) As a percentage, I'm not
24 sure.

25 Q Does anybody on the panel know that

1 information?

2 A (Witness Robinson) Not by percentage.

3 A (Witness Abramovitz) Yes, not by percentage.

4 A (Witness Robinson) There's some -- either
5 side.

6 MR. WALSH: Madam Chair, can I make a hearing
7 request of the company for how much of the Make
8 Ready equipment installed by the company is on the
9 customer side of the meter?

10 MADAM CHAIR PRIDEMORE: Yes, you may.

11 MR. WALSH: Thank you.

12 BY MR. WALSH:

13 Q So the Make Ready equipment that is installed
14 on the -- at a customer's premise, it's not necessary to
15 provide standard electric service; is that correct?

16 A (Witness Houston) Can you please repeat that
17 question?

18 Q Yes. The Make Ready equipment that we are
19 talking about that the company installs at the customer's
20 premise, is that necessary to provide standard electric
21 service?

22 A (Witness Houston) No. There is no meter
23 install with the Make Ready construction.

24 Q Are you familiar with the company's excess
25 facilities ongoing charge or excess facilities charge?

1 A (Witness Houston) I am not.

2 A (Witness Robinson) I am.

3 Q Okay. Great.

4 Under that tariff, when a customer receives
5 additional capital investment to enhance electric
6 service, is that cost recovered directly from that
7 customer?

8 A (Witness Robinson) It typically is, either
9 directly through rates calculated and rolled into rates
10 or it could be through an upfront cost or an ongoing cost
11 associated with those facilities.

12 Q Those costs are not spread to all customers;
13 correct?

14 A (Witness Robinson) They are designed to -- the
15 cost to be specifically recouped by that customer.

16 Q And in contrast, under the Make Ready Program,
17 the additional capital investment made by the company is
18 not directly recovered from the individual customers;
19 correct?

20 A (Witness Houston) That's correct.

21 Q The Make Ready cost is spread to all retail
22 customers; correct?

23 A (Witness Houston) That's correct.

24 A (Witness Robinson) I think something that's
25 very important, when we make a decision on EFC, FOC, we

1 roll that into rates, we are always looking at it from a
2 rate impact measure, so RIM. And I think Mr. Houston has
3 already testified that the overall program, Make Ready,
4 as well as Community, we look at that as a whole, is a
5 positive RIM and so, therefore, has downward pressure on
6 rates overall.

7 Q Prior to making -- prior to making a Make Ready
8 capital investment at an individual customer's premise,
9 does the company perform an economic analysis to
10 determine if the revenues from the sale of electricity to
11 the customer's EV chargers will cover the revenue
12 requirement on Make Ready capital investment?

13 A (Witness Houston) There are a number of
14 criteria that the company goes through. I am not aware
15 of that specific criteria.

16 Q So you're not aware as to whether the company
17 does an economic analysis?

18 A (Witness Houston) No.

19 COMMISSIONER MCDONALD: But the consumer
20 utilizing an EV charging station doesn't pay a
21 monthly fee for having that charging station
22 somewhere? Like a residential customer pays a
23 monthly fee just to have the service, whether they
24 use a kilowatt or not; correct?

25 MR. HOUSTON: Yes, correct. To the extent that

1 we put the Make Ready infrastructure in, they do not
2 pay for that, the customer directly.

3 COMMISSIONER MCDONALD: Is there a greater
4 profit margin for Georgia Power with a kilowatt of
5 power from an EV station versus a kilowatt from a
6 residential customer?

7 MR. HOUSTON: No. Because it's all on rate
8 base. It's all in the revenue requirement. So we
9 don't distinguish it as having higher profit or
10 lower profit or anything like that.

11 COMMISSIONER MCDONALD: Commissioner Johnson
12 asked the question about fairness. Is that fair?

13 MR. HOUSTON: On the Make Ready plan, when you
14 do the rate impact analysis, it actually puts
15 downward pressure on the rates for all customers.
16 So in that respect, I think that is fair.

17 BY MR. WALSH:

18 Q Does the company perform any audit after
19 installation of Make Ready equipment at a customer's
20 premises to determine if the EV chargers were actually
21 installed?

22 A (Witness Houston) I am not aware of an audit
23 program, but I do know that we make sure that the
24 customer have chargers on order before we even start the
25 work. And there's certain requirements to make sure that

1 they do put that equipment in.

2 I am not aware of going back in a certain time
3 frame and checking. But there are definitely
4 requirements upfront to make sure the chargers are being
5 ordered and no work can start until that has been
6 confirmed.

7 Q Assuming the EV chargers are installed, does
8 the company measure the amount of power consumed by the
9 EV chargers?

10 A (Witness Houston) I assume that goes through
11 the normal billing, through the normal meter rate.

12 Q So you wouldn't be able to tell whether -- or
13 let me ask the question: Would you be able to tell how
14 much of that is consumed related to the EV charger?

15 A (Witness Houston) I think you would have to
16 have a meter on the charger or close to it to know that.
17 But I do not know the answer exactly to that question.

18 Q Okay.

19 COMMISSIONER MCDONALD: In your plans for these
20 charging stations, are they located on Georgia Power
21 property or where do you plan to have those
22 locations?

23 MR. HOUSTON: Yes. So for the Community
24 Charging stations, they are all through the state.
25 And they are on maybe, like, a restaurant, a certain

1 area. There is certain criteria where you put it.
2 It needs to be safe to, like, a main interstate. It
3 needs to be accessible. And then we also look to
4 make sure that it has some equitable component. So
5 they actually tend not to be on Georgia Power
6 property. They tend to be on company property where
7 it meets those criteria.

8 COMMISSIONER MCDONALD: Would an individual
9 property ownership give you access, free to do that,
10 or for a dollar a year or something like that? Is
11 that what you are talking about, for having a
12 charging station on their property?

13 MR. HOUSTON: Yes, I think there are some
14 arrangements, easements that are undertaken and
15 other things. But I am not aware of the payment
16 arrangements that we go through. I don't believe
17 that we make a payment on that.

18 COMMISSIONER MCDONALD: But, I mean, in the
19 solar business when we were developing and Georgia
20 Power was developing solar rays on major bases here
21 in Georgia -- Benning, Stewart in Georgia -- the
22 federal government provided the land with a PPA
23 contract for X number of years. And I just
24 wonder -- and, of course, that cost was not passed
25 on to the immediate ratepayers across the scope of

1 the company.

2 I just wanted to -- I'm trying to get that
3 fairness in there that we are not -- you know, there
4 are a lot of people that are not going to be able to
5 afford EVs for a long time. May be forced to at
6 some point in time, the way it looks. But we still
7 got the majority -- you get on I-85 and start -- if
8 I start home between here and South Carolina line,
9 there ain't no way in the world we got charging
10 stations going to charge all those cars somewhere
11 between there and here. And I'm just concerned --
12 it's like looking at the costs that you provided in
13 this handout.

14 We've got a revenue deficit of \$345,000 in '23.
15 That deficit is being paid for by other ratepayers
16 somewhere. And then I will ask -- I will go ahead,
17 while I've got the mic for a second -- while I've
18 got this expert panel here -- that has finance, it
19 has audit, it has transmission. And now it has this
20 new person on the block with EVs. Where is this --
21 where in this rate case --

22 MADAM CHAIR PRIDEMORE: He is the assistant
23 comptroller. You know he's not in charge of EVs,
24 right.

25 COMMISSIONER MCDONALD: Well, he's talking

1 pretty good about it right now.

2 WITNESS HOUSTON: Thank you.

3 MADAM CHAIR PRIDEMORE: Trying to help
4 Mr. Houston out.

5 COMMISSIONER MCDONALD: In this big package on
6 my desk of the rate case, on a scale of 1 to 10,
7 where, with the expression, y'all might need to
8 huddle to come up with a position on it -- but where
9 in this rate case is Number 1, Number 2, and
10 Number 3, and Number 4 in priorities that this
11 Commission must consider? Is it transmission? Is
12 it profit? Is it generation? Is it customer
13 service? Where in the rate case is Number 1,
14 Number 2, Number 3, and Number 4? Or 10?

15 MR. ABRAMOVITZ: It certainly is a balance.

16 COMMISSIONER MCDONALD: How about that being a
17 data request?

18 MR. ABRAMOVITZ: We would be happy to respond
19 to that. But it is a balance, as we have said
20 before. The majority of our request is related to
21 reliability, resiliency, and transmission
22 distribution investment. A small part -- part of it
23 is maintaining our financial integrity.

24 And then you have another stack of it which is
25 related to the CCR ARO and then the fleet

1 transition. When you think about this conversation
2 we've been having about electric transportation, out
3 of that \$1 billion incremental increase to revenue
4 requirement, everything we are talking about here is
5 \$7 million, from a revenue requirement impact. So
6 it is --

7 COMMISSIONER MCDONALD: Well, being in the
8 "older and above in the life expectancy of" -- my
9 priority for Georgia for the long term is what we
10 are doing really in generation with Plant Vogtle 3
11 and 4 is going to be tremendous value to this state
12 of Georgia down the road. And I think one of the
13 issues that we've got that's not on the forefront,
14 but you have discussed it at great length, is
15 transmission.

16 We don't want to fall into a situation like
17 California is in. I mean, it will take them years
18 to recover if they even make an effort to recover.
19 They are not even trying to do that yet. And in
20 Texas. And we don't -- and this is something that I
21 will be long gone, but it's a priority with this
22 commissioner and the people that are out there
23 performing the service.

24 MR. ADAMS: Commissioner, if I just might add
25 in terms of the electric transportation projects in

1 combination, the Community Charging and the Make
2 Ready charging, the file you were looking at is just
3 the Community Charging. And that's just the revenue
4 that comes from that charger. That rate impact
5 measure analysis considers the all-in use of
6 electric -- the electricity kilowatt hours. And the
7 more kilowatt hours we sell, the downward pressure
8 it puts on everyone's rates.

9 As an example, within our -- within our filing
10 in total -- this is in total, not related to this
11 program -- we have a \$68 million downward pressure
12 on rates because of higher kilowatt hour sales
13 projected. So it's the combination of all of that
14 that you would consider versus just this revenue
15 expense analysis.

16 Does that help?

17 COMMISSIONER MCDONALD: Well, I look at, when
18 you are talking about Community Charging, I look at
19 the Community Solar plan and see how the fairness of
20 these new -- these new things on -- in the last
21 decade that are coming on-line and the service
22 business of electricity. And that's -- in my little
23 scope of knowledge, that's kind of where I look at
24 things to get the balance, or Fitz Johnson's
25 fairness.

1 MR. WALSH: Madam Chair, I would like to
2 provide the panel with responses to two staff data
3 requests. Staff PIA-1-5 and the Public Disclosure
4 Attachment to Staff PIA-1-2. May I approach?

5 MADAM CHAIR PRIDEMORE: You may approach.

6 MR. WALSH: And may I have the responses --
7 response to 1-5 be marked as Staff Exhibit 6 and the
8 response to 1-2, Public Disclosure Attachment, be
9 marked as Staff Exhibit 7.

10 MADAM CHAIR PRIDEMORE: So moved, so marked.

11 (The documents referred to were marked for
12 identification as Staff Exhibits 6 and 7.)

13 MADAM CHAIR PRIDEMORE: Mr. Walsh, give me some
14 time estimates here so I can plan your future.

15 MR. WALSH: I am hoping to be done in about 15
16 to 20 minutes.

17 MADAM CHAIR PRIDEMORE: Okay. All right.

18 BY MR. WALSH:

19 Q Mr. Houston, I am going to direct this first
20 question to you with regard to Staff PIA-1-5. This
21 really follows up on my last question to you, to see if
22 this gives some certainty, because I sense that there
23 might have been some question there.

24 But is it correct that the company's response
25 says: "Since a new meter is not set with a Make Ready

1 installation, the company is not able to separately
2 identify the kilowatt hour usage of the chargers from the
3 total kilowatt usage at the site"?

4 A (Witness Houston) Yes. As it relates to the
5 Make Ready plan, there are a number of sites that are
6 still under construction where a charger is on order.
7 And that's what I suspect some of the zeros are in this
8 schedule, is the chargers are on order, but the meter has
9 not been set yet.

10 Q Okay. But as the Make Ready plan, you would
11 agree that the company's response is accurate? As to the
12 Make Ready plan?

13 A (Witness Houston) Where are you -- where are
14 you seeing "Make Ready"?

15 Q I'm sorry. The question said: "For each ET
16 Make Ready site, provide the megawatt hours of energy
17 consumed by the corresponding charging stations by
18 calendar year and calendar quarter."

19 And I understood the company's response to say
20 that "Since a new meter is not set with the Make Ready
21 installation, the company can't separately identify the
22 kilowatt hour usage of the chargers from the total usage
23 at the site."

24 And I am asking, do you agree that that's
25 correct?

1 A (Witness Houston) Yes, I believe that's
2 correct.

3 Q Okay. Thank you.

4 In its rate case filed -- and the company is
5 requesting Make Ready capital investment to increase to
6 \$30 million per year for 2023 through 2025; is that
7 correct?

8 A (Witness Houston) Correction. The Make Ready
9 is going to be \$27 million in 2023, 2024, and 2025. The
10 30 million you referenced is total Make Ready plus
11 Community Charging.

12 Q Total for the three-year period or total
13 plus -- for an individual year?

14 A (Witness Houston) Individual year capital.

15 Q Okay. So that would be \$81 million over the --
16 over the three-year term of the plan?

17 A (Witness Houston) Correct.

18 Q And do you know what the revenue requirement
19 collected from all customers on that \$81 million
20 investment would be?

21 A (Witness Houston) Revenue requirement? In the
22 ask, it's about \$7 million a year, levelized.

23 Q \$7 million levelized revenue requirement from
24 customers for each year?

25 A (Witness Houston) That's the company's ask for

1 the Make Ready.

2 Q So -- I'm sorry. If the capital investment --
3 okay. So what's the length of time, then, that the
4 company is going to be recovering the capital investment
5 in?

6 A (Witness Houston) The useful life of the
7 equipment that's being depreciated.

8 Q Okay.

9 A (Witness Houston) 30 -- I am not going to
10 hazard a guess on useful life.

11 Q That's fine. I'll move on.

12 Can I get you to look at the Public Disclosure
13 exhibit that's been marked as identification as Staff
14 Exhibit 7.

15 Are you there?

16 A (Witness Houston) Yes.

17 Q Looking at the last page, does this show an
18 investment cost through March 31st, 2022, as being a
19 little bit over \$5 million? And this is spending -- what
20 the company has spent to prepare the 187 customers for EV
21 charging.

22 A (Witness Adams) Mr. Walsh, could you provide
23 the question that goes with this attachment? It is
24 PIA-1-2.

25 Q I do not have that, so I'll move on.

1 You mentioned RIM studies that the company has
2 done on EV Make Ready. Has the -- has the company
3 provided those studies to the Commission?

4 A (Witness Houston) I don't believe that they
5 have provided a data request. The company certainly has
6 done the calculations and they are RIM positive.

7 MR. WALSH: Madam Chair, I would like to make a
8 hearing request for the -- any EV Make Ready RIM
9 studies that the company has performed.

10 MADAM CHAIR PRIDEMORE: You certainly may.

11 MR. WALSH: Thank you.

12 BY MR. WALSH:

13 Q I would like to move on to proceeds from the
14 sale of scrap metals. Save the exciting stuff for this
15 time in cross.

16 MR. WALSH: Madam Chair, may I approach to
17 provide the panel with the company's responses to
18 STF-LA-2-24, which I will ask be marked as Staff
19 Exhibit 8. And the response to STF-LA-2-25, which
20 I'll ask be marked for identification as Staff
21 Exhibit 9.

22 MADAM CHAIR PRIDEMORE: You may approach. So
23 marked, and so marked.

24 (The documents referred to were marked for
25 identification as Staff Exhibit 8 and 9.)

1 BY MR. WALSH:

2 Q The response to STF-LA-2-24 states that "On an
3 actual basis, equipment and vehicle sale proceeds are
4 reflected as a credit to salvage and scrap and obsolete
5 material proceeds are credited to either salvage or O&M
6 as appropriate."

7 Is that correct?

8 A (Witness Adams) That's correct.

9 Q Please refer to STF-LA-2-25. The response to
10 this data request states that "The company's procedures
11 for recording obsolete and/or scrap material sales is to
12 credit salvage or O&M as appropriate for actual sales
13 proceeds."

14 Is that correct? That's down below the listing
15 of dollar amounts for year.

16 A (Witness Adams) Thank you. Now I've forgotten
17 your question. Would you repeat that.

18 Q Sure. This response, and specifically the
19 paragraph below the dollar figure, states that "The
20 company's procedures for recording obsolete and/or scrap
21 material sales is to credit salvage or O&M as appropriate
22 for actual sales proceeds."

23 Is that correct?

24 A (Witness Adams) That's correct.

25 Q The response to STF LA-2-25 reflects the actual

1 obsolete and scrap material sales proceeds that were
2 booked by the company for each year from 2016 through
3 2021 and for the five-month period ended May 31st, 2022;
4 correct?

5 A (Witness Adams) Correct.

6 Q In each year there is some amount of O&M scrap
7 sales proceeds; correct?

8 A (Witness Adams) That's correct.

9 Q But the company's response says that "No
10 related proceeds are reflected in the forecasted test
11 period." Correct?

12 A (Witness Adams) That's true.

13 The ability to sell these type of scraps
14 depends on the market and what projects may be underway
15 that would result in scraps to sell.

16 Q And -- right. The company's response says that
17 it's uncertain; correct?

18 A (Witness Adams) Correct.

19 Q But it is not certain that it will be zero
20 either, is it?

21 A (Witness Adams) That's true.

22 There are a range of possible outcomes. But at
23 this point, we don't have any projected sales to include.

24 Q And in the most -- if the most recent 6 1/2
25 years are any indication, it's unlikely it will be zero;

1 isn't that correct?

2 A (Witness Adams) I don't know that necessarily
3 that would -- that that would apply.

4 Q But instead of taking an average or looking at
5 a trend, you just said zero because you can't say for
6 sure it will be positive like every year in the last
7 6 1/2 years?

8 A (Witness Adams) Because we don't have any
9 projected.

10 Q If the company does not include any amount for
11 this and then it ends up having some O&M scrap sales
12 proceeds like it has each and every one of the last 6 1/2
13 years, then the company -- then the company will benefit
14 from those proceeds and the ratepayers' rates won't
15 reflect that; right?

16 A (Witness Adams) Well, they wouldn't be
17 reflected in customers' rates. It's difficult to say
18 exactly what the impact may be because there are lots of
19 factors that go into determining what the results for the
20 company would be. So, by itself, as an individual --

21 Q Would it affect --

22 A (Witness Adams) I'm sorry?

23 Q I'm sorry. I didn't mean to cut you off. Go
24 ahead.

25 A (Witness Adams) I lost my train of thought.

1 Go ahead.

2 Q Would it affect the company's revenue
3 requirement if it took an average of the last 6 1/2
4 years, for instance, as opposed to just reflecting zero?
5 Would that affect the revenue requirement?

6 A (Witness Adams) In this case, if you
7 considered nothing else.

8 Q Are you aware that in the company's 2007 rate
9 case, which is Docket No. 2560, the company agreed that a
10 representative level of scrap sales proceeds should be
11 reflected in the setting of rates? Are you familiar with
12 that case?

13 A (Witness Adams) I am not. That seems like a
14 reasonable part of a stipulated agreement.

15 Q Are you aware that in that case the company
16 conceded that issue prior to the stipulated agreement?

17 A (Witness Adams) Definitely did not know that.

18 MR. WALSH: Madam Chair, may I approach? I
19 would like to provide the witness with the page of
20 the transcript.

21 MADAM CHAIR PRIDEMORE: You may approach.
22 Anything we can do to make all this go a little
23 faster would be good for everybody. We are going to
24 be here a while and if we can get handouts out
25 quicker and get our words out a little faster on

1 just the mechanics of this, that would be great.

2 While Preston passes this out, I've got a
3 question related to -- sort of to the news of the
4 day. So states such as Georgia have been following
5 very closely Senator Manchin's permitting bill which
6 would impart renewable portfolio standards on states
7 that don't have them, as well as put FERC in charge
8 of all transmission for states, and mandate that
9 states and ratepayers would have to cover all of
10 those costs. None of that has been considered in
11 this rate case; correct?

12 MR. ROBINSON: That is correct.

13 MADAM CHAIR PRIDEMORE: So if that bill was to
14 pass, what we would be looking at there is increased
15 rates as well as all that would require Georgia
16 Power to manage to such an overstretch of the
17 federal government; right?

18 MR. ROBINSON: It certainly wouldn't reduce our
19 costs in the future, nor would it reduce the cost of
20 GTC, MEAG or Dalton.

21 MADAM CHAIR PRIDEMORE: Would it increase it?

22 MR. ROBINSON: Likely.

23 MADAM CHAIR PRIDEMORE: What about FERC's NOPR
24 on transmission? Wouldn't it have the same effect?

25 MR. ROBINSON: Madam Chair, there are two NOPRs

1 out.

2 MADAM CHAIR PRIDEMORE: The transmission NOPR
3 that we're expecting in January and their final
4 ruling, I guess, December.

5 MR. ROBINSON: On Generation interconnection
6 queues?

7 MADAM CHAIR PRIDEMORE: Generation
8 interconnection queues.

9 MR. ROBINSON: We're following that very
10 closely, and we've commented through EEI under the
11 process, and we're very interested in what the
12 outcome could be, but we spoke to this in the IRP,
13 the queue is significant here in the state of
14 Georgia. Thousands of megawatts of interconnections
15 in the queue.

16 And so, you know, what benefit that would bring
17 to us in that process to the ratepayers of Georgia
18 Power is unclear at this time, but we are following
19 that proceeding very, very closely.

20 MADAM CHAIR PRIDEMORE: But do you believe
21 there will be an increased cost to ratepayers?

22 MR. ROBINSON: It's hard to say. There could
23 be some benefits from queue management to come out.
24 The one -- what we've seen up to this point is --
25 looks a lot like RTO-ish type stuff, and --

1 MADAM CHAIR PRIDEMORE: And RTO states
2 generally pay for more for energy, don't they?
3 Ratepayers do?

4 MR. ROBINSON: Typically.

5 MADAM CHAIR PRIDEMORE: Yes. Thank you.

6 There's still a little time for you, Mr. Walsh.

7 MR. WALSH: Thank you, Madam Chair.

8 BY MR. WALSH:

9 Q Could I get you to look at -- this is page 141
10 of the transcript. Do you see the question and answer
11 beginning on line 12 and ending on line 20, which
12 explains that the Company initially did not reflect scrap
13 metal sales proceeds, but then stated in the discovery
14 response that it would?

15 A (Witness Adams) I see that it's stated that it
16 would reflect, but I don't know the circumstances of that
17 discovery request and whether there may have been
18 projected sales at that point or what the results were,
19 but I see that they included it on an errata update.

20 Q And are you aware that in the 2010 rate case,
21 Docket No. 31958, the Commission stated that it found
22 staff's adjustment to reflect a representative level of
23 scrap sales proceeds to be reasonable?

24 A (Witness Adams) I don't know. Do you have a
25 copy of that one?

1 Q I do.

2 A (Witness Abramovitz) Here, I would say if
3 you're quoting it, I think we can accept it.

4 Q Okay. And for full disclosure, I don't know
5 because I sputtered if that was word for word correct,
6 but I'll represent that that's the conclusion that the
7 Commission reached.

8 I would like to ask you a few questions on
9 executive planning, and I'll try to cut down what I have.
10 But is it accurate that the Company included above the
11 line in the forecasted test in calendar years 2022
12 through 2025 costs that relate to financial services
13 rendered to Georgia Power Company's top executives?

14 A (Witness Abramovitz) So as part of our overall
15 compensation at certain levels of the company, then this
16 is standard across market in the industry, that's what we
17 compare ourselves to, executive financial planning is
18 part of a compensation package, so this is consistent
19 with our package and our compensation philosophy.

20 And in general -- just give me one second here.
21 It is -- our philosophy here is at all levels of the
22 company to be at the median level, 50 percent median of
23 the level of compensation across the utility industry and
24 other competing industries so we can attract and retain
25 the best people to run this company to the benefit of our

1 customers. And, yes, executive financial planning is one
2 of those benefits as part of the compensation structure.

3 Q And you understand I'm asking not about whether
4 the company should pay those benefits, but rather whether
5 those benefits should be included in rate base?

6 A (Witness Abramovitz) It is part of our overall
7 compensation which is part of our cost of service.

8 Q Are you aware that staff made adjustments in
9 the past rate cases to remove amounts associated with
10 executive financial planning?

11 A (Witness Abramovitz) I'm aware.

12 Q And the amounts for financial planning for
13 executives had been removed in the company's accounting
14 and rate plan in the 2019 rate case; is that correct?

15 A (Witness Abramovitz) I believe that's correct.

16 Q Thank you.

17 I would like to provide one last page. This is
18 not an exhibit because it is part of the Company's
19 filing, but it is Exhibit 1, Schedule 3, page 7 of 7 of
20 the panel's testimony.

21 MR. WALSH: And, Madam Chair, while that's
22 being passed out, could I ask that that transcript
23 page that I distributed, that the Commission take
24 administrative notice of it, given it's from a prior
25 proceeding. I don't know if it needs to be made an

1 exhibit, but if the Commission -- I'd request the
2 Commission take administrative notice of that
3 transcript page.

4 MADAM CHAIR PRIDEMORE: Make it an exhibit and
5 assign it a number, please.

6 MR. WALSH: I'll ask that it be marked as
7 identification as Staff Exhibit Number 10.

8 MADAM CHAIR PRIDEMORE: Thank you.

9 (The document referred to was marked for
10 identification as Staff Exhibit 10.)

11 BY MR. WALSH:

12 Q These questions relate to this exhibit page,
13 which is coal combustion residual asset retirement
14 obligation. Could you look at line 1, please, of this
15 page where it says CCR ARO compliance regulatory asset
16 beginning balance. Do you see that?

17 A (Witness Adams) Yes.

18 A (Witness Abramovitz) Yes.

19 Q Okay. Do you see that for test period it's
20 left blank. Does that mean that the balance is zero or
21 does it mean something else?

22 A (Witness Adams) No, it doesn't mean that it's
23 zero. The test period ends at the end of July which is
24 not a reporting period, and so I think that that's why we
25 wouldn't have included that there.

1 Q Okay. Can you take a look at line 8, CCR ARO,
2 compliance recovery, can you state what that dollar
3 amount is for the test period?

4 A (Witness Adams) 237,236,000.

5 Q Okay. And that's the same for 2023; is that
6 correct?

7 A (Witness Adams) That's correct.

8 Q Okay. So looking at the first column for CCR
9 ARO compliance regulatory asset beginning balance for
10 2023, it's 282,088; is that correct? And the amounts are
11 in thousands.

12 A (Witness Adams) Sorry. You said line 1, the
13 2023 column?

14 Q Yes.

15 A (Witness Adams) Yes.

16 Q Okay. And so the math going down from the line
17 23 gets you to the same amount for line 8, which, again,
18 is the compliance recovery in 2023 as the test period.
19 Can you explain how you're starting with a different
20 balance in one in the calendar year 2023 than in the test
21 period but getting to the same amount at the end here,
22 end line?

23 A (Witness Adams) So Row 8 with the 2023 column,
24 that 237 million is the sum of the three numbers above
25 it, and it happens that the one-third recovery of 2023

1 expenditures that's included in all of it. So the test
2 period gets normalized for the -- for a full look since
3 in 2022, which has the first five months, five months of
4 the test period, it doesn't have incremental CCR ARO
5 recovery in it as we're proposing in this case.

6 So you normalize the test period as if it
7 looked like what the filing would be. So that's why that
8 looks exactly like 2023.

9 Q How was the 282,088,000 on Line 1 of 2023, how
10 was that calculated?

11 A (Witness Adams) That's the projected balance
12 at 1123.

13 Q How did the company come up with that
14 projection?

15 A (Witness Adams) That starts with what we would
16 have had on our records -- let's see. At the end of last
17 year in December, so that we would have started with that
18 balance and then included the projected recovery that was
19 updated in the Company's compliance filing at the end of
20 last year and updated in rates at the beginning of this
21 year and then projected to the end of this year.

22 Q And Line 2 is CCR ARO compliance expenditures
23 for the test period, and then the period 2023 through
24 2025; is that correct?

25 A (Witness Adams) Yes.

1 Q Has the Company provided its work papers to
2 support these amounts?

3 A (Witness Adams) There were many questions on
4 the data requests, but I don't recall if those particular
5 ones have been filed at this point.

6 Q To the extent that the staff has not previously
7 requested that information, would the company be
8 agreeable to providing its supporting calculations and
9 work papers for the dollar amounts listed on Line 2 of
10 this schedule?

11 A (Witness Adams) Sure. And they would be the
12 same that were reviewed in the 2022 IRP.

13 Q When you say the same, do you mean that they
14 would the same type of work papers or do you mean that
15 there would be no changes to any of the calculations?

16 A (Witness Adams) Yes, to both.

17 MR. WALSH: Okay.

18 Madam Chair, that's all the cross that I have.

19 At this time I would ask that Staff Exhibits 1
20 through 10 be moved into evidence.

21 THE COURT: So moved, so marked.

22 MR. WALSH: Thank you very much.

23 (Staff Exhibits 1 through 10 were admitted into
24 evidence.)

25 MADAM CHAIR PRIDEMORE: Very good. It is about

1 20 minutes to 5:00. The snack bar has already
2 closed, and so would you like your witnesses to take
3 a break now? Would now be a good time or do you
4 want -- you tell me?

5 MR. HEWITSON: A short break would be great.

6 MADAM CHAIR PRIDEMORE: Let's go ahead and
7 take a break, and let's come back at -- let's go
8 ahead and come back at 5:00. Okay? Is that good.
9 All right. Sounds good.

10 (Whereupon a break was taken.)

11 MADAM CHAIR PRIDEMORE: Before we get back
12 going, I do want everybody, if you have not seen the
13 news or checked your phones, Governor Kemp has
14 issued a state of emergency related to Hurricane
15 Ian. It is for all counties in the state of
16 Georgia, as heavy rain and damage and wind is
17 expected throughout the state.

18 Here in the Atlanta area, that is expected to
19 begin early Friday morning and extending into
20 Saturday. For more information, please consult the
21 Georgia Emergency Management Agency at
22 gema.georgia.gov for preparation details.

23 Please keep in mind, we're not going to be here
24 on Friday, and we're not going to be here late on
25 Thursday. So for those -- especially for those of

1 us -- those of us -- those of y'all that live in
2 south Georgia that have got to get back down there.
3 So I'm going to be riding herd. Let's clip this up.
4 You've got something to say, say it a little
5 faster. You've got to pass something out, pass it
6 out a little faster.

7 We've had a break. Everybody should be
8 caffeinated at this point, so let's roll.

9 Americans for Affordable Clean Energy.

10 MR. GALLOWAY: Thank you, Madam Chair.

11 CROSS-EXAMINATION

12 BY MR. GALLOWAY:

13 Q Panel, my name is Newton Galloway, and I
14 represent AACE, Americans for Affordable Clean Energy.
15 This is a trade association of businesses that are in the
16 fuel business.

17 A (Witness Adams) Good afternoon.

18 A (Witness Abramovitz) Good afternoon,
19 Mr. Galloway. Could you -- I can't believe I'm daring
20 say this. Can you speak into the mic? I can barely hear
21 you.

22 MADAM CHAIR PRIDEMORE: Speak into the mic.

23 Keep the mic neck straight. Keep your mic neck
24 straight, Mr. Galloway.

25 BY MR. GALLOWAY:

1 Q Mr. Abramovitz, is that better?

2 A (Witness Abramovitz) Much better. Thank you.

3 Q Okay. So I'll start over. My name is Newton
4 Galloway, and I represent AACE, the Americans for
5 Affordable Clean Energy. It is a trade association of
6 businesses that are in the fuel business.

7 And electricity is our next generation's fuel;
8 would you agree?

9 A (Witness Abramovitz) It's also the current
10 generation.

11 A (Witness Robinson) Yes.

12 Q Well, I was going by my age.

13 All right. All right. I wanted to follow up
14 on the question that Mr. Walsh asked you about the --
15 first, about the answer to the company to SGFLA-2-120.
16 All right. And you said, I believe, that this was
17 developed by the EV -- Georgia Power's EV team; is that
18 correct?

19 A (Witness Abramovitz) Yes. And so the results
20 of this, of course, from an accounting perspective, the
21 accounting team does a lot of these exhibits, but then
22 the inputs in this would have been the EV team.

23 Q Is that Ms. Gossman's team?

24 A (Witness Abramovitz) She plays a large role on
25 the team, yes.

1 Q Okay. And she's the person who's in charge of
2 Georgia Power's EV deployment and teams and structures
3 and everything?

4 And, also, Mr. Legg is involved with the
5 tariffs; is that correct?

6 A (Witness Abramovitz) That's right.

7 Q Okay. All right. Mr. Womack this morning
8 testified that he estimated that the EV charging programs
9 would cost \$90 million. Or that's what he had
10 proposed -- or he thought his answer was. We now know --
11 I believe, Mr. Abramovitz, you modified that a tad.
12 Mr. Houston modified that a tad.

13 So the total amount is what?

14 A (Witness Houston) 90 million is -- can you
15 hear me?

16 Q Yes, sir.

17 A (Witness Houston) Yes, sir. 90 million is
18 correct for the Make Ready and Community Charging.
19 \$30 million a year.

20 Q And how much -- can you tell me, divide that
21 between how much is Make Ready, and how much is Community
22 Charging?

23 A (Witness Houston) 90 percent is Make Ready.

24 Q Make Ready. Okay.

25 A (Witness Abramovitz) And so those are the

1 investments we're making in both those programs.

2 Q I understand.

3 A (Witness Abramovitz) I just want to make sure
4 we're clear.

5 Q And that's based upon data that you have been
6 given from people who apply, companies or businesses or
7 governments that apply to Make Ready and submitted you
8 with data in order to permit Georgia Power to deploy the
9 EV station; correct?

10 A (Witness Houston) Please clarify the question.
11 This is a company plan.

12 Q I said a company that wanted to participate in
13 Make Ready provided you with an application, and then
14 y'all -- Georgia Power reviewed it and then determined
15 how much it would cost to do the deployment. So 90
16 million is a cumulative amount of those.

17 A (Witness Houston) Yes. We -- we looked at the
18 Make Ready market in the state, the number of people on
19 the wait list, and made a determination based on those
20 factors and others to come up with a plan, capital spend.

21 Q Okay. And the --

22 MADAM CHAIR PRIDEMORE: Mr. Galloway, we're
23 going to be much more interested in what you have to
24 say if you'll say it into that mic.

25 MR. GALLOWAY: I'm sorry.

1 MADAM CHAIR PRIDEMORE: Make the neck of it
2 straight. This is the neck, the part that bends.
3 Make it straight to your mouth and speak into it
4 like I'm doing.

5 MR. GALLOWAY: Not straight up?

6 MADAM CHAIR PRIDEMORE: No. Just straight like
7 that.

8 MR. GALLOWAY: Like the man on the Delta flight
9 videos that tells you how to blow up the life vests?

10 MADAM CHAIR PRIDEMORE: That's me right now
11 telling you how to put your seat belt on. See?

12 MR. GALLOWAY: Okay. Gotcha.

13 BY MR. GALLOWAY:

14 Q All right. Georgia Power deployed Make Ready
15 because of the need for a rapidly expanding EV market;
16 correct?

17 A (Witness Abramovitz) That's correct.

18 Q And that's driven by customer desire to drive
19 EVs; correct?

20 A (Witness Abramovitz) This is customer-demand
21 driven.

22 Q And it is consistent with a national policy to
23 deploy EVs, and EV charging is part of the government's
24 decarbonization program?

25 A (Witness Abramovitz) I would say this is more

1 on our customers' demands. I know there may be a federal
2 policy, but this is what we see as our customer and our
3 state's dynamics changing.

4 Q All right. I don't want to dwell on this, but
5 looking from the panel's testimony, I did not see
6 anything in your testimony on EV charging or Make Ready
7 or an amount for that program.

8 Is it in there someplace?

9 A (Witness Abramovitz) I believe it is.

10 A (Witness Adams) Yes, it's in there.

11 A (Witness Abramovitz) Yes, it is.

12 Q Can you tell me where it is? Because I looked
13 through your testimony and the 38 spreadsheets that are
14 attached.)

15 A (Witness Adams) They're within the
16 distribution category when you look at capital
17 investments. So if you're looking at any of the
18 schedules that include investments.

19 Q Okay. So it's under a category of
20 distribution, but it's not set out as a separate category
21 for EV charging or Make Ready; correct?

22 A (Witness Adams) Correct.

23 Q Okay. All right. Let's talk about chargers
24 for just a second.

25 As a general rule, there are two different

1 types of chargers that are presently being used. The
2 first is called a Level 2, and then we have the DCFC Fast
3 Chargers; correct?

4 A (Witness Abramovitz) That's our understanding.

5 Q Okay. Let's talk about the criteria for the
6 Level 2 chargers briefly. The typical, I know there are
7 different models, but the typical one operates with a
8 voltage of 7.2 kilowatts roughly? Do y'all know?

9 A (Witness Abramovitz) Yeah, we don't, but we'll
10 trust that you got your facts.

11 Q Do you have any idea of how long it takes that
12 charger to -- that Level 2 charger to charge a standard
13 automobile?

14 A (Witness Houston) Obviously, it depends on the
15 automobile and the quality of the charger, but I know
16 it's probably longer than an hour. It probably takes
17 quite a long time.

18 COMMISSIONER MCDONALD: You mean we're spending
19 all this money, and we don't know what's going to do
20 what when? I don't understand it. I'm sorry.

21 MS. ADAMS: The Level 2 chargers are not part
22 of the Make Ready Program, so that's -- that's part
23 of the distinction. I used to charge with a Level 2
24 charger, but I can't speak to that specifically.

1 BY MR. GALLOWAY:

2 Q Okay. Let's come back to that.

3 A Level 2 charger to charge a car to 60 to
4 70 kilowatts usually takes about nine hours?

5 A (Witness Abramovitz) Again, we don't know the
6 details --

7 Q Okay.

8 A (Witness Abramovitz) But we'll trust you.

9 Q If you don't know, that's fine. I'll move on.

10 COMMISSIONER MCDONALD: No, it's not fine.

11 MR. GALLOWAY: Well, I mean it's fine for
12 purposes of my answer. I'm not going to dwell on
13 something that Mr. Abramovitz has said he doesn't
14 know.

15 MADAM CHAIR PRIDEMORE: I'm also going to
16 state, too, that this is a financial and
17 transmission panel. We've got electric vehicle
18 folks that will probably know more about this.

19 Do we or do we not?

20 MR. HEWITSON: Mr. Legg can testify to a lot of
21 this information.

22 MADAM CHAIR PRIDEMORE: Mr. Legg.

23 BY MR. GALLOWAY:

24 Q All right. Then I will move on.

25 Useful life of an EV charger is about ten

1 years?

2 A (Witness Adams) That's correct.

3 Q Okay. All right. Let's talk about the Make
4 Ready Program that y'all have in place. And I'm going
5 to -- with the assistance of Mr. Walsh, I want to have
6 him distribute what's been marked as AACE Exhibit
7 Number 1.

8 (The document referred to was marked for
9 identification as AACE Exhibit 1.)

10 MR. GALLOWAY: I meant to give two to the
11 panel, and that should leave you enough to give to
12 the commissioners and Mr. Hewitson.

13 BY MR. GALLOWAY:

14 Q Panel, I just want to confirm that this is the
15 information that Georgia Power has posted on the web
16 regarding the Make Ready Program?

17 A (Witness Abramovitz) That's correct.

18 Q Thank you.

19 And this describes the preliminary information
20 that somebody who wants to participate in Make Ready has
21 available to them?

22 A (Witness Abramovitz) That's right.

23 Q Okay. And Make Ready can cover everything from
24 minibuses to a residential car or a school bus or the
25 luggage trucks at the airport?

1 A (Witness Abramovitz) Forklifts, refrigerated
2 container racks, yes. A lot of different uses here.

3 Q All right. I want to show you now what the
4 court reporter has marked as AACE Exhibit Number 2.

5 (The document referred to was marked for
6 identification as AACE Exhibit Number 2.)

7 MADAM CHAIR PRIDEMORE: You can start speaking
8 while he's passing. Let's keep it moving, please.

9 MR. GALLOWAY: Okay. Thank you, Madam Chair.

10 BY MR. GALLOWAY:

11 Q All right. Panel, can you all confirm that
12 this is --

13 MADAM CHAIR PRIDEMORE: And from this point
14 forward, let's start -- just give to Commissioner
15 Johnson, and we'll pass across. Thank you.

16 BY MR. GALLOWAY:

17 Q Panel, if you could confirm that this is the
18 company's response to data request STF-1-1, and it is a
19 grid of -- a grid of locations that have been subject to
20 the Make Ready Program?

21 A (Witness Abramovitz) I'll have to trust that's
22 what the data request was asking, but, again, subject to
23 check, yes.

24 A (Witness Houston) Well, and subject to the
25 question being asked also.

1 MR. GALLOWAY: All right. No, I said 2-1.

2 MR. HEWITSON: There's always two letters, STF,
3 dash, something, dash.

4 BY MR. GALLOWAY:

5 Q I'll confirm the correct -- I'll confirm the
6 correct DR. I'll get the right DR.

7 And this identifies the chargers by deployment,
8 and they are differentiated between Level 2 and DC Fast
9 Chargers; correct?

10 A (Witness Abramovitz) From the appearance of
11 this response, yes, there's a column for Level 2 and then
12 DC Fast Charger quantity by project number.

13 Q It looks like the majority of chargers on the
14 list are Level 2, rather than DC Fast; is that correct?

15 A (Witness Abramovitz) With a quick cursory
16 review, I can agree with that.

17 Q Okay. So the panel will know, we tendered a
18 number of data requests to governments and people and
19 entities that are subject to Open Records Act requests
20 and wanted to identify the documents that are part of the
21 Make Ready Program, and I'm going to provide you with
22 information related to that from the City of Augusta.

23 A (Witness Abramovitz) Okay.

24 MR. GALLOWAY: This has been marked as AACE
25 Exhibit Number 3.

1 (The document referred to was marked for
2 identification as AACE Exhibit 3.)

3 BY MR. GALLOWAY:

4 Q And, again, they provided this to us in
5 response to a data request, but this appears to be
6 Georgia Power's Electric Transportation Program terms and
7 conditions for the Electric Transportation Infrastructure
8 Program.

9 And these are the terms and conditions that you
10 provide to applicants for Make Ready who want to
11 participate and have their applications approved to work
12 with the company; is that correct?

13 A (Witness Abramovitz) That appears to be what
14 this is.

15 Q Okay. So a participant in Make Ready is
16 required to complete an application; correct?

17 A (Witness Abramovitz) Yes.

18 Q All right. And you don't guarantee approval of
19 the application; correct?

20 A (Witness Houston) Certainly not.

21 A (Witness Abramovitz) It says this here. It
22 says it does not guarantee approval.

23 Q And you score -- Georgia Power scores the
24 application; correct?

25 A (Witness Abramovitz) Based on location,

1 technology, size, scope, power ability, and time frame.

2 Q And Georgia Power will own and operate the
3 electric transportation infrastructure up to the charger;
4 correct?

5 A (Witness Abramovitz) That's correct. Up to
6 the charger. We don't own the charger.

7 Q Now, as I understand that, that would mean from
8 the meter to the charger, and then the customer here
9 would then buy the charger and deploy the charger;
10 correct?

11 A (Witness Abramovitz) That's correct.

12 Q Okay. And Georgia Power will charge the
13 customer its standard rate. So I take that to mean that
14 if Augusta has whatever rate Augusta has, the charger
15 is -- the use of the charger is simply documented and
16 paid for within the City of Augusta's rate?

17 A (Witness Abramovitz) So this would definitely
18 be a question for Mr. Legg.

19 Q Okay.

20 A (Witness Abramovitz) Just -- I would be just
21 careful here. It says its standard rate and policy is to
22 upgrade, and it's based on the customer, so it's customer
23 specific.

24 Q Okay. All right. But bottom line is the
25 Augusta, this -- we're going to see a contract for a

1 charger at 535 Telfair.

2 Augusta did not have to deploy a separate meter
3 to have the EV charger installed on its premise under
4 Make Ready?

5 A (Witness Abramovitz) Yes. And we did talk
6 about this I think with Mr. Walsh, that very commonly
7 when a Make Ready infrastructure is put in place, an
8 additional meter is not necessary.

9 COMMISSIONER MCDONALD: Mr. Galloway, what do
10 you mean by Augusta rates?

11 MR. GALLOWAY: Whatever -- Augusta is a
12 customer of Georgia Power.

13 COMMISSIONER MCDONALD: Augusta is a Georgia
14 Power city; right?

15 MR. GALLOWAY: I'm sorry?

16 COMMISSIONER MCDONALD: It's not MEAG?

17 MR. GALLOWAY: No, no, no. Augusta is a
18 Georgia Power customer. I have no idea what rate
19 they may be paying or what tariff under which
20 they --

21 COMMISSIONER MCDONALD: They would be paying
22 the same thing as Atlanta rates, wouldn't they?

23 MR. GALLOWAY: I have no idea, Commissioner.

24 But whatever rate they got, whatever tariff
25 they're buying under is how the charger is

1 connected. And the use of the charger is part of
2 their bill --

3 COMMISSIONER MCDONALD: It would be Georgia
4 Power rates, not Augusta rates, wouldn't it?

5 MR. GALLOWAY: Yes, sir. I'm sorry. I thought
6 that's what I said.

7 COMMISSIONER MCDONALD: No. You said August
8 rates.

9 MR. GALLOWAY: I'm sorry.

10 Whatever rate Georgia Power is charging to
11 Augusta.

12 COMMISSIONER MCDONALD: Then my question's --
13 all right. Go ahead.

14 I was listening, wasn't I?

15 MR. GALLOWAY: Yes. You're fine. You're fine.

16 MADAM CHAIR PRIDEMORE: He said Augusta.

17 (The document referred to was marked for
18 identification as AACE Exhibit 4.)

19 BY MR. GALLOWAY:

20 Q Let me show you what's been marked as AACE
21 Exhibit Number 4.

22 MADAM CHAIR PRIDEMORE: Housekeeping matter:
23 The doors are opened with wedges. Please do not
24 close the wedges because the doors will
25 automatically lock.

1 BY MR. GALLOWAY:

2 Q Georgia Power utilizes a standard contract for
3 applications that are approved to participate in Make
4 Ready; is that correct?

5 A (Witness Abramovitz) Yes. I mean, I can't
6 speak to every specific circumstance, but we start with a
7 standard contract framework.

8 Q Does this appear to be Georgia Power's standard
9 contract under Make Ready?

10 A (Witness Abramovitz) Subject to check, yes.

11 Q Okay. All right. And this is for a period
12 of -- well, this -- this particular contract commenced on
13 February 17th of 2022. So for the contract to commence
14 the City of Augusta had sent y'all an application;
15 correct? They sent y'all an application --

16 A (Witness Abramovitz) Yes.

17 Q -- to participate in Make Ready?

18 A (Witness Abramovitz) Yes.

19 Q Georgia Power had reviewed it?

20 A (Witness Abramovitz) Uh-huh.

21 Q Georgia Power had determined it met your
22 criteria?

23 A (Witness Robinson) We assume that it did.

24 A (Witness Abramovitz) We assume it did, yes.

25 Q And, ultimately, then y'all deployed the

1 infrastructure from the meter to where the charger would
2 be located; correct?

3 A (Witness Abramovitz) Yes. That's, I think,
4 what this contract goes over, including the cover letter.

5 Q Okay. Now --

6 MADAM CHAIR PRIDEMORE: Mr. Galloway, I just
7 want to remind you, you're talking to a
8 comptroller -- in order, left to right: A
9 comptroller, a comptroller, a CFO, and director of
10 transmission. And I believe we've already said that
11 Mr. Legg can speak to more of the basics that
12 surround electric vehicle charging in a later panel.

13 MR. GALLOWAY: Madam Chair, I understand that.

14 MADAM CHAIR PRIDEMORE: Well, then you're
15 asking them questions about connectivity and
16 contracts that they're not going to know answers to.

17 MR. GALLOWAY: Well, let me explain briefly.
18 Maybe naively I thought that Mr. Legg would be the
19 primary witness related to EV charging, and these
20 questions were intended for him. But then I learned
21 that this panel would be testifying on this today.
22 So I've had -- tried to make a balance between what
23 I --

24 MADAM CHAIR PRIDEMORE: They just told you that
25 this panel is a financial transmission panel.

1 MR. GALLOWAY: Okay.

2 MADAM CHAIR PRIDEMORE: I'm just trying to keep
3 us moving and get you some answers that you want.

4 BY MR. GALLOWAY:

5 Q But bottom line, this looks like a standard
6 contract.

7 Are y'all involved with contracts at all, with
8 the contracting process of Make Ready?

9 A (Witness Robinson) I am not at this point.

10 A (Witness Houston) No.

11 Q Okay. All right. Then we'll move on.

12 All right. From an economic standpoint,
13 financial standpoint, the contract identifies that
14 Georgia Power will invest \$20,167 in a charging
15 infrastructure -- system infrastructure for Augusta at
16 this location; is that correct?

17 A (Witness Abramovitz) That's correct.

18 Q Is that a -- do y'all have information, since
19 this does involve financial-related things, as to whether
20 this is a standard installation, or is this out of the
21 bell curve for people who want to be Make Ready
22 applicants?

23 A (Witness Abramovitz) I think what's really
24 important here is -- I mean, just the same way we treat
25 all of our customers, that they are unique in some

1 degree, and when somebody looks for electric
2 transportation infrastructure it's unique to the site. I
3 mean, Mr. Robinson, I don't know if you agree there, but
4 it's --

5 A (Witness Robinson) Depends on capacity,
6 voltage required. All those things have to be taken into
7 consideration.

8 Q So under Make Ready, the charger will be owned
9 by the customer; correct?

10 A (Witness Abramovitz) Correct.

11 Q The charger is -- the customer is responsible
12 for the installation and selection of the charger;
13 correct?

14 A (Witness Abramovitz) I think that's right.

15 Q All right. And as we've said, there's no
16 separate care charge and no separate meter under Make
17 Ready; correct?

18 A (Witness Abramovitz) That's right.

19 Q All right. Now, none of the cost of Make Ready
20 capital investment are recovered -- recovered -- paid by
21 the customer? Those are within rate base allotments;
22 correct?

23 A (Witness Houston) That's correct.

24 Q Okay. And revenue from the charger is retained
25 by the customer? In this case Augusta; correct?

1 MR. HEWITSON: Madam Chair, I really have to
2 ask Mr. Galloway to point to where in the testimony
3 we're at for this panel.

4 MADAM CHAIR PRIDEMORE: I'm interested as well.
5 Where in their prefiled testimony?

6 MR. GALLOWAY: Well, Madam Chair, there's
7 nothing in their prefiled testimony on EV charging.

8 MADAM CHAIR PRIDEMORE: Then why are we asking
9 them questions about EV charging?

10 MR. GALLOWAY: Because they have testified
11 about the company's request for the funding through
12 rate base to provide EV charging.

13 MADAM CHAIR PRIDEMORE: Well, then why don't
14 you ask them about that?

15 MR. GALLOWAY: Well, that's what I'm getting
16 to. Now, I'm happy to ask Mr. Legg if he is the
17 appropriate person to testify. I'm happy to --

18 MADAM CHAIR PRIDEMORE: That's neither here nor
19 there. Ask them questions related to the prefiled
20 testimony, or move on to another line of
21 questioning, sir.

22 MR. GALLOWAY: And, well, Madam Chair, I would
23 also point out that Mr. Womack this morning
24 identified this panel as the entity that was going
25 to testify about Make Ready requests.

1 MADAM CHAIR PRIDEMORE: Mr. Womack --

2 Mr. Womack testified to the fact that this panel

3 could talk about the \$130 million that the State was

4 awarded through the IRA to GDOT, and they could talk

5 also about Make Ready and the cost associated with

6 Make Ready.

7 If you've got questions about the cost

8 associated with Make Ready, then please move

9 forward. If you've got questions about the

10 components of EV charging to Georgia Power, please

11 wait for the next panel.

12 MR. GALLOWAY: Okay. Is that Mr. Legg?

13 MR. HEWITSON: Well, he's not -- he's not on

14 the next panel.

15 MR. GALLOWAY: I know he's not on the next

16 panel.

17 MR. HEWITSON: Mr. Legg -- the contract with

18 Augusta is also not part of Mr. Legg's testimony.

19 So I don't know what Mr. Galloway's questions are

20 going to be Mr. Legg. I don't want to leave anyone

21 the impression that Mr. Legg is going to know every

22 in and out detail about every contract that has been

23 done or how it's all implemented.

24 But in terms of the tariffs and how it's

25 implemented in that way, Mr. Legg can speak to it.

1 In terms of how it's included in the rate request,
2 this panel can speak to it. The questions that
3 Mr. Galloway is asking about don't have anything to
4 do with any of the prefiled testimony.

5 MR. GALLOWAY: But, Mr. Hewitson, there is
6 nothing in the prefiled testimony regarding any
7 electric vehicle funding. It's not in there. And I
8 assure the Commission that I have looked through
9 that in detail and also looked at the schedules that
10 were attached. And I'm not trying to be difficult,
11 but somebody needs to be able to testify to these
12 things before we can talk about how the EV market is
13 going to work and how it's working now.

14 MADAM CHAIR PRIDEMORE: There has been a line
15 item somewhere in their prefiled testimony of one
16 the five witness panels about the -- what is it that
17 they've asked for electric vehicle charging, again?
18 You've been asked -- asked and answered at least a
19 half a dozen times. I'm sorry. It's 5:00, and I
20 forgot.

21 MR. GALLOWAY: It's 90 million --

22 MADAM CHAIR PRIDEMORE: 9 million.

23 MR. GALLOWAY: -- over a period of time, over a
24 period of a year.

25 MADAM CHAIR PRIDEMORE: So \$90 million. Excuse

1 me, Mr. McDonald -- Commissioner McDonald.

2 So it's \$90 million.

3 So do you have questions related to the --
4 directly to the \$90 million and how it is to be
5 managed by a comptroller, a comptroller, a CFO and
6 the director of transmission?

7 MR. GALLOWAY: Well, I was trying to lead to
8 that, Madam Chair.

9 MADAM CHAIR PRIDEMORE: Well, please do it --
10 please do so quicker.

11 BY MR. GALLOWAY:

12 Q But I will move on. I will move on.

13 But let's talk about where the funding for Make
14 Ready comes from.

15 That was approved by the Commission in the 2019
16 rate case; correct?

17 A (Witness Abramovitz) Yes, there was
18 \$18 million of capital investment approved.

19 Q Correct. And that was 6 million for each of
20 the three years; correct?

21 A (Witness Abramovitz) That's right.

22 Q Okay. So for purposes now, Make Ready has been
23 useful to deploy chargers for both schools, associations,
24 churches, businesses -- excuse me -- thus far to date;
25 correct?

1 A (Witness Abramovitz) Yes. And that demand
2 response is why we're requesting another \$81 million in
3 capital investment in this case.

4 Q And you are oversubscribed?

5 A (Witness Abramovitz) That's right.

6 Q Okay. And you've got a wait list?

7 A (Witness Abramovitz) Yes, sir.

8 Q Okay. Now, is it your intent moving forward,
9 is it the company's intent moving forward that the same
10 terms and conditions that we've identified here would be
11 applied to a program going forward that would be approved
12 in this rate case?

13 A (Witness Abramovitz) I don't think any of us
14 here can answer that. It really just depends on the
15 circumstance and the growth of the market and if those --
16 if risks change or the market changes, we may have to
17 change our terms -- our Ts and Cs of the contract.

18 Q So there has been no decision made regarding
19 whether the terms and conditions carry forward?

20 A (Witness Abramovitz) Not to my knowledge.

21 Q Okay.

22 A (Witness Abramovitz) But I would say at this
23 point, we're still using a standard contract.

24 Q Okay. And you would expect a variation on that
25 standard contract to continue to be used, would you not?

1 A (Witness Abramovitz) Depending on the
2 customer.

3 Q Okay. Now, so a business enterprise could make
4 the same application for Make Ready estimating, and if it
5 met your criteria, they could be approved for the
6 infrastructure upgrades to place the chargers; correct?

7 MR. HEWITSON: Madam Chair, it's a
8 hypothetical, and Mr. Galloway is now asking for
9 implementation questions about the program, which is
10 not what this panel is here to testify about.

11 MR. GALLOWAY: I'll rephrase. I'll rephrase.

12 MADAM CHAIR PRIDEMORE: Thank you.

13 BY MR. GALLOWAY:

14 Q A business can -- a business, under the current
15 program, can make an application for Make Ready -- to
16 participate in the Make Ready Program; correct?

17 A (Witness Abramovitz) Yes.

18 Q Okay. Let me rephrase it.

19 Do you foresee that changing as we move forward
20 if a Make Ready Program is approved in this rate case?

21 A (Witness Abramovitz) I'm going -- I'm going to
22 have to ask you to clarify.

23 Do I see what changing?

24 Q That a business could not participate as an
25 applicant in Make Ready.

1 A (Witness Houston) Well, it's not so much that
2 they're a business. It's are they commercial or
3 industrial; right? So --

4 Q Right. That's what I'm talking about.
5 Commercial.

6 A (Witness Houston) And so this business --
7 there's a whole bunch -- there's people that run
8 businesses out of their house, which is residential. So
9 commercial/ industrial, yes.

10 Q That's what I was talking about, Mr. Houston.
11 Thank you, sir.

12 All right. Now, the community charge
13 program -- Community Charging Program is different
14 because Georgia Power owns the charger itself; correct?

15 A (Witness Abramovitz) Yes. We act as the
16 provider of last resort.

17 Q Okay. Mr. Abramovitz, I was going to ask you.
18 Usually in regulated utilities, carrier of last resort is
19 a reference to an obligation to provide a basic
20 residential service.

21 Do y'all -- do y'all consider the ownership of
22 the EV charging station to be a carrier of last resort
23 function?

24 A (Witness Abramovitz) No. It's a term we're
25 using to make sure we're clear that we're not trying to

1 compete in the market for owning chargers. What we try
2 to do is make sure that we promote the infrastructure in
3 the state, and where chargers don't exist and there's no
4 fuel competition for those chargers, that we try to grow
5 the electric transportation infrastructure in the state
6 by providing a charger of last resort. It's -- it's not
7 meant to be a legal term.

8 MADAM CHAIR PRIDEMORE: Mr. Abramovitz, isn't
9 the phrase "charger of last resort" interchangeable,
10 from a regulatory construct, to desert charging. We
11 call it desert charging sometimes?

12 MR. ABRAMOVITZ: Yes, I think so.

13 COMMISSIONER MCDONALD: Let me -- I need some
14 clarification here myself, please.

15 You talk about \$20,000 of infrastructure cost,
16 is that \$20,000 to -- I'm sure that -- that we're
17 going to be talking about a master meter at some
18 point.

19 And then how many meters out there in this
20 charging station that are not owned by Georgia
21 Power, but are owned -- is your \$20,000 taking it to
22 the pedestal for a charging station to be put in?
23 Is that correct?

24 MR. ABRAMOVITZ: Our \$20,000 will go, if you
25 will, behind the meter. It doesn't have -- each

1 charging station that I can see on this map that the
2 City of Augusta is putting in is not going to have
3 its own meter. This is all the infrastructure to,
4 if you will, hook up those meters, hook up those
5 chargers to the service line.

6 MR. ROBINSON: It's the electrical
7 infrastructure associated with the secondary service
8 of those chargers.

9 MR. ABRAMOVITZ: There's no --

10 MR. ROBINSON: Panels --

11 MR. ABRAMOVITZ: Yeah, there's no individual
12 meter there. So that \$20,000 is the investment to
13 actually hook up for secondary service.

14 MADAM CHAIR PRIDEMORE: Mr. Robinson, what's
15 your learning for secondary service?

16 MR. ROBINSON: Well, when I mean "secondary," I
17 mean secondary voltage. So 120, 208, whatever the
18 voltage is of that -- of those chargers that is
19 required.

20 COMMISSIONER MCDONALD: In other words, the
21 requirements for a house, whether it's a 100-amp
22 panel or 200-amp panel, is going to depend on what
23 their needs are inside the house; is that correct?

24 MR. ROBINSON: Correct.

25 COMMISSIONER MCDONALD: And so the panel for

1 the charging stations is virtually the same thing?

2 MR. ROBINSON: That's correct.

3 COMMISSIONER MCDONALD: So if they going to
4 have five charging stations out there, it's going to
5 require a different panel; is that correct?

6 MR. ROBINSON: Depending on the voltage needs,
7 the ampacity needs of those chargers, it will size
8 the panel, that's correct.

9 COMMISSIONER MCDONALD: Is that \$20,000
10 supposed to cover whatever that need is out there?

11 MR. ABRAMOVITZ: Yeah, for the city of Augusta
12 and this Richmond Community Center location, it is.

13 COMMISSIONER MCDONALD: I didn't hear you. I'm
14 sorry.

15 MR. ABRAMOVITZ: For this specific contract
16 where it says we're going to invest \$20,167, they're
17 putting a new EV panel in the parking lot and it
18 looks like two EV charger stations. So it's
19 specific to that customer's plan.

20 COMMISSIONER MCDONALD: So there would be two
21 out there?

22 MR. ABRAMOVITZ: It looks like that, but I'm --
23 again, first time seeing the contract, and it's a
24 visual.

25 COMMISSIONER MCDONALD: But the service charge

1 down the road after that's installed is going to be
2 the same service charge from that installation back
3 to Georgia Power for having the hookup, whether it's
4 ever used or not; is that correct?

5 In other words, you have a service charge on
6 your residential bill, and whether you use a
7 kilowatt or not, you still pay the service charge
8 just for being hooked up?

9 Do we apply the same principle in this
10 situation?

11 MR. ABRAMOVITZ: Mr. Legg will probably be able
12 to answer this more definitively.

13 COMMISSIONER MCDONALD: Okay. I'll await his
14 presence.

15 MR. ABRAMOVITZ: Yeah, I believe the answer is
16 yes, but let's -- Mr. Legg would probably address
17 that in greater detail.

18 BY MR. GALLOWAY:

19 Q Mr. Abramovitz, following up on
20 Commissioner McDonald's, under Make Ready, isn't there a
21 requirement to have -- essentially, I want to have two
22 chargers, four point -- four ports for a deployment under
23 Make Ready?

24 A (Witness Houston) There's a minimum
25 requirement where I think it's at least five chargers on

1 site, would be one of the requirements.

2 Q Okay. What are the criteria for the Make Ready
3 application being approved?

4 A (Witness Houston) Having not gone through the
5 process and not being a part of the administration of
6 those contracts, I can't talk in detail. I know that you
7 cannot apply for the Make Ready and rebates. You need to
8 have a minimum of five chargers. And there's, I'm sure,
9 other criteria as well. But I'm not familiar enough to
10 go through each of those at this time.

11 A (Witness Robinson) There would be a study
12 associated with the distribution capacity of being able
13 to serve that additional load to ensure that we can meet
14 that demand.

15 Q Have the criteria, whatever they may be, have
16 they been reviewed by either staff or Commission here and
17 approved?

18 A (Witness Houston) I don't know.

19 A (Witness Abramovitz) I can't -- yeah, I don't
20 think we can speak for them.

21 Q Okay. Would it be appropriate -- well, let me
22 back up a second.

23 Are y'all familiar with the National EV
24 Infrastructure Program -- well, or NEVI -- that's been
25 requested where each state has submitted a NEVI plan to

1 federal DOT?

2 A (Witness Abramovitz) I'm aware of the
3 existence.

4 A (Witness Houston) Yeah, I'm generally aware of
5 that being out there, but certainly not any of the
6 specifics. Because we have not seen any of those dollars
7 come through in this request, so, you know, we focus on
8 the dollars in the request. This is -- this is future
9 activity. Although important, we do not see it in this.

10 Q Y'all are aware, though, that the Georgia NEVI
11 plan has been approved by DOT? You're not? Okay.

12 A (Witness Houston) Generally.

13 MADAM CHAIR PRIDEMORE: How would they know
14 that? It's not part of the Georgia Power rate case.

15 MR. GALLOWAY: Well, they --

16 MADAM CHAIR PRIDEMORE: I mean, I could ask a
17 question of you. I mean, how would they know that?
18 That's not -- they're here to talk about the Georgia
19 Power rate case. The NEVI plan was submitted by
20 GDOT, approved by Fed Highway. \$130 million, that's
21 not -- let's keep it germane.

22 MR. GALLOWAY: It would be relevant to how we
23 fund Make Ready. And we support funding Make Ready.

24 BY MR. GALLOWAY:

25 Q But let me -- let me ask one other set of --

1 one other -- just a couple of questions.

2 You are -- are you familiar with the term
3 "alternative fuel corridors"?

4 A (Witness Abramovitz) Yes, in general.

5 Q Okay. And what is an alternative fuel
6 corridor?

7 A (Witness Abramovitz) It's anything that
8 doesn't use, I think, gasoline. It uses a combination of
9 other fuel sources.

10 Q Corridors.

11 A (Witness Abramovitz) Corridor? Oh, I thought
12 you said car.

13 Q No, corridors.

14 A (Witness Abramovitz) I misunderstood. I'm
15 sorry.

16 MADAM CHAIR PRIDEMORE: Corridors.

17 MR. ABRAMOVITZ: Corridors. In that regard,
18 I'm actually not familiar. I don't know if anybody
19 on the panel is.

20 BY MR. GALLOWAY:

21 Q Is anyone on the panel familiar --

22 A (Witness Houston) No, I'm not.

23 Q -- with the alternate fuel corridor?

24 A (Witness Robinson) I am not.

25 Q Okay. All right. So you would have -- the

1 company has -- or y'all have no information as to whether
2 access into Make Ready going forward could be tied to
3 alternative fuel -- the deployment of the charging
4 stations in the alternative fuel corridors?

5 MR. HEWITSON: I don't think they can answer
6 that since they just said that they're not familiar.

7 MADAM CHAIR PRIDEMORE: Sustained. They
8 answered you. They don't know what an alternative
9 fuel corridor is.

10 Look, I realize what you're doing,
11 Mr. Galloway, and it's -- I give you all the merits
12 in the world. You get gold stars. I realize
13 there's a whole EV study committee going on, and you
14 are -- you are fishing, and you're using some good
15 bait. I'm just asking you to move it along.

16 MR. GALLOWAY: Madam Chair, in light of what
17 the panel has said regarding the scope of their
18 knowledge, I think that's all I've got.

19 MADAM CHAIR PRIDEMORE: I look forward to you
20 coming back with Mr. Legg.

21 MR. GALLOWAY: Thank you.

22 MADAM CHAIR PRIDEMORE: That's going to be a
23 good time.

24 Okay. Commercial Group

25 COMMISSIONER SHAW: Maybe in the meantime

1 Commissioner Echols can answer all those questions.

2 VICE CHAIRMAN ECHOLS: Yeah, I'm happy to do
3 that, Mr. Galloway.

4 MR. JENKINS: Madam Chair, we'd love to hear
5 more about bathtub curves, but at this late hour,
6 I'll forgo that.

7 MADAM CHAIR PRIDEMORE: Thank you, Mr. Jenkins.
8 Good to see you.

9 Concerned Ratepayers for Georgia.

10 I'm going to give you the same message that I
11 gave to Mr. Galloway. You've handled my chiding
12 quite well.

13 Assistant comptroller, comptroller, CFO,
14 transmission. Make your questions be applicable.

15 MR. PRENOVITZ: Great. I'm a finance guy. We
16 should be okay.

17 CROSS-EXAMINATION

18 BY MR. PRENOVITZ:

19 Q Good morning. Or afternoon.

20 A (Witness Abramovitz) Good afternoon.

21 Q On the \$1 million rate increase that you're
22 asking for over the next three years, is that primarily
23 driven by the major capital expenditure projects that
24 you're engaged with?

25 A (Witness Abramovitz) So as I think we've

1 talked about before, Mr. Prenovitz, half of our request
2 is being driven by the transmission distribution
3 expenditures that we're investing in the state to ensure
4 its reliability and resiliency of our grid. Another
5 portion of that is also the CCR ARO investments we're
6 making for the ash ponds. And another portion is the
7 investments or capital expenditures we're making to
8 ensure that we have an economical transition for our
9 generation.

10 Q Okay. And weren't some of those separate? We
11 have, like, the \$1 million rate increase, plus the -- the
12 AACE thing -- I got it somewhere here.

13 Yeah, the CCR and the ARC, wasn't that
14 different? I mean, that wasn't part of the billion
15 dollars, was it?

16 A (Witness Abramovitz) It is. It's all combined
17 in the billion dollars.

18 Q Oh, it is. Okay.

19 Since basically the capital expenditures
20 project -- I forgot my water -- is a major driving force
21 for the rates, let me read these -- basically, under
22 Rollins Financial Handbook is the guiding principles that
23 one would apply in doing a capital expenditure project.
24 I'd like to read this briefly and then have you comment
25 on it.

1 Thank you so much. It's --

2 MR. HEWITSON: Madam Chair, I'm going to object
3 to him reading them something and then asking them
4 to comment on it. If he has something he wants them
5 to look at, he knows that he should bring it and
6 provide it to them.

7 MR. PRENOVITZ: It's a financial concept. It's
8 very basic. Let me just --

9 MR. HEWITSON: Well, may I suggest he just ask
10 about the financial concept, rather than reading
11 something.

12 MR. PRENOVITZ: All right. I'll paraphrase it.
13 BY MR. PRENOVITZ:

14 Q Basically, the essence of a capital expenditure
15 project is that they are extremely sensitive, and it's a
16 very critical, far-reaching decision. And if we make
17 mistakes on that, basically it can have serious financial
18 impact on the company.

19 Would you agree with that principle, that
20 really we've got to pay a lot of attention and a lot of
21 thought going into any major capital expenditure project?

22 A (Witness Abramovitz) So that seemed a bit
23 paraphrased. I will tell you that any investment we make
24 on behalf of our customers we take very seriously, just
25 like any rate adjustment. So with the utmost sense of

1 urgency detail, we look at every capital expenditure we
2 make on behalf of our customers.

3 Q Okay. So we agree. That's very important to
4 do that. That's fine.

5 It came to me also -- I think that Mr. Robinson
6 made this point -- talking about reliability versus cost.
7 You were saying that reliability was the main driving
8 force for your customers, specifically residential
9 customers.

10 Wouldn't there be a point that if the cost
11 became great or very painful, such as many of the
12 witnesses discussed this morning, wouldn't that be
13 basically -- change the weight of the equation where it
14 might shift towards, hey, we can give up some reliability
15 if you can control some of the costs?

16 A (Witness Robinson) Well, as Mr. Abramovitz
17 said, we take this request very seriously. The economic
18 benefit analysis that we provided with the distribution
19 part of the grid program uses the EUE study, the expected
20 unserved energy study, that has been reviewed as part of
21 this commissioner for a good part of ten years.

22 Now, to establish what the cost of reliability
23 is to customers, the cost benefit analysis that we've
24 done through the economic benefit analysis in the
25 document that we were talking about before establishes

1 the optimal range for investment that balances the cost
2 of that investment, the value or cost or reliability to
3 customers, as well as the saving and O and M expenses.

4 Q Okay. But still, if the rates got to a certain
5 point that caused a very high pain threshold, wouldn't
6 that affect that equation?

7 A (Witness Robinson) No, that's actually taken
8 into consideration in our economic benefit analysis that
9 we've done for that program. It establishes the optimal
10 range for investment. You could do nothing. There's
11 cost to customers to do nothing. You could gold plate
12 everything and underground everything. Some utility
13 districts have been ordered to do that. But there's
14 costs associated with that. You've got to weigh the
15 benefit.

16 What we've established is the optimal range for
17 investment balancing cost to customers through revenue
18 requirements, the O and M savings, and then the
19 reliability savings that customers see from that
20 investment.

21 Q Okay. No, I understand the concept is correct.

22 Let me bring up something that most don't want
23 to really think about, the Vogtle project.

24 Given the criteria you just mentioned where you
25 looked at this very carefully, basically the Vogtle

1 project has not performed the way anyone would have
2 wanted it to; isn't that correct? In terms of cost
3 and --

4 MADAM CHAIR PRIDEMORE: Mr. Prenovitz, do you
5 have a question?

6 MR. PRENOVITZ: I do, ma'am.

7 BY MR. PRENOVITZ:

8 Q Basically, if the criteria that they used in
9 establishing and evaluating capital expenditure projects,
10 a very thorough cost benefit analysis, they would have
11 applied that same concept to the Vogtle project, and the
12 results have been disappointing at best.

13 Is that not true?

14 MR. HEWITSON: Objection.

15 MR. PRENOVITZ: What's the objection about?

16 That's a --

17 MR. HEWITSON: It has nothing to do --

18 MR. PRENOVITZ: It has everything to do with --
19 you keep talking about Vogtle.

20 MADAM CHAIR PRIDEMORE: Mr. Prenovitz --

21 Mr. Prenovitz, come on now. It's late in the day.
22 Let's not get into a tussle over this. This is not
23 a VCM. I know you will be back for a VCM here soon
24 to ask questions.

25 MR. PRENOVITZ: My point was, though, if this

1 major --

2 MR. HEWITSON: Madam Chair, he doesn't get to

3 make a point. He gets to ask questions.

4 MR. PRENOVITZ: The question I am making,

5 Mr. Hewitson, is --

6 MR. HEWITSON: Which I had objected to.

7 MR. PRENOVITZ: Well, fine. Let me try to get

8 in a way --

9 BY MR. PRENOVITZ:

10 Q If they messed up on this big project --

11 MADAM CHAIR PRIDEMORE: Mr. Prenovitz, come on.

12 This is a warning.

13 BY MR. PRENOVITZ:

14 Q Okay. How do we know that basically what you

15 have said will come to fruition? Basically, as President

16 Reagan said, "Trust, but verify."

17 How do we know that the studies you're doing

18 now going forward incorporate all of these critical

19 principles that you have just mentioned?

20 MR. HEWITSON: May I ask a clarifying question,

21 whether he's referring to the Grid Investment Plan

22 or something else?

23 MR. PRENOVITZ: All of them.

24 MR. HEWITSON: Well, then I object.

25 MR. PRENOVITZ: What do you object to?

1 MR. HEWITSON: To the extent that it's not
2 about the Grid Investment Plan, which is what
3 Mr. Robinson is here to answer questions about.
4 That's exactly what Mr. Robinson was referring to,
5 his economic benefit analysis that was done for the
6 Grid Investment Plan.

7 MR. PRENOVITZ: Let me refer the question to
8 the --

9 MADAM CHAIR PRIDEMORE: Sustained,
10 Mr. Hewitson.

11 BY MR. PRENOVITZ:

12 Q Let me go to the accountants and the financial
13 people. Same question basically.

14 MR. PRENOVITZ: What are you objecting to? If
15 we haven't -- I mean, this is simple. There's a
16 major project going on that didn't work out the way
17 everybody would have liked it to work out. I'm
18 trying to be very kind about the Vogtle project.

19 How do we know going forward that basically
20 they're not going to have the same problems with
21 these other major capital expenditure projects?

22 MADAM CHAIR PRIDEMORE: Mr. Prenovitz, are you
23 comparing Plant Vogtle Units 3 and 4 construction to
24 the Grid Investment Plan?

25 MR. PRENOVITZ: I'm comparing it as a process

1 that's --

2 MADAM CHAIR PRIDEMORE: Are you comparing it,
3 yes or no? That's a yes-or-no question. Answer it
4 for me.

5 MR. PRENOVITZ: The concept, not the project.
6 How you approach a multi-billion-dollar capital
7 expenditure project. The principles are the same
8 whether it's Plant Vogtle or whether it's the grid
9 investment.

10 MADAM CHAIR PRIDEMORE: Okay. That's your
11 opinion. All right. That's warning two. Get to a
12 question. Get to a question that's related to their
13 prefiled testimony.

14 BY MR. PRENOVITZ:

15 Q Let me go on. Okay. You mentioned -- I'm
16 trying to streamline this too. Okay.

17 Basically, you spent \$10 billion over last ten
18 years, and then \$8.6 billion in the last three years; is
19 that correct?

20 A (Witness Robinson) Are you speaking company as
21 a whole, or --

22 Q Yeah. Basically, I think that was a
23 combination of Mr. Womack's and Mr. -- and your panel's
24 testimony.

25 A (Witness Robinson) I think the numbers that

1 Mr. Womack was speaking to this morning were specifically
2 around transmission and distribution, but I think you
3 crossed the numbers up. Over the last ten years it's
4 been more, subject to check, around 9.6, 9.7 billion.

5 Q Yeah. Okay.

6 A (Witness Robinson) Over the last three years
7 it's been 4.9 billion, and we're proposing to spend
8 6.8 billion over the next three years T&D investment, as
9 well at Grid Investment Plan.

10 Q Okay. Again, we've got, basically, GPC spent
11 8.6 billion in the last three years. That was Mr. Womack
12 on Page 6.

13 So here's the question: If you spend
14 10 billion in ten years and 8.6 in the last three years,
15 that leaves 1.6 billion -- 1.4 billion left. That sounds
16 kind of low.

17 Isn't there something off there?

18 A (Witness Robinson) Again, I think we're mixing
19 numbers. The 8-point -- or 9.6 or 9.7 billion that you
20 referenced was in the last ten years. 4.9 billion in
21 T&D investment over the last three years. 6.8 over the
22 next three years.

23 And there are many drivers to that, not just
24 the Grid Investment Plan. With new business that's being
25 brought to the state, we have to make investment for

1 that. There are commitments. When the State DOT
2 expands, reroutes highways, we have to move structures
3 and our infrastructure associated with those projects.

4 There are reliability investments. There are
5 what we call growth and load flow, which when we make
6 changes in generation, we have to add transmission to the
7 system to accommodate those changes. We talked about
8 those in the IRB.

9 Q Right. And I agree, but --

10 A (Witness Abramovitz) And so let me clarify for
11 the Commission here because we have a lot of numbers
12 floating around. From 2020 to 2022, all investments have
13 been \$8.6 billion. T&D investments over the past ten
14 years has been \$9.7 billion. From 2020 to 2022, for T&D
15 investment, we've spent \$4.9 billion. And in this rate
16 case period from 2023 to 2025, on T&D investments we
17 expect to spend \$6.8 billion.

18 Q It's a lot of money.

19 A (Witness Abramovitz) It's a big state, and we
20 serve 2.7 million customers.

21 Q And 2.3 residential? Okay.

22 And, again, that's all the reason why it's so
23 important to have a very strict capital expenditure
24 process in place, you know, to maximize the benefits and
25 minimize the costs of these projects, would you not

1 agree?

2 A (Witness Robinson) I do agree with that. I
3 mentioned the economic benefit analysis that we put
4 forward with the distribution part of the plan. We have
5 taken the learnings over last three years, as I mentioned
6 before in testimony, and incorporated those, changed the
7 SAIDE set point and optimal range to 80. And so we will
8 continue to do that and learn as we move forward, but
9 making the best investment for customers based on that
10 economic benefit analysis and optimal range of
11 investment.

12 Q Okay. And when you complete a project, do you
13 review it to see how it lands? Like, there are a few key
14 principles.

15 Like, for example, when you complete a project,
16 do you go back and verify that you got the benefits and
17 the savings that you had hoped for?

18 A (Witness Robinson) Absolutely. We do that.
19 We also look at other factors as well, look at how the
20 project went. We do human performance reviews on
21 projects to incorporate learnings in the future and
22 adjust to become better and better as we implement
23 capital moving forward. We also have the integrated
24 transmission system, as I mentioned before, check and
25 balance there as it relates to spend in the parity

1 investment.

2 Q Okay. Do you evaluate the soundness of your
3 original assumptions and your forecasting accuracy and
4 techniques?

5 A (Witness Robinson) I would say over the last
6 three years in the Grid Investment Plan for the D park,
7 that's exactly what I testified to.

8 Q Okay. So you're talking about the Grid
9 Investment Plan. I'm talking about all capital
10 expenditure projects, including Vogtle.

11 Do you do it with them, with all of them, or
12 just the grid?

13 A (Witness Robinson) I can only speak to the --

14 Q Okay. Now, we've got three very good finance
15 people in here.

16 Do you do that with the others?

17 MR. HEWITSON: If Mr. Prenovitz could point to
18 their testimony and ask them that question, then
19 maybe they could respond to it, but it's not in
20 their direct testimony.

21 MR. PRENOVITZ: Yes, it is. They're saying --

22 MR. HEWITSON: All capital projects by the
23 company over the years is not included in their
24 testimony.

25 MR. PRENOVITZ: You're saying all the projects

1 are done. Mr. Womack said earlier that, basically,
2 everything they were trying to do to improve and
3 were committed to basically, you know, doing things
4 as well as we can.

5 You kind of have to segregate it and say we're
6 only going to do one capital expenditure project.
7 We're talking about, you know, I don't know,
8 \$15 billion in current projects, you know, in a
9 little bit before or going forward.

10 BY MR. PRENOVITZ:

11 Q The question is: Do you apply that criteria
12 and evaluate the soundness of assumptions and the
13 accuracy of forecasting techniques?

14 MADAM CHAIR PRIDEMORE: Mr. Prenovitz --

15 MR. PRENOVITZ: Okay. Next question.

16 MADAM CHAIR PRIDEMORE: Joan Callamezzo and the
17 Gotcha Dancers are not going to come out here and
18 look at this crowd and go, "Hey, gotcha." All
19 right? So just ask the question. Do you stand by
20 your calculations and your methodology of how you
21 got there? That's your question.

22 MR. PRENOVITZ: Yeah. You said it much better
23 than I did.

24 BY MR. PRENOVITZ:

25 Q Do you stand by your methodology and your

1 calculations for all of your capital expenditures
2 projects? Not just the --

3 MADAM CHAIR PRIDEMORE: No, just for the ones
4 in the 2022 rate case.

5 MR. PRENOVITZ: But they're all -- they talk
6 about all of them in there, Madam Chair.

7 MADAM CHAIR PRIDEMORE: No, they talk about the
8 2022 rate case filing. I've read their testimony,
9 and it talks about the 2022 rate case filing. So
10 that's how you craft a question and get your answer.
11 I mean, this ain't a gotcha. There's no gotcha.

12 MR. PRENOVITZ: I'm not trying to play gotcha.
13 I'm just trying to understand the process that they
14 go through.

15 MR. ABRAMOVITZ: Madam Chair, in answering your
16 question, in the capital expenditures that we're
17 projecting in this rate case, we have rigorous
18 project controls to go around how we estimate and
19 how we track those costs for the benefit of our
20 customers and we make sure, like Mr. Womack
21 mentioned earlier, that we learn from all of our
22 projects as they close out and as we estimate for
23 new projects.

24 MADAM CHAIR PRIDEMORE: Okay. Very good.
25 Thank you, Mr. Abramovitz.

1 All right. This is your final question.

2 BY MR. PRENOVITZ:

3 Q A few simple questions.

4 MADAM CHAIR PRIDEMORE: I said you got one.

5 Just make it --

6 MR. PRENOVITZ: No, this is real quick.

7 BY MR. PRENOVITZ:

8 Q Basically, on depreciation recapture, you're

9 requesting to get the -- you're -- the assets that are

10 going to be discontinued even though they have a useful

11 life, so you want to recover the outstanding depreciation

12 on that, why should the customer be responsible for that?

13 A (Witness Adams) Are you speaking about, like,

14 Plant Scherer, for example, that has --

15 Q Yeah. Or the other one that we've been talking

16 about.

17 A (Witness Adams) Or Plant Wansley?

18 Q Yeah.

19 A (Witness Adams) They're a little different.

20 Q Okay. But the principle is the same, though;

21 right?

22 A (Witness Adams) Close, yes. Yes.

23 Q Okay. Thank you.

24 Oh, go ahead.

25 A (Witness Adams) So for Plant Wansley, we have

1 retired that unit now, and so the remaining net book
2 value we've proposed to put into our regulatory asset in
3 the '22 IRP, so that decision was made there. And we
4 proposed to continue the depreciation at -- basically, at
5 the same rate. We've not changed the life associated
6 with that. That's amortized.

7 So then for Plant Scherer and also for Bowen 1
8 and 2, we have accelerated the retirement date and then,
9 therefore, changed the depreciation expense to match the
10 dates that were proposed in the IRP originally. And then
11 we've updated that through the errata filing for the
12 revised unknown dates for Bowen 1 and 2. But in both
13 cases, we've proposed to extend that recovery over a
14 nine-year period.

15 A (Witness Abramovitz) And, Mr. Prenovitz, the
16 reason why we are asking for recovery of the
17 investment -- that's what depreciation expense is, and
18 the revenue requirement, that's the recovery of the
19 investment -- is because we made those investments on
20 behalf of our customers. They are -- in some degree,
21 still are useful assets to our customers. And so when we
22 make an investment on behalf of customers, we expect to
23 recover that investment.

24 Q Agree. But if the investment stops generating
25 benefits like this does, right, why should those

1 charges --

2 A (Witness Abramovitz) Sir, they were --

3 Q -- go the customers, the ratepayer versus --

4 A (Witness Abramovitz) The retirement decisions
5 and the retirement recommendations that we made to this
6 Commission in the IRP included the recovery of the
7 remaining cost of those units. These were all economical
8 decisions on behalf of our customers.

9 Q Okay. Then you have a sharing mechanism where
10 if the company performs better than expected, customers
11 will receive 80 percent of the earnings, the company gets
12 the balance.

13 Why should Georgia Power receive a 20 percent
14 bonus for operating efficiently?

15 A (Witness Abramovitz) Sir, I wouldn't call it a
16 20 percent bonus. It is truly sharing, and to where that
17 incentives the company to continue to be excellent and
18 efficient as much as possible. And when we earn over
19 that authorized band, then it does incentivize us to
20 sometimes earn over that band if we can. But then the
21 majority -- the vast majority of those savings go back to
22 our customers.

23 Q I understand that.

24 But still the 20 percent, I mean, wouldn't you
25 always have the incentive to do as well as you can? Why

1 do you need to get extra money for that?

2 A (Witness Abramovitz) We do, but it's a good
3 balance, and it's a great function of the three-year ARP
4 that we've been working on for the past three decades.

5 MADAM CHAIR PRIDEMORE: That's a good way to
6 wrap things up. You've done great. Your questions
7 have been good. We've got three more panels for you
8 coming up in the subsequent day.

9 MR. PRENOVITZ: Can I just ask one more
10 question?

11 MADAM CHAIR PRIDEMORE: I let you have a bonus.

12 MR. PRENOVITZ: Just this one, please.

13 MADAM CHAIR PRIDEMORE: You asked several
14 questions about bonuses, and I let you have a bonus.

15 MR. PRENOVITZ: Okay. Okay.

16 MADAM CHAIR PRIDEMORE: All right. That's
17 good. Thank you, Mr. Prenovitz. Good job.

18 Cypress Creek Renewables.

19 MR. STAIR: No questions.

20 EVgo Services, LLC?

21 MADAM CHAIR PRIDEMORE: Please tell me if I'm
22 saying this right. It's Mr. Vijaykar.

23 MR. VIJAYKAR: That was close. Mr. Vijaykar.

24 MADAM CHAIR PRIDEMORE: Vijaykar.

25 MR. VIJAYKAR: You got it.

1 MADAM CHAIR PRIDEMORE: Got it. Thank you.

2 MR. VIJAYKAR: Thanks for asking.

3 CROSS-EXAMINATION

4 BY MR. VIJAYKAR:

5 Q Well, it's late in the day. I'll try to be
6 quick here. Good afternoon, everyone.

7 A (Witness Robinson) Good afternoon.

8 A (Witness Adams) Good afternoon.

9 A (Witness Abramovitz) Good afternoon.

10 Q My name is Nikhil Vijaykar. I'm an attorney
11 with Keyes & Fox and outside counsel for EVgo. I know
12 many folks in the room might be familiar with EVgo, but
13 for everyone's benefit, EVgo is the nation's largest
14 network of public fast-charging locations.

15 I have a handful of questions related to the
16 panel's responses to the questioning on electric vehicle
17 charging.

18 MR. VIJAYKAR: Madam Chair, I've heard you loud
19 and clear. I'm going to focus my questions on the
20 panel's responses to questions asked this afternoon
21 and of the costs associated with the EV programs,
22 and not on the rate issues that Witness Legg, I
23 believe, is sponsoring.

24 MADAM CHAIR PRIDEMORE: Mr. Legg. Yeah, he's
25 coming up.

1 MR. VIJAYKAR: Great.

2 BY MR. VIJAYKAR:

3 Q Yeah, no. Thanks for your patience. I know
4 it's late in the day for everyone.

5 So just as a threshold question here, I think I
6 should be addressing these questions to Mr. Houston, but,
7 you know, if the questions are more appropriately
8 addressed to anyone else please do let me know. I'm
9 going to start with a couple of questions on the
10 Community Charging proposals in this proceeding.

11 Staff Attorney Walsh asked you a line of
12 questions related to the company's investments in
13 community charging facilities earlier this afternoon.

14 Do you recall that?

15 A (Witness Houston) Yes, I have talked about
16 community charging today.

17 Q And specifically, Attorney Walsh asked you
18 questions related to the \$3 million per year that the
19 company intends on spending and the ways in which it
20 plans on deploying that capital.

21 Do you recall that?

22 A (Witness Houston) Yes, I did talk about the
23 3 million.

24 Q Okay. So there was a line of cross related to
25 how the company chooses locations for its community

1 charging facilities. And I paraphrase here, so forgive
2 me if I'm not doing it accurately.

3 But you suggested that the company will choose
4 locations that are not served by the competitive charging
5 market; correct?

6 A (Witness Houston) Yes, generally speaking,
7 that's one of the criteria that will be considered,
8 putting chargers where others are not. We're not in the
9 business of competing.

10 Q Thank you for that clarification. I think that
11 the Chair described those locations as desert charging.
12 Do you recall that?

13 You might have described -- or Mr. Abramovitz
14 might have described those locations as essentially
15 locations where chargers don't exist. Do you recall
16 that?

17 A (Witness Abramovitz) Yes, and Madam Chair's
18 explanation was probably more appropriate.

19 Q Okay. Let's call it that, desert charging
20 area.

21 A (Witness Abramovitz) Sounds great.

22 Q I like the sound of that.

23 My question is: How do you determine that the
24 competitive charging market is not serving those
25 locations or that chargers don't exist in that location?

1 A (Witness Houston) So I think there's just a
2 number of tolds. First and foremost, you know, we're a
3 large company in the state, so we have great knowledge of
4 what infrastructure is in the state. There's other
5 websites we can go to that show where existing chargers
6 are; community outreach, and we have a team dedicated to
7 do that.

8 So when you put that all together, I think you
9 have a good sense of where things are and where things
10 are not.

11 Q And is a part of that assessment and evaluation
12 of whether the competitive charging market is likely to
13 serve a location that is not currently served?

14 A (Witness Houston) I believe we do have
15 discussions with third-party chargers. I've never been a
16 part of any of those discussions, but from what I
17 understand, those do take place.

18 Q Fair enough. Thank you.

19 It sounds to me like that assessment is one
20 that is made on a location-by-location basis, but correct
21 me if I'm wrong.

22 A (Witness Houston) I mean, we have certain
23 dollars to spend, and that gives us so many projects a
24 year. And, you know, that just -- those are all part of
25 the criteria that we look at.

1 Q Okay. Does the company ever conduct
2 solicitations for charging deployments through the
3 Community Charging Program?

4 A (Witness Houston) By "solicitations,"
5 expressions of interest?

6 Q Sure. And, I mean, to put it in lay terms,
7 just, you know, conducting an RFP for the deployment of a
8 charging facility by -- by the competitive market.

9 A (Witness Houston) I don't have knowledge of
10 RFPs that have been conducted or any other solicitations
11 that we've otherwise taken part of.

12 Q Okay. Now, you mentioned, again -- and I
13 paraphrase here -- that one of the tenants or criteria of
14 the Community Charging Program is to serve locations that
15 aren't served by the competitive charging market.

16 Are those key tenants or criteria, or call them
17 whatever you may, articulated anywhere?

18 A (Witness Houston) Certainly it's a criteria
19 that is considered amongst the group that rolls it out
20 within Georgia Power. So, yeah, I would say that there's
21 a strong criteria. We're not in the market of competing
22 with third-party providers. That's not the purpose of
23 the Community Charging Program.

24 And just for context, we're not expanding that
25 program in any sense in this current rate case request.

1 There was \$2 million in the last rate case annually.
2 It's \$3 million annually in this request. So it's --
3 it's something that we contribute to, but we're not
4 extending, building out, proposing any market competition
5 with any third-party providers.

6 Q And that is helpful. I do just want to -- and
7 this is just a clarification, because I might have missed
8 it.

9 But those criteria aren't provided in direct
10 testimony or in terms and conditions related to a program
11 or any sort of public material that we should be aware
12 of, are they?

13 A (Witness Abramovitz) Well, we just said it
14 today. Mr. Womack, in his direct testimony too, in the
15 EV study committee for the State of Georgia, it's been
16 also mentioned which is a public proceeding.

17 Q Okay. That's helpful. Thank you.

18 I'm going to turn now to some questions about
19 Make Ready, again, related to your responses earlier this
20 afternoon or evening.

21 So just as a matter of kind of table-setting
22 here, I understand the company expects that its
23 customers' demand for EVs will increase over the coming
24 years.

25 Fair to say; correct?

1 A (Witness Houston) Yes.

2 A (Witness Robinson) Yes.

3 Q Okay. And as that demand for EVs grows, I
4 understand the company anticipates increasing revenues
5 from electric vehicle charging?

6 A (Witness Houston) Generally, at a company-wide
7 level, there will be more kilowatt hours sold, yes.

8 Q And in response to Mr. Galloway's questions
9 this evening or this afternoon, I believe Mr. Abramovitz
10 emphasized that it's your customers' demand for EVs that
11 are really driving the EV proposals in this proceeding;
12 correct?

13 A (Witness Abramovitz) That's correct. We're
14 trying to do whatever we can to serve our customers.

15 Q Okay. Fair to say that the company's proposals
16 in this proceeding will support customers who want to not
17 only buy an EV, but also host an EV charging station?

18 A (Witness Abramovitz) It's more related to
19 hosting versus the actual procurement of a vehicle.

20 Q Okay. And if I understand your testimony
21 correctly, you expect those proposals taken as a whole to
22 put downward pressure on rates for all customers, not
23 just EV owners; correct?

24 A (Witness Abramovitz) So when we say in
25 combination, and Mr. Houston can get into more detail

1 here if you need to, but it's the combination of Make
2 Ready and Community Charging together which puts downward
3 pressure on rates.

4 Q Now, again, I want to come back to some of your
5 responses to questions asked earlier this afternoon. You
6 alluded to the competitive market for EV charging
7 services in the service territory, and I know this was in
8 the context of the Community Charging Program.

9 But fair to say that Georgia Power has a role
10 in enabling the competitive market for EV charging
11 services?

12 A (Witness Abramovitz) We're trying to make sure
13 we have the right infrastructure, the appropriate
14 infrastructure in the state to support the growing
15 electric transportation ecosystem. To say that we drive
16 it, I don't know if I would go that far. We're here to
17 support and make sure that we can serve our customers.

18 Q If I said "drive," I apologize, and that
19 certainly wasn't what I meant. But I think the word that
20 I used was "enable," and I think that -- I think that you
21 answered my question.

22 Remember -- fair to say that the Make Ready
23 Program in particular can help compliment the efforts of
24 the competitive charging market?

25 A (Witness Abramovitz) So, I mean, for a

1 competitive charging market, right, somebody is going to
2 have to own the charger, so it's going to have to get
3 hooked up to the actual electric grid so service can be
4 provided to it. So, yes, it's enabling.

5 Q Were you in the room today during Mr. Womack's
6 testimony?

7 A (Witness Abramovitz) I've listened to it.

8 Q Okay. Did you hear Mr. Womack describe how the
9 company's proposals in this proceeding are aimed, in
10 part, at attracting and retaining businesses in the state
11 and in Georgia Power's service territory?

12 A (Witness Abramovitz) Yes.

13 Q Fair to say that you generally agree that the
14 company's Make Ready proposals in this proceeding are
15 aimed, in part, at attracting and retaining businesses in
16 the state and in the service territory?

17 A (Witness Abramovitz) Yes, as it's based on
18 customer demand.

19 Q Okay. Let me close out here with a couple
20 specific questions about the Make Ready Program.

21 Now, Make Ready rebates, table setting, those
22 are rebates for infrastructure upgrades that improve the
23 economics of installing a charging station; correct?

24 A (Witness Houston) That's correct.

25 Q Okay. Now, I understand that the company has

1 offered rebates for EV charging infrastructure upgrades
2 over the past several years, and that those rebates were
3 quite popular. Do I have that correct?

4 A (Witness Houston) That's correct.

5 Q And I think you clarified in response to
6 Mr. Galloway's questioning that those rebates are no
7 longer available and are fully subscribed; correct?

8 A (Witness Houston) I don't know the details on
9 the year to year.

10 Q Okay. Now, fair to say if the expanded Make
11 Ready funding proposed in this proceeding is approved,
12 the company believes that that funding should be made
13 available to customers on a nondiscriminatory basis?

14 A (Witness Houston) Commercial, industrial, and
15 some other entities. There are certain criteria that the
16 customer -- that the company will apply to Make Ready
17 available.

18 A (Witness Abramovitz) There still will be an
19 application process.

20 Q Fair enough, as we would expect.

21 And I actually have a question about that
22 application process.

23 Does the company intend on including those
24 criteria as a part of the application process in the
25 terms and conditions for the Make Ready Program?

1 A (Witness Abramovitz) I don't think I can
2 address that. I don't know.

3 Q Would that be a question for Mr. Legg?

4 A (Witness Abramovitz) Probably not, actually.

5 Q Okay. That's okay.

6 MADAM CHAIR PRIDEMORE: To clarify, too, when
7 we talk about a C&I customer, that can be a library,
8 that could be a school, so it's not necessarily,
9 like, a for-profit business.

10 MR. VIJAYKAR: Right.

11 MR. HOUSTON: That's right.

12 BY MR. VIJAYKAR:

13 Q I guess what I'm getting at is, what I heard in
14 your answers to questioning earlier was that there are
15 these criteria that are applied as a part of the Make
16 Ready application process. And I'm trying to get a sense
17 for are those criteria made available or, you know,
18 publicly known in any -- if not as a part of the terms
19 and conditions, then elsewhere?

20 A (Witness Abramovitz) It is. I believe it's
21 actually part of the website, part of the exhibits that
22 were used as part of the cross-examination for the
23 previous intervenor.

24 Q Perfect. Thank you, Mr. Abramovitz.

25 MR. VIJAYKAR: That's all I have, Madam Chair.

1 MADAM CHAIR PRIDEMORE: Thank you,
2 Mr. Vijaykar.
3 Georgia Association of Manufacturers.
4 MR. JONES: Thank you, Madam Chair. Can you
5 hear me in the microphone well there?
6 MADAM CHAIR PRIDEMORE: Yes.
7 MR. JONES: Good.
8 And I have endeavored, pursuant to your
9 instructions, to keep my cross -- I've taken the
10 questions out that I think have been addressed
11 already, and I'm going to try to avoid also a
12 handout that I was going to use, but I don't think I
13 need to.
14 MADAM CHAIR PRIDEMORE: If it's already been
15 said, it doesn't have to be said twice.
16 MR. JONES: Well, we'll try to move it along.
17 CROSS-EXAMINATION
18 BY MR. JONES:
19 Q Panel, how are you this -- this evening?
20 A (Witness Abramovitz) Quite well. How are you?
21 Q Very good.
22 I'll ask my questions to the panel and whoever
23 is the appropriate person to respond can do.
24 I want to go back to a little bit of
25 Mr. Walsh's line of questions but ask some kind of

1 different questions around the context of this case.

2 So according to your supplemental filing, the
3 first-year rate increase would be 889 million,
4 Mr. Abramovitz, that was the number you used; right?

5 A (Witness Abramovitz) That's correct.

6 Q And that's -- that would be effective
7 January 1st?

8 A (Witness Abramovitz) Of 2023, correct.

9 Q Of 2023.

10 And as of now, the commercial operation date
11 for the Vogtle 3 Unit is in the first quarter of next
12 year; is that your understanding?

13 A (Witness Abramovitz) That's correct. And as
14 approved by this Commission, when Unit 3 goes online in
15 March of 2023, then rates would go up in that sect, as
16 was approved by this Commission, in April of 2023.

17 Q Right.

18 In the following month after the COD; right?

19 A (Witness Abramovitz) That's correct.

20 Q Do you have -- you mentioned in your testimony
21 that the cumulative impact of the two Vogtle units on a
22 percentage basis was about ten percent.

23 Do you have a number -- like, comparable to the
24 889, do you have a number of the increase that would
25 result from what we'll call the Vogtle 3 case in the

1 first quarter of next year?

2 A (Witness Abramovitz) Yes, \$5.20.

3 Q But do you have a total number, like 200
4 million or 300 million?

5 A (Witness Abramovitz) For revenue requirement?

6 A (Witness Adams) It's 302 million.

7 Q 302. Okay. All right. Thank you very much.

8 And, of course, this has been alluded to,
9 you're going to be filing a new fuel cost recovery docket
10 in the end of February; right?

11 A (Witness Abramovitz) That's correct.

12 Q And as Commissioner McDonald has pointed out
13 and as others have pointed out, we're having significant
14 fuel increases that have led to there being a significant
15 under recovery in your fuel account; right?

16 A (Witness Abramovitz) We are experiencing
17 higher fuel costs that are creating under-recovered fuel
18 balance that we will need to recover in the future.

19 Q That's right.

20 And -- and through June -- and this is a public
21 disclose figure -- through June, that was 947 million.
22 Does that sound accurate to you?

23 A (Witness Abramovitz) That sounds about right.

24 A (Witness Houston) 948.

25 A (Witness Abramovitz) Was it 948?

1 Q Okay. 948. I stand corrected.

2 Now, the numbers for July and August weren't
3 mentioned, and that's because they're under trade secret,
4 so I would advise you not to mention the specific
5 numbers.

6 But I don't believe it asks for a trade secret
7 to say have those -- has that number gotten bigger since
8 June?

9 A (Witness Abramovitz) Yes, the number has
10 increased since June, especially since we're seeing
11 record-high natural gas prices.

12 Q Right.

13 So it's safe to say that in the upcoming FCR
14 case, we're going to have to address somehow this under
15 recovery, which is increasing at this point. But it's
16 also a time when you're going to be looking at forward
17 costs of fuel too.

18 It's not just -- I want to make clear that it's
19 not just looking at what is under recovered, but what you
20 project the forward-looking fuel costs are going to be;
21 correct?

22 A (Witness Abramovitz) Yes. As we discussed
23 earlier, I think this afternoon, not only is it the under
24 recovered fuel balance that we'll address recovery of and
25 that the timeline of that recovery can span, you know,

1 commonly over two years, it's been recovery, sometimes
2 maybe four years.

3 As Mr. Womack said and I think I said earlier,
4 you know, we will work with the Commission to find
5 something that balances the cost recovery.

6 On top of that, as you're mentioning, there's
7 also an adjustment to the actual fuel factor, if you
8 will, and that's all dependent on where commodity prices
9 are, natural gas and coal prices are, as a forward look
10 when we make our filing.

11 Q Right. Okay. Thank you.

12 And then regarding fuel costs, in terms of
13 putting this in context of what customers are facing
14 right now. For those customers who are served on RTP
15 rates, for example, they're already -- they've already
16 been feeling these fuel increases, haven't they?

17 A (Witness Abramovitz) They have. That is a
18 function of the real-time pricing rate.

19 Q And so those RTP rates -- RTP rates have been
20 much higher during 2022 than in any previous year in
21 recent memory that you can think of?

22 A (Witness Abramovitz) Yes. And when natural
23 gas prices or energy prices are low, then the same
24 customer gets to benefit from the low price as well
25 before we return the savings from an under -- of an

1 overrecovery.

2 Q That's right.

3 And we can agree that the RTP rate has been an
4 excellent rate for Georgia for business development?

5 Would you agree with that?

6 A (Witness Abramovitz) Yes, we can agree to
7 that.

8 Q Okay. But we're still facing higher prices now
9 for those that are not on RTP, or for the portions that
10 are not on RTP, we'll see an increase of some kind in the
11 fuel case next year?

12 A (Witness Abramovitz) That is likely.

13 Q Okay. Thank you.

14 Now, regarding Vogtle 4, the expected
15 commercial operation date of that facility is the fourth
16 quarter of next year; would you agree?

17 A (Witness Abramovitz) That's correct.

18 Q And presuming that remains the case, at some
19 point during 2023 this Commission is going to have to
20 have a proceeding to review the prudence of the remaining
21 Vogtle costs above those that have already been approved,
22 at least up to the certified amount. Would you agree
23 with me on that?

24 A (Witness Abramovitz) Yes, up to the -- if you
25 will, to the estimate that was deemed reasonable in

1 VCM 17 of \$7.3 billion. That's usually the number that
2 we, if you will, link our rate impacts to.

3 Q Okay. And so if the Commission were to find
4 that all of those costs up to the certified amount were
5 prudently incurred, can you estimate what the rate impact
6 of that increase would be from a numbers perspective?

7 A (Witness Abramovitz) I can't. In totality,
8 it's a 10 percent increase, which would also already
9 include that \$5.20 that we talked about earlier. Also,
10 remember that there is also the NCCR rate also in effect
11 so that's a portion. That would go away. It would be
12 replaced. There's a lot of other factors that go into
13 play there.

14 So, unfortunately, I can't specifically
15 estimate what the balance would be from a dollars
16 perspective to a customer bill.

17 Q Ms. Adams, do you -- last time you had an
18 answer on the other one, so I was going to double-check
19 with you just to make sure?

20 A (Witness Adams) Let me double-check what your
21 question was.

22 Q Sorry.

23 So if the Commission were to find the remaining
24 Vogtle costs that have not yet been reviewed for prudence
25 up to the certified amount, and those were all approved

1 for inclusion in the rates, do you have an estimate for
2 what the dollar rate impact would be?

3 A (Witness Adams) No, I do not.

4 Q Okay. But if -- if the Commission does that,
5 then similar to the way the Vogtle 3 mechanism is
6 working, if Vogtle 4 goes into effect and is commercially
7 operable in the end of 2023, then in the month following
8 that we would expect to see those costs incorporated into
9 rates as well?

10 A (Witness Abramovitz) That's correct.

11 Q Okay. And then in January of 2024, we'll see
12 an additional 107 million, right, based on your filing in
13 this case if it were approved?

14 A (Witness Abramovitz) That's right.

15 Q And then in 2025, another 45 million, again
16 based on this case; right?

17 A (Witness Abramovitz) That's correct.

18 Q And the company has, of course, incurred costs
19 above the certified amount in -- with regard to Vogtle;
20 would you agree?

21 A (Witness Abramovitz) We have, and I think
22 that's all been addressed in the VCM proceedings and that
23 docket.

24 Q That's right.

25 And while the company has not yet indicated it

1 will seek to recover any of those costs, it has
2 explicitly reserved the right to do so; would you agree?

3 A (Witness Abramovitz) Yes.

4 Q Okay. So given all these increases on the
5 horizon and the increase that you're seeking in this case
6 and the many challenges that all companies are facing,
7 all customers are facing, would you agree with me that
8 the Commission, the company, and, hopefully, the
9 intervenors as part of the solution should seek to be
10 innovative in order to lessen the impact of this myriad
11 of increases that we're potentially looking at? Would
12 you agree with me?

13 A (Witness Abramovitz) Yeah. As we've discussed
14 a lot today, we are sensitive to this. We are sensitive
15 to any rate change. We're always seeking a way to
16 balance the impact on our customers, but also the
17 recovery of our cost of service. This is all a true cost
18 of service. Plant Vogtle Unit 3 and 4, this case today,
19 fuel, it's all based on our cost to serve our customers.

20 Q Okay. Thank you, Mr. Abramovitz. I think that
21 covers that for me, so I'll move along.

22 Let's look at page 9 of your testimony.

23 When you get there, you have Table 1. And I
24 know some of these numbers have changed based on your
25 supplemental filing.

1 So this is where you break down the components
2 of the requested increase in this case; would you agree
3 with me?

4 A (Witness Abramovitz) That's correct.

5 Q And I want to talk with the CCR ARO. That's
6 the coal ash cleanup program; right?

7 A (Witness Abramovitz) Yes.

8 Q So regarding the coal ash cleanup program, as
9 indicated on this chart, you would agree with me that the
10 vast majority of the ECCR increase in this case is
11 related to those coal ash cleanup costs?

12 A (Witness Abramovitz) Yes.

13 Q Okay. And on this chart it shows,
14 traditionally, it actually going down by one, but in the
15 revised it's up by five, I think. But the ECCR CCR ARO
16 is 64.

17 A (Witness Abramovitz) That is correct.

18 Q So that's a significant part of the increase.

19 A (Witness Abramovitz) Uh-huh.

20 Q And the total cost of your coal ash cleanup
21 program are very significant; would you agree? I mean,
22 and, again, not as a result of state and federal
23 regulations and having to clean these up?

24 A (Witness Abramovitz) Yes, the costs are
25 substantial.

1 Q Is it somewhere around \$10 billion? Am I in
2 the ballpark?

3 A (Witness Abramovitz) Subject to check, that
4 sounds about right.

5 Q Not unlike, say, building another nuclear plant
6 almost?

7 A (Witness Abramovitz) It's a little different.

8 Q Yeah.

9 A (Witness Abramovitz) But the amounts are
10 similar.

11 A (Witness Adams) And it is over a very long
12 period of time, 15 years of maximum compliance period for
13 each ash pond, depending on which one it is. And then
14 also the 30 years of ground monitoring that needs to take
15 place. So that estimate includes all of that.

16 A (Witness Abramovitz) And I did check your
17 numbers. It's about \$9 billion versus 10.

18 Q Nine. Okay. Thank you.

19 COMMISSIONER MCDONALD: Even with that, it has
20 been discussed and documented pretty much about
21 what's out there that's got to be done.

22 Is the company still reaching out for new
23 technologies that might soften the blow of what the
24 process is in right now? I mean, there's a lot of
25 technology out there that's being discovered, being

1 researched, and even being applied in some
2 situations.

3 Is Georgia Power amenable to looking at these
4 processes?

5 MR. ABRAMOVITZ: Yes. Commissioner McDonald,
6 we're always finding -- trying to find ways to, one,
7 make sure we're in compliance with the federal and
8 state laws, but, two, to do that in the most
9 economically way possible for customers. That also
10 includes beneficial use for ash and whatnot and
11 making sure customers get the benefit of that
12 through the cost of this program.

13 COMMISSIONER MCDONALD: So the door is open?

14 MR. ABRAMOVITZ: Yes. We will always seek to
15 find the lowest cost option that keeps us in
16 compliance with federal and state laws. There is a
17 balance. Sometimes the lowest cost isn't the best
18 cost. But we try to find the best option for our
19 customers to maintain those ponds.

20 COMMISSIONER MCDONALD: We have the problem.
21 We got to do something about it; right?

22 MR. ABRAMOVITZ: Yes.

23 COMMISSIONER MCDONALD: In time.

24 MR. ABRAMOVITZ: In time.

25 MR. JONES: And thank you, Commissioner

1 McDonald, because that -- that goes into my next
2 question.

3 BY MR. JONES:

4 Q Which is that the company recently announced
5 that it believes it can mitigate some of these costs by
6 selling the coal ash for secondary market uses.

7 And I might not be using the right term, but is
8 that -- do you understand what I'm asking?

9 A (Witness Abramovitz) Yes. The term we use is
10 "beneficial use."

11 Q Okay. And can you provide us an update on that
12 effort, just out of curiosity, if you have -- know what
13 the latest status of that project is?

14 A (Witness Abramovitz) So not a whole lot of
15 specific change since the 2022 IRP, as Mr. Mitchell and
16 Dr. Barry testified to. I think in the middle of the
17 2022 IRP hearings, we did award the Bowen contracts, but
18 other than that, there hasn't been a whole lot of change.

19 Q Okay. And you would agree to keep the company
20 and interested parties updated with those efforts? Can
21 you agree to do that?

22 A (Witness Abramovitz) Without a doubt.

23 Q Okay. Great. Thank you.

24 All right. Now, let's move over to a different
25 topic on pages 13 and 14 of your testimony, and I just

1 want to try to clarify some of the language in your
2 testimony. I guess it's really at the bottom of --
3 starting at the bottom of page 13.

4 Here in this question you're talking about why
5 it's important for the company to have access to capital
6 markets under a variety of conditions? Do you agree with
7 me, that's what this is about?

8 A (Witness Abramovitz) That's correct.

9 Q And you say, starting on line 23, "For certain
10 companies with lower credit ratings this" -- I'm sorry.
11 Let me -- let me back up.

12 Before that, you were talking about the impact
13 of the COVID pandemic, in part.

14 A (Witness Abramovitz) Yes.

15 Q And the tightening of credits.

16 A (Witness Abramovitz) We used that as an
17 example, as we also did the 2008 and 2009 financial
18 crisis.

19 Q Okay. And when you say, "For certain companies
20 with lower credit ratings, this simply meant a delay of
21 noncritical business expansion and investment." Can I
22 ask which companies you're referring to?

23 A (Witness Abramovitz) So it's a general
24 statement that companies with lower credit have less
25 access to capital on a needed basis. That could be

1 long-term financing, but most of the time it's short-term
2 financing, so it's what we call commercial paper.

3 And companies with lower credit ratings have a
4 lower standard of credit, if you will, or commercial
5 paper rating. And sometimes, in times of financial
6 distress, even if it's for the company or if it's
7 national or international distress, those companies are
8 shut out. And that's why it's so important that we
9 maintain our financial integrity.

10 Q Okay. But just going back to what you said, I
11 mean, it is in your suggestion that for companies that
12 don't have a credit rating like Georgia Power Company and
13 might not be a utility, that the only impact of this
14 constrained credit market was delaying noncritical
15 business expansion and investment?

16 A (Witness Abramovitz) It's an example. It's
17 not the only impact.

18 Q Okay. In fact, many companies that were
19 non-utilities faced, in fact, existential challenges as a
20 result of COVID, would you agree?

21 A (Witness Abramovitz) They did, but a company
22 like Georgia Power that provides a necessary utility,
23 electric service, it is in everybody's best interest, the
24 state and our customers', that this company maintains its
25 financial integrity.

1 Q Right.

2 But I just want to make sure that you
3 understand that there are other companies that face
4 challenges that go beyond sort of noncritical expansions?

5 A (Witness Abramovitz) Yes. I think
6 Commissioner McDonald and I talked about that earlier
7 today.

8 Q Okay. Thank you.

9 All right. Now, let's skip over to page 40. I
10 think this is the last line of questions. And Chairman
11 Pridemore raised this question with you earlier, and I'd
12 like to follow up on it.

13 MR. JONES: And, Chairman Pridemore, I have a
14 handout for this, but I'm going to try to ask these
15 questions without doing that so that we can move it
16 along.

17 BY MR. JONES:

18 Q Here we're talking about -- or your testimony
19 is talking about amortization periods for the coal units
20 that are being retired as a result of the IRP
21 decision; is that right?

22 A (Witness Abramovitz) That's correct.

23 Q And as Ms. Adams I think --

24 A (Witness Adams) Although, to clarify, it's not
25 speaking to Wansley. It's speaking to the future

1 retirements.

2 Q Okay. Yeah. That's good. Thank you. Good --
3 good clarification.

4 And, Ms. Adams, as you said earlier regarding
5 Scherer Unit 3, which I believe is what Chairman
6 Pridemore asked about, the original expected life of that
7 plant went to 2047; is that right?

8 A (Witness Adams) That's correct.

9 Q Okay. And in this case, with Scherer Unit 3
10 now being retired at the end of 2028 -- right?

11 A (Witness Adams) That's right.

12 Q -- the company proposes in this case to
13 depreciate it through 2028 and then collect any remaining
14 unamortized balance by the end of 2031; right?

15 A (Witness Adams) Yes, and I would add that --
16 so to depreciate it to 2028, but then defer some of that
17 depreciation so that we come to the outcome of collecting
18 it over nine years rather than the five years.

19 Q Right.

20 So starting in 2023 through 2031, that's where
21 you get the nine years?

22 A (Witness Adams) Correct.

23 Q But that shortens it by about 16 years from
24 what the original expected life of the plant is; is that
25 right?

1 A (Witness Adams) Maybe 19 years.

2 Q Okay. 19 years. Thank you.

3 A (Witness Adams) Oh, sorry. That is 16 years.

4 Q I think it's 16.

5 A (Witness Adams) I'm thinking the nine-year

6 recovery.

7 Q At this late hour --

8 A (Witness Adams) You're right.

9 Q -- I was trusting your math over mine. I

10 didn't go to law school because I was good at math, so...

11 Now, just thinking back to the IRP case,

12 though, would you agree with me -- and I've got a

13 transcript we can go through, and it would take time, but

14 I don't think this will be controversial to say that that

15 depreciation -- well, that I asked in that case and the

16 company agreed that the depreciation study in the last

17 rate case used 2047. We've already agreed with that as

18 the retirement date for Scherer 3.

19 A (Witness Adams) That's right.

20 Q And then in the IRP, the company did not take a

21 position or did not state a position regarding over what

22 period it would seek to recover the unamortized balance

23 of the earlier retired plant; right?

24 A (Witness Adams) That's correct.

25 Q Okay. So that became an issue in this case.

1 And in that -- I'll ask to you accept, subject to check,
2 that I asked whether that accelerated recovery would put
3 upward pressure on rates.

4 Would you agree with me that it does, as
5 opposed to recovering it over the original useful life of
6 the plant?

7 A (Witness Adams) For the current time frame,
8 yes, it would. By just accelerating it to the 2028 date,
9 it puts upward pressure on rates, and then we proposed --
10 well, I don't remember the individual for Scherer 3, but
11 a \$60 million deferral with the supplemental. So to
12 defer that 60 million each year through these three years
13 through part of the next case to be retired -- I'm
14 sorry -- recovered up through 2031.

15 Q '31.

16 And so -- and when the company conducted a unit
17 retirement study in IRP, it didn't take into account the
18 possible accelerating this depreciation, did it?

19 A (Witness Adams) Not that I'm aware of, no.

20 Q Okay. And after 2028, when Plant Scherer
21 Unit 3 is retired, at that point, the unit is no longer
22 going to be used fully, would you agree?

23 A (Witness Adams) After 2028?

24 Q Yes.

25 A (Witness Adams) It won't be generating

1 electricity at that point.

2 Q Right. But --

3 A (Witness Abramovitz) But the company did make
4 an investment in a generating unit to serve customers for
5 decades.

6 Q Right.

7 And the expectation was that was going to be
8 depreciated until 2047?

9 A (Witness Abramovitz) That's right. And we've
10 tried in this request to strike a balance here of not
11 extending the recovery of that investment all the way to
12 the original retirement date and advancing it to sooner.

13 A (Witness Adams) And I believe the unit
14 requirement study looked at continuing to run that unit
15 until 2047, so that would have been the -- the assumption
16 is that would have continued to run, versus retiring
17 early and not running.

18 Q But would you accept, subject to check, that
19 Georgia Power testified in this hearing room that it did
20 not consider an accelerated depreciation in doing its
21 cost analysis of whether to retire the unit early or not?

22 A (Witness Adams) I would have to take that
23 subject to check.

24 MR. JONES: Okay. Madam Chair, that's all I
25 have. Thank you very much.

1 MADAM CHAIR PRIDEMORE: Thank you, Mr. Jones.

2 Georgia Coalition of Local Governments.

3 CROSS-EXAMINATION

4 BY MS. BROWN:

5 Q Good evening, panel. Alicia Brown for the
6 Georgia Coalition of Local Governments.

7 A (Witness Abramovitz) Good evening.

8 A (Witness Adams) Good evening.

9 A (Witness Robinson) Good evening.

10 Q If I can direct you to you page 47 of your
11 testimony.

12 A (Witness Robinson) 4-7?

13 Q 47, yes, line 12.

14 The company is requesting to recover a
15 regulatory asset balance of \$786,000 for making hourly
16 usage data available to residential and commercial
17 customers. What all is included in those costs?

18 A (Witness Houston) I have seen the details for
19 that was broken down to a few components that I'm trying
20 to remember now. I think some of it was data conversion,
21 management of the data, just some various costs like
22 that.

23 A (Witness Adams) Just to add, that that was an
24 agreement through the 2019 rate case to defer those costs
25 to have them recovered in this period.

1 Q So which customers are able to access that data
2 at this point with the work that's been done so far?

3 A (Witness Adams) It's available online. So if
4 you have an account with Georgia Power on their website,
5 you're able to see that. To my knowledge, it's --

6 A (Witness Abramovitz) Yeah, I mean, I --
7 personally, I actually used it yesterday.

8 Q Is that free for both residential and
9 commercial customers or just residential?

10 A (Witness Adams) It's my understanding it's
11 both, unless they're on the RTP rates, which is -- and
12 there's some certain rates, and Mr. Legg may be able to
13 help. Certain customers who are on specific rates get
14 data through another source.

15 Q Would that other source be Energy Direct?

16 A (Witness Adams) Yes. Thank you.

17 Q So would it surprise you to know that, as a
18 commercial customer, putting on my city hat at the
19 moment, I am -- we are charged \$50 per meter per month
20 for that hourly usage data that is now being sought for
21 cost recovery?

22 A (Witness Abramovitz) I think we were unaware
23 of that.

24 Q And, in your opinion, is it appropriate to
25 charge customers for hourly usage data and then come to

1 the Commission and ask for cost recovery?

2 A (Witness Abramovitz) It really would depend on
3 the specific agreement between each customer and the type
4 of customer. Beyond that, I probably can't address that
5 any further.

6 Q Okay. So this next question probably isn't
7 appropriate for you.

8 Would these be best directed to Witness Legg?

9 A (Witness Abramovitz) Potentially.

10 Q Okay. So moving on to page 13 of your
11 testimony.

12 A (Witness Abramovitz) What was that page
13 number, again?

14 Q 13.

15 Specifically looking at line 12 and this
16 earnings sharing mechanism that you have.

17 A (Witness Abramovitz) Yes, the authorized
18 earning band?

19 Q Yes, the authorized earning band.

20 You mentioned in an earlier round of the
21 questioning that this sharing mechanism whereby you earn
22 above the 12 percent ROE band where you get to keep
23 20 percent of that, it increases efficiencies for the
24 company.

25 Can you explain what you mean by "increases

1 efficiencies"?

2 A (Witness Abramovitz) Sure. So it incentivizes
3 the company to continue to find ways to make its costs
4 lower, right, and balance that reliability and resiliency
5 charge that we have and safety charge that we have. But
6 it also says, hey, find a way to do our service -- our
7 cost of service as economically and as efficiently as
8 possible from a cost perspective.

9 So when we earn in that ROE band, we still are
10 trying to find ways to maximize that benefit, if you
11 will, for customers and find ways reduce our cost. But
12 then when we go above it, there is that small carrot for
13 the company to say, well, you get to keep a portion of
14 that, but the majority of that, the vast majority, goes
15 back to customers.

16 Q So it's basically just an even bigger carrot
17 than the upper portion of the band?

18 A (Witness Abramovitz) I would say it is a
19 similar. I wouldn't call it an "even bigger carrot."
20 Just remember here, the authorized ROE band, which now is
21 9 and a half percent to 12 percent, which matches our
22 current request as well, allows the company to work
23 within a margin for three years and keep rates stable and
24 predictable.

25 And we take revenue risks. We take weather

1 risks. We also take that opportunity as well, but each
2 and every day, we are incentivized to operate our
3 business as efficiently as possible from a cost
4 perspective.

5 Q Okay. And then let's move on to page 49 where
6 you talk about the Grid Investment Plan. 49, yes.

7 There's been a lot of numbers thrown out, but
8 let's see if I got in the right neighborhood.

9 Since over the past 20 -- 2020 to 2022 it was
10 around 4.9 billion that's been spent on transmission
11 upgrades?

12 A (Witness Robinson) So 4.9 was total T & D
13 budget, so transmission and distribution budget over the
14 last three years.

15 Q Okay. And the company is proposing to invest
16 an additional 2.2 billion over the next three years?

17 A (Witness Robinson) No, an additional
18 6.8 billion over the next three years. The 2.2 that you
19 referred to on line 20 is the three years for the Grid
20 Investment Plan.

21 Q Okay. So since those investments have been
22 made over the past three years, has there been a
23 demonstrable increase in reliability as measured by the
24 SAIDE index or SAIFI or any of those reliability metrics
25 that we look at?

1 A (Witness Robinson) So what do you mean by
2 increase in reliability? "Reliability" is a little bit
3 of a funny term, because increase can mean a negative or
4 a positive thing based on how you use it.

5 Q Have we seen a reduction in the frequency or
6 duration of interruptions on the system?

7 A (Witness Robinson) So for -- there's two
8 components of SAIDE and SAIFI. There's transmission and
9 distribution. Transmission has been essentially flat
10 over that three-year period. Distribution has -- has
11 tended to -- on the negative side. It's gotten worse.
12 But that is the basis behind our Grid Investment Plan,
13 particularly on the D side, on the distribution side, is
14 there is these under -- underlying, underperforming
15 feeders that are continuing to drive SAIDE up, SAIDE
16 performance, so worsening of reliability.

17 We will continue to see that as we invest
18 through the Grid Investment Plan, and then eventually we
19 will start to see those numbers come back down at the end
20 of the program, an ultimate system-level SAIDE of
21 80 minutes versus where we are right now of 120, 425,
22 subject to check.

23 A (Witness Adams) For specific circuits that
24 have been replaced through the distribution Grid
25 Investment Plan, they have seen improvements.

1 A (Witness Robinson) We have. So we have
2 completed 11 circuits or feeders that have 15 months of
3 performance. And what we're seeing there is about a
4 65 percent improvement of those SAIDE and SAIFI. It's a
5 small population. We've very encouraged by that. But it
6 is more than what we had expected through the investment
7 looking at the front end for the packages that we put
8 together.

9 The other thing about SAIDE and SAIFI is it is
10 highly dependent on whether, you know, we could have --
11 you know, I mentioned, as Mr. Walsh had asked me, about
12 whether storms were included. Well, major event days are
13 not included, but we do have some storms that are
14 included, that are not excluded from those numbers, and
15 those are incorporated, as we have a very busy season
16 this season for this year versus, like, last year.

17 Q And in making these investments, and it sounds
18 like there's been a lot of good outcomes from the work
19 that's been done so far, but we are looking at
20 \$6.8 billion against the backdrop of all these other rate
21 increases.

22 What has been done to see where customers are
23 on the balance between, you know, one fewer hour of
24 outages versus the cost that they're going to be asked to
25 bear for this?

1 A (Witness Robinson) So let's not confuse
2 numbers. The 6.8 billion is the total transmission and
3 distribution investment over the next three year. What
4 we're proposing for the Grid Investment Plan is 2.2.
5 About -- subject to check, about half of that is
6 distribution. So about one -- subject to check, 1.2,
7 1.3 billion for distribution investment. That's where
8 you're going to see the reliability improvement.

9 But there are other things that drive capital
10 investment in T&D for that 6.8. New business, as I
11 mentioned before, changes in generation, commitments for
12 DOT projects, failure of equipment, aging infrastructure,
13 all of those things drive a T&D investment and don't
14 necessarily have a direct impact on reliability.

15 Q But, still, a billion dollars is a lot of
16 money.

17 So what has been done to see if the cost that's
18 being -- that's going to ultimately come from customers
19 is something that they deem worth it?

20 A (Witness Robinson) So a very good question.
21 As I mentioned before, the economic benefit analysis,
22 REC 1-1, that we talked through earlier shows the
23 economic benefit analysis that we put into the program to
24 show that our investment range is an optimal range for
25 customers.

1 And the customers will have value from that
2 investment when you balance revenue requirements, total
3 cost of reliability to customers, the O&M savings that we
4 have, and then when you look at that compared to a
5 do-nothing scenario that that -- you know, our EBA shows
6 that that investment is in the best interest of
7 customers.

8 Also, from our reliability surveys that we have
9 or customer satisfaction surveys that we do throughout
10 the year, we continually see that reliability is at the
11 top of the list for customers, particularly residential
12 customers, the number one thing that they value in
13 electric service.

14 Q Are those surveys subject to the traditional
15 expectation that it represents a variety of incomes, a
16 variety of ages? Because just looking at the public
17 comment we received this morning, I'm sure there's some
18 single mothers that would not put reliability as high as
19 simply paying the bill.

20 A (Witness Robinson) I can't speak to who is --

21 MADAM CHAIR PRIDEMORE: And does that single
22 mother have to heat her children's food? Does she
23 have to keep them cool in the middle of the summer?

24 MS. BROWN: We're talking about an interruption
25 of a couple of hours with what the current rate is.

1 MADAM CHAIR PRIDEMORE: Are you suggesting
2 brownouts are an option?

3 MS. BROWN: No, ma'am, I'm not.

4 MR. ROBINSON: There are feeders on our system
5 that have a SAIDE of 600. 600 minutes of
6 interruption, that's ten hours throughout the entire
7 year. I would venture to guess that that's
8 unacceptable for any customer.

9 BY MS. BROWN:

10 Q Sure.

11 A (Witness Abramovitz) And we have to take into
12 account the needs of all 2.7 million of our customers.
13 And, yes, we take very seriously the impact to rates and
14 reliability for lower income as well, but we have to look
15 at the greater system and the system reliability of all
16 2.7 million customers and then also the entire state's,
17 as we do have that responsibility as well with our ITS
18 customers.

19 A (Witness Robinson) And that's why we do -- we
20 look at those investments on the system level, looking at
21 system benefits so all customers benefit from that
22 investment, not just at a feeder by feeder or package by
23 package, as we talked earlier.

24 Q But to clarify, you don't have any income data
25 on who's taking your surveys?

1 A (Witness Robinson) We do have data in the EUE
2 study, in the Expected Unserved Energy study that was
3 done in 2012. We do have data from those customers. I
4 haven't seen that data, but there were multiple customers
5 that were interviewed, residential, commercial, and
6 industrial. There was a whole questionnaire process that
7 was done.

8 They were done at random, so I assume that we
9 were capturing a good broad base of our customers. But
10 that is the information that was used to evaluate the
11 cost of reliability that customers see from outages.

12 Q Okay. And then last question. So out of the
13 overall, not just the grid investment, but out of the
14 overall 6.8 billion, is any of that going towards moving
15 generation from South Georgia to North Georgia in the
16 North Georgia reliability plan that was brought up in the
17 IRP?

18 A (Witness Robinson) No, because that plan is
19 still under development with the ITS participants. As we
20 agreed to in the IRP, we will come back to the Commission
21 and update the Commission and staff on those plans.
22 Those are ongoing. They're going very well.

23 But it does -- those plans do show that we are
24 going to have to have investment in transmission in the
25 state, as I testified in the IRP. You can't retire a

1 bunch of generation in North Georgia where all your load
2 is, develop a bunch of solar in South Georgia, and not
3 have the transmission to support that.

4 Q Will that request come before the next rate
5 case?

6 A (Witness Robinson) Which request?

7 Q For the new transmission facilities.

8 If those studies are complete in the next year
9 or two, will you come and request permission to build
10 those facilities now?

11 A (Witness Robinson) So we are not the only
12 transmission provider in the State of Georgia, and
13 because of our parity positions today, there are other
14 participants that will likely build those transmission
15 investments and not Georgia Power Company. We will bring
16 whatever cost that we have through the rate case process
17 and develop the IRP process, and we will follow that
18 process.

19 There's also the ITS and the planning process
20 that we have here that's already established. We bring
21 forward investment, we plan the system in conjunction
22 with GTC, MEAG, and the City of Dalton.

23 Q Okay. Thank you.

24 MADAM CHAIR PRIDEMORE: Georgia Conservation
25 Voters. Georgia Conservation Voters?

1 Georgia Solar Energy Industries Association.
2 Solar Energy Industries Association and Vote Solar.

3 CROSS-EXAMINATION

4 BY MR. THOMASSON:

5 Q Scott Thomasson on behalf of GSEIA, SEIA, and
6 Vote Solar. I only have a few questions about the DER
7 management program that you mentioned on page 17 of your
8 testimony, and I think, Mr. Robinson, you mentioned in
9 your answer to Chair Pridemore earlier.

10 The company's proposing to invest roughly a
11 hundred million dollars in DERMs technology over the next
12 three years; is that correct?

13 A (Witness Robinson) Over the next three years,
14 that's correct.

15 Q Okay. What types of expenses -- without
16 getting into the weeds, but what types of expenses are
17 included in that?

18 A (Witness Robinson) So a DERM system, so
19 Distributed Energy Resource Management System, is a
20 technology that is evolving. As the needs evolve with
21 utilities with distributed energy resources, a company
22 our size, nobody has implemented a DERM system to the
23 size of what Southern Company is needing. And it's not
24 just Georgia Power, it's all of the operating companies.
25 Because we do centralized dispatch in the southern

1 balancing area, all of those resources have to be
2 integrated together.

3 And so for Georgia Power's costs, we just
4 estimated what our transmission energy management system
5 is, the cost to Georgia Power Company for that software,
6 which is, I believe, trade secret.

7 And then that was about half -- about half the
8 cost, and then the other half of the cost is the
9 technology for enabling those distributed energy
10 resources and all the technology associated with, whether
11 it's fiber communication paths, establishing
12 communication through wireless technology, through
13 gateways to communicate with those, to have visibility
14 and control of those that we have contractual control
15 over.

16 Q You mentioned the need for these investments on
17 Georgia Power's system and Southern Company's system for
18 the other OpCos.

19 The level of install capacity for DERs is still
20 pretty low on Georgia Power's system, is it not?

21 A (Witness Robinson) We have quite a bit and I
22 believe we submitted that in the data request as far as
23 all the DER that's connected to the system.

24 Q I think the number is just shy of
25 2800 megawatts. Does that sound right?

1 A (Witness Robinson) Of distributed energy
2 resources?

3 Q In your data response.

4 A (Witness Robinson) So is that behind the
5 meter, ahead of the meter, that can run parallel, that
6 cannot run in parallel. I don't think we differentiated
7 in our response.

8 Q I don't think you did, no.

9 A (Witness Robinson) 2800 megawatts is a
10 significant amount of distributed energy resources. What
11 we are proposing, and it's very in line with IEEE
12 standards, is the ability to have visibility control and
13 dispatch ability over resources that are distributed
14 throughout the system.

15 When we look at centralized dispatch, we need
16 to know when those systems are running, how reliable they
17 are, if they're controllable by the company, as in the
18 RDER program that was the pilot that was approved in the
19 IRP. We need to have the ability to interface with
20 those.

21 As I mentioned before, we have distribution
22 operators that are now interfacing with technology
23 they've never interfaced with before. They're
24 interfacing with these battery systems and solar systems
25 and behind-the-meter systems, and so we have to have this

1 technology to be able to reliably operate the system and
2 ultimately do centralized dispatch that brings reliable
3 service to this -- State of Georgia, as well as our
4 southern balancing area that we have.

5 Q So the company's position is that there's
6 enough installed DER capacity on the system now to
7 justify this \$100 million investment?

8 A (Witness Robinson) With the current
9 distributed generation RFPs that have been approved by
10 this Commission, with the RDER program, with the existing
11 DER that we have on the system, with the requirement that
12 is in our 2020 interconnection agreements moving forward,
13 Southern Company interconnection agreements that require
14 visibility and control of anything that can parallel with
15 a system of 250 kW and above.

16 We're also requiring to retro that in our rules
17 and regs so that we have the ability to have visibility
18 of those systems. And it is essential for us to reliably
19 operate the system as we move forward. Just the amount
20 of DER that's coming at us is -- is coming at us all at a
21 very quick pace, and so we've got to deploy this
22 technology to stay ahead of that to ensure the reliable
23 operation of the system.

24 Q Quick clarification on the rules and regs,
25 since you mentioned them.

1 The current proposal in this filing is for
2 changes to systems only over 250KW; right?

3 A (Witness Robinson) Correct. That can parallel
4 with the system.

5 Q Right.

6 A (Witness Robinson) Not those that break before
7 megawatt.

8 Q For various --

9 A (Witness Robinson) For emergency purposes,
10 correct. And that's all defined in IEEE standards.

11 Q Is the company anticipating that the scope of
12 that may be expanded to systems smaller than 250KW?

13 A (Witness Robinson) Not at the moment. Now, if
14 we see the need to from a reliability perspective, we
15 will engage this commission on the need for that. But
16 right now we're aligning our practices with IEEE
17 standards that have been put in place and that's there at
18 the 250KW and above.

19 Q Has the company looked at other utilities that
20 are making this type of investment in DERMS at this level
21 of --

22 A (Witness Robinson) We have.

23 Q -- installed capacities?

24 Are there examples that the company can point
25 to for -- you know that this is a common practice?

1 A (Witness Robinson) So Florida Power and Light
2 are about the same place we are with distributed energy
3 resource deployment. We talk to them all the time about
4 their practices. There are other utilities that have the
5 250KW and above requirement as well.

6 Q Are their investment levels similar?

7 A (Witness Robinson) I'm sorry?

8 Q Are their investment levels similar to what
9 you're proposing in this? Do you know?

10 A (Witness Robinson) We don't know. We have an
11 RFI, request for information, out for Market 13 DER
12 providers, or DERMs providers -- sorry -- currently right
13 now, so we'll be evaluating what we get back from those
14 13 companies and try to establish a better cost as we
15 move towards an RFP.

16 But the request for proposal for installation
17 of a DERM system will come next year. And we'll have a
18 better idea of cost then. But just the best guess that
19 we had was the information that we have on similar-type
20 technology deployments.

21 Q In that process you described so far, has the
22 company attempted to quantify any of the benefits from
23 this one -- this \$100 million investment?

24 A (Witness Robinson) Define "benefits." I think
25 I talked about reliability.

1 Q O&M savings, reliability benefits. I mean,
2 it's an open question. I think you were saying you had
3 not quite established the cost. I guess I'm asking --

4 A (Witness Robinson) Correct.

5 Q -- you also have not quite established what you
6 might -- what you think the benefits might be and whether
7 they're quantifiable at all?

8 A (Witness Robinson) I don't think they're
9 quantifiable. I think the need for DERMs is here. I
10 mean, it is required. It's not something that you go run
11 a cost benefit analysis on. It's just like a SCADA
12 system, which is the Supervisory Control and Data
13 Acquisition that we have in the distribution system.

14 Very much like our transmission EMS, or Energy
15 Management System, it is a control system that is
16 necessary for us to operate and control the system in a
17 reliable fashion moving forward.

18 Q So the company doesn't have any intention or
19 plans to run a cost benefit analysis?

20 A (Witness Robinson) We will look at the RFPs
21 that we get back from market and make the best decision
22 as it relates to deployment across Southern Company, as
23 well as the technology needs associated with connecting
24 those devices to -- to that system.

25 And the other thing I would point out from the

1 '22 IRP is that the Commission ordered the company to
2 consider demand-side programs and future RFPs moving
3 forward, and those -- those type of systems will require
4 a DERM system as well.

5 Q Okay. That's all I have.

6 A (Witness Robinson) Thank you.

7 Q Thanks.

8 MADAM CHAIR PRIDEMORE: I'm sorry. I forgot
9 Georgia Interfaith Power and Light. It wasn't
10 personal.

11 Ms. Whitfield, your witnesses.

12 MS. WHITFIELD: Thank you, Madam Chair.

13 And if it is okay with Georgia Power and with
14 the Commissioners, I would like Ms. Kysor to pass
15 out all of my potential exhibits.

16 MADAM CHAIR PRIDEMORE: I love that idea.
17 Please go forward, Ms. Kysor, with haste.

18 MS. WHITFIELD: And we can address them, of
19 course, one by one as they come up.

20 CROSS-EXAMINATION

21 BY MS. WHITFIELD:

22 Q Hello, panel. My name is Jennifer Whitfield.
23 I am an attorney for Georgia Interfaith Power and Light.

24 A (Witness Abramovitz) Good evening.

25 Q Good evening. I'd like to talk about profit.

1 Turning to page 11 of your testimony, beginning
2 at line 12 to the bottom, that's where you discussed the
3 challenging market conditions that have faced Georgia
4 Power and all businesses essentially across the United
5 States. You talk about a volatile economic environment
6 related to the pandemic, inflation markets, and general
7 global economic challenges.

8 Despite these, would you agree that Georgia
9 Power has still had very strong profits over the past few
10 years?

11 A (Witness Abramovitz) We've earned within our
12 allowed ROE bands for the past few years.

13 Q In fact, in 2021, the top of the earnings band,
14 as we've discussed, was 12 percent return on equity;
15 correct?

16 A (Witness Abramovitz) That's correct.

17 Q And Georgia Power that year earned more than
18 12 percent?

19 A (Witness Abramovitz) We shared \$14 million
20 above that band.

21 Q And in 2020 -- so yes.

22 In 2020, the top of the earnings band was
23 12 percent still, and Georgia Power earned nearly
24 12 percent that year, despite it being the year of COVID?

25 A (Witness Abramovitz) Yes, our retail return

1 equity was 11.89 percent.

2 Q Are you aware that Georgia Power has
3 consistently had among the highest authorized rate of
4 return among -- across all vertically integrated electric
5 utilities?

6 A (Witness Abramovitz) So I'm aware that we have
7 a set point that we set our rates on, and we have an
8 authorized ROE band and very frequently reminded of how
9 we compare to others in the industry.

10 Q Well, let's talk about that comparison.

11 In front of you, hopefully, is GIPL Exhibit 1.

12 (The document referred to was marked for
13 identification as GIPL Exhibit 1.)

14 BY MS. WHITFIELD:

15 Q And are you familiar with S&P Capital IQ?

16 A (Witness Abramovitz) I am.

17 Q Are they a reliable source?

18 A (Witness Abramovitz) They are.

19 Q And this exhibit, it demonstrates the electric
20 ROE authorizations for vertically integrated electric
21 utilities for basically over the past decade.

22 A (Witness Abramovitz) Yes, I can see that.

23 Q Okay. So let's look at 2019.

24 2019 was the last rate case; correct?

25 A (Witness Abramovitz) For Georgia Power

1 Company, correct.

2 Q Correct.

3 And the highest authorized ROE among all
4 electric vertically integrated utilities that year,
5 according to this chart, was 10 and a half percent;
6 correct?

7 A (Witness Abramovitz) That's what the chart
8 says.

9 Q Do you know who that was?

10 A (Witness Abramovitz) Our set point was set at
11 10.5 percent by this Commission. What I'll -- let me
12 elaborate a little bit here. Everything we're asking for
13 in this case today is based on our cost to service. This
14 11 percent set point that is backed up by very detailed
15 and market-driven analysis of Mr. Coyne is based on our
16 cost of service. It is specific to Georgia Power.

17 Yes, it takes into account other utilities,
18 cash flow analysis, CAPM analysis, discounted cash flow,
19 things like that. This was very specific to Georgia
20 Power, and it's what we believe and what is required to
21 serve our customers.

22 Q And, in fact, Mr. Coin's analysis takes up
23 proxy group of companies, right, that he deems to be
24 generally of the same risk as Georgia Power?

25 A (Witness Abramovitz) He does.

1 Q And he analyzes the expected ROE for those
2 companies over the relevant period?

3 A (Witness Abramovitz) He does.

4 Q And he uses that analysis to come up with a
5 recommend authorized ROE for Georgia Power?

6 A (Witness Abramovitz) And that recommended,
7 authorized set point for Georgia Power Company was
8 11 percent.

9 Q But did Mr. Coyne come and look at your books
10 and look at sort of how you were operating on a
11 day-to-day basis? I mean, he didn't do a deep dive on
12 Georgia Power Company, did he?

13 A (Witness Abramovitz) So Mr. Coyne can address
14 his analysis in detail, but his analysis is focused on
15 the market's requirement and investor's requirement, not
16 on the operations of the Georgia Power Company or its
17 peers.

18 Q And that's -- the market requirement is the
19 requirement we're talking about here; right?

20 A (Witness Abramovitz) That's correct. So as
21 this commission is aware, when we invest capital on
22 behalf of our customers for the State of Georgia, we
23 finance that with debt and equity. And just like debt
24 holders have a coupon rate, investors and equity holders
25 have a required return equity to attract capital and to

1 actually invest money in a business.

2 Q I'm glad you mention that.

3 I'd love to hear your perspective as the CFO of
4 Georgia Power. I imagine this is something you spend a
5 lot of time thinking about.

6 What is it for you, not for -- not for
7 Mr. Coyne, but what is it for you that you believe equity
8 investors need to invest in Georgia Power?

9 A (Witness Abramovitz) Our equity investors
10 require an 11 percent return on equity to invest in
11 Georgia Power.

12 Q Is that, when you're meeting with the CEO, what
13 you're saying to the CEO too?

14 A (Witness Abramovitz) It's what the market
15 requires.

16 Q Okay. So let's look back at the chart, and
17 we'll look at 2022. And this includes -- this was
18 published, you can see at the bottom left, on August 9th,
19 2022, and so this only includes data through then.

20 But can you see that the average authorized ROE
21 so far this year is 9.47?

22 A (Witness Abramovitz) I can see that. And I'll
23 just reiterate that our request is specific to Georgia
24 Power Company. I'm unfamiliar with the other case
25 requirements and other, if you will, rate cases going on,

1 the specifics of the other rate cases going on in the
2 country.

3 Q Okay. So if Georgia Power earns 11 and a half
4 percent, it would keep all of that additional profit as
5 well; correct?

6 A (Witness Abramovitz) If we earned within our
7 allowed ROE band and if that allowed ROE band by this
8 commission was what we requested, which is 9 and a half
9 to 12 percent, then, yes, our return equity would be 11
10 and a half percent.

11 Q And it could be 11.99 percent?

12 A (Witness Abramovitz) And it could 10 or 9.75
13 as well.

14 Q Okay. And that's 2.5 percentage points higher
15 than the average return on equity authorized this year in
16 the United States?

17 A (Witness Abramovitz) So, again, I'll caution
18 you on using point estimates here. This chart does not
19 get into the other rate structures of other
20 jurisdictions. Other jurisdictions have bands similar to
21 ours or actually evaluate ROE on broader cost of capital.
22 So just to look at an authorized ROE in a form like this
23 or a chart like this may be a little short on details.

24 Q So when you say they might evaluate ROE based
25 on a broader cost of capital, what do you mean by that?

1 A (Witness Abramovitz) They take into account
2 capital structure, different adjustments for performance
3 of the utility. It really just depends on the
4 jurisdiction. But this chart talks about ROE
5 authorizations, and even going back to 2019, if I'm
6 looking at this chart, I would question it.

7 If I'm looking at it as the uninformed, our
8 authorized ROE band is 9 and a half percent to
9 12 percent, so why doesn't the chart go all the way down
10 to 9 and a half and go up to 12 percent?

11 Q Well, because your authorized ROE is the one
12 you used to set rates; right?

13 A (Witness Abramovitz) That is a set point for
14 ROE. That's not an authorized ROE. That is what our
15 cost of service is based on. Our authorized ROE is the
16 band, the 9 and a half to 12 percent.

17 Q Interesting.

18 So it's Georgia Power's position, then, that it
19 has a 12 percent authorized ROE?

20 A (Witness Abramovitz) We have the ability and
21 we are authorized to earn between 9 and a half to 12
22 percent. It is a band.

23 Q So yes?

24 A (Witness Abramovitz) It is a band. It's a
25 range of margin to operate between.

1 Q Okay.

2 A (Witness Adams) And within that, also, the
3 customers continue to just pay based on the set point,
4 because we set that for that three-year period.

5 A (Witness Abramovitz) That's a very good point.
6 So when we earn at, I don't know, its current set point
7 at 10 and a half, we earn an 11, the customer still pay
8 10 and a half. We earn at 10, the customers still pay 10
9 and a half. The set point for rates that establishes the
10 appropriate cash flow for this company so that we can
11 service our debt and make sure we maintain our financial
12 integrity, our request is 11 percent return on equity.

13 Q Okay. And you've mentioned a number of times
14 that there are specific features about Georgia Power that
15 require a much higher ROE than what we're seeing on this
16 chart.

17 Can you tell us what some of those are?

18 A (Witness Abramovitz) I don't believe I
19 mentioned that.

20 Can you be more specific on the examples I
21 gave?

22 Q You mentioned that the ROE requested for
23 Georgia Power was very company specific.

24 A (Witness Abramovitz) It is.

25 Q So it was -- yeah, go ahead.

1 A (Witness Abramovitz) It is based on
2 Mr. Coyne's detailed market analysis and it's what the
3 market requires.

4 (The document referred to was marked for
5 identification as GIPL Exhibit 2.)

6 BY MS. WHITFIELD:

7 Q Okay. Let's take a look at the next exhibit in
8 front of you, which is marked as GIPL Exhibit 2, and this
9 is the response to Staff Request PIA-3-2.

10 A (Witness Abramovitz) Okay.

11 Q And it's labeled ASR Sharing.

12 Are you familiar with this graph?

13 A (Witness Abramovitz) Yes.

14 Q Okay. Could you just describe in plain English
15 what this graph reflects?

16 A (Witness Abramovitz) So this graph is the
17 annual surveillance report sharing, and it's what the
18 company has retained as part of the sharing mechanism
19 since 2013 through 2021.

20 Q Okay. So if we look at line 1 in this graph,
21 that's the additional revenue requirement collected from
22 customers above the ROE band.

23 So in recent years, that would be 12 percent;
24 correct?

25 A (Witness Abramovitz) Yes. Since 2019, it was

1 12 percent.

2 Q Okay. And in the past ten years, would you
3 agree that that's approximately \$380 million that the
4 company has collected from customers above 12 percent?

5 A (Witness Abramovitz) Yes, and as I said in my
6 opening remarks today, we've returned 300 million of that
7 back to customers.

8 Q And I heard that, and I think it's really
9 interesting.

10 As an accountant, what does it mean to you to
11 have a dollar in your pocket today versus a dollar in
12 your pocket tomorrow?

13 A (Witness Abramovitz) I'm not sure of what your
14 question is.

15 Q So you don't think that there's a difference in
16 value between having a dollar today that you can spend
17 right now, versus if I gave you my dollar, and you gave
18 it back to me next year? You don't think it loses some
19 money for me as a customer?

20 A (Witness Abramovitz) Here's what I do know is
21 we've operated within the authorized ROE band of this
22 commission since it was set, and rates are set at a
23 certain ROE, and there's an authorized ROE band that has
24 changed over time, and I think since 2013, it's been up
25 to 12 percent and down to 9 and a half or 10 percent.

1 And we continue to operate within those parameters.

2 Q And this money that we had talked about that
3 had been collected from customers over the top of the
4 band, the company had to pay taxes on some of that?

5 A (Witness Abramovitz) So we do pay taxes on
6 revenue, net it with expenses. So, yes, there is a tax
7 requirement. That's why we talk in terms of revenue
8 requirement and we talk in terms of revenues.

9 Q Okay. So not all the money can go back to the
10 customers? Not exactly 80 percent, is it?

11 A (Witness Abramovitz) No, it's 80 percent of
12 the revenue equivalent over collection goes back to
13 customers.

14 Q Okay. Would you support a structure -- I think
15 I know the answer to this -- that would require Georgia
16 Power to use all of the money it earns above the band to
17 directly benefit customers?

18 A (Witness Abramovitz) I would support the
19 structure that we have requested in this case.

20 Q All right. Let's get a little more concrete
21 and talk exactly about how the return on equity impacts
22 customer bills.

23 MADAM CHAIR PRIDEMORE: Concrete and brevity
24 are good.

25 MS. WHITFIELD: I support you, Chairwoman.

1 (The document referred to was marked for
2 identification as GIPL Exhibit 3.)

3 BY MS. WHITFIELD:

4 Q All right. Let's look at GIPL Exhibit 3, and
5 this, I suspect, you recognize is two pages from the
6 company's ASR filing of December 31st, 2021?

7 A (Witness Abramovitz) That's correct.

8 Q Okay. One of the purposes of this report that
9 this filing is to show how the company spends revenue
10 that it's collected above the band; correct?

11 A (Witness Abramovitz) I think the purpose of
12 the report is to show how we've incurred costs during the
13 period that's under-recovery review.

14 Q Okay. And the actual return on equity that's
15 reported by the company at the end of 2021 is
16 12.09 percent; right?

17 A (Witness Abramovitz) That's correct.

18 Q And that's just .09 percent above the band?

19 A (Witness Abramovitz) That is correct.

20 Q And the revenue surplus on the next page, that
21 number shows how that .09 percent translates into dollars
22 and cents collected from the customers; correct?

23 A (Witness Abramovitz) That's correct. And the
24 revenue surplus is \$14 million, and you get there by
25 effectively grossing it up for taxes. That's that tax

1 expansion factor. You start first with income, since
2 return equity is an after-tax number, and you have to
3 then gross it up for taxes, which is that tax expansion
4 factor I think you were questioning earlier.

5 Q Uh-huh.

6 A (Witness Abramovitz) So the revenue surplus
7 back to customers was -- or -- yeah, it was \$14 million.

8 Q Okay. So that's -- am I correct in this -- I'm
9 not an accountant.

10 So am I correct that this number is the amount
11 that came in from customer bills?

12 A (Witness Abramovitz) It was the revenue
13 equivalent of us earning in excess of the authorized ROE
14 band. So as Mr. McDonald and I talked about earlier
15 today, we collect revenues from our customers, but
16 there's also expenses. There's also taxes. There's
17 other factors in what will drive a retail return on
18 equity.

19 Q Right.

20 A (Witness Abramovitz) And so the outcome here
21 is a net income, if you will, an income over an allowed
22 ROE, and then you backwards into -- you tax adjust that
23 to get a revenue equivalent, and you ensure that goes
24 back to customers.

25 A (Witness Adams) One of the other drivers on

1 that is the kilowatt hours that customers use, which may
2 be driven by weather and increased customers and such, so
3 that's another input to that equation.

4 Q Okay. And, Mr. Abramovitz, I know that you
5 just tried to answer my question. You're just a lot
6 smarter than I am, and so I didn't entirely follow it.

7 Is it right that this is the number from
8 customers? I mean, I understand that this is not a
9 number that, like, the company walks away with because of
10 taxes and things like that, and I think that's what you
11 were saying. But what I'm wondering is: This is the
12 number from the customers, and then taxes come out of it,
13 and other things come out of it.

14 Is that --

15 A (Witness Abramovitz) So to Ms. Adams --

16 Q -- kind of what you're describing.

17 A (Witness Abramovitz) So, in general, we
18 collect revenues based on kilowatt hour sales, and that
19 can be impacted by usage, by number of customers, by
20 weather. We also have expenses. We also have taxes.
21 There's other things that come into play here. We also
22 have investments that we make or don't make or can't make
23 or are delayed.

24 That all comes into a calculation at the end of
25 how this is designed to end up with an ending calculation

1 of return on equity, and then there's a net income
2 equivalent, and then that is grossed up for taxes -- or
3 actually backwards for taxes, and then you get the
4 revenue equivalent and then you go into the sharing
5 calculation.

6 Q I should have taken accounting classes, but I
7 think that was a very detailed "yes."

8 Okay. So \$14 million is what was collected for
9 an excess of .09 percent over the band. And I don't say
10 excess judgmentally. You're a for-profit company. I get
11 it. I say -- just, it is what it is. For \$14 million
12 for .09 percent. So for one-tenth of 1 percent for --
13 about 1 percent of authorized ROE, based on that, can you
14 estimate what that is?

15 A (Witness Abramovitz) So in this -- these
16 proceedings, 50 percent, or 50 basis points on an ROE is
17 worth roughly a hundred million dollars of revenue
18 requirement.

19 Q So this 14 number wouldn't suggest to you that
20 1 percentage point or a hundred basis points would be
21 140 million?

22 A (Witness Abramovitz) It really depends on the
23 time and how much is invested in the system and also
24 other factors. So at the time that's what the
25 calculation came out with. In today's proceedings and

1 what we're talking about today, 50 basis points of an ROE
2 set point is worth roughly a hundred million dollars.

3 Q Okay. I got it.

4 So at the time, it was about \$140 million,
5 but --

6 A (Witness Abramovitz) I don't think I would say
7 that. I did not agree with your calculation. I'm sorry.

8 Q I'm sorry. I misunderstood. I thought you
9 were agreeing that at the time --

10 A (Witness Abramovitz) No. I was --

11 Q -- one percentage point would be about
12 140 million?

13 A (Witness Abramovitz) What this says here is
14 .09 or 9 basis points was worth \$14 million.

15 Q Right.

16 A (Witness Abramovitz) I haven't done the math
17 to gross that up to a hundred basis points.

18 Q Mr. Hewitson asked me not bring my calculator.

19 MR. HEWITSON: I said you could. I would steal
20 it.

21 MADAM CHAIR PRIDEMORE: Keep it moving.

22 MS. WHITFIELD: Okay. Fine. I'll move on.

23 (The document referred to was marked for
24 identification as GIPL Exhibit 4.)

25 BY MS. WHITFIELD:

1 Q All right. I have a question about Vogtle,
2 which is GIPL Exhibit 4 in front of you.

3 A (Witness Abramovitz) Okay.

4 Q And my question here is really -- so this is
5 what was provided in response to a request that asked for
6 various schedules that provide detailed support for the
7 amounts excluded from the projected retail rate base and
8 expenses in the company's revenue requirement for the
9 test period.

10 Now that we've established I'm not an
11 accountant, can you help me just understand very briefly,
12 high level, kind of how these bottom-line numbers fit
13 into rate base, or are they not -- are they not something
14 that would be plugged into rate base?

15 A (Witness Abramovitz) So I'm going to let
16 Ms. Adams elaborate on this. But, very simply, this
17 calculation shows the costs that were removed from our
18 request that are associated with Vogtle 3 and 4 to ensure
19 that this request had excluded all of Vogtle 3 and 4's
20 costs.

21 Q Okay.

22 A (Witness Abramovitz) Anything I missed there?

23 A (Witness Adams) No.

24 Q And so these aren't -- this isn't, like,
25 similar to what would be included or what would be asked

1 for? It's just a different calculation altogether?

2 A (Witness Abramovitz) It's to ensure and to
3 illustrate that we've removed anything specific of Vogtle
4 3 and 4 in this request as directed by this commission.

5 Q Okay. But these are your projected Vogtle
6 numbers, then, I guess, for 3 and 4?

7 A (Witness Abramovitz) Yes.

8 Q Okay. So let's skip to some totally over
9 the -- across-map here questions about disconnection and
10 arrearage data. In staff request PIA11-1, staff
11 requested various data points on customer arrearages and
12 disconnections by ZIP code. The company didn't provide
13 any ZIP code-level data on arrearages and disconnections,
14 but instead stated, "The company does not tract the data
15 requested at the ZIP code level."

16 So I'm just wondering if someone on this panel
17 is the right person to answer that, whether you know
18 whether there's any tracking of customer disconnections
19 at the ZIP code level?

20 A (Witness Adams) There is not.

21 Q Okay. Can you tell me what the most granular
22 level is that you track customer disconnections and
23 arrearage data?

24 A (Witness Adams) I cannot.

25 Q You don't track it? I mean, you don't know

1 what --

2 MADAM CHAIR PRIDEMORE: That wouldn't be
3 question for the assistant comptroller, comptroller,
4 CFO, or director of transmission. That would be a
5 question for somebody in operations.

6 MS. WHITFIELD: Well --

7 MADAM CHAIR PRIDEMORE: Yes.

8 MS. WHITFIELD: -- it's people who aren't
9 paying their bills. So I would imagine the CFO is
10 deeply concerned about that.

11 MADAM CHAIR PRIDEMORE: No, I'm certain that
12 the CFO is concerned about it, but the CFO does not
13 know the granular level off of a disconnect. Apply
14 the questions to the appropriate panel,
15 Ms. Whitfield.

16 MS. WHITFIELD: I agree that they would not
17 know the granular level --

18 MADAM CHAIR PRIDEMORE: That's a granular
19 question.

20 BY MS. WHITFIELD:

21 Q Okay. I'll move on.

22 Let's look at the waterfall chart on page 15 of
23 your testimony. And I know the data has changed a little
24 bit with your supplemental filing. I just want to ask
25 generally about some of the buckets to help understand

1 them a little bit better.

2 And just generally, this chart reflects how the
3 buckets of costs have gone up or down in this request
4 relative to 2022 rates; is that correct?

5 A (Witness Abramovitz) Can you rephrase that
6 question? I'm not sure I follow the back end of that.

7 Q You're right.

8 But this chart reflects how the buckets of
9 costs have gone up or down relative to 2022 revenue
10 requirements?

11 A (Witness Abramovitz) Yes, it's an illustration
12 of our incremental revenue requirement request.

13 Q Okay. So I just want to focus on the top, the
14 financial integrity part.

15 You have \$111 million of savings in this chart
16 from the cost of debt, and you testify on page 20, lines
17 1 through 9, that that's because the cost of debt has
18 dropped from 4.6 percent, as projected in the 2019 rate
19 case, to 3.5 percent for 2023; right?

20 A (Witness Abramovitz) That's correct, based on
21 forward projections of cost of debt.

22 Q Okay. And then you further assume -- and this
23 is from your work papers -- the cost of debt for 2024 and
24 2025 to go up just a little bit to 3.58 and then 3.66; is
25 that correct?

1 A (Witness Abramovitz) Yes, that's correct.

2 Q And that's just an increase of .13 in the cost
3 of debt over the next two years?

4 A (Witness Abramovitz) That's correct, based on
5 the projections at the time.

6 Q There's been a lot of testimony in this case
7 about rising inflation. With that often comes rising
8 interest rates.

9 Does this feel like a reasonable estimate to
10 you still today?

11 A (Witness Abramovitz) Considering current
12 interest rates, this is probably low, but we elected not
13 to make that change.

14 Q Okay. And the company will continue to not
15 make that change?

16 A (Witness Abramovitz) We elected in our
17 supplemental not to update our cost of interest.

18 Q Okay. The \$94 million of extra costs from the
19 return on equity bucket, can you just explain to me how
20 you get to that number?

21 A (Witness Abramovitz) Sure. So it's based on
22 our set point, as we talked about earlier. And I was
23 rounding to a hundred. The actual number is \$94 million.
24 And so our current set point, as approved by this
25 commission, is 10 and a half percent. Now, we're

1 requesting an 11 percent ROE set point to set rates at.
2 That's based on market-driven analysis from Mr. Coyne.
3 The impact of that is \$94 million.

4 Q Okay. Then I just want to ask briefly about
5 the cost that folks have talked about that are coming in
6 the future.

7 Fuel costs would not be multiplied against the
8 ROE; right? That's just -- when you say it's a
9 passthrough, you mean that the ROE and fuel costs really
10 don't interact?

11 A (Witness Abramovitz) Yes. As we discussed
12 earlier today, ROE -- or fuel cost is a passthrough or a
13 pure expense to the company.

14 Q Okay. And whatever costs are coming from
15 Vogtle, those -- some of those, at least, would interact
16 with the ROE; correct?

17 A (Witness Abramovitz) Once Vogtle Unit 3 goes
18 into service, that would, as ordered by this commission.
19 And then when Unit 4 goes into service, the same
20 treatment would be applied.

21 Q Okay. Nothing further for the panel. Thank
22 you.

23 A (Witness Abramovitz) Thank you.

24 MS. WHITFIELD: Thank you, Commission.

25 MADAM CHAIR PRIDEMORE: Georgia Solar Energy

1 Association, GA solar. GA Solar?
2 Georgia Watch.
3 MS. COYLE: Good evening.
4 MR. ABRAMOVITZ: Good evening, Ms. Coyle.
5 MR. HEWITSON: Madam Chair, would it be okay if
6 the panel took a quick three-minute break?
7 MADAM CHAIR PRIDEMORE: Three-minute break?
8 You got it. We'll begin our break at 7:15, we'll be
9 back at 7:19.
10 (Whereupon a break was taken.)
11 MADAM CHAIR PRIDEMORE: All right. 60 seconds.
12 Let me ask some questions here just to plan for
13 time.
14 Interstate Gas Supply, are you still present?
15 Okay. They're out.
16 Kroger Company, are you still present? All
17 right. You're out.
18 MARTA, are you present?
19 MS. STURM: Present.
20 MADAM CHAIR PRIDEMORE: Do you have questions
21 for this panel?
22 MS. STURM: (Inaudible.)
23 MADAM CHAIR PRIDEMORE: Okay. Resource Supply
24 Management, do you have questions for this panel?
25 Okay.

1 Sierra Club, do you have questions for this
2 panel?

3 MS. ARIZA: Ten minutes.

4 MADAM CHAIR PRIDEMORE: Okay. Southern
5 Alliance for Clean Energy and Southface.

6 MR. JONES: I'm not sure where the counsel is,
7 but no questions.

8 MADAM CHAIR PRIDEMORE: You do not have
9 questions for this panel?

10 MR. JONES: No questions.

11 MADAM CHAIR PRIDEMORE: No questions for this
12 panel. Okay.

13 Ms. Medlyn, are you still here? Do you have
14 questions for this panel?

15 MS. MEDLYN: Yes. Maybe 15, 20 minutes or so.

16 MADAM CHAIR PRIDEMORE: Okay. All right.
17 Ms. Medlyn is present, Sierra Club is present, and
18 Georgia Watch is present.

19 Did I miss anybody else?

20 Okay. With that and about five minutes of
21 redirect, we should have it.

22 All right. Ms. Coyle, go right ahead.

23 MS. COYLE: Thank you, Madam Chair.

24 CROSS-EXAMINATION

25 BY MS. COYLE:

1 Q So, again, good evening.

2 A (Witness Abramovitz) Good evening.

3 A (Witness Adams) Good evening.

4 Q I know everybody is tired, so I'll try to not
5 go over too much that you've already covered. I'll keep
6 it fairly short.

7 Now, this morning, shortly before noon, in
8 fact, I asked Mr. Womack a question about his use of the
9 term "timely" in his testimony. I don't know if you
10 heard that, but he recommended that I ask you about the
11 use of the word "timely" in both his testimony and your
12 testimony. So here we go.

13 And so I'll give you a minute to just broadly
14 discuss "timely" in that context since you use it
15 throughout your testimony, and I'm interested in the use
16 of it in his testimony, and then I have a specific page
17 number I'll ask you about.

18 A (Witness Abramovitz) Sure. And so I'm sure
19 Ms. Adams can assist me here. When we talk about timely
20 cost recovery, it's as we incur costs to serve our
21 customers, there is an expectation that those costs will
22 be recovered in a timely manner. And it depends on the
23 circumstance of occurrence of that cost.

24 If it's a generating facility that has a life
25 of 30 years, then we'll recover those costs over 30

1 years. If it's an O&M expense, then we'll recover it
2 currently in rates. If it's an allowed deferred cost,
3 then we'll recover those as determined by the Commission
4 on a case-by-case basis.

5 But it is all based on accounting rules and
6 guidance that -- Ms. Adams, if you want to elaborate, you
7 can.

8 A (Witness Adams) Actually, I would probably
9 just add the word "reasonable" to it.

10 Q Well, thank you for that and that additional
11 word there.

12 So it sounds as though timely, in some cases,
13 is specifically related to a time frame, like the life of
14 a unit, but then there are some costs that are deferred
15 and some that have the discretion of both the commission
16 and also the company in terms of how soon they're going
17 to ask the company to find -- the commission to find it
18 timely to recover some of these things, maybe some of the
19 deferred assets, for example?

20 A (Witness Abramovitz) That's a good summary.

21 Q So when you -- so if we could turn -- well,
22 okay. So if -- well, actually, let's go ahead and turn
23 to page 16 of your testimony and be a little bit more
24 concrete as we're talking about this theory of timeliness
25 and reasonableness.

1 When you're on page 16, lines 15 through 17,
2 and you're talking about -- I think in here you're
3 talking about the early retired coal plants.

4 A (Witness Abramovitz) Uh-huh, yes.

5 Q And there on line 16, you say, "Reflect the
6 updated useful lives of these assets in support of timely
7 recovery."

8 So these are plants that are no longer going to
9 be producing electricity; is that correct?

10 A (Witness Abramovitz) That's correct. And we
11 use "timely" here -- I think we talked about this earlier
12 this evening. We have made investments on behalf of our
13 customers in these plants. Yes, they have been -- the
14 decision has been to economically retire those units, but
15 the company must recover its cost that it has invested in
16 those plants. And considering that they are no longer
17 generating, there is a requirement of timeliness to
18 recover that cash outlay, that investment.

19 A (Witness Adams) I would just add to that -- if
20 you don't mind, I would add that the depreciation study
21 considers the reasonable remaining lives for the
22 thousands of assets that we have. However, when we
23 specify a particular year for a generating unit then
24 that's what drives the depreciation study.

25 So for the -- in the case of these units, we

1 had Bowen 1 and 2 and Scherer 1 through 3. Of course,
2 that was prior to the order in the IRP. However, that's
3 what our depreciation study expert used for the dates
4 because we said at that point they will be either retired
5 or unavailable, subject to the approvals and changes in
6 the IRP.

7 Q But there would be that flexibility in terms of
8 timeliness for these particular units because they're not
9 going to be serving out their remaining useful lives?

10 A (Witness Adams) Which is why we proposed to
11 defer some of that additional depreciation so that,
12 rather than recovering it over -- I believe it's a five-
13 to six-year period, it would be recovered over nine
14 years.

15 Q But how is that reflected in the revenue
16 requirement in your -- your -- this three-year rate plan?

17 A (Witness Adams) After updating for the
18 supplemental filing, it's a reduction of \$60 million a
19 year.

20 Q Because you'd extended the recovery time
21 longer?

22 A (Witness Adams) That's right.

23 Q So that would be one of ways that you can try
24 to put some downward pressure on rates in the midst of
25 all these requested rate increases?

1 A (Witness Adams) That's correct.

2 Q And you heard me ask Mr. Womack earlier today
3 about securitization, and I know Mr. Abramovitz and I
4 have had a few chat times to talk about this.

5 So you would agree that if the company were to
6 use securitization or securitized bonds, the cost of
7 financing to recover that asset would be the long-term cost
8 of debt and not the company's requested 11 percent ROE?

9 A (Witness Abramovitz) So I'll restate what
10 Mr. Womack said this morning. This commission already
11 has all the tools necessary to appropriately ensure that
12 we can recover our costs but also balance the needs of
13 our customers.

14 To your question, if you think about
15 securitization, you're right, it is financing -- in the
16 general sense, it's financing costs -- costs incurred at
17 the cost of debt over an extended amount of time, but it
18 is an extended amount of time, and it's often longer than
19 the proposed recovery or the necessary recovery that we
20 would suggest. And it also binds future commissions and
21 all future customers to pay that off. It is a nonbinding
22 charge, so there are consequences that come with that.

23 Q But it's a passthrough charge, like a fuel
24 cost?

25 A (Witness Abramovitz) It is a nonbinding charge

1 that never goes away until that debt is paid off.

2 A (Witness Adams) And one correction, Ms. Coyle.
3 You had said that it was either long-term debt or ROE.
4 It would actually be the weighted average cost of
5 capital.

6 Q Oh. Okay. Thank you.

7 And so now I want to talk a little bit more
8 about the proposed rate plan.

9 And specifically, the way you have in your
10 testimony and in your request at the commission, you're
11 asking to front load the main impact of the rate increase
12 in that first year, which is 2023; is that correct?

13 A (Witness Abramovitz) That's correct based on
14 our levelized proposal, which we would recommend is the
15 lowest cost option. Now, from a revenue requirement
16 basis to our customers, it does front load the rate
17 impact.

18 Q And did -- am I correct that one of your
19 reasons for that that you give in your testimony is that,
20 in part, that would give customers reliability on their
21 bills, that they would know what to expect on their
22 bills?

23 A (Witness Abramovitz) To some degree, it does
24 offer a rate that is -- that they would change less or
25 with less magnitude, so that is one benefit of a

1 levelized rate increase.

2 Q Maybe certainty is a better word than whatever
3 I said.

4 A (Witness Abramovitz) Yes, certainty is
5 probably a better word.

6 Q Okay. So -- but you also acknowledged earlier
7 today that the company has an unrecovered fuel balance of
8 roughly a billion dollars; is that correct?

9 A (Witness Abramovitz) That's correct.

10 Q And do you remember -- do you know when was the
11 last time the company had such a large unrecovered fuel
12 balance?

13 A (Witness Abramovitz) Probably, subject to
14 check, 2008, 2009.

15 Q I was going to say it's been a while, because I
16 certainly don't remember one that big in a long, long
17 time.

18 A (Witness Abramovitz) That's right.

19 Q And so would you -- and I know there will be a
20 proceeding in February of next year. There will have to
21 be a proceeding, a whole fuel cost recovery proceeding?

22 A (Witness Abramovitz) That's right. We'll make
23 our filing in February of next year.

24 Q And that will certainly -- do you remember what
25 the bill impact was the last time there was such a large

1 need for recovering un- --

2 A (Witness Abramovitz) I don't remember, and I
3 can't really project what this current bill impact will
4 be because of all the factors I addressed earlier today.
5 The amount that the under-recovered balance is going to
6 be, and that could be dependent on usage, fuel prices.
7 We also have to talk about, like we talked about earlier
8 today, the fuel factor going forward.

9 And so to look back, gosh, 14 years ago, 15
10 years ago and compare that to today, I couldn't even
11 fathom to start that exercise.

12 Q But it would -- would you agree that there will
13 be another rate increase tied to the fuel cost recovery
14 later in 2023?

15 A (Witness Abramovitz) There will be a rate
16 adjustment.

17 Q Would it go down or up?

18 A (Witness Abramovitz) It is really hard to say
19 right now. It all depends on where future fuel prices
20 are. You know, and I'm not trying to dodge a question
21 here. Current natural gas prices are \$7. If somehow,
22 some way, natural gases prices dropped to \$2.50
23 overnight, which, I don't know, could happen, then that
24 changes the whole outcome of this entire case we file in
25 February.

1 If natural gas prices, looking forward when we
2 make our filing in February, are \$2.50 to \$3 going
3 forward, that also changes the whole outcome of this
4 case. Of a fuel case that we file, there are a lot of
5 variables at play here.

6 So to say that it's going to be an automatic
7 up, it is likely it'll be an increase, but to say it's
8 just going to be an increase no matter what, I think
9 that's shortsighted at this point.

10 Q But there's uncertainty possibly --

11 COMMISSIONER MCDONALD: Is it not true that
12 between the time that Ms. Coyle talked about in '08,
13 when there was a high underrecovery collection,
14 there was a time in there where there was an
15 overcollection, and there was a refund that made to
16 the ratepayers?

17 MR. ABRAMOVITZ: Yes, Commissioner McDonald.

18 COMMISSIONER MCDONALD: And, also, with that
19 said, isn't it true that less than two years ago
20 natural gas prices were below \$3 a dekatherm. And
21 in the last two years, they've gone up to less than
22 \$9 a dekatherm, and that is a cost. So it can go
23 back down after November 8th just as quick as it
24 went up January 6th, couldn't it?

25 MR. ABRAMOVITZ: Yes. You said that much

1 better than I did.

2 BY MS. COYLE:

3 Q Well, and I guess another area where we could
4 say there's some uncertainty, but I'm hearing that it's
5 more likely that Unit 3 might actually go into service
6 sometime in 2023.

7 A (Witness Abramovitz) Yes, we expect Unit 3 to
8 be complete and in service in March of 2023.

9 Q And that's another -- that's an already
10 commissioned authorized rate increase tied to Unit 3
11 costs going up?

12 MADAM CHAIR PRIDEMORE: Ms. Coyle, did you miss
13 the team that was here earlier that's already loaded
14 the fuel? They were here. You should have met
15 them.

16 MS. COYLE: I'm sorry I missed them.

17 BY MS. COYLE:

18 Q In all fairness, it looks like Unit 3 is going
19 into service this year. The commission has already had a
20 proceeding to authorize you to recover some of the costs
21 of Unit 3. So that's -- we've got the rate increase that
22 you're requesting, the front-loaded rate increase that
23 you're requesting, that -- you know, you've said you're
24 talking about rates, and I keep talking about bills, but
25 you all come out with that.

1 You say our residential customer, our typical
2 residential customer is going to see 14-and-some dollars
3 a month more beginning in January. We don't know what
4 the fuel cost is going to be, but it could be another
5 increase, a few dollars, don't know, but real
6 possibility. Then we know that there's going to be an
7 increase a little bit later in the year from Unit 3.

8 So in that scenario, you've talked about
9 wanting to do a front-loaded recovery in your rate base
10 to provide some certainty. And, yet, how will a customer
11 of yours, your average residential customer, react to,
12 okay, suddenly my bill has gone up a whole lot in
13 January, and then I might have another cost increase tied
14 to fuel, and then we know there would be another tied to
15 Vogtle.

16 How does that not lead to the kind of
17 uncertainty that you describe on page 21 of your
18 testimony at lines 8 through 10 when you are basically
19 arguing against an annual step increase, with a rate
20 change from year to year creates additional uncertainty
21 for customers. How is what might be happening in 2023
22 not even more uncertainty?

23 A (Witness Abramovitz) So I'll readdress your
24 question because we did cover this, I think, earlier
25 today. This commission has very thoughtfully laid out

1 proceedings here. We have this base rate request that
2 we're requesting today. We have a scheduled fuel filing.
3 We have a schedule for Unit 3 on Vogtle and a schedule
4 for Unit 4 on Vogtle, which is quite predictable on when
5 rates will change and gives customers the ability to
6 plan. And it is a quite transparent process and a very
7 thoroughly vetted process, I may add.

8 Q But is it -- do you think that your average
9 residential customer is going to understand that you've
10 got a base rate increase, a fuel cost increase, and the
11 cost from Plant Vogtle that they've been paying for
12 through the NCCR tariff then becoming a part of it? Will
13 your --

14 MR. HEWITSON: Madam Chair -- I'm sorry. I
15 didn't mean to cut you off, but you're going down a
16 road to ask them to speculate what an average
17 residential customer, how they will react and what
18 they will think.

19 MS. COYLE: Well, I'm asking in light of their
20 testimony about being concerned about the possible
21 uncertainty of having a stepped rate increase and
22 having -- seeing their base rate in January go up a
23 little more, you know, gradually.

24 BY MS. COYLE:

25 Q How is that -- you're concerned about the

1 uncertainty there.

2 Aren't you also concerned about the -- in the
3 year that you have this front-loaded rate increase that
4 we already know they're going to be seeing Vogtle Unit 3
5 and likely a fuel cost increase?

6 MR. HEWITSON: I would just ask that to the
7 extent it calls for speculation, that I would
8 object. But if the panel can answer without
9 speculating, then I understand the question, and
10 they can answer.

11 But I will also note that we have covered this
12 ground several times today in terms of the other
13 rate increases that are happening in 2023, and I was
14 trying not to object because Ms. Coyle is going
15 quickly, but she's going quickly over ground we've
16 already plowed a couple of times.

17 MADAM CHAIR PRIDEMORE: Can the panel answer
18 the question again? And at this point, we're going
19 to answer it again, and then we're not going to
20 answer it anymore.

21 MR. ABRAMOVITZ: Yes, and as we talked about
22 earlier today, we take all of our increases very
23 seriously and we understand the impact to customers.
24 And our request to levelize this base rate increase
25 is made so there is some sort of stability in our

1 rates going forward, understanding and putting in
2 context that there are other rate filings and other
3 rate adjustments in the future.

4 MS. ADAMS: And, also, with the levelized
5 approach, it's \$43 million of savings for customers
6 to front load or pay that up front. So that's
7 included in the revenue requirement from a levelized
8 calculation. That's savings over the three years.

9 MR. ABRAMOVITZ: And I'll add, we did file two
10 options in our filing. We asked for a -- we
11 requested a levelized, because as Ms. Adams just
12 referenced, is \$43 million less expensive for our
13 customers. We did also offer a second option there
14 to have those more step increases that you're
15 referencing, Ms. Coyle.

16 BY MS. COYLE:

17 Q And now let's talk a little bit more about ROE.
18 Whoops, I hope I didn't mess that up. But what I want to
19 ask about is, if you turn to page 13 at lines 15 through
20 17, and we've talked a lot about the earnings band above
21 the 12 percent.

22 But I'm -- and I asked this earlier of
23 Mr. Womack and then made it a hearing request, but do you
24 happen to know how much profit the company has earned?
25 Not getting above. Just at that 12 percent authorized

1 earnings band or what it's been since 2013, how much the
2 company has earned in profits?

3 A (Witness Abramovitz) I'm not sure what your
4 question is.

5 Can you --

6 Q So the company has -- would you agree that the
7 company has earned at the top of its earnings band at
8 least the last three years at that 12 percent?

9 A (Witness Abramovitz) So we've earned above the
10 earnings band once. That was last year.

11 Q But you've -- you've earned up to that
12 12 percent at least the last three years?

13 A (Witness Abramovitz) No, we have not.

14 Q No?

15 A (Witness Abramovitz) No.

16 Q Has it ever been below 11 percent?

17 A (Witness Abramovitz) Well, your question was
18 have we earned up to the earnings band.

19 Q Okay. Have you earned up to the earnings band
20 consistently the last several years?

21 A (Witness Abramovitz) Well, so in 2021, we
22 earned 12.09 percent. In 2020, we earned 11.89 percent,
23 so that's below the band. In 2019, and this was decided
24 in the 2019 rate case, we earned above the band. So,
25 yes, there are times we earn above our authorized ROE

1 band.

2 Q And then do you know how much profit the
3 company has earned since 2013? The testimony
4 references -- I think it was actually -- yeah, since
5 2013, customers have received the benefit of
6 approximately 297 million.

7 But how much has the company earned in profit
8 in that same period? Not looking above the band, just
9 looking at --

10 A (Witness Abramovitz) You just want general net
11 income of the company over the past ten years? I don't
12 have that number off the top of my head.

13 Q Okay. Well, I've already made a hearing
14 request. I just thought you might know since you're the
15 CFO.

16 A (Witness Abramovitz) Okay.

17 Q And you talk in your testimony quite a bit
18 about how important your authorized return on equity is
19 to your credit rating; is that correct?

20 A (Witness Abramovitz) Yes. And the reason why
21 that's important is it helps maintain adequate cash flow.
22 So that's why we talk about the ROE set point as where we
23 set the rates, and that helps sustain cash flow so we can
24 service our debt and have healthy credit metrics that
25 actually will lead to, if you will, a quality credit

1 rating, which then leads, in turn, to lower cost of
2 borrowing, which then, in turn, leads to lower cost of
3 customers.

4 Q But are there -- what are the factors other
5 than return on equity that contribute to a company's
6 credit rating?

7 A (Witness Abramovitz) So Mr. Fetter will
8 definitely go into this, it looks like tomorrow. So an
9 ROE set point is one thing, but then it's constructive
10 regulation and constructive policies of this commission.
11 It's general cash flow. It's timely cost recovery. It
12 is the amount of construction -- construction that we're
13 conducting as a company. It's the health of the states,
14 the health of the economy. It's our customer growth.
15 There are a number of factors, and I'm just naming a few.

16 Q Has the company ever had the -- has the
17 company's credit rating ever experienced a negative
18 outlook based on things like difficulties at Plant
19 Vogtle, for example?

20 A (Witness Abramovitz) So as Mr. Fetter will
21 testify to, credit ratings aren't issue specific, but
22 over the past several years some of the variables at play
23 in our outlook and also even our rating at the time have
24 been driven by Vogtle and other issues.

25 Q And so is it possible that one of the

1 reasons -- because you said the 11 percent was specific
2 to Georgia Power Company, that you have to earn 11
3 percent, that your investors want to earn 11 percent ROE
4 in order to invest in Georgia Power; is that a fair
5 statement?

6 A (Witness Abramovitz) That's correct.

7 Q Could that possibly be because Georgia Power is
8 high risk because of what's been happening with Plant
9 Vogtle the last several years?

10 A (Witness Abramovitz) No. As Mr. Fetter is
11 going to testify tomorrow is, he did not adjust his
12 analysis based on the risk of Georgia Power Company. It
13 was based on an average risk of the comparable utilities.
14 And, also, this request today is based on our cost of
15 service and to maintain adequate cash flow. And that
16 11 percent ROE is set to make sure we maintain adequate
17 cash flow.

18 Q Well, I can certainly ask Mr. Fetter more about
19 that tomorrow.

20 And then still on that same page but looking
21 down at lines 19 through 26, you're talking about the
22 economic disruptions over, you know, the -- first in 2008
23 and then more recently from the pandemic.

24 And because of those periods of financial
25 crisis, there was even more need for you to have a high

1 credit rating; is that fair?

2 A (Witness Abramovitz) It is. And so we offered
3 this up as context. And let me go back to the most
4 recent kind of fuel financial issue across the country,
5 which was the COVID pandemic.

6 So because of our quality credit and our strong
7 financial integrity, early in 2020 we actually had a debt
8 issuance. And because of our strong credit quality, that
9 this was preCOVID, that debt issuance is what we called
10 oversubscribed. That means we had more demand than what
11 we were actually offering to the market.

12 That gave us an opportunity to issue more debt
13 at favorable terms and better rates early in the year.
14 We didn't know COVID was coming, and that -- because of
15 that high credit quality, it gave us the flexibility to
16 act on behalf of our customers and keep rates low by
17 securing low-cost debt. And then when COVID happened,
18 that ensured we didn't have to go back to the market to
19 issue more debt.

20 So it offers ultimate flexibility to ensure
21 that we can finance our business on behalf of our
22 customers.

23 Q So would you agree, during that same period of
24 time, the customers you just mentioned were also
25 struggling financially?

1 A (Witness Abramovitz) Yes, I would agree with
2 that.

3 Q And would you agree that your approach of
4 making sure that you had a high profit margin so that you
5 could have a high credit rating at a time when customers
6 were going to feel that pinch in their pocketbooks, that
7 that was an appropriate balance to make?

8 A (Witness Abramovitz) I would disagree with
9 your characterization of "high profit margin." I would
10 say that our reasonable ROE set point to set rates at to
11 support our financial integrity as a company ensured that
12 we could keep the lights and be reliable and resilient in
13 a time of crisis for our customers.

14 Q And would you agree those same customers really
15 struggled -- many of them really struggled to pay their
16 power bills during that time?

17 A (Witness Abramovitz) Yes, and working with
18 this commission, we actually went through very specific
19 measures to ensure that we did not disconnect customers
20 and that we did extend payment options. We worked with
21 our customers to ensure that we could keep the lights on
22 for them.

23 Q And then -- I skipped that line of questioning.
24 And then, turning to the chart on page 15, last
25 question -- line of the questions.

1 This is showing me the drivers of the revenue
2 requirement with this requested rate increase?

3 A (Witness Abramovitz) Yes.

4 Q So this is really a very helpful visual. I
5 like the boxes. I don't have to look at the numbers. I
6 can look at the size of the boxes.

7 So just looking at the size of the boxes,
8 return on equity, if you look at the number inside, it is
9 slightly lower but pretty much tied. Return on equity is
10 basically tied for second place as the highest cost
11 driver for this rate increase.

12 A (Witness Abramovitz) I'm not sure what chart
13 you're looking at. That's not what I see here.

14 Q Okay. So what I see here is ROE, not the box
15 that's associated with the 220 -- oh, maybe it's not --
16 sorry.

17 A (Witness Abramovitz) Yeah, ROE is 94 million.

18 Q That's the 94. That's the 94. Sorry. Well,
19 there we go. It's too late at night for me to be looking
20 at charts and asking questions about them. So thank you.

21 A (Witness Abramovitz) You're welcome.

22 A (Witness Adams) Thank you.

23 MADAM CHAIR PRIDEMORE: Thank you, Ms. Coyle.

24 Let's see. Who was it?

25 Sierra Club, Ms. Ariza.

1 MS. ARIZA: Thank you.

2 CROSS-EXAMINATION

3 BY MS. ARIZA:

4 Q Good evening, panel.

5 A (Witness Abramovitz) Good evening.

6 A (Witness Adams) Good evening.

7 A (Witness Robinson) Good evening.

8 MS. ARIZA: Good evening, commissioners.

9 BY MS. ARIZA:

10 Q Isabella Ariza on behalf of the Sierra Club. I
11 would like to start asking you some question related to
12 EVs, and I will be like EVgo's attorney in that I'll only
13 ask about what you've already testified about, and if you
14 can't answer then I'll move on.

15 So, Mr. Houston, I think it was you who
16 answered to staff that multi-unit dwellings qualify for
17 the Make Ready Program; is that right?

18 A (Witness Houston) That's correct.

19 Q And do you know if you're actively reaching out
20 to them, or are you waiting for them to reach out to you?

21 A (Witness Houston) By and large, it's the
22 application process, so we have marketing materials.
23 It's broadly known what the programs are that we offer.
24 But there's an application process, and there's a wait
25 list right now.

1 Q There's a wait list. Okay.

2 So would that wait list indicate that
3 multi-unit dwellings have shown interest in the Make
4 Ready Program?

5 A (Witness Houston) Yeah, I couldn't talk to a
6 percentage in that population, but they're in that
7 population, so they do have interest.

8 Q Okay. And I appreciate Madam Chair's comments
9 on the fact that GDOT just got the 130 million to build
10 out the NEVI program.

11 I just want to ask you whether you're aware
12 that the NEVI program dollars can't be used for major
13 grid upgrades?

14 A (Witness Houston) I'm not aware of that.

15 A (Witness Robinson) I am.

16 Q Okay. And, Mr. Robinson, since I have you here
17 and I've heard that you know about transmission
18 distribution, can you confirm that the transmission
19 distribution investments in this rate case will be enough
20 to provide power to EV charging stations along the state,
21 or will they not be enough?

22 A (Witness Robinson) So as we see EV load grow
23 in the state, our distribution planning process is robust
24 enough to see that trend. And so we will building the
25 distribution infrastructure associated with those trends

1 that we see. So we do that on an annual basis, as well
2 as our transmission planning process. If we have any
3 large last-mile customers that come, like an Amazon or
4 somebody like that, we'll be working directly with those
5 customers on the front end to ensure that we have the
6 infrastructure in place to make sure we can meet that
7 load.

8 Q Okay. Thank you.

9 And Mr. Womack earlier today testified that
10 he's aware that Georgia Power is having conversations
11 with GDOT, but that he hasn't been part of them. Have
12 you been a part of those conversations with GDOT?

13 A (Witness Robinson) I have not.

14 Q Okay. Are you familiar with the Clean School
15 Bus Program?

16 A (Witness Houston) I'm not.

17 MADAM CHAIR PRIDEMORE: That was asked and
18 answered.

19 BY MS. ARIZA:

20 Q Yeah. So then I'll move on to some questions
21 on coal combustion residuals and environmental
22 compliance.

23 So I'd like to ask you some questions regarding
24 the table you provided on page 3 of the supplemental
25 filing letter called Proposed Rate Adjustments.

1 I have copies of that, but do you have it?

2 A (Witness Adams) I'm sorry. Which one did you
3 say?

4 Q Page 3 of the supplemental filing letter that
5 has the updated table.

6 A (Witness Adams) Yes.

7 Q You have it? Okay.

8 So this table shows that rates will increase
9 significantly in 2023, but will only have a slight
10 increase in 2024 and 2025; right?

11 A (Witness Adams) You're speaking to the total
12 amounts?

13 Q Total amounts.

14 A (Witness Adams) Yes.

15 Q And, as proposed, the CCR ARO tariff will
16 increase by 78 million in 2024 and 47 million in 2025;
17 right?

18 A (Witness Adams) That's correct.

19 Q Compared to other increases, the CCR increases
20 are the highest ones; right? Most other increases are
21 considerably lower or zero?

22 A (Witness Adams) Except for the traditional
23 base that covers everything that's not specifically
24 identified, yes.

25 Q Exactly. Okay.

1 And if I could ask you to turn to your
2 testimony on page 11, lines 1 through 4 -- are you there?

3 A (Witness Adams) Yes.

4 Q So there you state that the increases for 2024
5 and 2025 are driven, in part, due to projected
6 incremental CCR ARO compliance costs; is that right?

7 A (Witness Adams) Yes.

8 Q Since you say these costs are projected, is it
9 true that they could substantially increase?

10 A (Witness Adams) So maybe we should refine
11 exactly. So those lines, the 107 and the 45, are driven
12 by the costs, but those are not the total costs. Those
13 are the revenue requirement recovery mechanism that's
14 based on the methodology that was approved in 2019.

15 Q Okay. Thank you.

16 So can you guarantee that CCR increases, or
17 that part of the tariff will remain 78 million in
18 January 2024 and 47 million in 2025?

19 A (Witness Abramovitz) So I'll just remind the
20 commission that the way that that tariff works is
21 customers only pay for what is actually spent, so it is
22 in some way trued up. And so there is no guarantee. It
23 is an estimate of cost. It could be higher; it could be
24 lower. But the way that that mechanism works is that it
25 is adjusted based on what's actually spent by the company

1 to close the ponds.

2 Q Okay. Thank you. I understand that they could
3 go up and they could go down. I just was asking:
4 They're not set in stone?

5 A (Witness Abramovitz) No, and they would be --
6 they would essentially be variable based on what is
7 actually spent year by year.

8 A (Witness Adams) And we would file, just as we
9 did after the '19 case, a compliance filing at the end of
10 2023 and at the end of 2024.

11 Q Okay. But the trend has been that they've gone
12 up, those CCR costs?

13 A (Witness Abramovitz) So actually, since the
14 2019 rate case, the amount that we had estimated at that
15 time, we've actually spent less, and the rate revenue
16 requirement changes have been less than what we had
17 estimated in the 2019 case. So the adjustment has
18 actually been down, if you will, each year as we filed
19 those annual compliance filings.

20 Q Okay. But the total amount -- I think this was
21 asked already -- went from \$7 billion total amount of
22 expenditures in coal ash closure to \$9 billion?

23 A (Witness Abramovitz) So the total program cost
24 has increased since the last rate case, and the primary
25 driver there is, well, significant inflation.

1 Q Okay. And do you expect that same driver to --
2 well, maybe -- that's speculation, so strike that,
3 please.

4 Could I ask you: When will ratepayers see the
5 benefits of the beneficial reuse programs?

6 A (Witness Abramovitz) So as we comply with
7 federal and state laws, they are currently seeing the
8 benefits to ensure that we're compliant with our sites.

9 Q Sorry. I meant the benefit -- the programs you
10 have in place or the contracts that you're signing or
11 planning to sign to sell some of the coal ash.

12 A (Witness Abramovitz) The beneficial reuse?

13 Q Yes.

14 A (Witness Abramovitz) And so in the current --
15 in our current rate request, Plant Mitchell's benefit, if
16 you will, is included in there. Plant Bowen, as we
17 let those contracts, will eventually be included. And as
18 we start recognizing those benefits, we will pass those
19 through as an offset to the CCR ARO costs, and customers
20 will see that benefit.

21 MADAM CHAIR PRIDEMORE: In terms of beneficial
22 reuse in the past, though, for CCR ARO, customers
23 have been receiving those benefits ever since you
24 started selling it off; correct?

25 MR. ABRAMOVITZ: That is correct.

1 MS. ADAMS: And that's part of the dry ash or
2 prior to the changes that we've made recently.

3 MADAM CHAIR PRIDEMORE: The commission hears
4 from the concrete people, and it's important to
5 them. Very.

6 BY MS. ARIZA:

7 Q And do you expect those -- the revenue that the
8 company will receive for the beneficial reuse programs to
9 put downward pressure on rates in a way that is
10 significant enough so that the CCR ARO tariff will not
11 increase \$78 million, for example, in 2024?

12 A (Witness Abramovitz) I can't speculate to that
13 and it is really market driven.

14 Q Okay. Thank you.

15 Now, could I refer you to page 17 of your
16 testimony, lines 3 through 5.

17 So there you state that the company's revenue
18 requirements for 2023 through 2025 will increase by
19 approximately \$189 million for incremental costs
20 associated with CCR ARO compliance; is that right?

21 A (Witness Abramovitz) That's right, and --

22 COMMISSIONER MCDONALD: It's in their docket,
23 and they swore that is the truth, everything that
24 they wrote down there, ma'am. They've already said
25 that. They raised their hand and said, you know,

1 this is our statement. You don't need to read it to
2 them again.

3 MS. ARIZA: Okay. I apologize.

4 BY MS. ARIZA:

5 Q Regarding those incremental costs, there's a
6 table I'd like to show you, which is the company's public
7 disclosure response to STF-PF-10-13.

8 MS. ARIZA: May I approach with an exhibit?

9 MADAM CHAIR PRIDEMORE: You may approach.

10 MS. ARIZA: So I'd like to please mark this for
11 identification as Sierra Club Exhibit 1.

12 MADAM CHAIR PRIDEMORE: So marked.

13 (The document referred to was marked for
14 identification as Sierra Club Exhibit 1.)

15 MS. ARIZA: Thank you.

16 Again, This is the public disclosure response
17 to STF-PIA-10-13, and this is Attachment A.

18 BY MS. ARIZA:

19 Q Could I ask -- I'm sorry it's so small, but
20 could I ask one of the panelists to please read what this
21 table is, maybe the title and the subtitle?

22 A (Witness Abramovitz) Sure. So the title of it
23 is Coal Combustion Residuals Asset Retirement
24 Obligations, in parenthesis, CCR ARO. And then in
25 smaller font, "This table reflects Georgia Power's

1 estimated cost to close ash ponds and landfills, as well
2 as the estimated cost during post-closure care in
3 compliance with federal and state CCR regulations."

4 Q Thank you. And I just included an excerpt of
5 the table, which is the front page, and the page that
6 refers to Hammond and Hammond ash pond closures.

7 If I could please ask you, on the row that is
8 called AP3, which refers to advanced closure in place --

9 MADAM CHAIR PRIDEMORE: It's Ash Pond 3.

10 MS. ARIZA: Yes, Ash Pond 3.

11 MADAM CHAIR PRIDEMORE: With a projected
12 closure date through December 20 of 2021.

13 MS. ARIZA: Exactly.

14 MADAM CHAIR PRIDEMORE: 25.8.

15 BY MS. ARIZA:

16 Q Exactly.

17 So regarding that \$25.8 million, could I ask
18 you: How much will the company recover over the next
19 three years?

20 A (Witness Adams) So based on the methodology
21 that was set in 2019, we proposed to continue that. So
22 we have basically a third of the costs that are projected
23 for 2023 included in that, then from 2022, a third of the
24 expenses that we have incurred and will incur over the
25 next few months, and then the remaining third from 2021.

1 So that's what the 64 billion is based on that we spoke
2 of earlier.

3 Q Okay. So after this rate case --

4 A (Witness Adams) Hammond only represents a
5 piece of that.

6 Q Yeah. Thank you.

7 So after this rate case, you will have finished
8 paying for these \$25 million -- sorry -- after 2023?

9 A (Witness Adams) That's correct.

10 Q Okay. And my last line of the questions, could
11 I please refer you to page 28 of your testimony, line 17
12 to 22.

13 A (Witness Abramovitz) 17 through 22?

14 Q Yes.

15 So there you mentioned that you're accounting
16 for CCR ARO contingency costs, although I understand
17 you're not requesting recovery of those amounts. Could
18 you describe what is included in contingency costs?

19 A (Witness Abramovitz) So contingency is a
20 measure that we use and others use in capital projects to
21 where it's a measure of cost risk, and all we're doing
22 here is informing the commission and the reader that
23 there is cost risk to our projections, and there could be
24 contingency needed to be expended during the time frame.
25 So it is a measure of cost risk.

1 Q Okay. Do you know if those contingency costs
2 include the costs of having to switch closure methods if,
3 for example, EPA mandates conducting closure by removal
4 instead of closure in place?

5 A (Witness Abramovitz) The contingency amounts
6 are based on the current closure strategy that's been
7 approved by this commission in the 2022 IRP.

8 MS. ARIZA: Okay. Those were all my questions.

9 Thank you.

10 MR. ABRAMOVITZ: Thank you.

11 MADAM CHAIR PRIDEMORE: Very good. Thank you.

12 Ms. Medlyn, you're the only thing standing between
13 us and redirect. No pressure.

14 CROSS-EXAMINATION

15 BY MS. MEDLYN:

16 Q Good evening. I'm Emily Medlyn on behalf of
17 the United States Department of Defense and all other
18 Federal Executive Agencies.

19 A (Witness Abramovitz) Good evening.

20 A (Witness Adams) Good evening.

21 A (Witness Robinson) Good evening.

22 Q Just a clarification question.

23 So Table 1 on page 9 of your testimony, which
24 is the proposed rate levelized revenue requirement, is it
25 my understanding when Georgia Power filed their

1 supplemental filing, has that table now been updated by
2 their supplemental filing?

3 A (Witness Adams) That's correct.

4 Q Okay. And then Table 2 in your testimony on
5 page 21 would be if there was an annual step increase
6 that would be the revenue requirement number for those
7 years 2023, '24, and '25; correct?

8 A (Witness Adams) That's correct.

9 Q Okay. The minimum filing requirements that
10 were filed in this case, was that based on Table 1 or is
11 that based on Table 2?

12 A (Witness Adams) So the calculation for the
13 MFRs considers the need for each year, and then in our
14 exhibits we calculate the levelized calculation. So it's
15 based on each individual year, just like the step, and
16 then --

17 Q Okay.

18 A (Witness Adams) -- separately in the exhibits,
19 we show how the levelized amount is collected.

20 Q Okay. So MFR1, correct, is the proposed tariff
21 sheets, right, that would become effective January of
22 2023?

23 A (Witness Adams) Sorry. You were referring
24 to --

25 Q The minimum filing requirements, F-1. Does

1 that not include all the different tariff sheets?

2 A (Witness Adams) F-1.

3 Q I'm sorry.

4 A (Witness Adams) Is that what you said? That
5 would be Mr. Legg --

6 Q Okay. Okay.

7 A (Witness Adams) -- that would be able to speak
8 to tariffs.

9 Q Okay. All right. But do you know if those
10 tariff sheets were based on this levelized proposal or
11 this annual step proposal?

12 A (Witness Adams) This should be based on what
13 we've proposed but just levelized.

14 Q Just levelized?

15 A (Witness Adams) Subject to check, but that --

16 Q Okay. All right. Would that be also the case
17 for F-3?

18 A (Witness Adams) Another tariff sheet?

19 Q Well, I believe the minimum filing
20 requirements, F-3; correct?

21 A (Witness Adams) I don't know each one by
22 letter.

23 Q Okay. Well, the ones that would show -- that
24 one, you know, subject to check, shows the bill
25 calculations for present and proposed rates.

1 Would that be based on your levelized increase
2 as well?

3 A (Witness Adams) Let's -- why don't we take a
4 look at it.

5 Q Okay.

6 A (Witness Adams) I'm sorry. We don't have it.

7 A (Witness Abramovitz) It's probably the same
8 answer as -- subject to check, it should be based on our
9 request, which is the levelized approach.

10 Q Okay. All right. And that would be, also, the
11 same answer, I believe, for F-4; correct?

12 A (Witness Abramovitz) Probably, yes. And
13 Mr. Legg can probably get into more detail on that.

14 Q Okay. All right. Does Georgia Power receive
15 revenues from customers through special charges
16 associated with dedicated facilities?

17 A (Witness Adams) Can you repeat that?

18 Q Do you have any idea if Georgia Power receives
19 revenues from customers through special charges
20 associated with dedicated facilities for those customers?
21 And if you're not the panel to ask that --

22 A (Witness Robinson) I think I spoke to that
23 earlier. Excess facility charges and excess facility
24 operations charges that can be billed directly to
25 customers are rolled into rates. But, typically, those

1 are for dedicated facilities. Whether they're for backup
2 facilities, redundancy, that would not be recuperated
3 through normal rates.

4 Q Okay. All right. Does this show up as a
5 credit or an offset in your calculation of the revenue
6 requirement?

7 A (Witness Abramovitz) That's a good question.

8 A (Witness Adams) I'm not sure.

9 A (Witness Abramovitz) We're not sure.

10 Q Okay. Do you know who could speak to that?

11 A (Witness Adams) I think that would --

12 A (Witness Abramovitz) It probably would have
13 been us. Perhaps Mr. Evans, but can also find out for
14 you.

15 MS. MEDLYN: Okay. Can I make that a hearing
16 request, please?

17 MADAM CHAIR PRIDEMORE: It's a hearing request.

18 MS. MEDLYN: Thank you.

19 BY MS. MEDLYN:

20 Q I also had a -- just on that same line --

21 MADAM CHAIR PRIDEMORE: Which line is that?

22 MS. MEDLYN: Let me see if I can -- I may be
23 able to --

24 BY MS. MEDLYN:

25 Q Regarding special facility charges, would that

1 be -- do you know if whether that would be in your other
2 operating revenues line item?

3 A (witness Adams) I think that's possible, but
4 it would have to be subject to check.

5 MS. MEDLYN: Okay. Could I can make a hearing
6 request for that?

7 MADAM CHAIR PRIDEMORE: Hearing request
8 granted.

9 MS. MEDLYN: Okay. Thank you.

10 BY MS. MEDLYN:

11 Q Okay. If you can turn to page 20 of your
12 testimony. Page 20, specifically lines 1 through 5 where
13 you're talking about the embedded cost of debt decreasing
14 by 107 basis points down to 3.53 percent for 2023 from
15 4.6 percent for 2022.

16 And a clarification for that: Is the cost of
17 debt of 4.6 percent the embedded cost for 2022, or was
18 that the embedded cost from the 2019 base rate case? I
19 guess --

20 A (Witness Abramovitz) So it was the cost
21 assumed in the embedded rates for the 2019 rate case, and
22 the new assumption is 3.73 for 2023 forward.

23 Q Okay. And the 3.53 is the new assumption for
24 2023; correct?

25 A (Witness Abramovitz) Correct.

1 Q Okay. And I believe you spoke to this. Has
2 Georgia Power had any debt issuance since the 2019 rate
3 case? I believe you talked about the 2020 --

4 A (Witness Abramovitz) We've had several through
5 the DOE loan guarantee program associated with Vogtle 3
6 and 4. We've had -- we did an offering in 2020, several.
7 We did one this year. So, yeah, we routinely have debt
8 offerings to the market as a part of our ongoing business
9 practices.

10 Q Okay. Is Georgia Power planning any new debt
11 issuances over the test year period?

12 A (Witness Abramovitz) So the test year period
13 is the remaining six months. We have to remarket a few
14 pollution control bonds, maybe some credit facilities,
15 but no long-term debt, I don't think, until sometime
16 March or April next year.

17 A (Witness Adams) That's still part of the --

18 A (Witness Abramovitz) That's still part of the
19 test period? So all right. So possibly, yes. It really
20 just depends on the market and the cash needed for the
21 corporation.

22 Q Okay. All right. I've got a question
23 regarding one of the exhibits to your testimony, the --
24 it's the APA/SPA/ADH/MBR-3 Schedule 1, the work paper 2,
25 which is the capital structure for the 13 months ending

1 July 31, 2023?

2 A (Witness Adams) Say that again. Schedule --
3 or Exhibit 3, Schedule --

4 Q 3 Schedule 1, work paper 2.

5 A (Witness Abramovitz) Just to verify one more
6 time, -3 Schedule 1, work paper 2?

7 Q Yes, that's correct.

8 A (Witness Abramovitz) Yes.

9 Q It's the capital structure.

10 A (Witness Abramovitz) Yes.

11 Q Okay. If you could go to lines 27 and 57, the
12 common equity, can you explain why the monthly common
13 equity balances change from month to month over the
14 13-year -- I'm sorry -- 13-month test year?

15 A (Witness Abramovitz) Sure. So as we invest in
16 the infrastructure needed to serve our customers, we have
17 to finance that with both debt and equity. And we -- and
18 our parent company will contribute equity to Georgia
19 Power Company in support of those investments.

20 Q Okay. And why does it increase in some months
21 and decrease in other months?

22 A (Witness Abramovitz) It kind of -- it does ebb
23 and flow based on our cash needs and our capital
24 structure. We are required to maintain a 56 percent
25 equity ratio.

1 Q Are the increases due to any equity infusions
2 from Southern Company or -- and/or any increases in
3 retained earnings?

4 A (Witness Abramovitz) So, typically, it's going
5 to be from equity infusions from Southern Company. We do
6 have a dividend requirement to our single equity holder,
7 being Southern Company. But, typically, it's based on
8 equity infusions from our parent company.

9 Q Okay. And are the decreases due to dividend
10 payouts to Southern Company and/or decreases in retained
11 earnings?

12 A (Witness Abramovitz) It could be, yes.

13 Q Okay. Now, I've got another question on
14 another exhibit. It's MB -- it's 3 Schedule 1, now work
15 paper 3, which is the cost of the long-term debt for the
16 13 months ending July 31st, 2023.

17 A (Witness Abramovitz) Correct.

18 Q Okay. And in column 3 is the long-term debt.
19 What is the basis of the monthly long-term debt
20 rates that are shown in column 3?

21 A (Witness Abramovitz) So these are all based on
22 projections, and we use -- typically, we use a
23 third-party provider -- I think it's Moody's Investor
24 Services -- to provide us with a long-term debt forecast.

25 And I will just remind the Commission, like we

1 talked about earlier, these projections are dated, but it
2 is based on not only our projection of interest cost, but
3 then also, if you will, the amount of debt we have on our
4 books. But it's primarily the projection of where we
5 believe interest costs will be for long-term debt.

6 Q Okay. Are the monthly costs of debt based on
7 the net proceeds methods or forecast?

8 A (Witness Abramovitz) No.

9 Q Do you know if --

10 A (Witness Abramovitz) It's a true -- think of
11 it as an interest rate or a coupon rate.

12 Q Do you know if Southern Company plans to issue
13 new common equity during the 13-month test period?

14 A (Witness Abramovitz) Our current plans are --
15 for Southern, that I'm aware of, is no. I think we're
16 still going to -- Southern Company will still use its
17 dividend reinvestment plans to fulfill any kind of equity
18 needs it has for its overall company corporate structure.

19 MS. MEDLYN: Okay. Thank you. That's all I
20 have.

21 MADAM CHAIR PRIDEMORE: Thank you, Ms. Medlyn.

22 Ms. Ariza, do you have anything -- you had your
23 chance, and --

24 MS. ARIZA: I forgot to move my exhibits into
25 the record.

1 MADAM CHAIR PRIDEMORE: There you go. That we
2 can do.

3 Move the Sierra Club exhibit into the record.
4 Love it.

5 MS. WHITFIELD: Madam Chair Pridemore, can I do
6 the same on behalf of GIPL?

7 MADAM CHAIR PRIDEMORE: Ms. Whitfield is going
8 to move her 1 through 4 exhibits into the record.
9 You got it.

10 MS. WHITFIELD: Thank you.

11 MADAM CHAIR PRIDEMORE: Mr. Hewitson. The man
12 of the hour. I'm being generous because it's late.

13 MR. HEWITSON: I understand that, Chair
14 Pridemore.

15 RE CROSS-EXAMINATION

16 BY MR. HEWITSON:

17 Q Hello.

18 A (Witness Adams) Good evening.

19 Q You were asked a number of questions about
20 depreciation.

21 Real quick, in terms of working with staff,
22 historically has Georgia Power made available to staff
23 and its consultants the company's depreciation expert?

24 A (Witness Adams) Yes.

25 Q And did that happen in this case?

1 A (Witness Adams) It did. I believe there were
2 two sessions.

3 Q Okay. And did the company respond to data
4 requests in this case regarding depreciation?

5 A (Witness Adams) A lot.

6 Q Okay. You were asked a number of questions
7 about the alternative rate plan and the ROE earnings
8 band.

9 If a traditional one-year rate plan was ordered
10 by this commission, would there be an earnings band put
11 in place?

12 A (Witness Abramovitz) Probably not.

13 Q Okay. And if there was no earnings band, would
14 there be any sharing mechanism?

15 A (Witness Abramovitz) No.

16 Q If there was no sharing mechanism, do customers
17 get any benefit from the company's efficiencies?

18 A (Witness Abramovitz) No, they would not.

19 Q Okay. You were asked several questions
20 regarding the ROE, as I said, compared to the national
21 average specifically.

22 Is it your opinion -- or in your opinion, is
23 Georgia Power an average utility?

24 A (Witness Abramovitz) No, Georgia Power is not
25 an average utility and Georgia is not an average state.

1 We have above-average reliability, resiliency, and
2 customer service and below-average rates.

3 Q Okay. Has this commission historically awarded
4 Georgia Power ROEs above the national average?

5 A (Witness Abramovitz) As a set point, yes.

6 Q Okay. Have the ROE setpoints awarded by this
7 commission been critical to maintaining the financial
8 integrity of the company?

9 A (Witness Abramovitz) Yes, they have.

10 Q Okay. Have the decisions of this commission in
11 prior cases allowed you to make the investments that you
12 need to provide excellent service to your customers?

13 A (Witness Abramovitz) They have.

14 Q Do customers pay any more in rates when Georgia
15 Power earns above the authorized ROE band?

16 A (Witness Abramovitz) No, they don't. And they
17 also would recognize efficiencies. Every three years in
18 our rate case of cost efficiencies they get recognized in
19 perpetuity. And as we've talked about a lot today, when
20 we earn beyond the authorized ROE band, those savings are
21 shared with customers.

22 Q Has the company been recognized for providing
23 excellent service to customers?

24 A (Witness Abramovitz) Yes. I think Mr. Womack
25 referenced that in his testimony. JD Power, I think,

1 ranked us again number one in the southeast.

2 Q Okay. Thank you, panel.

3 MR. HEWITSON: That's all I have for you on
4 redirect. I do ask that the exhibits be moved into
5 evidence, Chair Pridemore.

6 MADAM CHAIR PRIDEMORE: So moved and so marked.

7 I would like to thank the panel. You are just
8 short of a 7-hour panel, Mr. Abramovitz, Ms. Adams,
9 Mr. Houston, welcome, and Mr. Robinson.

10 Tomorrow, we will come back in at 9:30, begin
11 with the next panel. We're going to have a hard
12 lunch break at 12:30. Plan accordingly. And a hard
13 afternoon break at 3:15. Plan accordingly. Bring
14 cash. Amy at the snack bar looks forward to seeing
15 you. We're adjourned.

16 (Hearing adjourned for the day at 8:16 p.m.)
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C E R T I F I C A T E

We, Kelley Nadotti, Debbie Eickhoff and Brenda P. Elwell, Certified Court Reporters, do hereby certify that the foregoing transcript is an accurate record to the best of our abilities of the proceedings in the above-entitled matter at the time and place therein set forth.



Kelley Marie Nadotti, RPR
CCR-6256-8388-8026-4192



Debbie A. Eickhoff, RPR
CCR-5090-9084-2699-3664



Brenda P. Elwell, RPR, CRR, B-2023

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BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION

STATE OF GEORGIA

In Re:)
)
Georgia Power Company's 2022)
Rate Case) Docket No. 44280
_____)

Hearing Room 110

Georgia Public Service Commission

244 Washington Street
Atlanta, Georgia

Wednesday, September 28, 2022

The above-entitled matter came on for hearing

Pursuant to Notice at 9:30 a.m.

PRESENT WERE:

TRICIA PRIDEMORE, Madam Chair
TIM ECHOLS, Vice-Chairman
FITZ JOHSON, Commissioner
LAUREN "BUBBA" MCDONALD, Commissioner
JASON SHAW, Commissioner

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9	21 - JMC-7	674	674
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12	24 - JMC-9	674	674
13	25 - JMC-10	674	674
14	26 - Fetter Appendix 1	805	805
15	27 - LPE-1	901	---
16	28 - LPE-2	901	---
17	29 - LPE-3	901	---
18	30 - LPE-4	901	---
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24	GIPL:		
25	5 - Authorized ROEs 19-22	747	769

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3	1 - STF-PIA-2-1	845	1045
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1 P R O C E E D I N G S

2 MADAM CHAIR PRIDEMORE: All right. Good
3 morning. Let's call to order the Georgia Power 2022
4 rate case, Docket No. 44280, our second day of
5 hearings.

6 And we're going to start things off with public
7 witness testimony. I have our public comment rules,
8 which are posted in the lobby, on our website, as
9 well as in this hearing room. Everyone has signed up
10 on a sign-up sheet. We will be here for the first
11 hour doing public comment.

12 If there is not any -- if we don't use the
13 whole hour, then we'll wait 10 minutes to switch over
14 IT and go on to the business of the day.

15 I want to make sure that everyone is aware,
16 too, of the rules which are in accordance with
17 O.C.G.A. 50-13-13(a)(6). That's just asking for
18 proper conduct. And so I think that it's important
19 that we all conduct ourselves knowing that we are
20 here at a government agency that is to serve all of
21 the state of Georgia. And so please keep your
22 profanity, your costumes, your signs, your props out
23 of here.

24 All right. Let's get started with the first
25 person this morning, which is Rabun Neal.

1 MR. NEAL: Good morning.

2 Whereupon,

3 RABUN NEAL,

4 appeared as a PUBLIC WITNESS herein and made the following
5 comments:

6 MADAM CHAIR PRIDEMORE: Good morning.

7 MR. NEAL: Chair Pridemore, Commissioners, I'm
8 Rabun Neal, Reynolds Lake Oconee. Reynolds Lake
9 Oconee is a mixed-use development. We have six golf
10 courses, four marinas, ten restaurants, a
11 Ritz-Carlton, over 3,000 homes and we have 213 homes
12 currently under construction. To say reliability is
13 important to us is very much -- very much an
14 understatement.

15 In addition to 1,400 people we have working for
16 Reynolds and for the Ritz, we have 1,600 other people
17 working in our community on a daily basis building
18 those homes and maintaining those homes. And we have
19 over 1,000 people who are working -- of our residents
20 who are working from home now at Reynolds.

21 Power is essential to our operations. If the
22 power is not working, then neither are all of our
23 facilities, nor the 4,000 people working daily within
24 our community.

25 Through the -- through the years, over half the

1 people that have moved to Reynolds have come from
2 Georgia, and the other half have come from other
3 states. In the last two and a half years, we've
4 added 451 homes and a couple of section lake lots,
5 and that has totaled a billion dollars of investment
6 back into our local economy and to the state of
7 Georgia. With half of that, half a billion dollars
8 in Reynolds alone has been invested from those who
9 are moving from other states to the state of Georgia.

10 I make that point as those buyers are also
11 looking to other parts of this nation where power
12 reliability and quality is not the same as it is in
13 Georgia. It's not assured and they have load
14 limiting, they have rolling outages, such as in
15 California and Texas. That has had a tremendous
16 impact on those citizens and those business in those
17 states and we don't want to be in that same regard.

18 I'm proud to say our business levels are higher
19 than ever and we can meet the needs of our customers
20 on a daily basis because grid reliability has been a
21 continued focus of Georgia Power and the state of
22 Georgia. Said differently, we need to be the state
23 that people move to, not the state that people move
24 from.

25 I understand grid investments are being made

1 not just in our area, but throughout the state. I
2 know that's part of the hearing process that we're
3 going through. In our area in the last several
4 years, a couple of additional circuits were added due
5 to load. We've had a switching cubicle added
6 recently to the new water packaging plant and another
7 one was changed out as a part of preventative
8 maintenance.

9 All that to be said, that has all been done on
10 a proactive basis, not a reactive basis. And I'm
11 aware that that type of work is not being done just
12 in our area, but throughout the state.

13 This Commission, I understand, performs a
14 balancing act in between near-term and long-term
15 priorities and investments, and also keeping the
16 bills affordable for all Georgians.

17 Past investments and grid reliability have
18 helped Georgia be successful. Please continue to
19 authorize appropriate investments in reliability so
20 we don't face embarrassing and business impacts and
21 implications that have happened in those
22 less-reliable states.

23 Thank you for what you're doing every day to
24 keep Georgia growing. Thank you.

25 MADAM CHAIR PRIDEMORE: Thank you, Mr. Neal.

1 Reverend Christopher Johnson.

2 Whereupon,

3 REVEREND CHRISTOPHER JOHNSON,
4 appeared as a PUBLIC WITNESS herein and made the following
5 comments:

6 REVEREND JOHNSON: Hello there. Good morning
7 to the Commission. I come from Augusta, Georgia,
8 James Brown's hometown. I come from an area of
9 Augusta, Georgia, that's pretty decent, pretty
10 thriving. I'm on the west side of Augusta.

11 But most of the people in Augusta -- a large
12 number of people in Augusta, some 24 percent of the
13 people in Augusta, live below poverty line. Outside
14 of Augusta going south, Augusta, Jenkins County,
15 going all the way down to Laurens County, the poverty
16 line, below poverty line exceed almost 43 percent.
17 Right now it is -- you know, it's important that we
18 keep good energy going completely across the state.
19 It's good that we have good investment in place
20 across the state. In fact, it's good that, you know,
21 our grid line works pretty good across the state.

22 But coming out of a pandemic, still some still
23 lingering in it, coming out of a situation where, you
24 know, people are not back to work yet, I think it's
25 bad -- it's a bad time for us to try and raise rates

1 on citizens.

2 I come to represent those that can't represent
3 themselves. I come to represent those that can't
4 speak for themselves. I come to represent the
5 disabled communities also. Some 42 percent of
6 disabled community fall below the poverty level. And
7 they are not homeowners, they run the business,
8 everything as they try to work.

9 But please, please, please, it's in the hands
10 of the Public Service Commission at this time not to
11 raise the rates on Georgians. Just extend the period
12 for a little while longer. Just give the people a
13 little bit more time to come out of the pandemic.

14 Give the people a little bit more time to
15 almost brace themselves for another moving action.
16 Tornado -- I mean, a hurricane is on the way. We
17 have a whole lot of things going on in this state.

18 This state thrives because they know how to
19 pull together, hold each other together, and become
20 responsible to everyone. This is the time for more
21 responsibility to those who are less fortunate,
22 become responsible for those who are not wealthy,
23 those that don't have a silver spoon in their mouth,
24 or nor those who have a decent dollar and a decent
25 paycheck.

1 I'm asking -- pleading right now to the Public
2 Service Commission, do not raise the rates for
3 Georgia Power. Please hold the line. Give us a
4 little bit more time. Give the citizens a little bit
5 more time to breathe, to get our lives together,
6 please.

7 Thank you very much.

8 MADAM CHAIR PRIDEMORE: Thank you, Reverend
9 Johnson.

10 Mary Hardin Thornton. Did I say that
11 correctly, Ms. Thornton?

12 MS. THORNTON: Yes. Thornton.

13 Whereupon,

14 MARY HARDIN THORNTON,
15 appeared as a PUBLIC WITNESS herein and made the following
16 comments:

17 MS. THORNTON: Madam Chairwoman and
18 Commissioners, my name is Mary Hardin Thornton and I
19 currently work as a project manager for the city of
20 Rome, Georgia. In the past I served as the director
21 for our Keep America Beautiful affiliate, Keep Rome
22 and Floyd County Beautiful, and as the director of
23 our city's tree board.

24 During my 14 years working in those capacities,
25 someone from the Georgia Power Company always served

1 on these boards. And with the help of their staff
2 and employees, we perform countless river cleanups
3 and restoration projects in our community. With
4 leadership from the regional office, our affiliate
5 was awarded a five-star restoration grant from the
6 National Fish and Wildlife Foundation to restore
7 approximately 2.6 acres of urban creek environment in
8 one of our major parks.

9 Now I work in the finance department and I'm
10 responsible for seeing development projects to
11 completion, projects that have been funded by SPLOST
12 dollars or American Rescue Plan Act funds. It's the
13 topic of infrastructure and, more importantly,
14 collaboration with partners that I wish to address
15 today.

16 One of the projects I inherited in May of this
17 year is Covington Park. It's a project that has been
18 in the planning stages since 2013. This is what we
19 call a passion project that involves lots of
20 community stakeholders.

21 Previously unfunded, the City of Rome
22 designated ARPA funds to this project and things are
23 finally starting to move. Darlington School and the
24 Covington family donated the land for this park to
25 honor the memory of Lieutenant William L. Covington,

1 a graduate of Darlington School, Georgia Tech, and
2 the U.S. Naval Academy, who was killed, along with
3 four other Marines, on January 7th, 1969, when their
4 courier flight was shot down in Vietnam.
5 Mr. Covington's body was never recovered and he was
6 awarded the Purple Heart posthumously.

7 Georgia Power is currently performing work in
8 and around the area of Covington Park as part of
9 their grid investment program. As work was
10 progressing, the stakeholders, garden clubs, the Boys
11 and Girls Club, civic groups, trail advocates,
12 veterans organizations became very concerned with the
13 future placement of electrical equipment,
14 specifically transformers that looked like they were
15 going to be installed on the corner of East 12th and
16 Cave Spring Road. That corner is the focal point of
17 our plans to install military markers, signage,
18 benches, and a flagpole in a small plaza honoring
19 Lieutenant Covington.

20 I contacted our local Georgia Power leadership
21 in Rome, Mr. Tony Ferguson, and told him about the
22 longstanding plans for the park. He called right
23 back and advised me that Georgia Power and their
24 contractors would stop work in the park area until we
25 could meet on-site the next week to discuss it.

1 When we did meet, the supervisors from the
2 contract companies, along with representatives from
3 Georgia Power, determined the equipment could be
4 shifted and would not interfere with the monument or
5 signage honoring Lieutenant Covington.

6 Covington Park will be very important to our
7 community culture and to our veterans. I'm thankful
8 for our relationship with Georgia Power. We depend
9 on Georgia Power to make these grid improvements
10 needed to maintain energy reliability for Rome and
11 Floyd County, but the bonus out of the partnership
12 with them is that they collaborate with us in a way
13 that makes us both successful.

14 One last point about our community. Plant
15 Hammond is a retired coal-fired plant that was a
16 central part of our tax digest and regional
17 employment until its closure in 2019. Although it
18 was difficult to lose the jobs Plant Hammond
19 provided, we all want to be part of transitioning to
20 more clean versions of making energy.

21 We have several technical colleges in our
22 region and Georgia Power's investment in the grid is
23 an investment to the future employment of our
24 children and the energy security to all the people
25 and businesses moving to our state.

1 We're glad to know Georgia Power is still a
2 partner with us in the little details that make a
3 community like ours successful and attracted to the
4 quality growth. Thank you.

5 MADAM CHAIR PRIDEMORE: Thank you,
6 Ms. Thornton. I have a lot of very close personal
7 friends in Rome and Floyd County. Tell them I said
8 hello. It's a great -- great part of our state.

9 MS. THORNTON: I will.

10 MADAM CHAIR PRIDEMORE: All right. Number
11 four, Eric Wilmarth.

12 Whereupon,

13 ERIC WILMARTH,
14 appeared as a PUBLIC WITNESS herein and made the following
15 comments:

16 MR. WILMARTH: Madam Chairwoman, Commission
17 members, good morning. My name is Eric Wilmarth.
18 I'm the city manager for the City of Ball Ground
19 located in North Cherokee County. I'm also a Georgia
20 Power customer.

21 As a city manager, I understand the challenges
22 facing our utilities today. Nobody enjoys rate
23 increases. However, inflation impacts the utilities
24 just like it impacts everyone else, many times more
25 so. Additionally, the cost of continually upgrading

1 and replacing our infrastructure is massive, yet it's
2 critical.

3 As an individual, the rate increase will impact
4 me. As a city, it will also impact our operations.
5 However, the inability of Georgia Power to continue
6 its work in expanding the grid, replacing aging
7 infrastructure will impact us even more.

8 Prior to coming to work in Ball Ground, I spent
9 21 years of my life in the U.S. Army traveling the
10 globe and participating in a number of
11 nation-building exercises. The two most important
12 things in nation building was clean water and a
13 reliable energy grid.

14 When I began in Ball Ground, our power grid was
15 nonexistent. We were supplied by one power feed out
16 of Canton, Georgia, 10 miles away. One branch on
17 that line or anyplace in the city took the entire
18 city out of service. The city was dying. We had
19 three open businesses on our main street and our
20 population continued to regress.

21 Over the past 20 years, Georgia Power has
22 invested millions of dollars in the power grid in
23 Ball Ground with the ability to feed from either the
24 north or the south of the city. Together with the
25 city investments, these improvements have taken Ball

1 Ground from a dying community, from a downtown with
2 shuttered storefronts and only three businesses, to a
3 vibrant community of over 3,000 with 31 new downtown
4 businesses and a number of new major employers in the
5 city.

6 Our new power grid allowed us to attract major
7 employers, like Onyx, FRN, and Universal Alloy
8 Corporation. Our power outages have gone from
9 weekly, sometimes several times a week, to rare.
10 It's a rare occurrence now.

11 In my years of experience and my time living in
12 underserved communities around the world, I can't
13 emphasize enough the importance of investing in our
14 grid. It is imperative that we stay proactive and
15 not reactive.

16 As the manager of a water and sewer utility
17 provider, I cannot stress enough the importance of a
18 robust power grid. I need that power. Not just when
19 the sun is shining, but during the most adverse
20 weather conditions.

21 Thank you for allowing me this opportunity to
22 share with you this morning and I would encourage you
23 to favorably consider the Georgia Power request.
24 Thank you.

25 MADAM CHAIR PRIDEMORE: Thank you,

1 Mr. Wilmarth.

2 Trip Tollison. Familiar face.

3 Whereupon,

4 TRIP TOLLISON,

5 appeared as a PUBLIC WITNESS herein and made the following
6 comments:

7 MR. TOLLISON: Good morning, Commissioners,
8 Madam Chair. Thank you for allowing me to be here
9 today. Again, my name is Trip Tollison and I work
10 for Savannah Economic Development Authority.

11 I'm here today to report that business in
12 Savannah is good and many are benefiting. That is in
13 large part of the result of the great partners that
14 we have there, including Georgia Power.

15 There are many projects to highlight, but
16 nothing compares to the largest economic development
17 deal in Georgia's history, which will bring more than
18 \$5.5 billion in investment and, of course, many other
19 supplier jobs that will come with the project. And,
20 of course, 8,000 more directly tied to the site,
21 which, of course, I'm talking about Hyundai.

22 Governor Kemp led the effort in the Savannah
23 Harbor I-16 Corridor Joint Development Authority,
24 which we call the Savannah JDA, enacted on behalf of
25 local stakeholders. We formed this JDA in 2014 as we

1 looked for, you know, projects of regional
2 significance. The JDA is a joint venture of Chatham,
3 Effingham, Bulloch, and Bryan Counties.

4 We purchased property in 2021 in Bryan County
5 by leveraging the proceeds of selling properties in
6 Chatham County and also using \$18 million in local
7 funds. Many contributed to making the Hyundai
8 announcement possible. The governor and the staff,
9 the State Department of Economic Development, the
10 Savannah JDA, and all of the local entities that make
11 up the JDA, and, of course, Georgia Power.

12 Georgia Power assisted us from day one with
13 completing research and the information requests.
14 Their team was integral to all of the various site
15 visits from Hyundai, focusing on logistics,
16 presentations, exhibits, and data generation.
17 Georgia Power's engineering team created incredible
18 video footage of what the actual project would look
19 like when finished, assembled countless civil
20 engineering exhibits, and provided an amazing
21 immersion experience for the executive leadership
22 when Hyundai visited Savannah last February. Georgia
23 Power also provided key workforce development
24 analysis documents that were customized for Hyundai
25 and their plans, as well as potential supplier

1 activity that is going to follow.

2 It may not be self-evident, but Georgia Power
3 is central -- is a central partner in our community
4 beyond this one economic development project.
5 Whether it is investment in education, workforce
6 development, philanthropic work, energy assistance
7 and the like, our communities are more attracted to
8 economic development because of the long-term
9 investment Georgia Power makes across our
10 communities.

11 Hyundai would not have happened, nor hundreds
12 of other growth projects across our region of the
13 state had this utility not been preparing the way
14 over the last several decades. It is the greatest
15 truth in economic development: Communities must be
16 ready for growth before growth will come.

17 Georgia Power quietly does the groundwork that
18 greatly reduces the challenges in economic
19 development while improving the lives of individuals
20 every day. Georgia Power has been and will remain a
21 key ingredient in our recipe for economic success.
22 That is more than citizenship. It is a partnership
23 that our region could not function without.

24 As you know, this Commission oversees most
25 elements of Georgia Power's involvement and I wanted

1 you to hear from me today on just how appreciative
2 our region is for this collaboration. Again, thank
3 you for allowing me to be here today.

4 COMMISSONER MCDONALD: Mr. Tollison --

5 MR. TOLLISON: Yes, sir.

6 COMMISSONER MCDONALD: -- what's the atmosphere
7 in Savannah as we speak right now with the bracing
8 for the weather situation that's coming that way?

9 MR. TOLLISON: We're dealing with a lot of that
10 right now. People are pretty concerned, yes, sir.
11 There's a lot of tense atmosphere in the air for
12 sure.

13 COMMISSONER MCDONALD: It's been a long time
14 since Savannah had any threat like this before, isn't
15 it?

16 MR. TOLLISON: Yes, sir. There's a lot of
17 people are concerned and everybody's mobilizing,
18 including Georgia Power. But there's a lot
19 happening.

20 COMMISSONER MCDONALD: Good. We hope that
21 everything will be okay.

22 MR. TOLLISON: Thank you.

23 Thank you again.

24 MADAM CHAIR PRIDEMORE: Thank you, Trip.

25 Number six, Pat McNulty.

1 Whereupon,

2 PAT McNULTY,

3 appeared as a PUBLIC WITNESS herein and made the following
4 comments:

5 MR. MCNULTY: Madam Chairwoman and members of
6 the Commission, my name is Pat McNulty. I'm the
7 chief executive officer of St. Vincent de Paul
8 Georgia. I've been the CEO for the last two and a
9 half years, coming to the organization after a
10 39-year career that included 30 years in the
11 commercial business-to-business security services
12 field, which included provision of services to some
13 heavily regulated sectors.

14 St. Vincent de Paul is a faith-based human
15 services organization that has been serving the needs
16 of the people in Georgia since 1903. Our mission is
17 to provide hope and help to people in need so that
18 they may achieve stability and set forth on a path to
19 self-sufficiency, primarily in the areas of hunger,
20 housing, and health.

21 We do this through a network of
22 person-to-person visits that allow us to assess the
23 needs of those who come to us for assistance, and
24 work with them to develop a plan of support that not
25 only addresses their immediate needs, but also

1 provides the help needed to remove the barriers and
2 address root causes of instability. That help may
3 include direct financial assistance, food, clothing,
4 counseling, prescription medications, or connection
5 to the services of one of our partner organizations.

6 We operate one of the largest food pantry
7 operations in Georgia in our fight against hunger.
8 During the pandemic we never closed and helped over
9 220,000 people with more than \$25 million worth of
10 financial assistance. Our in-kind support included
11 food assistance totaling over \$10 million.

12 St. Vincent de Paul could not do that work
13 without the support of our thousands of volunteers,
14 generous donors, and our foundation and corporate
15 benefactors and partners. We are proud and grateful
16 that Georgia Power is one of those partners.

17 For over 20 years Georgia Power has provided us
18 with financial support, including support to help
19 those adversely impacted by COVID. Additionally, we
20 have had Georgia Power representatives, senior
21 leadership team executives on our board of directors
22 for many years.

23 As you probably know, in many cases companies
24 provide nonprofits with young, upcoming, high
25 potential executives to serve on their board. This

1 is a great development opportunity. However, when we
2 asked Georgia Power to help us be more impactful and
3 effective by having one of their leaders serve on
4 their board, they listened. They provided us with an
5 executive-level senior person who had years of
6 experience not only in the organization and in the
7 industry, but also in community involvement.

8 She has been an invaluable asset to me
9 personally and to St. Vincent de Paul. Her guidance,
10 support, commitment, and passion for what we do has
11 made us a better organization. That is the kind of
12 partner Georgia Power is for us.

13 Another example of how Georgia Power has
14 proactively helped us serve the needs of our
15 neighbors during COVID, several times during the
16 pandemic Georgia Power Company reached out to us to
17 provide avenues of assistance to ensure that those in
18 need were not faced with a lack of power or heat
19 during the toughest periods of the crisis. We were
20 able to make sure folks maintained electricity during
21 these devastating times.

22 Madam Chairman, members of the Commission, I am
23 not here to offer an opinion on the merits of the
24 requested rate change; that is for others to comment
25 on. But what I am here to do is to offer an opinion

1 about a valuable partner.

2 The long-term -- their long-term support has
3 enabled our mission, which is to provide hope and
4 help in ways that are tough to fully describe in the
5 time that has been allocated to fully detail here.
6 Corporate benevolence is under-credited these days.
7 We think it is important to use this occasion to
8 acknowledge and remind folks of Georgia Power's role
9 in meeting the needs of so many. Thank you.

10 MADAM CHAIR PRIDEMORE: Thank you, Mr. McNulty.

11 Before I was a Commissioner, and several years
12 ago, I worked as a volunteer caseworker at MUST
13 Ministries. And consistently if we ran out of gap
14 funding for utilities or rent funding, St. Vincent de
15 Paul was the first place that we called. And you
16 guys always came through for those clients. And so I
17 can't say enough good things about y'all. So thank
18 you.

19 MR. MCNULTY: Thank you. We appreciate your
20 past work.

21 MADAM CHAIR PRIDEMORE: Patty Durand.

22 Whereupon,

23 PATTY DURAND,

24 appeared as a PUBLIC WITNESS herein and made the following
25 comments:

1 MS. DURAND: Good morning. I'm here today to
2 ask for two things: That you remove the rooftop
3 solar net metering cap and that you remove the
4 excessive fees for community solar.

5 First, please remove the rooftop solar net
6 metering cap. Net metering is a policy choice to
7 favor individual rights, to favor decentralized and
8 demand-side solutions, and to encourage private
9 investment in solar. By kneecapping net metering,
10 you are choosing not to support a customer-empowered
11 future.

12 Professor Brown from Georgia Tech testified at
13 this summer's IRP hearings and showed the cost shift
14 that Georgia Power cites as their opposition is a red
15 herring. Listen to that research.

16 Your arbitrary cap keeps Georgia in 47th place
17 for rooftop solar. Over 40 states have net metering.
18 Even Kentucky's program is better than Georgia's and
19 has more net metering and more rooftop solar than
20 Georgia.

21 Next, please remove excessive fees you allow
22 Georgia Power to assess for community solar, killing
23 that market. Your allowing these crazy fees harms
24 low-income customers and people living in multifamily
25 housing. It locks them out for participating in

1 solar.

2 Metrics you should care about instead of
3 Georgia being number one in the state to do business,
4 which isn't even true, unless you listen to area
5 development, whatever that is, are things like bill
6 affordability, consumer choice, and bill pay
7 assistance. Commissioners, you must know that when
8 you refer people to the Salvation Army,
9 Commissioner Echols, and Project Share, Commissioner
10 Pridemore, those nonprofits accommodate less than
11 20 percent of the need.

12 During the pandemic two years, over 480,000
13 Georgia Power customers were disconnected from power
14 while Mr. Tom Fanning from Southern Company earned
15 \$43 million in salary and other compensation.

16 The fact is that what we're here today to talk
17 about with this rate case hearing is Georgia Power's
18 excessive profit-seeking that you're authorizing. 11
19 percent ROE is an outrage. The upside-down capital
20 structure is an outrage. It delivers excessive fees
21 such that Georgia Power earns among the highest
22 profits in the nation and Mr. Tom Fanning of Southern
23 Company earns the highest utility compensation of any
24 utility CEO in the entire country. Even richer and
25 more populated states utility CEOs don't earn what he

1 does.

2 Why are we paying our CEO more than Illinois or
3 California or New York or states with much bigger
4 populations and richer populations than Georgia?
5 It's because you guys set the rates so high that
6 Georgia Power delivers huge profits to Southern
7 Company. And their board is so thrilled, that's why
8 Mr. Fanning or -- made so much the last few years.

9 Please consider the people and please consider
10 metrics that matter to people, which is bill
11 affordability, consumer choice, and bill pay
12 assistance. Thank you. Please do better.

13 MADAM CHAIR PRIDEMORE: Tish Naghise.

14 I just want to remind everybody, the clock is
15 right here to your left, so...

16 MS. NAGHISE: Good morning. Good morning.
17 Good morning. Good morning. Good morning. Thank
18 you for giving me this opportunity to speak before
19 this board.

20 My name is Tish Naghise. I am vice-president
21 of Al Gore's Climate Reality Project, chair of its
22 Atlanta chapter. And I want to come here --
23 yesterday I heard a lot, so I'm not going to do a lot
24 of the things that people talked about.

25 But what I did hear was an array of a diverse

1 group of people and organizations that came to speak
2 on their own behalf regarding why it would be
3 important for this body to listen to the fact that it
4 would be a hardship on them if their rates are
5 increased.

6 I heard a lot that we need to go forward with
7 the grid and making things change for the better.
8 And I heard that. But what I want to say is that it
9 should not fall on the backs of the consumers at this
10 time. I heard someone say that before.

11 When I look -- and when I think about that, I
12 think in good faith this body should listen to that.
13 Because when you have a corporation that -- Georgia
14 Power, when they have an increase and an abundance, a
15 net worth sustainable enough to go forward with the
16 projects that they want to have, investing more in
17 themselves -- as a business owner myself, my husband
18 and I, we have trucks. So when we do have abilities
19 to buy more trucks, we do that based upon the profits
20 that we've already done because we do not want to
21 lose any of our consumers that we have to ship our
22 goods out to when we transport with our trucks. So
23 we invest back into ourselves so that we can have the
24 best that we can.

25 So I have 50 seconds left. So I just want

1 to -- the body to realize this: The first President
2 George Washington, when he went to the Constitutional
3 Convention and he addressed the delegates, he said
4 this: If to the -- if to please the people we offer
5 what ourselves disapprove, how can we afterwards
6 defend our work?

7 As the Public Service Commissioners, it is your
8 job to protect the people in the state of Georgia
9 from inequities as it relates to utilities. And
10 we're asking you to do that and tell Georgia Power at
11 this time the -- what they're asking for is not
12 feasible as it relates to how they want to go forward
13 and who they want to give -- be able to have pay for
14 it.

15 And, lastly, let us raise the standard to which
16 the wise and honest can repair. The event -- this
17 event is in the hand of God and I hope that this body
18 will go back and listen to the people and tell
19 Georgia Power, okay. Come back with another plan, as
20 opposed to passing those costs on to the consumers.

21 I thank you. Everyone have a good day. Thank
22 you.

23 MADAM CHAIR PRIDEMORE: Thank you, Ms. Naghise.
24 Good to see you again. I hope you have a good day as
25 well.

1 Wan Smith.

2 MS. SMITH: No comment.

3 MADAM CHAIR PRIDEMORE: Brandon Winns.

4 Whereupon,

5 BRANDON WINNS,

6 appeared as a PUBLIC WITNESS herein and made the following
7 comments:

8 MR. WINNS: Good morning. My name is Brandon
9 Winns. I'm not a familiar face. I'm from southwest
10 Georgia. I'm from Arlington, Georgia, a small
11 country town, and we have one traffic light, three
12 convenience stores, one grocery store, and one bank
13 all in a one-mile strip. If you blink your eyes,
14 you're going to pass it.

15 We are not thought about. We are the forgotten
16 part of Georgia. We are not represented. At home, I
17 am actually in a class called South Georgia Leads and
18 Georgia Power is actually a sponsor of that class.
19 However, in that class one thing that we have learned
20 is to fight for people who cannot fight.

21 I'm here fighting for my grandma, who is
22 retired, who has been retired, who -- inflation
23 happens, but she's not going to get any more money.

24 She lives alone. Her light bill now is \$446 in
25 a small two-bedroom house. It's ridiculous. And if

1 it goes up any more, she won't be able to pay that.

2 I have aunts -- my aunt, who just buried her
3 husband last month, who now lives alone, her light
4 bill is over \$500 right there in small-town
5 Arlington. These people cannot afford to pay their
6 light bills already.

7 There are people in Albany, the organizations
8 in Arlington, in Calhoun and Early Counties who are
9 always bombarded with people with utility bills
10 because they can't afford them. And I'm talking
11 about older people, people who are retired, who will
12 never get any more money. They just get their
13 retirement check.

14 I mean, I can get up and get a job and do what
15 I need to do to pay a bill. My grandma is 86 years
16 old. I'm here fighting for those people.

17 I'm begging and pleading with you, think about
18 our older people. Think about our people who cannot
19 at any point get any more income.

20 Inflation is going to happen. Things will go
21 up. But these people's retirement checks will not.
22 Thank you.

23 MADAM CHAIR PRIDEMORE: Mr. Winns --

24 MR. WINNS: Yes, ma'am.

25 MADAM CHAIR PRIDEMORE: -- your relative that

1 has the \$400 light bill is in Calhoun County or Early
2 County?

3 MR. WINNS: Calhoun County.

4 MADAM CHAIR PRIDEMORE: Calhoun County?

5 MR. WINNS: They're both in Calhoun County. I
6 have copies of the light bills in my car.

7 MADAM CHAIR PRIDEMORE: And is Georgia Power
8 their provider?

9 MR. WINNS: Yes, ma'am. Yes, ma'am, they are.

10 MADAM CHAIR PRIDEMORE: Okay. Get their
11 addresses, if you would -- where is -- to the
12 Executive Secretary in the corner; okay?

13 MR. WINNS: Okay.

14 MADAM CHAIR PRIDEMORE: I want to do an account
15 review on them to see if there isn't something we can
16 do to help them. They may be eligible for some
17 energy-efficiency work or some things that might be
18 able to help.

19 MR. WINNS: I didn't mean to cut you off, but
20 my aunt and my grandma, whose bills are that high,
21 they're both on the senior citizens plan. So that's
22 their --

23 MADAM CHAIR PRIDEMORE: Okay.

24 MR. WINNS: That's the cost after the senior
25 citizens discount.

1 MADAM CHAIR PRIDEMORE: Okay. Let's look at
2 it. We might be to help them with some
3 energy-efficiency help.

4 MR. WINNS: Thank you.

5 MADAM CHAIR PRIDEMORE: Okay. All right,
6 Mr. Winns.

7 All right. Anybody else?

8 (No Response.)

9 Anybody else?

10 (No Response.)

11 Okay. Sounds good. So it is currently 10:05.
12 We take a ten-minute break from this point, reset the
13 room, prepare for witnesses in the witness box.
14 Sound good?

15 (A recess was held from 10:09 a.m. until
16 10:21 a.m.)

17 MADAM CHAIR PRIDEMORE: All right. I had a
18 Commissioner request for some southern gospel, a
19 break from our money playlist for the week.

20 All right. Getting back to the agenda on
21 Docket No. 44280. We have a lot of parties here
22 today and a lot to get through.

23 Thank you to everybody who hung with us last
24 night until 8:24 p.m.

25 Let's take up some housekeeping matters. What

1 do we have?

2 MR. HEWITSON: Thank you, Madam Chair.

3 Yesterday when Mr. Abramovitz was on the stand, in
4 response to questions from Ms. Coyle related to
5 securitization, he misspoke. And when you look at
6 the record, I think it's going to reflect a
7 contradiction in the same page. So I wanted to clear
8 that up for the record.

9 If you're looking at it on the video, at about
10 9 hours and 58 minutes into the recording -- so
11 almost 7 hours after being on the stand for the
12 panel -- Mr. Abramovitz misspoke when he said
13 securitization is nonbinding.

14 What he meant to say at that moment was that
15 securitization is a non-bypassable charge. That's
16 consistent with his testimony before the legislature
17 and what I think would be everyone else's
18 understanding of securitization.

19 In fact, when you review the transcript, I
20 think you will notice that Mr. Abramovitz's statement
21 follows a response to Ms. Coyle where he notes that
22 securitization binds customers and the Commission,
23 which further underscores that Mr. Abramovitz meant
24 to say it was a non-bypassable charge, instead of
25 nonbinding. So I would appreciate that correction

1 being noted in the record.

2 MADAM CHAIR PRIDEMORE: So moved. Change to
3 the record.

4 That witness panel was on the stand for seven
5 hours. And I know I could just misspeak over, you
6 know, a 30-minute breakfast. I can't imagine being
7 on the stand under oath for seven hours, so...

8 Okay. Take care of that.

9 Any other housekeeping matters?

10 (No Response.)

11 Okay. I have a couple because I wasn't --
12 Mr. Hewitson, you weren't the only one that reviewed
13 yesterday's hearing. And here are some things that I
14 think that we need to improve today to just make this
15 go a little smoother for everybody.

16 Number one, counsels, please pay attention. If
17 a question is asked and answered, you will not be
18 allowed to ask it again. I pay attention and I often
19 just let you ask the question again because, you
20 know -- I don't know -- I'm just kind of nice that
21 way.

22 But we've got to get things moving. And so
23 today, if the question's already been asked and it's
24 been answered, you're not going to ask it again. I'm
25 going to object.

1 Not to be cute, but if your legal fees are
2 billed by the number of questions that you ask, you
3 need to realign your billing structure.

4 Number two, please respect the witness.
5 Yesterday the tone and tenor of counsel, and I'm
6 looking at PIA especially, it was argumentative and
7 combative at times with the witness and with
8 Commissioners.

9 Don't argue with the witnesses. Don't argue
10 with Commissioners. Ask your question. You ask
11 questions, you get answers. That helps you build
12 your case.

13 Number three, have your exhibits ready and
14 someone to pass them for you. Witness box,
15 Commissioners, give it to Mr. -- Commissioner
16 Johnson, he will pass it to the rest of us, and the
17 court reporter.

18 Start your questions when you start passing
19 your exhibits. It does help speed things along. You
20 don't realize how much time that takes until you go
21 back and you watch these tapes and you watch these
22 recordings and you're, like: Wow. That was like
23 five minutes we just burned just in reorganization.

24 Number four, get to your question, please. So
25 to speak, Commissioners want to ask -- want you to

1 ask the time. We don't want to know the back story
2 on how a clock was invented or anything about the
3 clock. Ask the time. It's helpful to all of us.

4 Number five, Georgia Power, when you stand to
5 object, I need you to say the word "object." Your
6 standing does not translate to the court reporter
7 within the record. So when you're going to object,
8 stand up and object. And that will go the same thing
9 for PIA when we get to your witnesses on the stand.

10 And then, lastly, we've got a hard stop for
11 lunch today at 12:30. We've got a hard break time at
12 3:15. Please support Amy and the snack bar. She's
13 going to stay open late for us over in the CLOB.
14 Those of us that work in state government, we
15 appreciate Amy a whole lot, especially at times when
16 there's nothing else to eat and Amy is the only one
17 that is able to feed us.

18 So, with that, that's all the housekeeping
19 matters that I've got. And let's get started with
20 appearances.

21 Georgia Public Service Commission.

22 MR. THOMAS: Preston Thomas and Dan Walsh on
23 behalf of PIA staff. Georgia Power Company. Thank
24 you, Madam Chair. Brandon Marzo, Steve Hewitson, and
25 Allison Pryor. Americans for Affordable Clean

1 Energy. Good morning, Madam Chair. Newton Galloway
2 and Terri Lyndall on behalf of AACE. ChargePoint.

3 (No Response.)

4 ChargePoint.

5 (No Response.)

6 Not present two days in a row.

7 Commercial Group.

8 MR. JENKINS: Good morning. Alan Jenkins.

9 MADAM CHAIR PRIDEMORE: Good morning,
10 Mr. Jenkins.

11 Concerned Ratepayers for Georgia.

12 MR. PRENOVITZ: Steve Prenovitz for Concerned
13 Ratepayers for Georgia.

14 MADAM CHAIR PRIDEMORE: I'm not going to make
15 you come to the mic because you can speak loud for
16 me.

17 MR. PRENOVITZ: Bad knee.

18 MADAM CHAIR PRIDEMORE: Cypress Creek
19 Renewables.

20 (No Response.)

21 Cypress Creek Renewables.

22 (No Response.)

23 EVgo Services, LLC.

24 (No Response.)

25 Georgia Association of Manufacturers?

1 MR. JONES: Clay Jones on behalf of GAM, Madam
2 Chair.

3 MADAM CHAIR PRIDEMORE: Good morning,
4 Mr. Jones.

5 Georgia Coalition of Local Governments.

6 MS. BROWNE: Alicia Brown, John R. Seydel, and
7 David Nifong for Georgia Coalition.

8 MADAM CHAIR PRIDEMORE: Good morning,
9 Ms. Brown.

10 We will not refer to you as Ms. Brownout.
11 We're just going to refer to you as Ms. Brown.

12 Georgia Conservation Voters.

13 MS. NAGHISE: Tish Naghise on behalf of Deborah
14 Opie.

15 MADAM CHAIR PRIDEMORE: All right.
16 Ms. Naghise, do you plan to question witnesses today?

17 MS. NAGHISE: No.

18 MADAM CHAIR PRIDEMORE: Okay. All right. I
19 will call on you and when that time comes, you just
20 say that you don't have any questions; okay?

21 All right. Georgia Interfaith Power & Light.

22 MS. KYSOR: Good morning. Jill Kysor and
23 Jennifer Whitfield.

24 MADAM CHAIR PRIDEMORE: Okay. Good morning,
25 Ms. Kysor.

1 Georgia Solar Energy Industries Association,
2 Solar Energy Industries Association, and Vote Solar.

3 MR. THOMASSON: Scott Thomasson for GSEI, SEIA,
4 and Vote Solar, Madam Chair.

5 MADAM CHAIR PRIDEMORE: Georgia Solar Energy
6 Association, "GA SOLAR".

7 MR. MORELAND: Don Moreland with Georgia Solar
8 Energy Association.

9 MADAM CHAIR PRIDEMORE: Good morning,
10 Mr. Moreland.

11 Georgia Watch.

12 MS. COYLE: Good morning. Liz Coyle for
13 Georgia Watch.

14 MADAM CHAIR PRIDEMORE: Good morning, Liz.
15 Okay. Interstate Gas Supply.

16 MR. CARVER: Brad Carver, along with Adam Wise,
17 on behalf of IGS Energy.

18 MADAM CHAIR PRIDEMORE: Good morning,
19 Mr. Carver.

20 The Kroger Company.

21 MR. BOEHM: Good morning, Madam Chair. Curt
22 Boehm for The Kroger Company.

23 MADAM CHAIR PRIDEMORE: MARTA?

24 MS. STURM: Good morning. Kasey Sturm for
25 MARTA.

1 MADAM CHAIR PRIDEMORE: Good morning, Kasey.
2 Resource Supply Management.
3 MR. CLARKSON: Jim Clarkson for Resource
4 Supply.
5 MADAM CHAIR PRIDEMORE: Okay. Sierra Club.
6 MS. ARIZA: Isabella Ariza on behalf of the
7 Sierra Club.
8 MADAM CHAIR PRIDEMORE: Okay. Southern
9 Alliance for Clean Energy and Southface Energy
10 Institute.
11 MR. DOWDY: Good morning. Craig Dowdy, Steven
12 Jones, with Taylor English for SACE and Southface.
13 MADAM CHAIR PRIDEMORE: Good morning,
14 Mr. Dowdy.
15 Southern Renewable Energy Association.
16 (No Response.)
17 Southern Renewable Energy Association.
18 (No Response.)
19 United States Department of Defense and All
20 Other Federal Executive Agencies.
21 MS. MEDLYN: Good morning, Commissioners.
22 Emily Medlyn.
23 MADAM CHAIR PRIDEMORE: Good morning,
24 Ms. Medlyn.
25 Utility Management Services.

1 (No Response.)

2 Utility Management Services.

3 (No Response.)

4 Okay. According to my calculations, that means
5 today we have 19 intervenors present. Anybody check
6 my math?

7 (No Response.)

8 Okay. All right. Very good. Let's get
9 started, Mr. Marzo.

10 MR. MARZO: Thank you, Madam Chair. Mr. Coyne
11 is already seated in the witness box. I'd ask now if
12 you would allow me to swear him in.

13 MADAM CHAIR PRIDEMORE: Please swear him in.

14 MR. MARZO: Mr. Coyne, would you please raise
15 your right hand.

16 Thereupon,

17 JAMES COYNE,
18 having been duly sworn, testified as follows:

19 MR. COYNE: I do.

20 MR. MARZO: Thank you.

21 DIRECT EXAMINATION

22 BY MR. MARZO:

23 Q Mr. Coyne, for the benefit of the record, would
24 you please state your full name, your business address for
25 the record.

1 A My name is James M. Coyne and I am a senior
2 vice-president with Concentric Energy Advisors. My business
3 address is 293 Boston Post Road West, Marlborough,
4 Massachusetts 01752.

5 Q Thank you, Mr. Coyne.

6 And on June 24th of this year, did you prefile
7 or cause to be prefiled 45 pages of direct testimony in
8 question-and-answer format in this docket?

9 A I did.

10 Q Did you also at that time prefile ten exhibits?

11 A I did.

12 Q Were those exhibits prepared under your
13 supervision and direction?

14 A They were.

15 Q Mr. Coyne, are there any corrections which you
16 need to make to your prefiled testimony?

17 A There is one I found as I was going back
18 through my evidence. On page 33 of my direct testimony, on
19 line 9, it reads 15.29 percent and it should read
20 15.18 percent, reflecting on the figure below, which also
21 reads 15.18 percent. It has no impact on my analysis or
22 recommendations. I did use the 15.18 percent figure.

23 Q Okay. Thank you, Mr. Coyne.

24 And with that correction, is your testimony
25 true and accurate, to the best of your knowledge?

1 A It is.

2 Q Okay. If I were to ask you the same questions
3 today under oath, would your answers be the same as set
4 forth in your prefiled testimony?

5 A They would.

6 MR. MARZO: Madam Chair, the court reporter has
7 been previously given a copy of the prefiled direct
8 testimony. And I now ask that the testimony of
9 Mr. Coyne be copied into the record as if it were
10 given orally here today.

11 MADAM CHAIR PRIDEMORE: So moved and so marked.

12 (Whereupon, the prefiled direct testimony
13 and errata of Mr. Coyne follows:)

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**DIRECT TESTIMONY OF
JAMES M. COYNE
ON BEHALF OF
GEORGIA POWER COMPANY**

DOCKET NO. 44280

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2 A. My name is James M. Coyne, and I am employed by Concentric Energy Advisors, Inc.
3 ("Concentric") as a Senior Vice President. Concentric is a management consulting and
4 economic advisory firm, focused on the North American energy and water industries.
5 Based in Marlborough, Massachusetts and Washington, D.C., Concentric specializes in
6 regulatory and litigation support, financial advisory services, energy market strategies,
7 market assessments, energy commodity contracting and procurement, economic feasibility
8 studies, and capital market analyses. My business address is 293 Boston Post Road West,
9 Suite 500, Marlborough, Massachusetts 01752.

10 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

11 A. I am submitting this testimony to the Georgia Public Service Commission (the
12 "Commission") on behalf of Georgia Power Company ("Georgia Power" or the
13 "Company"), which is a wholly owned subsidiary of the Southern Company ("Southern
14 Company").

1 **Q. PLEASE DESCRIBE YOUR EXPERIENCE IN THE ENERGY AND UTILITY**
2 **INDUSTRIES AND YOUR EDUCATIONAL AND PROFESSIONAL**
3 **QUALIFICATIONS.**

4 A. I am among Concentric's professionals who provide expert testimony before federal, state,
5 and Canadian provincial agencies on matters pertaining to economics, finance, and public
6 policy in the energy industry. I regularly advise regulatory agencies, utilities, generating
7 companies, and private equity investors on business issues pertaining to the utility industry.
8 This work includes calculating the cost of capital for the purpose of ratemaking and
9 providing expert testimony and studies on matters pertaining to rate policy, valuation,
10 capital costs, and performance-based regulation. I have authored numerous articles on the
11 energy industry, lectured on utility regulation for regulatory commission staff, and
12 provided testimony before the Federal Energy Regulatory Commission ("FERC") as well
13 as state and provincial jurisdictions in the U.S. and Canada. I hold a B.S. in Business
14 Administration from Georgetown University and an M.S. in Resource Economics from the
15 University of New Hampshire. My educational and professional background is
16 summarized more fully in Exhibit JMC-1.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. The purpose of my direct testimony is to present evidence and provide a recommendation
19 for the return on equity ("ROE") for Georgia Power. My direct testimony also discusses
20 the Company's capital structure in comparison to the proxy group of companies supporting
21 my analysis.

22 **Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?**

23 A. Yes. My analyses and recommendations are supported by the data presented in Exhibits
24 JMC-2 through JMC-10, which have been prepared by me or under my direction. I sponsor
25 the following exhibits:

- JMC-2 – Comprehensive Summary of ROE Results

- JMC-3 – Proxy Group Screening Analysis
- JMC-4 – Constant Growth Discounted Cash Flow (“DCF”) Analysis
- JMC-5.1 – Market Risk Premium
- JMC-5.2 – Capital Asset Pricing Model (“CAPM”) Analysis
- JMC-6 – Risk Premium Analysis
- JMC-7 – Expected Earnings Analysis
- JMC-8 – Flotation Cost Adjustment
- JMC-9 – Regulatory Risk Assessment
- JMC-10 – Capital Structure Analysis

II. SUMMARY OF TESTIMONY

Q. WHAT IS YOUR CONCLUSION REGARDING THE APPROPRIATE COST OF EQUITY AND CAPITAL STRUCTURE FOR GEORGIA POWER?

A. I have estimated Georgia Power’s ROE based on the results from four models: the Discounted Cash Flow (“DCF”) model, the Capital Asset Pricing Model (“CAPM”), the Bond Yield Plus Risk Premium model, and the Expected Earnings model. As shown in Exhibit JMC-2, these models produce an analytical range of estimates of the Company’s cost of equity, of 8.99 percent to 13.55 percent with a four-model average of 10.92 percent. Based on these analyses, and including an adjustment for flotation cost that I discuss later in my testimony, I recommend an ROE of 11.00 percent. As to the capital structure, Georgia Power’s requested capital structure of 56.0 percent equity and 44.0 percent long-term debt is reasonable relative to the range of capital structures for the operating companies held by the proxy group companies.

1 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE ANALYSES THAT YOU**
2 **CONDUCTED TO SUPPORT YOUR ROE RECOMMENDATION.**

3 A. As mentioned, my ROE recommendation is based on the range of results produced from
4 four modeling methodologies. Analysts and academics understand that ROE models are
5 tools to be used in the ROE estimation process, and that strict adherence to any single
6 approach, or the specific results of any single approach, can lead to flawed conclusions. No
7 model can exactly pinpoint the correct cost of equity, but each is designed to provide a
8 unique estimate of the return required to attract equity investment. Therefore, my analysis
9 considers the range of results produced by these four different models. The DCF analysis
10 estimates the cost of equity based on market data on dividend yields and analysts' projected
11 earnings per share growth rates from reputable third-party sources. The CAPM analysis is
12 based on both current and forecasted interest rates and a forward-looking market risk
13 premium. The Risk Premium approach calculates the risk premium as the spread between
14 authorized ROEs for vertically integrated electric utilities and Treasury bond yields. The
15 Expected Earnings approach is based on projected returns on book equity that investors
16 expect to receive over the next three to five years. My ROE recommendation is ultimately
17 based on the range of results produced by these four methodologies. My recommendation
18 also considers the general economic and capital market environment and the influence
19 capital market conditions exert over the results of the DCF, CAPM and Risk Premium
20 models.

21 **Q. HOW IS THE REMAINDER OF YOUR DIRECT TESTIMONY ORGANIZED?**

22 A. The remainder of my Direct Testimony is organized as follows:

- 23 • Section III provides background on the regulatory principles that guide the
24 determination of ROE.
- 25 • Section IV presents a review of current and prospective economic and capital
26 market conditions and the implications on the cost of capital for utilities.

- Section V describes the criteria and approach for the selection of a proxy group of comparable companies.
- Section VI provides a description of the data and methodologies used to estimate the cost of equity, as well as the results of the various ROE estimation models and concludes with my recommendation and an assessment of its reasonableness under the *Hope* test.
- Section VII reviews Georgia Power’s capital structure in the context of the proxy group.
- Finally, Section VIII summarizes my results, conclusions, and recommendation.

III. REGULATORY PRINCIPLES

Q. PLEASE DESCRIBE THE GUIDING PRINCIPLES USED IN ESTABLISHING THE COST OF CAPITAL FOR A REGULATED UTILITY.

A. The foundations of public utility regulation require that utilities receive a fair rate of return sufficient to attract needed capital to maintain important infrastructure for customers at reasonable rates. The basic tenets of this regulatory doctrine originate from several bellwether decisions by the United States Supreme Court, notably *Bluefield Waterworks and Improvement Company v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923) (“*Bluefield*”), and *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1944) (“*Hope*”). In *Bluefield*, the Court stated:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties...

The return should be reasonably sufficient to assure investor confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.

1 Later, in *Hope*, the Court established a standard for the ROE that remains the guiding
2 principle for ratemaking in regulatory proceedings to this day:

3 [T]he return to the equity owner should be commensurate with returns on
4 investments in other enterprises having corresponding risks. That return,
5 moreover, should be sufficient to assure confidence in the financial integrity
6 of the enterprise, so as to maintain its credit and to attract capital.

7 **Q. PLEASE EXPLAIN HOW THESE PRINCIPLES APPLY IN THE CONTEXT OF**
8 **THE REGULATED RATE OF RETURN.**

9 A. Regulated utilities rely primarily on common stock and long-term debt to finance
10 permanent property, plant, and equipment. The allowed rate of return for a regulated utility
11 is based on its weighted average cost of capital, where the costs of the individual sources
12 of capital (i.e., debt and equity) are weighted by their respective book values. The ROE
13 represents the cost of raising and retaining equity capital and is estimated by using one or
14 more analytical techniques that use market data to quantify investor requirements for equity
15 returns. However, the ROE cannot be derived through quantitative metrics and models
16 alone. To properly estimate the ROE, the financial, regulatory, and economic context must
17 also be considered.

18 The DCF, CAPM, Risk Premium, and Expected Earnings approaches, while fundamental
19 to the ROE determination, are still only models. The results of these models cannot be
20 mechanistically applied without also using informed judgment to consider economic and
21 capital market conditions and the relative risk of Georgia Power compared to the proxy
22 group companies.

23 Based on these widely recognized standards, the Commission's order in this case should
24 provide Georgia Power with the opportunity to earn a return on equity that is:

- 25 • Commensurate with returns on investments in enterprises having comparable risks;
- 26 • Adequate to attract capital on reasonable terms, thereby enabling the Company to
- 27 provide safe, reliable service; and

- Sufficient to ensure the financial soundness of Georgia Power's electric utility operations.

Importantly, a fair return must satisfy all three of these standards. The allowed ROE should enable the Company to finance capital expenditures on reasonable terms and provide it with the ability to raise capital under a full range of capital market circumstances.

Q. WHAT ARE YOUR CONCLUSIONS REGARDING REGULATORY PRINCIPLES?

A. The ratemaking process is premised on the principle that, in order for investors and companies to commit the capital needed to provide safe and reliable utility services, the utility must have the opportunity to recover invested capital and the market-required return on that capital. Because utility operations are capital intensive, regulatory decisions should enable the utility to attract capital on favorable terms. The financial community carefully monitors the current and expected financial condition of utility companies as well as the regulatory environment in which they operate. In that respect, the regulatory environment is one of the most important factors considered by both debt and equity investors in their assessments of risk. It is therefore essential that the ROE authorized in this proceeding take into consideration the current and expected capital market conditions that Georgia Power faces, as well as investors' expectations and requirements regarding both risks and returns. A reasonable ROE is required both for continued capital investment by Georgia Power and to maintain confidence in Georgia's regulatory environment among credit rating agencies and investors.

IV. ECONOMIC AND CAPITAL MARKET CONDITIONS

Q. WHY IS IT IMPORTANT TO CONSIDER THE EFFECTS OF CURRENT AND EXPECTED ECONOMIC AND FINANCIAL MARKET CONDITIONS WHEN SETTING THE APPROPRIATE ROE?

A. It is important to consider current and expected conditions in the general economy and financial markets because the authorized ROE for a public utility should allow the utility

1 to attract investor capital at a reasonable cost under current and foreseeable economic and
2 financial conditions as underscored by the *Hope* and *Bluefield* decisions discussed
3 previously. The standard ROE estimation tools, such as the DCF, CAPM, Risk Premium,
4 and Expected Earnings models, each reflect the state of the general economy and financial
5 markets by incorporating specific economic and financial data. These inputs are, however,
6 only samples of the various economic and market forces that determine a utility's required
7 return. Consideration must also be given to whether the assumptions relied on in the current
8 or projected market data are appropriate. If investors do not expect current market
9 conditions to continue in the future, it is possible that the ROE estimation models will not
10 provide an accurate estimate of investors' forward-looking required return. Therefore, an
11 assessment of current and projected market conditions is integral to any ROE
12 recommendation.

13 **Q. WHAT ARE THE KEY FACTORS AFFECTING THE COST OF EQUITY FOR**
14 **REGULATED UTILITIES IN THE CURRENT AND PROSPECTIVE CAPITAL**
15 **MARKETS?**

16 A. The cost of equity for regulated utility companies is being affected by several key factors
17 in the current and prospective capital markets including ongoing uncertainty and volatility
18 in equity markets, as well as the economic recovery and inflation risk in 2022 and beyond.
19 In this section, I discuss each of these factors and how it affects the models used to estimate
20 the cost of equity for regulated utilities.

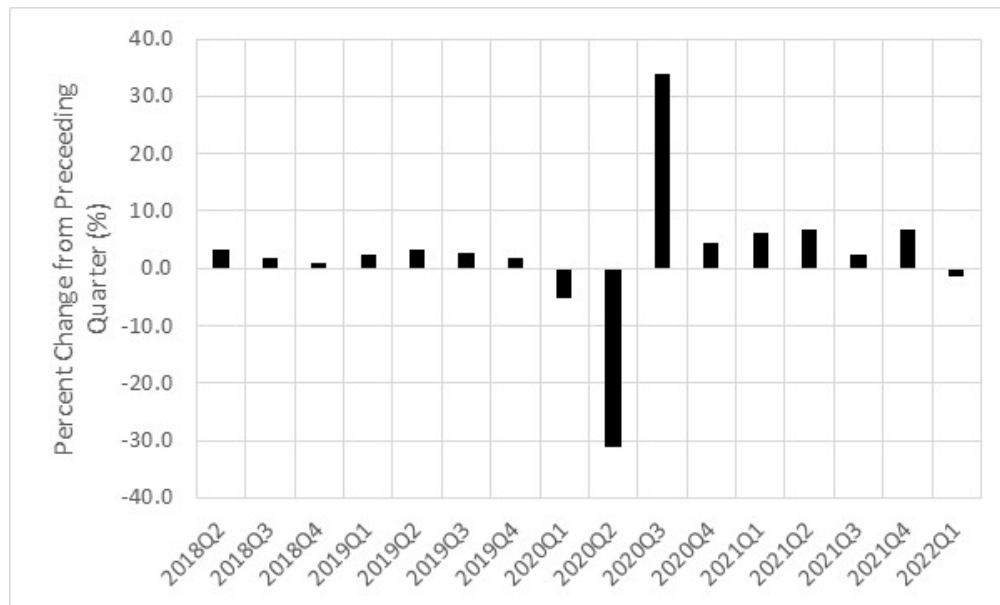
21 **A. ONGOING UNCERTAINTY AND VOLATILITY IN CAPITAL MARKETS**

22 **Q. PLEASE DESCRIBE THE CIRCUMSTANCES THAT HAVE RECENTLY**
23 **AFFECTED CAPITAL MARKET CONDITIONS.**

24 A. Capital market conditions have been significantly impacted by the economic impacts of
25 the COVID-19 pandemic. While the economy and financial markets are emerging from
26 these unique circumstances, it is important to recognize the current and forward-looking
27 impacts that are reflected in the cost of equity for all businesses and utilities. Federal

measures taken to contain the economic fallout from COVID-19 were extraordinary by any measure. As shown in Figure 1, real gross domestic product (“GDP”) has been on a roller-coaster cycle of unprecedented lows and highs over the past two years.¹

Figure 1: U.S. Real GDP Growth – 2018Q2-2022Q1²



To spare consumers and businesses from the full economic consequences of the pandemic, the federal government took a series of unprecedented steps to stabilize financial markets. While utilities have traditionally been a “safe-haven” for investors, that has not been true during the COVID-19 pandemic. Capital market conditions changed dramatically in 2020 and 2021, resulting in greater risk for investors in both the broader equity market and utility stocks.

¹ Gross Domestic Product (Second Estimate), GDP by Industry, and Corporate Profits (Advanced Estimate), 1st Quarter 2022, U.S. Bureau of Economic Analysis (BEA).

² Source: U.S. Bureau of Economic Analysis (BEA), <https://www.bea.gov/news/2022/gross-domestic-product-first-quarter-2022-advance-estimate>.

1 **Q. WHAT STEPS DID THE FEDERAL RESERVE TAKE TO STABILIZE**
2 **FINANCIAL MARKETS AND SUPPORT THE ECONOMY IN RESPONSE TO**
3 **COVID-19?**

4 A. In response to the economic effects of COVID-19, the Federal Reserve decreased the
5 federal funds rate twice in March 2020, resulting in a target range of 0.00 percent to 0.25
6 percent (which remained in effect until March 2022), and announced plans to increase its
7 holdings of both Treasury and mortgage-backed securities. From December 2020 through
8 November 2021 the Federal Reserve purchased at least \$80 billion per month of Treasury
9 securities and at least \$40 billion per month of mortgage-backed securities to support the
10 flow of credit to households and businesses during the pandemic.³ In addition, on March
11 23, 2020, the Federal Reserve began expansive programs to support credit to large
12 employers, including the Primary Market Corporate Credit Facility (“PMCCF”) to provide
13 liquidity for new issuances of corporate bonds, and the Secondary Market Corporate Credit
14 Facility (“SMCCF”) to provide liquidity for outstanding corporate debt issuances. Further,
15 the Federal Reserve supported the flow of credit to consumers and businesses through the
16 Term Asset-Backed Securities Loan Facility (“TALF”).⁴

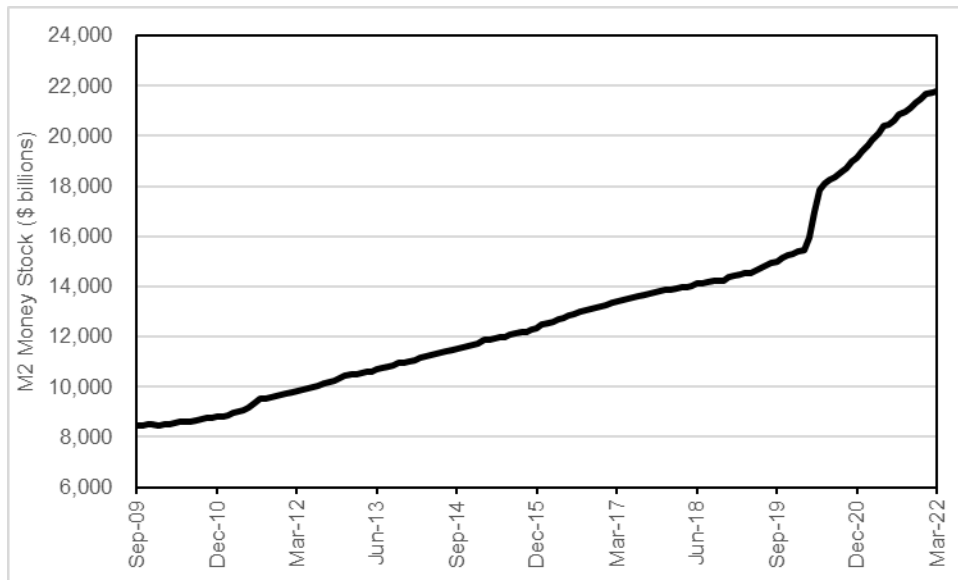
17 These “quantitative easing” programs allowed the Federal Reserve to purchase government
18 bonds and corporate bonds from banks. The banks then received cash from the Federal
19 Reserve, which resulted in an expansion of the money supply. This increase in the money
20 supply kept short-term interest rates low and increased the ability of banks to lend to
21 consumers and businesses. Investors in longer term bonds also responded, which affected
22 the entire duration of the bond yield curve, from very near-term rates to 30-year yields. As
23 shown in Figure 2, the programs enacted by the Federal Reserve resulted in an

³ CNBC, Fed will aggressively dial back its bond buying, sees three rate hikes next year (December 15, 2021), available at <https://www.cnbc.com/2021/12/15/fed-will-aggressively-dial-back-its-monthly-bond-buying-sees-three-rate-hikes-next-year.html>.

⁴ Federal Reserve Board Press Release, “Federal Reserve announces extensive new measures to support the economy,” March 23, 2020.

unprecedented expansion of the money supply as measured by M2.⁵ That expansion was far greater than the increase following the Federal Reserve's response to the Great Recession of 2008/2009. This demonstrates the level of intervention that was necessary to provide some stability to capital markets amidst the extraordinary circumstances associated with COVID-19.

Figure 2: M2 Money Stock – September 2009 – April 2022⁶



Q. PLEASE SUMMARIZE THE FISCAL POLICY RESPONSE FROM THE U.S. CONGRESS.

A. In addition to the Federal Reserve's response, the U.S. Congress passed approximately \$4.5 trillion in fiscal stimulus programs. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law, providing a large fiscal stimulus package

⁵ M2 is defined by the Federal Reserve as follows: M2 includes a broader set of financial assets held principally by households. M2 consists of M1 plus (1) small-denomination time deposits (time deposits in amounts of less than \$100,000) less IRA and Keogh balances at depository institutions; and (2) balances in retail money market funds ("MMFs") less IRA and Keogh balances at MMFs. M1 consists of currency and cash and checkable deposits held at depository institutions, money market deposit accounts, and savings deposits.

⁶ Board of Governors of the Federal Reserve System (US), M2 Money Stock [M2], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/M2SL>, March 22, 2022.

1 aimed at mitigating the economic effects of the coronavirus. Further, in March 2021, the
2 U.S. Congress approved additional fiscal stimulus of \$1.9 trillion in response to the
3 ongoing economic effects of COVID-19. The extraordinary measures taken by the Federal
4 Reserve and U.S. Congress to support the economy and stabilize financial markets
5 distorted bond markets (deliberately driving government and corporate yields lower) and
6 equity markets (creating upward pressure on valuations and downward pressure on yields
7 for dividend paying companies such as utilities). In March 2020, for the first time on record,
8 the yield on a 10-year treasury bond dropped below 1.0 percent,⁷ and remained below 1.0
9 percent for the remainder of 2020.⁸ The 10-year treasury bond yield remained low
10 throughout 2021, beginning the year below 1.0 percent, ending the year at 1.52 percent
11 with an average of 1.45 percent.⁹ Before the onset of COVID-19, the 10-year Treasury
12 yield had reached levels as low as 1.45 percent on only two occasions: July 24-26, 2012,
13 and July 5-11, 2016. Moreover, these fiscal stimulus programs have increased inflationary
14 pressures, as evidenced in the sharp run-up in inflation and corresponding upward spike in
15 bond yields since late November 2021.

16 **Q. ARE CONDITIONS EXPECTED TO STABILIZE IN THE NEAR-TERM?**

17 A. The economy remains in a tenuous recovery phase of the business cycle. Recent global
18 events associated with the Russian invasion of Ukraine have caused further uncertainty. As
19 such, capital market conditions continue to be unstable as interest rates and inflation have
20 increased. While expansive monetary and fiscal programs provided for some price stability,
21 as shown in Figure 3, the Chicago Board Options Exchange (“CBOE”) Volatility Index
22 (“VIX”) has remained above long-term historical levels, indicating stock investors remain
23 anxious about the economy and company earnings. The VIX, a measure of expected price
24 fluctuations in the S&P 500, reached 82.7 on March 16, 2020 in response to the pandemic.
25 As a point of comparison, the VIX last traded above 80 in November 2008 during the

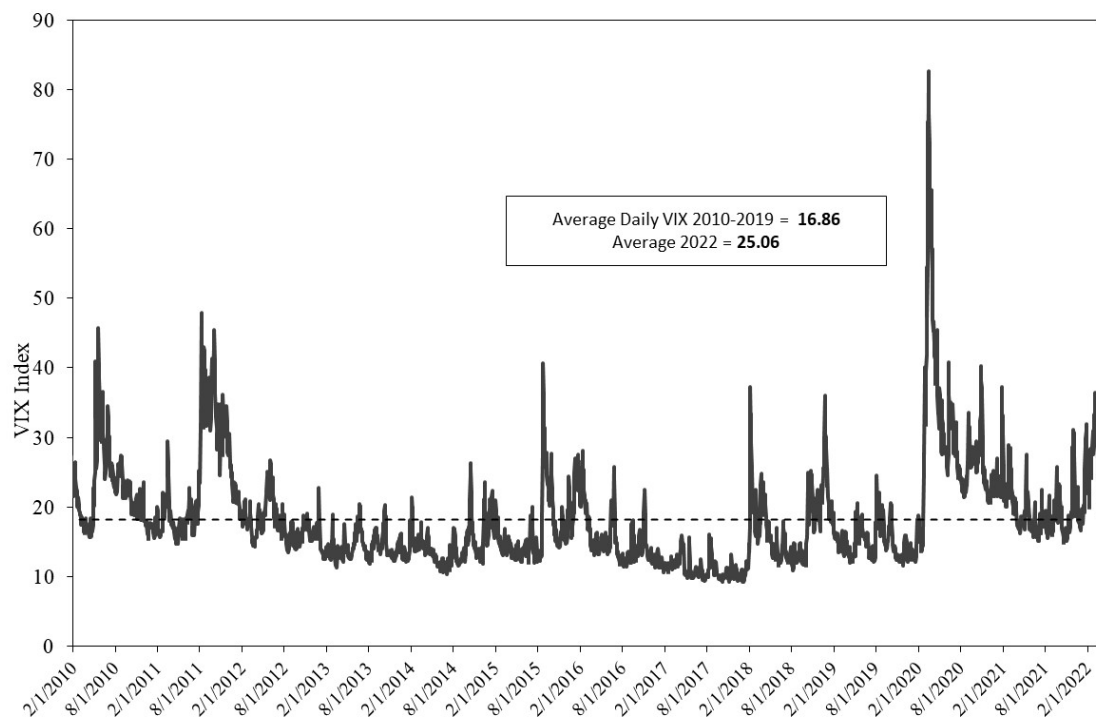
⁷ FRED, Economic Data, available at <https://fred.stlouisfed.org/series/DGS10>.

⁸ U.S. Department of the Treasury, available at <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/TextView.aspx?data=yieldYear&year=2020>.

⁹ U.S. Department of the Treasury, available at <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/TextView.aspx?data=yieldYear&year=2021>.

1 financial crisis and Great Recession of 2008/09. The VIX has continued to reach levels
2 above 35.0 in 2021 and 2022. The average level in 2022 has been 25.06 through April 30,
3 2022, compared to the average of 16.9 from 2010-2019.¹⁰ This indicates that equity market
4 volatility levels have partially settled but continue to remain above the historical mean.

5 **Figure 3: CBOE VIX – January 1, 2010 – April 30, 2022¹¹**



6
7 **Q. HAS THE COST OF EQUITY FOR UTILITY COMPANIES BEEN AFFECTED**
8 **BY THESE CIRCUMSTANCES?**

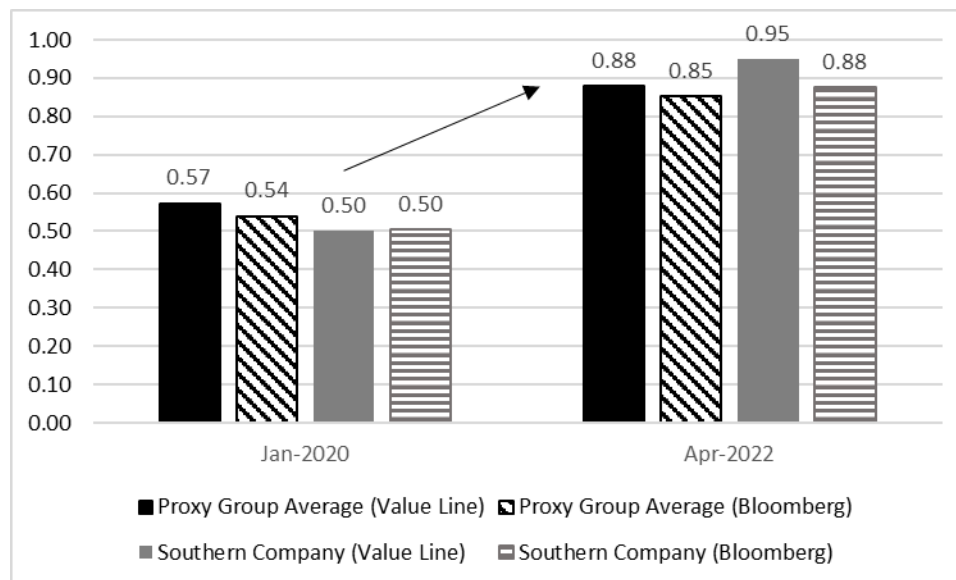
9 A. Yes. The cost of equity for regulated utility companies has been affected by the market
10 conditions during this period. In fact, utility company stocks have traded more in-line with
11 the broader market since February 2020 when the COVID-19 pandemic became a concern
12 in financial markets. This higher correlation is reflected in the Beta coefficients, which are
13 the measure of risk in the CAPM, where 1.0 is the market average and higher Betas

¹⁰ Source: Bloomberg Professional.

¹¹ Source: Bloomberg Professional.

translate to greater risk and higher required equity returns. Beta coefficients increased substantially between January 2020 and April 2022 for the utility companies used in my cost of capital analysis. Figure 4 presents the average Value Line and Bloomberg Beta coefficients for my proxy group companies and Southern Company over this period. Higher Beta coefficients for utilities signal an increase in relative risk, and therefore a higher return to justify taking on those risks. These higher Beta coefficients reflect direct market evidence of an increase in cost of equity for utilities (as measured with the CAPM model). Investors have not viewed the utilities sector as a safe-haven during the capital market conditions associated with COVID-19, and even though bond yields have declined, the cost of equity has increased.

Figure 4: Beta Coefficients for Proxy Group and Southern Company

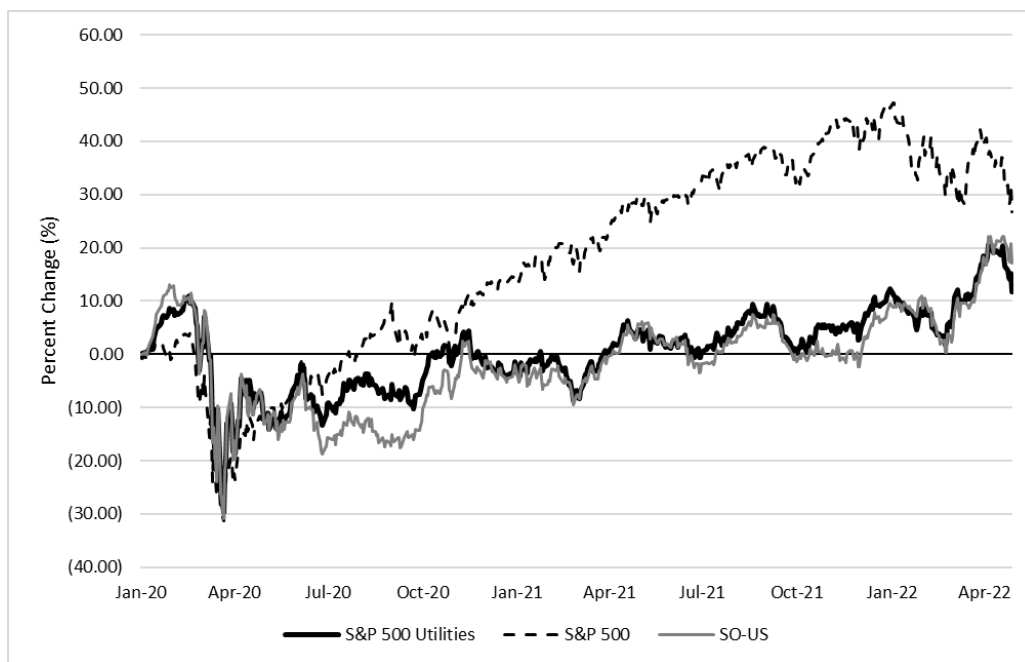


Q. HOW HAVE UTILITIES PERFORMED RELATIVE TO THE BROADER EQUITY MARKET SINCE THE ONSET OF COVID-19?

A. The past two years have reflected a challenging period for utility equities. While the overall market surpassed its pre-pandemic levels by mid-2020, the same was not true with the utility sector. The S&P Utilities sector was one of the worst performing market sectors in 2020, declining by 8.85 percent from the mid-February peak as compared to a 10.92

percent increase for the S&P 500. The only market sectors that underperformed utilities in 2020 were real estate (down 9.39 percent) and energy (down 25.67 percent). At end of 2020, seven of the other eight market sectors were above their mid-February 2020 levels, led by technology (up 27.89 percent), consumer discretionary (up 22.85 percent), and materials (up 21.78 percent).¹² Figure 5 compares the daily performance of the S&P 500 stock market index and the S&P Utilities Index as of April 30, 2022. Performance is shown as the percentage gain from January 1, 2020. As Figure 5 shows, the S&P Utilities Index and Southern Company's stock price have lagged the S&P 500 Index since January 2020.

**Figure 5: Relative Performance of Utilities and the S&P 500,
January 2020 – April 2022¹³**



Although utilities initially performed well in early 2022, the sector's performance should be viewed with caution. As Fidelity Investments recently noted "[i]n the past, powerful utilities rallies have signaled investors getting too defensive. The market typically has gained, and utilities have underperformed, in 12-month periods after top-decile monthly

¹² Comparison from February 19, 2020, through December 31, 2020.

¹³ Source: S&P Capital IQ Pro.

1 relative returns for the sector.”¹⁴ In other words, the recent stock price increase for utilities
2 may not continue over the next year. Just as an increase in Beta signals an increase in the
3 cost of equity in the CAPM model, weakening stock prices indicate an increase in the cost
4 of equity in the DCF model, as signaled by the market data.

5 **Q. HOW HAS THE CURRENT ECONOMIC ENVIRONMENT AFFECTED THE**
6 **CREDIT RATINGS FOR UTILITIES?**

7 A. According to a recent report by S&P Global, credit ratings for North American utilities
8 “weakened sharply in 2020.” According to S&P, “[t]he percentage of North American
9 regulated utilities with a negative outlook or on CreditWatch with negative implications
10 surged from 18% in 2019 to 36% in 2020.” The report also indicated “that the number of
11 downgrades exceeded the number of upgrades by a wide margin in 2020 for the first time
12 since 2010.” Regarding the causes of the weakening credit profiles, S&P stated: “The main
13 causes of weakening credit quality reflected environment, social, and governance (ESG)
14 risks, regulatory issues, and companies’ practice of strategically managing financial
15 measures close to their downgrade threshold with little or no cushion,” and the COVID-19
16 pandemic “was not the culprit for weaker credit quality” the report states.¹⁵ That trend
17 continued in 2021, as S&P noted that “credit quality weakened again in 2021 and
18 represented the second consecutive year that downgrades outpaced upgrades” primarily
19 due to weak financial measures and ESG-related risks.¹⁶ While the views of rating agencies
20 represent an important consideration, they are not the only factor that equity investors
21 consider. The important distinction is that credit rating agencies are primarily focused on
22 the ability of a utility to pay its debts, while equity analysts and institutional investors are
23 more concerned with profitability and value creation.

¹⁴ Fidelity Investments, Quarterly investment research update, at 5 (May 4, 2022).
[https://www.fidelity.com/viewpoints/investing-ideas/investment-research-
update?ccsource=email_weekly_0505N&print=true](https://www.fidelity.com/viewpoints/investing-ideas/investment-research-update?ccsource=email_weekly_0505N&print=true).

¹⁵ S&P Global Ratings, *Utility Sector’s credit ratings weakened sharply in 2020*, January 21, 2021.

¹⁶ S&P Global Ratings, *For the First Time Ever, The Median Investor-Owned Utility Ratings Falls to The ‘BBB’ Category*, January 20, 2022.

1 **Q. WHAT ARE YOUR CONCLUSIONS REGARDING THE EFFECTS OF THE**
2 **CURRENT MARKET ENVIRONMENT ON THE COST OF EQUITY FOR**
3 **GEORGIA POWER?**

4 A. Given the uncertainty and volatility that have characterized capital markets since February
5 2020, and the increase in relative risk of the utility industry (as measured by Beta)
6 compared to the broader market, and the pressures cited by S&P on utility credit quality, it
7 is reasonable that equity investors require a higher ROE today than in the pre-pandemic
8 period to compensate for the additional risk associated with owning common stock. This
9 is not to say that the pandemic is the cause; this period has also been characterized by an
10 increased focus on changes in the business driven by the need to accelerate capital
11 investment to lower carbon emissions and modernize the grid for new functionality.

12 **B. ECONOMIC RECOVERY AND INFLATION RISK**

13 **Q. ARE THERE INDICATIONS THAT THE FEDERAL RESERVE IS**
14 **NORMALIZING MONETARY POLICY?**

15 A. Yes. After its March 16, 2022 meeting, the Federal Open Market Committee (“FOMC”)
16 acknowledged that the invasion of Ukraine by Russia is creating highly uncertain
17 implications for the U.S. economy and announced its decision to raise the target range for
18 the federal funds rate to 0.25 percent to 0.50 percent with an expectation of ongoing
19 increases.¹⁷ The FOMC raised the federal funds target rate 50 basis points at its May
20 meeting¹⁸ and 75 basis points at its June meeting.¹⁹ This is the largest single increase since
21 1994, and signals the Federal Reserve’s serious intent to fight inflation, recognizing that
22 higher interest rates will slow the economy. The FOMC’s Summary of Economic
23 Projections project a median federal funds rate of 3.4 percent by the end of 2022 and 3.8
24 percent by the end of 2023²⁰.

¹⁷ Federal Reserve, Press Release, (Mar. 16, 2022).

¹⁸ Federal Reserve, Press Release, (May 4, 2022).

¹⁹ Federal Reserve Presse Release (June 15, 2022).

²⁰ Federal Reserve Board and FOMC Summary of Economic Projections, Figure 2, at 4 (June 15, 2022).

1 While the Federal Reserve has increased interest rates, it has simultaneously pulled back
2 on its bond purchasing actions. Taken together, these actions are a reminder that the Fed's
3 job is to “take away the punch bowl just as the party gets going.”²¹ Beginning in January,
4 the Federal Reserve began to reduce purchases of Treasury securities by \$20 billion and
5 mortgage-backed securities by \$10 billion on a monthly basis.²² This change is double the
6 initial plan previously outlined at the November 2, 2021 meeting.²³ After the May 4
7 meeting, the FOMC issued its broader plans for reducing the size of the Federal Reserve’s
8 balance sheet, by reducing its holdings of Treasury securities, agency debt, and mortgage
9 back securities on June 1. The Federal Reserve intends to reduce Treasury securities at a
10 pace capped at \$30 billion per month for three months and increase the cap to \$60 billion
11 per month thereafter.²⁴ Similarly, agency debt and mortgage-backed securities will be
12 reduced at a pace capped at \$17.5 billion per month for the first three months and increase
13 to \$35 billion per month thereafter.²⁵

14 **Q. WHY HAS THE FEDERAL RESERVE DECIDED TO NORMALIZE MONETARY**
15 **POLICY?**

16 A. The Federal Reserve has accelerated plans to normalize monetary policy in response to
17 increasing inflation. While the Federal Reserve initially viewed inflation as transitory, it
18 has been higher and more persistent than the target levels and is expected to continue in
19 2022. Specifically, Federal Reserve Chairman Jerome Powell stated:

20 [T]he inflation outlook had deteriorated significantly this year even before
21 Russia's invasion of Ukraine.

22 ***

²¹ In monetary policy jargon “taking away the punch bowl” refers to a central bank action to reduce the stimulus that it has been giving the economy. William Martin, who chaired the Federal Reserve from 1951-1970, drew this metaphor in a widely quoted speech given in October, 1955.

<https://conversableeconomist.blogspot.com/2013/06/the-punch-bowl-speech-william-mcchesney.html>

²² Federal Reserve, Press Release, (Dec. 15, 2021).

²³ Federal Reserve, Press Release, (Nov. 3, 2021).

²⁴ Federal Reserve, Plans for Reducing the Size of the Federal Reserve’s Balance Sheet (May 4, 2022).

²⁵ *Ibid.*

1 The rise in inflation has been much greater and more persistent than
2 forecasters generally expected. For example, at the time of our June 2021
3 meeting, every Federal Open Market Committee (FOMC) participant and
4 all but one of 35 submissions in the Survey of Professional Forecasters
5 predicted that 2021 inflation would be below 4 percent. Inflation came in at
6 5.5 percent.

7 ***

8 For a time, moderate inflation forecasts looked plausible—the one-month
9 headline and core inflation rates declined steadily from April through
10 September. But inflation moved up sharply in the fall, and, just since our
11 December meeting, the median FOMC projection for year-end 2022 jumped
12 from 2.6 percent to 4.3 percent.²⁶

13 **Q. PLEASE DESCRIBE THE SIGNIFICANCE OF CURRENT INFLATIONARY**
14 **PRESSURE AND EXPECTATIONS OVER THE NEAR-TERM.**

15 A. Inflation is currently at its highest level in approximately 40 years and interest rates have
16 recently increased from historic low levels observed at the onset of the pandemic. The year-
17 over-year (“YOY”) change in the Consumer Price Index (“CPI”) published by the Bureau
18 of Labor Statistics increased steadily in 2021 from 1.37 percent in January 2021 to 7.0
19 percent in December 2021. This trend has continued with the YOY change in CPI of 7.5
20 percent in January 2022, 7.9 percent in February 2022, 8.6 percent in March, and 8.2
21 percent in April. The 8.6 percent change in the CPI in March 2022 was the largest 12-
22 month increase since December 1981. Goldman Sachs opined: “A very high inflation path
23 in 2022 should make an easy case for steady rate hikes at all seven remaining FOMC
24 meetings.”²⁷ The FOMC participants in March projected an increase in the federal funds
25 rate to a median range of 1.75 percent to 2.00 percent in 2022, and a range of 2.50 percent
26 to 2.75 percent in 2023.²⁸ Further, as noted earlier, the Federal Reserve decided to reduce

²⁶ Jerome H. Powell’s speech at the 38th Annual Economic Policy Conference, National Association for Business Economists (March 21, 2022). <https://www.federalreserve.gov/newsevents/speech/powell20220321a.htm>.

²⁷ Curran, Edna. “Goldman Sachs Sees Fed Hiking More Times in 2023 Amid Inflation.” Bloomberg.com, Bloomberg, 28 Feb. 2022.

²⁸ Federal Reserve, Summary of Economic Projections, (Mar. 16, 2021), Figure 2.

1 the amount of Treasury and mortgage-backed securities on its balance sheet.²⁹ This means
2 that the historic low interest rate environment is deliberately designed to reverse in 2022.

3 **Q. WHAT EFFECT WILL INFLATION HAVE ON LONG-TERM INTEREST**
4 **RATES?**

5 A. Inflation and the Federal Reserve's normalization of monetary policy will likely result in
6 increases in long-term interest rates. Specifically, inflation reduces the purchasing power
7 of the future interest payments an investor expects to receive over the duration of the bond.
8 This risk increases the longer the duration of the bond. As a result, if investors expect
9 increased levels of inflation, they will require higher yields to compensate for the increased
10 risk of inflation which means interest rates will increase.

11 **C. CONCLUSIONS**

12 **Q. WHAT CONCLUSIONS DO YOU DRAW FROM YOUR ANALYSIS OF**
13 **CAPITAL MARKET CONDITIONS?**

14 A. Investors are increasingly faced with inflationary pressures, and the Federal Reserve is
15 unwinding its pandemic response measures. Long-term interest rates have increased
16 substantially since the historic lows of 2020 and are expected to continue to increase.
17 Importantly, this requires the use of both current and forecast bond yields in the CAPM
18 and Risk Premium models.

19 As described earlier, declines in previously high utility valuations are expected as utilities
20 underperform the broader market. If that is the case, the results of the DCF model would
21 understate the forward-looking cost of equity because the dividend yield is calculated using
22 historical average stock prices which do not fully reflect these expectations.

²⁹ Federal Reserve, Press Release, May 4, 2022,
<https://www.federalreserve.gov/monetarypolicy/files/monetary20220504a.pdf> .

1 These circumstances collectively reinforce the importance of using forward-looking model
2 inputs and multiple models, as I have with the CAPM, DCF, Risk Premium, and Expected
3 Earnings approaches.

4 **V. PROXY GROUP SELECTION**

5 **Q. WHY IS IT NECESSARY TO SELECT A PROXY GROUP TO ESTIMATE THE**
6 **COST OF EQUITY FOR GEORGIA POWER?**

7 A. Since the ROE is a market-based concept and Georgia Power is not publicly traded, it is
8 necessary to establish a group of companies that is both publicly traded and comparable to
9 Georgia Power. Even if Georgia Power were a publicly traded entity, it is possible that
10 transitory events could bias the Company's market value in one way or another in a given
11 period. A significant benefit of using a proxy group is the ability to mitigate the effects of
12 short-term events that may be associated with any one company. The proxy companies
13 used in my ROE analyses possess a set of business and operating characteristics similar to
14 Georgia Power's vertically integrated electric utility operations, and thus provide a
15 reasonable basis for estimating the Company's ROE.

16 **Q. PLEASE PROVIDE A SUMMARY PROFILE OF GEORGIA POWER.**

17 A. Georgia Power is a wholly owned subsidiary of Southern Company, providing electric
18 generation, transmission, and distribution service to more than 2.6 million residential,
19 commercial, and industrial customers in Georgia.³⁰ It owns 14,541 MW of regulated
20 generation assets, including nuclear, coal, oil, gas, hydroelectric, and solar generation
21 facilities.³¹ The Company has long-term issuer ratings from S&P of BBB+ (Outlook:
22 Stable), Moody's Investors Service ("Moody's") of Baa1 (Outlook: Stable), and
23 FitchRatings ("Fitch") of BBB (Outlook: Stable).³²

³⁰ The Southern Company, SEC Form 10-K, at I-6 (December 31, 2021).

³¹ The Southern Company, SEC Form 10-K, at I-31 (December 31, 2021).

³² S&P Capital IQ.

1 **Q. PLEASE DESCRIBE THE SPECIFIC SCREENING CRITERIA YOU HAVE**
2 **UTILIZED TO SELECT A PROXY GROUP.**

3 A. I began with the 36 investor-owned domestic electric utilities covered by Value Line and
4 then screened companies according to the following criteria:

- 5 1. Consistently pays quarterly cash dividends;
- 6 2. Maintains an investment grade long-term issuer rating (BBB- or higher) from S&P;
- 7 3. Is covered by more than one equity analyst;
- 8 4. Has positive earnings growth rates published by at least two of the following sources:
9 Value Line, Thomson First Call (as reported by Yahoo! Finance), and Zack's
10 Investment Research ("Zacks");
- 11 5. Owns regulated electric generation assets;
- 12 6. Regulated revenue and net operating income make up more than 60 percent of the
13 consolidated company's revenue and net operating income (based on a 3-year average
14 from 2019-2021);
- 15 7. Regulated revenue and net operating income from regulated electric operations makes
16 up more than 80 percent of the consolidated company's regulated revenue and net
17 operating income (based on a 3-year average from 2019-2021); and
- 18 8. Is not involved in a merger or other transformative transaction for an approximate six-
19 month period prior to my analysis.

20 **Q. DID YOU INCLUDE SOUTHERN COMPANY IN YOUR ANALYSIS?**

21 A. No, I did not. To avoid the circular logic that would otherwise occur, it is my practice to
22 exclude the subject company, or its parent holding company, from the proxy group.

23 **Q. WHAT IS THE COMPOSITION OF YOUR RESULTING PROXY GROUP?**

24 A. Based on the screening criteria discussed above, and financial information through fiscal
25 year 2021, I arrived at a proxy group consisting of the 14 companies shown in Figure 6.
26 The results of my screening process are shown in Exhibit JMC-3.

Figure 6: Proxy Group

Company	Ticker
ALLETE, Inc.	ALE
Alliant Energy Corporation	LNT
Ameren Corporation	AEE
American Electric Power Company, Inc.	AEP
Duke Energy Corporation	DUK
Edison International	EIX
Entergy Corporation	ETR
Evergy, Inc.	EVRG
Hawaiian Electric Industries, Inc.	HE
IDACORP, Inc.	IDA
NextEra Energy	NEE
OGE Energy Corporation	OGE
Portland General Electric Company	POR
Xcel Energy Inc.	XEL

Q. DOES YOUR SCREENING CRITERIA RESULT IN A GROUP OF COMPANIES THAT INVESTORS WOULD VIEW AS COMPARABLE TO GEORGIA POWER?

A. Yes. While no proxy group will be identical in risk as the Company, I believe this group of electric utilities is reasonably comparable to the financial and operational characteristics of Georgia Power. The proxy group screening criterion requiring an investment grade credit rating ensures that the proxy group companies, like Georgia Power, are in sound financial condition. Because credit ratings take into account business and financial risks, the ratings provide a broad measure of investment risk for investors. I have only included companies in the proxy group that own regulated generation assets because vertically integrated electric utilities have unique operating characteristics and business risks that cause investors to require a higher return on equity to compensate for those risks. These unique risks are not shared by pure Transmission and Distribution electric utilities. Additionally, I have screened on the percent of revenue and net operating income from

regulated operations to differentiate between utilities that are protected by regulation and those with substantial unregulated operations or market-related risks. Also, I have screened on the percentage contribution of the electric utility segment to regulated consolidated financial results to select companies that, like Georgia Power, derive the majority of their revenue and operating income from regulated electric operations. These screens collectively reflect key risk factors that investors consider in making investments in electric utilities.

Q. WHAT IS YOUR CONCLUSION WITH REGARD TO THE PROXY GROUP FOR GEORGIA POWER?

A. I conclude that my group of 14 vertically integrated electric utilities adequately reflects the broad set of risks that investors consider when investing in a U.S. regulated vertically integrated electric utility such as Georgia Power.

VI. DETERMINATION OF THE APPROPRIATE COST OF EQUITY

Q. WHAT MODELS DID YOU USE IN YOUR ROE ANALYSES?

A. I have considered the results of several ROE estimation models, including the Constant Growth DCF model, the CAPM, the Bond Yield Plus Risk Premium approach, and an Expected Earnings analysis. When faced with the task of estimating the cost of equity, analysts are inclined to gather and evaluate as much relevant data (both quantitative and qualitative) as can be reasonably obtained.

A. CONSTANT GROWTH DCF MODEL

Q. PLEASE DESCRIBE THE DCF APPROACH.

A. The DCF approach is based on the theory that a stock's current price represents the present value of all expected future cash flows. In its simplest form, the DCF model expresses the ROE as the sum of the expected dividend yield and long-term growth rate:

$$k = \frac{D(1+g)}{P_0} + g \quad [1]$$

Where “*k*” equals the required return, “*D*” is the current dividend, “*g*” is the expected growth rate, and “*P*” represents the subject company’s stock price.

Assuming a constant growth rate in dividends, the model may be rearranged to compute the ROE accordingly, as shown in Formula [2]:

$$k = \frac{D}{P} + g \quad [2]$$

Stated in this manner, the cost of common equity is equal to the dividend yield plus the dividend growth rate.

Q. WHAT ARE THE ASSUMPTIONS UNDERLYING THE CONSTANT GROWTH DCF MODEL?

A. The Constant Growth DCF model is based on the following assumptions: (1) a constant average growth rate for earnings and dividends; (2) a stable dividend payout ratio; (3) a constant price-to-earnings multiple; and (4) a discount rate greater than the expected growth rate.

Q. PLEASE SUMMARIZE YOUR APPLICATION OF THE CONSTANT GROWTH DCF MODEL.

A. I calculated DCF results for each of the proxy group companies using the following inputs:

- Average stock prices for the historical period, over 30, 90, and 180 trading days through April 30, 2022;
- Annualized dividend per share as of April 30, 2022; and
- Company-specific earnings growth forecasts for the term *g*.

My application of the Constant Growth DCF model is provided in Exhibit JMC-4.

1 **Q. WHY DID YOU USE AVERAGING PERIODS OF 30, 90, AND 180 TRADING**
2 **DAYS?**

3 A. It is important to use an average of recent trading days to calculate the term *P* in the DCF
4 model to ensure that the calculated ROE is not skewed by anomalous events that may affect
5 stock prices on any given trading day. At the same time, it is important to reflect the
6 conditions that have defined the financial markets over the recent past. In my view,
7 consideration of those three averaging periods reasonably balances these interests.

8 **Q. DID YOU ADJUST THE DIVIDEND YIELD TO ACCOUNT FOR PERIODIC**
9 **GROWTH IN DIVIDENDS?**

10 A. Yes, I did. Utility companies tend to increase their quarterly dividends at different times
11 throughout the year, so it is reasonable to assume that such increases will be evenly
12 distributed over calendar quarters. Given that assumption, it is reasonable to apply one-half
13 of the expected annual dividend growth rate for the purposes of calculating this component
14 of the DCF model. This adjustment ensures that the expected dividend yield is
15 representative of the coming 12-month period. Accordingly, the DCF estimates reflect one-
16 half of the expected growth in the dividend yield.³³

17 **Q. WHAT SOURCES OF GROWTH HAVE YOU USED IN YOUR DCF ANALYSIS?**

18 A. I have used the consensus analyst five-year growth estimates in earnings per share (“EPS”)
19 from Thomson First Call and Zacks, as well as EPS growth rate estimates published by
20 Value Line.

21 **Q. WHY DID YOU FOCUS ON EPS GROWTH?**

22 A. The Constant Growth DCF model assumes that dividends grow at a constant rate in
23 perpetuity. Accordingly, in order to reduce the long-term growth rate to a single measure,
24 one must assume a constant payout ratio, and that earnings per share, dividends per share,
25 and book value per share all grow at the same constant rate. Over the long term, however,

³³ The expected dividend yield is calculated as $d_1 = d_0(1 + \frac{1}{2}g)$.

1 dividend growth can only be sustained by earnings growth. As noted by Brigham and
2 Houston in their text, *Fundamentals of Financial Management*: “Growth in dividends
3 occurs primarily as a result of growth in *earnings per share* (EPS).”³⁴ It is therefore
4 important to focus on measures of long-term earnings growth from credible sources as an
5 appropriate measure of long-term growth in the DCF model.

6 **Q. ARE OTHER SOURCES OF DIVIDEND GROWTH AVAILABLE TO**
7 **INVESTORS?**

8 A. Yes, although that does not mean that investors incorporate such estimates into their
9 investment decisions. Academic studies suggest that investors base their investment
10 decisions on analysts’ expectations of growth in earnings.³⁵ I am not aware of any similar
11 findings regarding non-earnings-based growth estimates. In addition, the only forward-
12 looking growth rates that are available on a consensus basis are analysts’ EPS growth rates.
13 The fact that earnings growth projections are the only widely accepted estimates of growth
14 provides further support that earnings growth is the most meaningful measure of growth
15 among the investment community.

16 **Q. WHAT ARE THE RESULTS OF YOUR CONSTANT GROWTH DCF ANALYSIS?**

17 A. The results of my Constant Growth DCF analysis are provided in Exhibit JMC-4 and
18 summarized in Figure 7.

³⁴ Eugene F. Brigham and Joel F. Houston, *Fundamentals of Financial Management* (Concise Fourth Edition, Thomson South-Western), at 317 (emphasis added).

³⁵ See, e.g., Harris and Marston, *Estimating Shareholder Risk Premia Using Analysts Growth Forecasts*, *Financial Management*, Summer 1992, at 65; and Vander Weide and Carleton, *Investor Growth Expectations: Analysts vs. History*, *The Journal of Portfolio Management*, Spring 1988, at 81. Please note that while the original study was published in 1988, it was updated in 2004 under the direction of Dr. Vander Weide. The results of that updated study are consistent with Vander Weide and Carleton’s original conclusions.

1

Figure 7: Constant Growth DCF Results

	Mean Low	Mean	Mean High
30-day average	7.99%	8.88%	9.78%
90-day average	8.12%	9.01%	9.91%
180-day average	8.20%	9.09%	9.99%

2 **Q. HOW DID YOU CALCULATE THE MEAN HIGH, MEAN LOW, AND OVERALL**
3 **MEAN DCF RESULTS?**

4 A. I calculated the Mean High DCF result using the maximum growth rate (i.e., the maximum
5 of the First Call, Value Line, and Zacks EPS growth rates) in combination with the
6 expected dividend yield for each of the proxy group companies. I used a similar method to
7 calculate the Mean Low DCF results, using the minimum growth rate for each company.
8 The Mean results reflect the average growth rate from each source for each company in
9 combination with the expected dividend yield.

10 **Q. WHAT IS YOUR CONCLUSION REGARDING THE RESULTS OF THE DCF**
11 **MODEL?**

12 A. My primary conclusion is that the results of the DCF model likely understate the cost of
13 equity for electric utilities under current market conditions. The FERC considered what it
14 termed “anomalous” market conditions as a basis for abandoning its practice of sole
15 reliance on the DCF model to set ROEs for electric transmission companies which began
16 in the 1980s. FERC reasoned:

17 The fact that utility stock prices appear to have performed in a manner
18 inconsistent with the theory underlying the DCF methodology during the
19 periods at issue in these four complaint proceedings is an example of what
20 [New England Transmission Owners] have described as “model risk” —
21 the risk that in some circumstances a model will produce results that do not
22 reflect real world experience. It appears that, for whatever the reason,
23 investors during this period have seen greater value in utility stocks than the

1 DCF methodology would predict. This suggests that the ROE estimated by
2 that methodology may be correspondingly inaccurate.³⁶

3 The average DCF result is 8.99 percent, and some estimates are as low as 5-7 percent, well
4 below the results of the other models and any reasonable indication of the cost of equity.
5 Consequently, in an investment environment dominated by volatility and uncertainty, it is
6 necessary to also consider the results of Risk Premium models (such as the CAPM and
7 Bond Yield Risk Premium analysis) and the Expected Earnings model, in order to assess
8 the reasonableness of the DCF results and ultimately determine where to set the appropriate
9 return from within the range of reasonable results. These models rely on data that avoid or
10 mitigate the problems associated with the DCF method.

11 **B. CAPM ANALYSIS**

12 **Q. PLEASE BRIEFLY DESCRIBE THE GENERAL FORM OF THE CAPITAL**
13 **ASSET PRICING MODEL.**

14 **A.** The CAPM is a risk premium approach that estimates the cost of equity for a given security
15 as a function of a risk-free return plus a risk premium (to compensate investors for the non-
16 diversifiable or “systematic” risk of that security).³⁷

17 As shown in Equation [3], the CAPM is defined by four components, each of which must
18 theoretically be a forward-looking estimate:

³⁶ 165 FERC ¶ 61,030, December 16, 2018, at Para. 46. [clarification added]

³⁷ Systematic risks are fundamental market risks that reflect aggregate economic measures and therefore cannot be mitigated through diversification. Unsystematic risks reflect company-specific risks that can be mitigated and ultimately eliminated through investments in a portfolio of companies and/or market sectors.

1
$$K_e = r_f + \beta(r_m - r_f) \quad [3]$$

2 where:

3 K_e = the required ROE for a given security;

4 r_f = the risk-free rate of return;

5 β = the Beta of an individual security; and

6 r_m = the required return for the market as a whole.

7 The term $(r_m - r_f)$ represents the Market Risk Premium (“MRP”). According to the theory
8 underlying the CAPM, since unsystematic risk can be diversified away, investors should
9 be concerned only with systematic or non-diversifiable risk. Non-diversifiable risk is
10 measured by Beta, which is defined as:

11
$$\beta = \frac{\text{Covariance}(r_e, r_m)}{\text{Variance}(r_m)} \quad [4]$$

12 where:

13 r_e = the rate of return for the individual security or portfolio.

14 The variance of the market return, noted in Equation [4], is a measure of the uncertainty of
15 the general market, and the covariance between the return on a specific security and the
16 market reflects the extent to which the return on that security will respond to a given change
17 in the market return. Thus, Beta represents the risk that the selected security will not be
18 effective in diversifying systematic market risks.

19 **Q. HAVE ECONOMIC AND FINANCIAL MARKET CONDITIONS ALSO**
20 **AFFECTED THE CAPM?**

21 A. Yes. Given the extraordinarily low level of interest rates on Treasury bonds as compared
22 to historical levels, using current or even near-term projections of government bond yields
23 would distort market expectations for a reasonable risk-free rate. Using the 5-year forecast

1 of bond yields helps alleviate these short-term market factors affecting the risk-free rate,
2 or “ r_f ” in the CAPM formula. As discussed in Section IV, interest rates have increased in
3 recent months and are expected to continue to increase as the economy recovers from the
4 effects of the COVID-19 pandemic. Further, due to the fiscal and monetary stimulus
5 provided to the U.S. economy over the past two years, inflation risk remains elevated. It is
6 also important to recognize that Georgia Power is financing long-lived assets, and the cost
7 of capital should be forward looking to reflect that perspective.

8 **Q. WHAT RISK-FREE RATE DID YOU USE IN YOUR CAPM ANALYSIS?**

9 A. Since both the CAPM and Risk Premium models assume long-term investment horizons, I
10 used the Blue Chip forecast of the yield on 30-year Treasury bonds for 2023-2027 of 3.40
11 percent as my estimate of the risk-free rate.³⁸ That time period reflects a forward-looking
12 view, which is the objective of the ROE analysis. However, I also considered CAPM results
13 applying the 30-day average yield (as of April 30, 2022) on 30-year Treasury bonds of 2.72
14 percent. This is the approach recommended by Dr. Roger Morin in his text on regulatory
15 finance:

16 There are two possibilities for proxying investors’ expectations of the risk-
17 free rate expected to prevail in one year: actual and forecast interest rates.
18 Each offers distinct advantages and limitations. At the conceptual level,
19 given that ratemaking is a forward-looking process, interest rate forecasts
20 are preferable. Moreover, the conceptual models used in the determination
21 of the cost of equity, such as the CAPM, are prospective in nature and
22 require expectational inputs.

23 ***

24 One reasonable option for the regulator is to accord equal weight to both
25 current interest rate levels and the analysts’ consensus forecast. Each proxy
26 for expected interest rates brings information to the judgement process from
27 a different light.³⁹

³⁸ Blue Chip Financial Forecasts, Volume 40, No. 12, December 1, 2021, at 14.

³⁹ *New Regulatory Finance*, Roger A. Morin, PhD, Public Utilities Reports, 2006, pp. 172-173.

1 **Q. HAVE REGULATORS IN OTHER JURISDICTIONS SUPPORTED THE USE OF**
2 **A PROJECTED RISK-FREE RATE IN THE CAPM ANALYSIS?**

3 A. Yes. In a 2017 decision, the Massachusetts Department of Public Utilities (or “MDPU”)
4 noted that accommodative Federal monetary policy had pushed Treasury yields to near
5 historical lows. As a result, the MDPU found it appropriate to use prospective interest rate
6 expectations in the CAPM, stating:

7 Current federal monetary policy that is intended to stimulate the economy
8 has pushed treasury yields to near historic lows. Consequently, the
9 Department has found that a CAPM analysis based on current treasury
10 yields may tend to underestimate the risk-free rate over the long term and,
11 thereby, understate the required ROE. The CAPM is based on investor
12 expectations and, therefore, it is appropriate to use a prospective measure
13 for the risk-free rate component. The Department has found that Blue Chip
14 Financial Forecasts is widely relied on by investors and provides a useful
15 proxy for investor expectations for the risk-free rate.⁴⁰

16 **Q. WHAT MEASURES OF BETA DID YOU USE IN YOUR CAPM ANALYSIS?**

17 A. As shown in Exhibit JMC-5.2, I utilized two measures of Beta for the proxy group
18 companies: (1) the reported Beta coefficients from Bloomberg (which are calculated using
19 five years of weekly data against the S&P 500 Index); and (2) the reported Beta coefficients
20 from Value Line (which are calculated using five years of weekly data against the New
21 York Stock Exchange Composite Index). As previously discussed, Beta coefficients for
22 utilities have increased substantially since January 2020, as utilities have traded more like
23 the broader market. However, it is important to emphasize that Beta coefficients are
24 calculated over a five-year period, so this recent increase is not a short-term market
25 phenomenon. The recent movement in Betas captures a trend that began five years ago but
26 has been accelerated by the recent market conditions. The substantial increase in Beta
27 coefficients for the proxy group companies represents a significant departure from how

⁴⁰ D.P.U. 17-05 *Petition of NSTAR Electric Company and Western Massachusetts Electric Company, each doing business as Eversource Energy, Pursuant to G.L. c. 164, § 94 and 220 CMR 5.00 et seq., for Approval of General Increases in Base Distribution Rates for Electric Service and a Performance Based Ratemaking Mechanism*, November 30, 2017, at 693.

investors have typically viewed utilities relative to the broader market and is not just COVID-19 related.

Q. WHAT MARKET RISK PREMIUM DID YOU USE IN YOUR CAPM ANALYSIS?

A. Consistent with the approach adopted by FERC, I used the Constant Growth DCF model to estimate the total market return for the S&P 500 Index. I have used projected earnings growth rates and dividend yields from three sources: (1) S&P's Earnings and Estimates report; (2) Bloomberg Professional; and (3) Value Line. Using the DCF model for a broad-based total market return mitigates the challenges specific to the utilities sector. As of April 30, 2022, the average total market return from these three sources is 15.29 percent, as shown in Figure 8 (also see Exhibit JMC-5.1).

Figure 8: Total Expected Market Return

Source	Market Return
S&P Earnings & Estimates	15.87%
Bloomberg Professional	14.03%
Value Line	15.63%
Average	15.18%

I then calculated the MRP by subtracting the risk-free rates from the total market return. My calculation as shown in Exhibit JMC-5.2 yielded a market derived ex-ante MRP of 11.78 percent using the projected risk-free rate of 3.40 percent. Using the current risk-free rate of 2.72 percent, the MRP is 12.46 percent.

Q. WHAT ARE THE RESULTS OF YOUR CAPM ANALYSES?

A. As shown in Figure 9 below and Exhibit JMC-5.2, applying the projected 30-year Treasury yield of 3.40 percent and 15.18 percent expected market return, the CAPM results are 13.75 percent (using Value Line Betas) and 13.44 percent (using Bloomberg Betas). Applying the 30-day average yield on 30-year Treasury bonds of 2.72 percent, the CAPM results are

1 13.66 percent (using Value Line Betas) and 13.34 percent (using Bloomberg Betas). The
2 average of these results is 13.55 percent.

3 **Figure 9: Proxy Group Average CAPM Results**

	Value Line Beta (0.88)	Bloomberg Beta (0.85)	Average
Long-Term Projected Risk-Free Rate (3.40%)	13.75%	13.44%	13.60%
Current 30-Day Average Risk-Free Rate (2.72%)	13.66%	13.34%	13.50%
Average	13.71%	13.39%	13.55%

4
5 **Q. WHAT IS YOUR CONCLUSION REGARDING THE RESULTS OF THE CAPM**
6 **MODEL?**

7 A. The results of the CAPM model are appreciably higher than the results from the other
8 models, driven by market factors affecting all three of the model's inputs: higher interest
9 rates, higher betas, and higher expectations for overall market equity returns. While I do
10 not discount these factors, these results further reinforce the benefit of balance found in
11 multiple models.

12 **C. RISK PREMIUM ANALYSIS**

13 **Q. PLEASE DESCRIBE THE RISK PREMIUM APPROACH THAT YOU USED.**

14 A. In general terms, this approach recognizes that equity is riskier than debt because equity
15 investors bear the residual risk associated with ownership. Equity investors, therefore,
16 require a greater return (i.e., a premium) than would a bondholder. The Risk Premium
17 approach estimates the cost of equity as the sum of the Equity Risk Premium and the yield
18 on a particular class of bonds.

1
$$ROE = RP + Y \quad [5]$$

2 Where:

3 RP = Risk Premium (difference between allowed ROE and the 30-Year Treasury
4 Yield) and
5 Y = Applicable bond yield.

6 Since the equity risk premium is not directly observable, it is typically estimated using a
7 variety of approaches, some of which incorporate *ex-ante*, or forward-looking, estimates
8 of the cost of equity and others that consider historical, or *ex-post*, estimates. For my Risk
9 Premium analysis, I have relied on authorized returns from a large sample of vertically
10 integrated electric utility companies.

11 **Q. WHAT DID YOUR RISK PREMIUM ANALYSIS REVEAL?**

12 A. To estimate the relationship between risk premia and interest rates, I conducted a regression
13 analysis using the following equation:

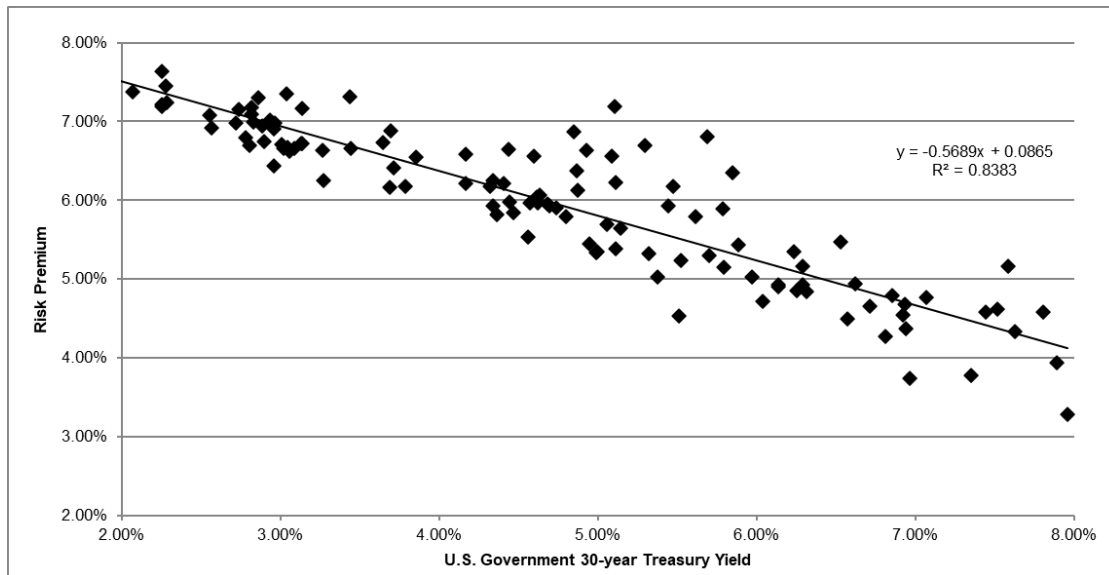
14
$$RP = a + (b \times Y) \quad [6]$$

15 where:

16 RP = Risk Premium (difference between allowed ROEs and the 30-Year Treasury
17 Yield);
18 a = Intercept term;
19 b = Slope term; and
20 Y = 30-Year Treasury Yield.

21 Data regarding allowed ROEs were derived from vertically integrated electric utility
22 company rate cases from January 1, 1992 through April 30, 2022, as reported by
23 Regulatory Research Associates.

Figure 10: Risk Premium Results



As illustrated by Figure 10 (above), the risk premium varies with the level of bond yield, and generally increases as the bond yields decrease, and vice versa. In order to apply this relationship to current and expected bond yields, I consider three estimates of the 30-year Treasury yield, including the current 30-day average, a near-term Blue Chip consensus forecast for Q3 2022 – Q3 2023, and a Blue Chip consensus forecast for 2023–2027. I find the projected five-year result to be most applicable for the following reasons: (1) investors are expecting increases in government bond yields; (2) investors typically have a multi-year view of their required returns on equity; (3) Georgia Power’s large capital expenditure plan requires that the Company continue to be able to attract capital on reasonable terms and conditions; and (4) the projected five-year Treasury bond yield aligns with the term of the Company’s proposed Alternative Rate Plan. Based on the regression coefficients in Exhibit JMC-6, which allow for the estimation of the risk premium at varying bond yields, the results of my Risk Premium analysis are shown in Figure 11 below.

Figure 11: Risk Premium Results Using 30-Year Treasury Yield

	30-Day Average Yield on 30-Year Treasury Bond	Q3 2022–Q3 2023 Forecast for Yield on 30- Year Treasury Bond⁴¹	2023-2027 Forecast for Yield 30-Year Treasury Bond⁴²
Yield	2.72%	3.34%	3.40%
Risk Premium	7.11%	6.75%	6.72%
Resulting ROE	9.83%	10.09%	10.12%

Q. WHAT IS YOUR CONCLUSION REGARDING THE RESULTS OF THE RISK PREMIUM MODEL?

A. I believe the Risk Premium model provides an important perspective on the primary relationship between the risk-free rate and utility authorized ROEs over a variety of financial and economic cycles. This is particularly important today given the anticipated shift from a very low interest rate environment to one of higher rates, and this impact can be captured directly in the model.

D. EXPECTED EARNING ANALYSIS

Q. HAVE YOU CONDUCTED ANY OTHER ANALYSIS TO ESTIMATE THE COST OF EQUITY FOR GEORGIA POWER?

A. Yes. I have also conducted an Expected Earnings analysis to estimate the cost of equity for Georgia Power based on the projected ROEs for the proxy group companies.

⁴¹ Blue Chip Financial Forecasts, Vol. 41, No. 5, May 1, 2022, at 2.

⁴² Blue Chip Financial Forecasts, Vol. 40, No. 12, December 1, 2021, at 14.

1 **Q. WHAT IS AN EXPECTED EARNINGS ANALYSIS?**

2 A. The Expected Earnings methodology is a comparable earnings analysis that calculates the
3 earnings that an investor expects to receive on the book value of a stock. The Expected
4 Earnings analysis is a forward-looking estimate of investors' expected returns. The use of
5 an Expected Earnings approach based on the proxy companies provides a range of the
6 expected returns on a group of risk-comparable companies to the subject company. This
7 range is useful in helping to determine the opportunity cost of investing in the subject
8 company, which is relevant in determining a company's ROE.

9 The Expected Earnings approach relying on expected returns for like-risk companies is a
10 core strength of the model and consistent with the basic tenets of *Hope*: "the return to the
11 equity owner should be commensurate with returns on investments in other enterprises
12 having corresponding risks." Since the Expected Earnings model provides an accounting-
13 based approach that relies on investment analysts' projections of earnings on book equity,
14 it affords the benefit of analyst insights, knowledge, and expertise in interpreting a given
15 company's earnings prospects in the context of current market conditions.

16 **Q. HOW IS THE EXPECTED EARNINGS APPROACH CALCULATED?**

17 A. I relied on the projected ROE for the proxy companies as reported by Value Line for the
18 period from 2025-2027. I then adjusted those projected ROEs to account for the fact that
19 the ROEs reported by Value Line are calculated on the basis of common shares outstanding
20 at the end of the period, as opposed to average shares outstanding over the entire period.
21 As shown in Figure 12 below and Exhibit JMC-7, the Expected Earnings analysis results
22 in a mean of 11.03 percent and a median of 11.08 percent.

Figure 12: Expected Earnings Results

	ROE
Proxy Group Average	11.03%
Proxy Group Median	11.08%

Q. WHAT IS YOUR CONCLUSION REGARDING THE RESULTS OF THE EXPECTED EARNINGS MODEL?

A. The model captures investor expectations for ROEs for each company in the proxy group as estimated by impartial analysts. This is a valuable tool given the nature of the analysis here is designed to measure required returns for Georgia Power. It is reasonable to assume that investors would require returns from investment in Georgia Power similar to those they could earn in comparable investments, so these results are informative.

E. EVALUATING MODEL RESULTS

Q. PLEASE EXPLAIN HOW YOU CONSIDERED THE RESULTS OF THE DCF, CAPM, RISK PREMIUM, AND EXPECTED EARNINGS ANALYSIS TO ARRIVE AT YOUR ROE RECOMMENDATION.

A. I have placed equal weight on the results of the DCF, CAPM, Bond Yield Risk Premium, and Expected Earnings analyses. My ROE recommendation is ultimately based on the average produced by these four methodologies, providing equal weight to each reflecting the validity of each model. As shown in Figure 13 (and computed in JMC-2 as the “4-Model Average”), I derive an average base ROE estimate for the proxy group companies of 10.92 percent, excluding flotation costs.

1

Figure 13: Base ROE Results

	ROE Estimate
DCF	8.99%
CAPM	13.55%
Risk Premium	10.12%
Expected Earnings	11.03%
Range	8.99% – 13.55%
Average ROE	10.92%

2

3

As noted above my estimate of the cost of equity excludes flotation costs.

4

F. FLOTATION COST ADJUSTMENT

5

Q. WHAT ARE FLOTATION COSTS?

6

A. Flotation costs are the costs associated with the sale of new issues of common stock.

7

A. These costs include out-of-pocket expenditures for preparation, filing, underwriting, and other costs of issuance of common stock. To the extent that a company is denied the opportunity to recover prudently incurred flotation costs, actual returns will fall short of expected (or required) returns, thereby diminishing the utility's ability to attract adequate capital on reasonable terms.

8

9

10

11

12

Q. WHY IS IT IMPORTANT TO RECOGNIZE FLOTATION COSTS IN THE ALLOWED ROE?

13

14

A. The allowed ROE is the only ratemaking mechanism through which it is appropriate to recover these necessary costs. Flotation costs are reflected on the utility's balance sheet as "paid in capital" and are not expensed on the utility's income statement. When a company issues common stock, flotation costs are incurred and netted against the proceeds from the

15

16

17

1 issuance reducing the amount available for investment in rate base by the amount of the
2 flotation costs. If Georgia Power is denied the opportunity to recover its prudently incurred
3 flotation costs through its allowed ROE, actual returns will fall short, and equity share
4 value will be diluted.

5 **Q. DO ACADEMIC AND FINANCIAL EXPERTS RECOGNIZE THE NEED TO**
6 **CONSIDER FLOTATION COSTS IN A UTILITY'S COST OF EQUITY?**

7 A. Yes. Dr. Roger Morin, a recognized expert in regulatory economics and finance, notes:

8 The costs of issuing these securities are just as real as operating and
9 maintenance expenses or costs incurred to build utility plants, and fair
10 regulatory treatment must permit recovery of these costs.... The simple fact
11 of the matter is that common equity capital is not free....[Flotation costs]
12 must be recovered through a rate of return adjustment.⁴³

13 According to Dr. Shannon Pratt, a published expert in cost of capital estimation:

14 Flotation costs occur when new issues of stock or debt are sold to the public.
15 The firm usually incurs several kinds of flotation or transaction costs, which
16 reduce the actual proceeds received by the firm. Some of these are direct
17 out-of-pocket outlays, such as fees paid to underwriters, legal expenses, and
18 prospectus preparation costs. Because of this reduction in proceeds, the
19 firm's required returns on these proceeds equate to a higher return to
20 compensate for the additional costs. Flotation costs can be accounted for
21 either by amortizing the cost, thus reducing the cash flow to discount, or by
22 incorporating the cost into the cost of capital. Because flotation costs are
23 not typically applied to operating cash flow, one must incorporate them into
24 the cost of capital.⁴⁴

25 **Q. HOW DID YOU CALCULATE IT?**

26 A. Based on the proxy group issuance costs shown in Exhibit JMC-8, I conclude that flotation
27 costs for the proxy companies have equaled roughly 2.47 percent of gross equity raised.
28 Adjusting the dividend yield component in the DCF model by 2.47 percent results in a
29 flotation cost estimate of eight basis points. To properly reflect these issuance costs in my

⁴³ Roger A. Morin, *New Regulatory Finance* (Public Utility Reports, Inc., 2006), at 321.

⁴⁴ Shannon P. Pratt, *Cost of Capital Estimation and Applications*, Second Edition, at 220-221.

1 cost of capital estimates, it would be reasonable and appropriate to adjust the authorized
2 ROE upward by approximately eight basis points for Georgia Power.

3 **G. CONSIDERATION OF SPECIFIC RISK FACTORS**

4 **Q. DOES YOUR RECOMMENDATION INCLUDE A DOWNWARD OR UPWARD**
5 **ADJUSTMENT FOR GEORGIA POWER SPECIFIC RISK FACTORS?**

6 A. No, it does not. All the proxy group vertically integrated electric utilities face a challenging
7 environment requiring continuous access to capital in order to meet public expectations of
8 safe, reliable, and reasonably economic utility service. Georgia Power is projecting a
9 capital spending program through 2026 that will require the Company to maintain
10 continuous access to capital markets on reasonable terms and conditions. For these reasons,
11 it is important that the authorized ROE be set at a level that allows Georgia Power to
12 continue to attract both debt and equity under favorable terms under a variety of economic
13 and financial market conditions, including the inflationary conditions we are facing today
14 and in the foreseeable future. My recommendation, however, makes no adjustment, explicit
15 or implicit, for the specific capital expenditure requirements of Georgia Power. As noted
16 above, I excluded Southern (and therefore Georgia Power) from the proxy group I used to
17 avoid any question of circularity of my results.

18 **Q. IS THERE ANY BASIS TO TREAT GEORGIA POWER LESS RISKY THAN ITS**
19 **PEER UTILITIES?**

20 A. No, there is not. I have undertaken a review of regulatory mechanisms designed to mitigate
21 business risk, and they support treating the results from the proxy group I selected as
22 representative of the business risk of a prudently managed vertically integrated regulated
23 electric utility like Georgia Power. The results of my analysis are presented in Exhibit
24 JMC-9. Specifically, I examined the following factors that affect the regulatory risk of
25 Georgia Power and the proxy group companies: (1) test year convention; (2) rate base
26 convention; (3) revenue decoupling; (4) capital cost recovery; and (5) Construction Work
27 in Progress (“CWIP”) in rate base.

1 As shown in Exhibit JMC-9, 61 percent of the operating companies in the proxy group like
2 Georgia Power provide service in jurisdictions that allow the use of a fully or partially
3 forecasted test year. Further, 56 percent of the operating companies in the proxy group use
4 average rate base like Georgia Power, while 44 percent are allowed to use year-end rate
5 base. Georgia Power has limited revenue protection⁴⁵ against fluctuations in customer
6 demand, while approximately 64 percent of the operating companies held by the proxy
7 group have either full or partial revenue decoupling mechanisms that protect against
8 volumetric risk. Generally, Georgia Power's capital investment costs must be recovered
9 through rate cases, although the Nuclear Construction Cost Recovery mechanism (known
10 as the NCCR) allows Georgia Power to recover financing costs associated with the
11 construction of a nuclear generating plant between rate cases. Approximately 88 percent
12 of the operating companies in the proxy group have a cost recovery mechanism for capital
13 investment (e.g., generation capacity or infrastructure replacement). Finally, Georgia
14 Power is allowed to include CWIP associated with nuclear plant construction, as do
15 approximately 76 percent of the operating companies held by the proxy group.

16 As discussed above and as shown in Exhibit JMC-9, Georgia Power has similar regulatory
17 risk to the proxy group companies in terms of test year and rate base convention. Georgia
18 Power has comparable regulatory risk with respect to ability to include CWIP in rate base.
19 However, Georgia Power does not have the same degree of protection against volumetric
20 risk as do approximately 64 percent of the operating companies held by the proxy group
21 which have revenue decoupling mechanisms that mitigate the effect on revenue of
22 variations in demand. Nor does Georgia Power have a comprehensive capital cost recovery
23 mechanism as do 88 percent of the operating companies within the proxy group. On
24 balance, these mechanisms indicate that Georgia Power and the proxy group have
25 comparable business risks and regulatory efforts to mitigate those risks.

⁴⁵ Georgia Power's Alternative Rate Plan allows the Company to petition the Commission for an Interim Cost Recovery mechanism if its earnings are projected to fall below the low end of its approved ROE range.

1 **VII. CAPITAL STRUCTURE**

2 **Q. WHAT IS GEORGIA POWER'S PROPOSED CAPITAL STRUCTURE?**

3 A. Georgia Power is proposing a financial capital structure targeting a mix of 56.0 percent
4 common equity and 44.0 percent long-term debt.

5 **Q. HOW HAVE YOU ASSESSED THE REASONABLENESS OF GEORGIA**
6 **POWER'S PROPOSED CAPITAL STRUCTURE WITH RESPECT TO THE**
7 **PROXY GROUP?**

8 A. The proxy group has been selected to reflect comparable companies in terms of business
9 and financial risks. Therefore, it is appropriate to compare the financial capital structures
10 of the proxy group companies to the financial capital structure proposed by Georgia Power
11 in order to assess whether the Company's capital structure is reasonable and consistent
12 with industry standards for companies with commensurate risk. I calculated the weighted
13 average capital structures for each of the proxy group operating companies for the eight
14 quarters ended Q4 2021. Exhibit JMC-10 shows that the Company's proposed common
15 equity ratio of 56.0 percent is within the range of actual common equity ratios of 46.57
16 percent to 61.48 percent for the operating companies held by the proxy group over this
17 period.

18 **Q. WHAT IS YOUR CONCLUSION REGARDING THE APPROPRIATENESS OF**
19 **GEORGIA POWER'S PROPOSED CAPITAL STRUCTURE IN THIS**
20 **PROCEEDING?**

21 A. Based on the analysis presented in Exhibit JMC-10, my conclusion is that Georgia Power's
22 proposed capital structure is reasonable. As the Commission recognizes,⁴⁶ sufficient equity
23 in the capital structure is an important factor for maintaining Georgia Power's financial
24 integrity and investment grade credit rating and it is an essential component of Georgia

⁴⁶ Docket No. 42516, Long Order Adopting Settlement Agreement, at 6 (February 6, 2020).

1 Power's financial policies enabling access to capital on favorable terms in a variety of
2 market circumstances.

3 **VIII. CONCLUSIONS**

4 **Q. WHAT IS YOUR CONCLUSION REGARDING A FAIR ROE FOR GEORGIA**
5 **POWER?**

6 A. Based on the quantitative analyses provided in my Direct Testimony, I have established a
7 range of ROE results shown previously in Figure 13 (also see Exhibit JMC-2). The DCF,
8 CAPM, Bond Yield Risk Premium, and the Expected Earnings analysis produce a range of
9 estimates of the Company's cost of equity of 8.99 percent to 13.55 percent, with a four-
10 model average of 10.92 percent. Adding eight basis points to the 10.92 percent average for
11 flotation costs, I recommend an ROE of 11.00 percent.

12 **Q. WHAT IS YOUR RECOMMENDATION WITH REGARD TO THE CAPITAL**
13 **STRUCTURE FOR GEORGIA POWER IN THIS PROCEEDING?**

14 A. I support Georgia Power's actual capital structure of 56.0 percent common equity and 44.0
15 percent long-term debt as reasonable relative to the range of capital structures for the
16 operating companies held by the proxy group companies.

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes, it does.

1 MR. MARZO: For the record, Madam Chair, I
2 would also like to identify Mr. Coyne's prefiled
3 exhibits as Georgia Power Company's Exhibits GPC-15
4 through GPC-25 and have them admitted into the record
5 subject to cross.

6 MADAM CHAIR PRIDEMORE: So moved, so marked.

7 (The documents referred to were marked for
8 identification as GPC Exhibits 15 through 25 and
9 admitted into the record.)

10 MR. MARZO: Madam Chair, with your permission,
11 I would like to ask Mr. Coyne to summarize his
12 testimony.

13 MADAM CHAIR PRIDEMORE: Please go ahead,
14 Mr. Coyne.

15 MR. COYNE: Thank you.

16 Good morning, Madam Chair, Commissioners. My
17 name is James Coyne. I am a senior vice-president
18 with Concentric Energy Advisors.

19 Concentric is a management consulting and
20 economic advisory firm focused on the North American
21 energy and water industries. I have a bachelor's
22 degree in business and economics from Georgetown
23 University and a master's degree in resource
24 economics from the University of New Hampshire.

25 I have 40 years of experience in the energy and

1 utility sector where I've worked in regulatory and
2 policy positions for the states of Maine and
3 Massachusetts, and corporate planning for an
4 integrated energy company, and in consulting and
5 financial advisory positions for the last 20 years.

6 This work includes calculating the cost of
7 capital for the purposes of ratemaking and providing
8 expert testimony on related matters, including
9 business risk, valuation, and capital costs. I've
10 authored numerous articles on the energy industry,
11 lectured on utility regulation for regulatory
12 Commission staffs, and provided testimony before the
13 Federal Energy Regulatory Commission, Canada's energy
14 regulator, as well as provincial jurisdictions and
15 state jurisdictions across the U.S. and Canada.

16 I've been asked by Georgia Power Company to
17 prepare an independent appraisal of Georgia Power's
18 cost of equity and to recommend to the Georgia Public
19 Service Commission a rate of return on equity for
20 Georgia Power that is fair, that allows Georgia Power
21 to attract capital on reasonable terms, and that
22 allows Georgia Power to maintain its financial
23 integrity.

24 I estimate Georgia Power's cost of equity in
25 several steps using standard models and approaches

1 for these purposes. No model can exactly pinpoint
2 the correct cost of equity, but each is designed to
3 provide a unique estimate of the return required to
4 attract equity investment. Therefore, my analysis
5 considers the range of results produced by four
6 different models.

7 My overall approach and the models employed are
8 commonly use in utility ratemaking proceedings. The
9 DCF analysis -- that's the first model -- estimates
10 the cost of equity based on market data on dividend
11 yields and analysts' projected earnings per share
12 growth from reputable third-party sources.

13 The CAPM -- the second model -- is based on
14 both current and forecasted interest rates and a
15 forward-looking market risk premium.

16 The Risk Premium -- the third model --
17 calculates the risk premium as the spread between
18 authorized ROEs for vertically integrated electric
19 utilities and treasury bond yields.

20 The Expected Earnings approach -- the fourth
21 model -- is based on projected returns on book equity
22 that investors expect to receive over the next three
23 to five years.

24 My ROE estimate is ultimately based on the
25 range of results produced by these four

1 methodologies. These models produce an analytical
2 range of estimates of the company's cost of equity of
3 8.99 percent to 13.55 percent with a four-model
4 average of 10.92 percent. Based on these analyses,
5 and including an adjustment for flotation cost, I
6 recommend an ROE of 11 percent.

7 As the capital structure, the proxy group has
8 been selected to provide comparable companies in
9 terms of business and financial risks. I, therefore,
10 compared the financial capital structures of the
11 proxy group companies to the financial capital
12 structure proposed by Georgia Power in order to
13 assess whether the company's capital structure is
14 reasonable and consistent with industry standards for
15 companies with similar risks. The range of actual
16 common equity ratios for these companies is 46.6
17 percent to 61.5 percent. This demonstrates that the
18 company's proposed common equity ratio of 56 percent
19 and 44 percent long-term debt is reasonable relative
20 to the proxy group companies used in my analysis.

21 All the proxy group vertically integrated
22 electric utilities face a challenging environment
23 requiring continuous access to capital in order to
24 meet public expectations for safe, reliable, and
25 reasonably priced utilities service. Georgia Power

1 is projecting a capital spending program through 2026
2 that will require the company to maintain continuous
3 access to capital markets on reasonable terms and
4 conditions.

5 For these reasons, it's important that the
6 authorized ROE be set at a level that allows Georgia
7 Power to continue to attract both debt and equity
8 under favorable terms under a variety of economic and
9 financial market conditions, including the
10 inflationary conditions we are facing today and in
11 the foreseeable future.

12 In sum, my recommended cost of equity is
13 11 percent with a 56 percent equity ratio. This will
14 provide Georgia Power the opportunity to earn a
15 return back on equity that satisfies the recognized
16 standards for determining the regulatory allowed
17 return. And these standards are:

18 One, commensurate with returns on investments
19 in enterprises having comparable risk;

20 Two, adequate to attract capital on reasonable
21 terms, thereby enabling the company to provide safe,
22 reliable service;

23 And, third, sufficient to ensure the financial
24 soundness of Georgia Power's electric utility
25 operations.

1 Thank you and I look forward to your questions.

2 MR. MARZO: Thank you, Mr. Coyne.

3 Madam Chair, the witness is available for
4 cross -- questions from the Commissioners and
5 cross-examination from parties.

6 MADAM CHAIR PRIDEMORE: Commissioner McDonald.

7 COMMISSONER MCDONALD: Good morning, sir.

8 MR. COYNE: Good morning, Commissioner.

9 COMMISSONER MCDONALD: In your experience, when
10 we are dealing with a return on equity with a
11 vertically integrated utility system and a monopoly,
12 and it's discussed if we have less than what you're
13 suggesting, 11 percent, looking at -- as has been
14 discussed yesterday, 9 1/2, 10, somewhere in there.
15 But then we're told by the utility and others that
16 the raters, the utility -- the rating services, if
17 you lower that rate, then you're subject to a lower
18 -- lower rating, a B plus, A minus, whatever.

19 Are those rating systems really that accurate
20 in being able to say that if you do this, then your
21 interest rates are going to go higher? Or are they
22 looking after the investors that they represent in
23 the open marketplace?

24 MR. COYNE: Good question, Commissioner. The
25 -- to a certain extent, I'll defer to the greater

1 expertise on that issue to Mr. Fetter, who will be
2 the next witness, because he has actually served as
3 head of the ratings department, which I have not.
4 But I certainly follow what the rating agencies do.

5 So I'll provide you an opinion, but I also
6 suggest you ask him that question. You may get a
7 deeper answer than I can provide.

8 But my perspective on that is that it's one of
9 the important factors that the rating agencies take
10 into consideration. But the return on equity and --
11 is important, along with the capital structure. And
12 as soon as a decision comes out from a Commission
13 such as yours, the rating agencies will look at it
14 very carefully.

15 And what they will do is they will look at what
16 it means for the utility's cash flow and other
17 financial metrics on a going-forward basis to see if
18 it materially changes their view of the financial
19 soundness of the utility.

20 As rating agencies, it's important to recognize
21 that their focus is on debt investors. Their service
22 is to an institutional investor primarily that's
23 going to buy the debt of a company such as Georgia
24 Power.

25 So they want to make sure that there is

1 sufficient financial resources to pay those debt
2 investors. And to the extent that they think that
3 there's a risk to that debt, then they will mark that
4 -- that company's debt issuance and the issuer higher
5 or lower as a result of it.

6 But they'll also take into consideration their
7 experience and the overall view of that Commission,
8 in terms of how constructive it is. And as you may
9 well know, the Georgia Commission is rated as one of
10 the more constructive commissions in the country.

11 There are only about four or five companies
12 that have ratings as high as this Commission and
13 that's because it has a history of regulation that
14 allows the utilities an opportunity to earn a fair
15 return. And it's generally perceived as providing a
16 set of regulatory mechanisms that are balanced, in
17 terms of both investors and customers.

18 So they'll look at more than just that number
19 is -- is the bottom-line answer to your question, but
20 it's an important consideration.

21 COMMISSONER MCDONALD: I know that having been
22 in business myself all my adult life, that when I
23 need capital, my history of the company that I
24 represent or own is a major factor in the rates, I
25 guess, that I'm going to receive. Sometimes I

1 personally -- and I'm not speaking for my colleagues.
2 I'm just talking about this Commissioner.

3 I sometimes personally feel like that the
4 rating agencies kind of threaten us that if we don't
5 do this, that we're going to do this. And that kind
6 of goes against the grain when you look at the
7 history of Georgia Power Company and you look at how
8 they are rated in the marketplace. And you don't see
9 the rollercoaster ride with Georgia Power. It has
10 always been steady and slow growth, but growth
11 continuously.

12 And I wonder if -- if that seemingly threat is
13 as real as it might -- that I personally might feel.

14 MR. COYNE: I think it is -- certainly they
15 wouldn't describe it as a threat, but --

16 COMMISSONER MCDONALD: I know that was a little
17 harsh word, but --

18 MR. COYNE: It is, but I know it can feel that
19 way. Because their ratings have significant impact
20 on corporate or individual borrowers, if that's the
21 case.

22 We saw, for example, this past year, the New
23 York Commission rendered some opinions that resulted
24 in immediate downgrades for three of the states'
25 utilities. Not just the ones that were impacted by

1 the decision, but because they thought it set a
2 negative tone in terms of how they were construing
3 the regulatory environment in New York.

4 So their actions can have impact and it can be
5 -- it can be very soon if they perceive a decision to
6 be out of accord with how that commission's been
7 perceived in the past.

8 But I agree with you that they do look at
9 history. And they look at both the history of this
10 Commission and the rule-makings that it's made, and
11 also look at the subsidiary company, Georgia Power
12 Company. And they also look at the parent backing --
13 in this case southern Company -- when they render
14 these opinions around the overall financial soundness
15 of the company.

16 COMMISSONER MCDONALD: Thank you, sir.

17 MADAM CHAIR PRIDEMORE: Any other questions
18 from Commissioners?

19 Commissioner Shaw.

20 COMMISSONER SHAW: Mr. Coyne, good morning.

21 MR. COYNE: Good morning, Commissioner.

22 COMMISSONER SHAW: Thank you for being with us.
23 So many times when I'm reading testimony, it will
24 have more of a background in terms of whether or not
25 you've testified here at the Georgia Commission

1 before or other commissions. So I just wanted to,
2 since that's lacking, just sort of ask that question.

3 MR. COYNE: Oh, I'm sorry. It's in my resume,
4 which is attached as an exhibit.

5 COMMISSIONER SHAW: Okay.

6 MR. COYNE: But I'll give you a brief profile.

7 This is my first opportunity to testify before
8 this Commission and I'm pleased to be here. I've
9 testified broadly across commissions in both the U.S.
10 and Canada on cost of capital and related matters.
11 And most states -- I should say many states and many
12 jurisdictions are on that list and they're fully
13 profiled in my resume.

14 COMMISSIONER SHAW: Okay. Thank you, sir.

15 Is this rate of return that you're recommending
16 similar to other rates that you've recommended for
17 other utilities?

18 Namely, are -- have you recommended a rate as
19 high as 11 percent in other proceedings?

20 MR. COYNE: The most recent case where I have
21 been involved with a company -- both recent and a
22 company of Georgia Power's profile was for Florida
23 Power & Light. And that case resulted in a decision
24 in December.

25 And in that case it so happens my

1 recommendation was exactly the same. It was
2 11 percent. That -- and that was a result based on
3 market data at that point in time. And also that
4 company's equity ratio was 59.62 percent.

5 That case resulted in a settlement in December.
6 And the settlement ROE was 10.6 percent on a
7 59.26 percent equity ratio. That settlement had a
8 provision in it that if interest rates were a concern
9 then, as they are now, because we all recognize that
10 there's a lot of uncertainty around what's going to
11 happen to interest rates, and, therefore, what will
12 happen to capital markets. So built into that
13 settlement was a provision that if the 30-year bond
14 yield that we all use in these analyses went up by
15 more than 50 basis points on a continuous six-month
16 basis, that the ROE would have a one-time ratchet up
17 to 10.8 percent.

18 In August, Florida Power & Light filed for that
19 ratchet and it is now 10.8 percent on a 59.26 percent
20 equity ratio. And they also have an earnings band in
21 place that is 9.8 to 11.8.

22 So it looks very similar to the recommendation
23 here. And of note, if you think about how the cost
24 of capital flows through rates, you multiply the
25 equity ratio times the ROE in order to get the

1 weighted cost of equity that flows to the rates.

2 If you were to do that in the case of Florida
3 Power & Light's decision, recognizing the current
4 10.8 on this 59.2 percent equity ratio, that would
5 result in a weighted cost of equity of 6.438 percent.
6 And that is greater than the 6.16 percent weighted
7 equity cost that I am recommending in this
8 proceeding, if you take the 11 percent on the lower
9 56 percent equity ratio.

10 So I consider that it's also a multiyear rate
11 plan. Theirs is a four-year plan. And it's a
12 company that faces similar fleet transition risks at
13 this period of time. And also operating in -- I
14 think in fairly similar economic environment, as
15 well. So I think that's one data point that I would
16 point out as being relevant.

17 COMMISSONER SHAW: Thank you, sir.

18 MR. COYNE: My pleasure.

19 MADAM CHAIR PRIDEMORE: Mr. Coyne, I have a --
20 just an interest question that -- that you didn't get
21 into in your prefiled testimony. But we're starting
22 to see as Commissioners across the country a downplay
23 of ESG.

24 So a couple of years ago ESG was the only thing
25 that the financial analysts wanted to speak with

1 Commissioners about, how we weighted it, in terms of
2 our decision-making. And, I mean, I'm just
3 personally seeing that the rating agencies and the
4 financial houses are not talking about it at the same
5 level that they used to.

6 Talk to me about sort of -- did ESG, or the
7 concept of it, did it come to mind or bear to mind in
8 any of your analysis and in your recommendation?

9 MR. COYNE: That's a really good question. The
10 -- first, an observation and then an answer to your
11 specific question. Let me answer your specific
12 question first.

13 When I selected the proxy group of companies, I
14 selected those that -- I used eight different
15 criteria, including those that are predominantly
16 regulated utilities, predominantly in the electric
17 utilities business, and those that are vertically
18 integrated that own electric generation, just as
19 Georgia Power does.

20 So in that sense, I'm selecting a proxy group
21 that faces similar ESG kind of risks and challenges
22 as Georgia Power does. So there's that selection
23 process that helps me do that.

24 The -- and so you could say that to the extent
25 that capital markets are factoring in ESG risks into

1 the capital market data, they're also doing it for
2 the 11 companies in the proxy group that I've
3 represented. So that's how they flow through
4 technically in the analysis.

5 As an observation around ESG, insofar as it's
6 affecting the industry, I don't think it's ever been
7 greater. Certainly not in my 40 years of experience.
8 And it's an interesting question to me because my
9 wife, who may actually be listening, is in ESG.

10 MADAM CHAIR PRIDEMORE: So what's her name?

11 MR. COYNE: Her name is Karen.

12 MADAM CHAIR PRIDEMORE: Hi, Karen.

13 MR. COYNE: She'll laugh because it's all --
14 she could actually look at the link and she's never
15 actually seen me testify before, so here's her
16 chance. But she's dying right now if she is
17 listening.

18 But she is an ESG specialist. She has done
19 corporate work and she does board work in this area.
20 So it's a conversation across our dinner table almost
21 every night.

22 And I think what's happened is that it's gone
23 from something that was speculative for ESG to
24 something that was a feels good kind of a concept to
25 one that's just part of everyday life for a utility

1 company, like Georgia Power, they need -- they need
2 to take into account in so many aspects of their
3 business and planning. And as considered in the
4 company's integrated resource plan, they're
5 undergoing a fleet transition of unprecedented
6 proportions.

7 And not every utility in the country is like
8 that. It depends upon where their fleet stands today
9 and if they're vertically integrated. If you're a
10 company that's operating in a -- and you're
11 non-vertically integrated, then it's the market's
12 responsibility to provide those renewable resources.
13 But if you're a company like Georgia Power, you have
14 to do that planning yourself and you have to make the
15 right decisions and be held accountable for them.

16 So I would say that it's gone from being
17 something that's conceptual to something that's just
18 a real everyday aspect of planning for a company like
19 Georgia Power Company.

20 MADAM CHAIR PRIDEMORE: Okay. Very good.

21 Commissioner McDonald.

22 COMMISSONER MCDONALD: A bit of follow-up.
23 When were you engaged by Georgia Power for this
24 report?

25 MR. COYNE: Going by memory, I want to say it

1 was about last August.

2 COMMISSONER MCDONALD: If you were engaged
3 today to start this report, with market conditions,
4 i.e., the economy of the United States of America,
5 and what is looked at being forecast over the next
6 six months to a year, would that have any impact on
7 your report that you're giving this morning?

8 MR. COYNE: It would. The analysis that I
9 completed, I updated my numbers as -- as time
10 progressed. And it's been a period of time where
11 each month you've had new economic data that had
12 changed considerably, more so than we're used to.

13 So my analysis was completed in April. And if
14 you were to look at where we stand today, the -- I
15 used a current interest rate of the 30-year bond
16 yield of 2.72 percent. That's where it stood back in
17 April.

18 And I used a forecast interest rate going out
19 over the next four years of 3.4 percent. Today's
20 30-year bond yield, or at least yesterday's, was 3.85
21 percent. So the bond -- the current bond yield
22 already exceeds my forecast by 45 basis points.

23 So I would -- it doesn't fully -- it doesn't
24 fully recognize the continued increase that we've had
25 in capital costs since I completed my analysis, but

1 you have to cut it off at some period of time. And
2 for this submission, it was April for me.

3 But we know that since that time inflation has
4 gone up considerably. The cost of everything has
5 gone up quite a bit and -- but my analysis was done
6 in April so that's what I have to go by.

7 COMMISSONER MCDONALD: And, of course, we are
8 charged with the responsibility of looking forward
9 for the next three years on the decisions of this
10 Commission.

11 MR. COYNE: Yes, sir. And I think that's an
12 important point. That if you think about it, this --
13 these rates will be in effect through -- through
14 2025. And in today's capital market environment,
15 that's a long period of time.

16 And this ROE that's already based on interest
17 rates in my analysis that are lower than those that
18 already exist today, if they go up further, it makes
19 it even a more conservative estimate of what the
20 capital cost -- cost of capital will be over the next
21 three years.

22 MADAM CHAIR PRIDEMORE: Anything further from
23 Commissioners?

24 (No Response.)

25 All right. Georgia --

1 COMMISSONER SHAW: Mr. Coyne, I've been sent a
2 copy of your resume. Now I know why it wasn't in the
3 testimony because there wasn't enough room for it.
4 So thank you.

5 MR. COYNE: I appreciate that comment.

6 MADAM CHAIR PRIDEMORE: That was for Karen.
7 Georgia Public Service Commission. Go ahead,
8 Mr. Thomas.

9 MR. THOMAS: Thank you.

10 CROSS-EXAMINATION

11 BY MR. THOMAS:

12 Q Good morning, Mr. Coyne, Commissioners.
13 Preston Thomas on behalf of PIA Staff.

14 Can I get you to start by turning to page 40 of
15 your testimony, please.

16 A Yes, sir.

17 Q I see in Figure 13 you've summarized your ROE
18 estimates. And you have four estimates based on four
19 different approaches; would that be correct?

20 A That's correct.

21 Q Okay. And turning to Exhibit JMC-5.2, pages 1
22 and 2, beta is an input to your CAPM estimate; correct?

23 A That's right.

24 Q And the betas in your CAPM calculation are
25 higher than betas have historically been. Would you agree

1 with that?

2 A Yes. They've gone up quite a bit over the last
3 three years. And one can interpret that a variety of
4 different ways. But it seems like investors are treating
5 utilities as more like the market, at least from an
6 investment perspective, than they have previously.

7 And utilities have always been considered a
8 relatively low-risk investment compared to the rest of the
9 economy, but these betas suggest that as a result of
10 investor preferences or perceptions of utility risk, they
11 now look -- they've moved up to the .8, .9 range, which
12 makes it look like -- more like the overall market.

13 Q And market return is another input into your
14 CAP estimate; correct?

15 A That's right.

16 Q And I see that you have a market return of
17 15.2 percent, which is also much higher than return on the
18 broad market, such as S&P 500, over the long term; right?

19 A That is the -- well, that is the estimate of
20 the market return on a going-forward basis. Is your
21 question whether or not it's higher than it's been in the
22 long term?

23 Q Right. The long term, historically it's been
24 closer to 10 or 11 percent; right?

25 A If you look past -- if you look at the last

1 decade, it's actually been over that amount, the average
2 turn on the S&P 500.

3 Q I --

4 A But if you look at it over the last 100 years,
5 it's been something that's closer to 7 1/2 percent. Some
6 analysts argue that the last 100 years is the best
7 information that we have. And my response to that
8 suggestion is whenever I make a decision on a going-forward
9 basis, I rarely consider the last 100 years as being the
10 best data that I have to make that decision on.

11 So what that number represents is the
12 projection of analysts for each of the companies in the
13 S&P 500, what they believe the returns are going to be for
14 those companies, rolled up into what the aggregate return is
15 on the S&P 500. So it's the analysts' projections for each
16 of these companies as they're available.

17 Q Okay. And that makes sense, your approach, but
18 you would agree that some analysts, as you just stated,
19 would disagree with your approach and they would look at the
20 longer 100-year period?

21 A True, yeah. One of the things that I see in my
22 work in this area is that for each of these models,
23 analysts, people that do the work that I do, will use
24 different inputs to these models. And when you use
25 different inputs, you'll come up with different results.

1 One of the reasons I like to use the four
2 models, as you referenced in the last page of my testimony,
3 is that I believe that if you use four models, you can look
4 at a perspective of what different inputs would do using
5 different models to give you a more accurate picture of what
6 the true cost of capital is.

7 Q And if the beta and market return inputs are
8 overestimated, that would result in a higher CAPM estimate;
9 correct?

10 A A lower CAPM estimate.

11 Well, I'm sorry. Maybe I don't understand your
12 question. If you -- if you're asking if you were to lower
13 the beta and to lower the market equity risk premium, that
14 would give you a lower CAPM result. And the converse is
15 true, obviously, as well.

16 Q Okay. And do you agree that authorizing a
17 utility ROE in excess of an ROE that's fair and reasonable
18 will have an impact on utility customers?

19 A Yes.

20 MR. THOMAS: Okay. That's all the questions I
21 have.

22 MADAM CHAIR PRIDEMORE: Thank you, Mr. Thomas.

23 All right. Americans for Affordable Clean
24 Energy.

25 MR. GALLOWAY: No questions, Madam Chair.

1 MADAM CHAIR PRIDEMORE: Commercial Group.

2 MR. JENKINS: No questions.

3 MADAM CHAIR PRIDEMORE: Concerned Ratepayers
4 for Georgia.

5 Of course. Good morning, Mr. Prenovitz.

6 MR. PRENOVITZ: Good morning, Madam Chair.
7 Good morning, Commissioners. Moving slow, but I'm
8 moving.

9 MADAM CHAIR PRIDEMORE: Looking good today.

10 MR. PRENOVITZ: Thank you. Quite a late night
11 you guys had yesterday.

12 CROSS-EXAMINATION

13 BY MR. PRENOVITZ:

14 Q Good morning, Mr. Coyle (sic). I'm Steve
15 Prenovitz, Concerned Ratepayers of Georgia.

16 A Good morning.

17 Q I noticed you're from Massachusetts. So am I.
18 From Randolph. Nice to meet you.

19 A Good to see you here.

20 Q Yes, sir. Also our backgrounds are kind of
21 similar; finance, economics, public policy --

22 COMMISSONER MCDONALD: Mr. Prenovitz I think
23 the statement that the Chair said to start with,
24 we're going not use the small talk and get right to
25 the questions.

1 MR. PRENOVITZ: Gotcha.

2 COMMISSONER MCDONALD: I believe, if you
3 listen --

4 MR. PRENOVITZ: Okay. That's fine. Okay.

5 COMMISSONER MCDONALD: All right.

6 BY MR. PRENOVITZ:

7 Q Basically your focus is on the return on equity
8 for Georgia Power; correct?

9 A Yes, sir.

10 Q And I also noticed you reference Dr. Roger
11 Morin that's an expert in finance and economics. Are you
12 aware that he testified before this Commission many years
13 ago as a cost of capital witness?

14 A I'm not.

15 Q Okay. Yeah, I met him then.

16 Also, a standard question we asked Dr. Morin
17 and all the consultants is: How much are you and your firm
18 compensated for this assignment?

19 A I'm paid by the hour according to the actual
20 hours expended and --

21 COMMISSONER SHAW: That means talk fast,
22 Mr. Prenovitz.

23 MADAM CHAIR PRIDEMORE: Commissioner Shaw said
24 that means talk fast, Mr. Prenovitz.

25 MR. PRENOVITZ: Oh, yes, ma'am.

1 MADAM CHAIR PRIDEMORE: He's paid by the hour.

2 MR. PRENOVITZ: I'm slow, but I get it.

3 BY MR. PRENOVITZ:

4 Q Okay. How much by hour, sir?

5 A I -- I don't ordinarily talk about hourly rates
6 on the stand for purposes of competitive intelligence, I
7 guess you could say, with other consulting firms.

8 Q Well, it's a standard -- just -- wait, wait,
9 wait. No, no --

10 MR. MARZO: I'd just object --

11 MR. PRENOVITZ: No. It's a standard
12 question -- well, let me finish first.

13 MADAM CHAIR PRIDEMORE: Counsel objects.

14 MR. PRENOVITZ: Okay.

15 MADAM CHAIR PRIDEMORE: The Chair sustains.

16 MR. PRENOVITZ: Okay. But it's a standard
17 question --

18 MADAM CHAIR PRIDEMORE: Next question.

19 MR. PRENOVITZ: -- asked for expert witnesses
20 always --

21 MADAM CHAIR PRIDEMORE: No, it --

22 MR. PRENOVITZ: -- like in a --

23 MADAM CHAIR PRIDEMORE: No, sir, it's not.

24 MR. PRENOVITZ: It is -- okay. All right.

25 MADAM CHAIR PRIDEMORE: Don't argue with the

1 Chair.

2 MR. PRENOVITZ: Okay. All right.

3 BY MR. PRENOVITZ:

4 Q Okay. Can you tell --

5 MADAM CHAIR PRIDEMORE: Do you want me to ask
6 you how much money you make?

7 MR. PRENOVITZ: Yeah.

8 MADAM CHAIR PRIDEMORE: Do you want me to ask
9 you what --

10 MR. PRENOVITZ: I don't have a problem --

11 MADAM CHAIR PRIDEMORE: -- what you pay for
12 things?

13 MR. PRENOVITZ: Yeah. Not much on this,
14 believe me.

15 BY MR. PRENOVITZ:

16 Q Okay. Can you say what the total project was?

17 A I cannot. We're still going and we have other
18 rounds to go.

19 Q Okay. What's the relationship between cost of
20 capital and cost of equity?

21 Like you're testifying as a cost of equity
22 witness. Dr. Morin testified as cost of capital, which they
23 used in the past. Why would you choose one versus the
24 other?

25 A I use them interchangeably. I think those of

1 us that do this work do. It's -- as long as one includes
2 the equity ratio in that calculation, there are some times
3 that I'm also asked -- asked to testify in the cost of debt,
4 which folds into that.

5 Q Okay.

6 A But the cost of debt is usually a pass-through
7 based on the embedded cost.

8 Q Okay. But the cost of capital would be less
9 than the cost of equity, wouldn't it?

10 A I view them as synonymous.

11 Q Okay.

12 A Well, I'm sorry. If you're talking about the
13 weighted average cost of capital --

14 Q Yeah. Weighted, yeah.

15 A It would be less as long as the long-term cost
16 of debt is lower, which it is.

17 Q Correct, yeah. I believe in Georgia Power's, I
18 think it was like 8 percent or so, the cost of capital.

19 Okay. So if you use the cost of capital --

20 A I believe it's -- I believe it's lower than
21 that.

22 Q A little lower.

23 A Yes.

24 Q I think you're right.

25 Okay. All right. So using the return on

1 equity, how is that utilized?

2 What's the purpose of it?

3 A The purpose of it is to provide equity
4 investors compensation for their investment in the company.

5 Q Okay. But isn't that based on trying to get
6 some type of return, too, also?

7 A Well, it's -- in a rate for a regulated
8 company, it's a fair return is the standard by which that
9 cost of equity is set by commissions such as this one.

10 Q Okay. All right. Then you mentioned your four
11 models, this kind of cash flow. CAPM, what does that stand
12 for?

13 A Capital asset pricing model.

14 Q Okay. And the other three -- you said they're
15 only models, then you say, basically, you have to apply
16 informed judgment.

17 What do you mean by informed judgment for this?

18 A Well, when you -- when you do this work, you're
19 required to select which models you're going to use and how
20 you'll select the inputs that go into those models that all
21 go into your analysis and, ultimately, your recommendation.

22 Q Okay. And, basically, different witnesses
23 would have different judgments; hence, different
24 recommendations, would they not?

25 A That's my experience.

1 Q Okay. And also I think in the previous case --
2 I forget the witness's name who did the cost of equity. He
3 was pretty close to what you did.

4 And then you had the Georgia -- the
5 PSC's witness who came in with a considerably lower rate and
6 so on. So basically both judgments can be right; correct?

7 A I would say that it would depend -- when you
8 say right, I would say it depends on the rigor with which
9 they've done their work and the reasonableness of the inputs
10 of the models they've used that would determine, ultimately,
11 in the eyes of the Commission, which is the more credible
12 result.

13 Q That's a fair answer. Okay.

14 Now you're getting into regulatory principles,
15 page 5 or 6, and you reference the Hope decision. Could you
16 explain the key Hope principles that are applicable to
17 Georgia Power in this case particular case?

18 A As I cite Hope, on page -- on page 6, and it's
19 a short sentence. I guess I could read it.

20 "The return to the equity owner should be
21 commensurate with returns on investments and other
22 enterprises having corresponding risks. That return,
23 moreover, should be sufficient to assure confidence in the
24 financial integrity of the enterprise so as to maintain its
25 credit and to attract capital."

1 And those are the principles that I cited in my
2 opening remarks.

3 Q Okay. What do you mean by corresponding risk?

4 A Similar risks. So in the case of Georgia --
5 you know, to ground it in this discussion, I would say for
6 Georgia Power it would be a vertically integrated utility of
7 the size and scale and scope of operations such as Georgia
8 Power has.

9 Q Okay. You also emphasize the responsibility of
10 the Commission. What's the responsibility of the utility to
11 their Commissioners under the Hope decision?

12 MADAM CHAIR PRIDEMORE: Under the what
13 decision?

14 MR. PRENOVITZ: Under Hope, the Supreme Court
15 decision that Mr. Coyle [sic] has referenced.

16 MADAM CHAIR PRIDEMORE: Okay.

17 MR. COYNE: Well, I don't see the Hope decision
18 as specifically referencing the responsibility of the
19 utility. It's setting the standards for the return.

20 BY MR. PRENOVITZ:

21 Q Okay. Let me -- and the decision we're talking
22 about is Federal Power versus Hope National Gas, U.S.
23 whatever, 1944. That was basically the decision; correct?

24 A That's right. Hope Natural Gas, which is a --

25 Q Right.

1 A -- West Virginia utility.

2 Q Right. Okay.

3 Let me -- since you read a couple of points
4 here, here are some of the parts that they talk about on the
5 customer part of it. They said: Rates which enable the
6 company to operate --

7 MR. PRENOVITZ: Okay. Are you going to object?

8 MR. MARZO: Object to the extent I want to make
9 sure this ends with a question --

10 MR. PRENOVITZ: Oh, yes. Very much, sir.

11 MR. MARZO: -- and not a quote.

12 MR. PRENOVITZ: Fair enough. Fair enough.

13 MADAM CHAIR PRIDEMORE: Just ask a question.

14 And then if the witness needs clarification, then you
15 can clarify.

16 MR. PRENOVITZ: Okay.

17 BY MR. PRENOVITZ:

18 Q Okay. Basically the purpose is to maintain the
19 financial integrity, as you said, attract capital and
20 compensate investors for risks. However, it said it cannot
21 be -- the decision cannot be condemned as unjust and
22 unreasonable under the act, even though they might produce
23 only a meager return on the rate base.

24 How do you interpret that?

25 A Well, as I listen to it and reflect on it, I

1 think what -- I guess I'm second-guessing what a Supreme
2 Court meant almost a hundred years ago. But I hear them
3 putting some responsible -- the Commission needs to set a
4 fair return, but it's not the Commission's responsibility to
5 run the company. It's up to management to run the company
6 effectively and efficiently.

7 All the Commission can do is provide an
8 opportunity to earn a fair return, but it can't guarantee
9 it. So it's up to the company to run the company in such a
10 way so that it can earn its allowed return. So that's --
11 that's the regulatory compact principle that's behind that
12 language, as I hear it.

13 Q That's a good response. Okay.

14 MADAM CHAIR PRIDEMORE: Mr. Coyne, that's the
15 answer of the day. Thank you.

16 MR. COYNE: Thank you, Madam Chair.

17 BY MR. PRENOVITZ:

18 Q Continuing, very simple.

19 Okay. Then here's the key part: The
20 ratemaking process under the acts, which is defined as the
21 fixing of just and reasonable rates, involves a balancing --
22 focusing balancing on the investor --

23 MR. PRENOVITZ: Let me finish, please.

24 MR. MARZO: The only thing I'm going to object
25 to, if we're going to go read through Hope, then he

1 should provide the witness with Hope so we're sure
2 he's accurately reciting --

3 MR. PRENOVITZ: Let me finish.

4 MR. MARZO: -- what the decision says. Because
5 absent that, I don't know -- I don't have the
6 decision in front of me right now. I don't know --

7 MR. PRENOVITZ: You don't -- you don't need --
8 let --

9 MR. MARZO: -- that what he's saying is
10 accurate.

11 MR. PRENOVITZ: I only got -- it's a
12 two-sentence thing; okay?

13 MADAM CHAIR PRIDEMORE: Mr. Marzo, your
14 objection is sustained.

15 Read your question, Mr. Prenovitz.

16 BY MR. PRENOVITZ:

17 Q Okay. Basically the key part is, number one,
18 as you said, balancing the interest of the utility and the
19 customer. And it also says: Regulation does not ensure
20 that the business shall produce net revenues.

21 That's picking up on what you said before;
22 right? The Commission is responsible for setting the
23 climate, but if the company doesn't perform as well as they
24 should, or could, or whatever, then, basically, the
25 Commission is not obligated to provide them with a high rate

1 of return, such as an 11 percent return on equity; is that
2 not correct?

3 A Which portion of that was your question, sir?

4 Q The question is: Basically, regulation does
5 not ensure that the business shall produce net revenues.
6 And, also, the purpose of regulation is to balance the
7 interest of the customer and the company.

8 MADAM CHAIR PRIDEMORE: That's a statement.

9 MR. PRENOVITZ: No. That's --

10 MADAM CHAIR PRIDEMORE: Put it in -- put it in
11 a question form.

12 BY MR. PRENOVITZ:

13 Q The fixing of -- okay. Doesn't the fixing of
14 just and reasonable rates involve the balancing of the
15 investor and the consumer interest?

16 MADAM CHAIR PRIDEMORE: There it is.

17 MR. COYNE: Yes, it does.

18 BY MR. PRENOVITZ:

19 Q Thank you.

20 Okay. And as a result of that, regulation does
21 not ensure that the business shall produce net revenues or
22 shall produce the 11 percent return on equity that you're
23 advocating; is that not correct?

24 A Well, maybe I'll just restate what I said
25 earlier. That without regards to 11 percent, or any other

1 number, it's the Commission's responsibility to set the
2 allotted return. It's the company's management that will
3 determine if it can earn that allotted return.

4 It's not a guarantee. And that's why it's
5 called common equity. If management fails to perform
6 effectively, it may earn something less than that.

7 If they perform better than average, they may
8 earn something better than that, as long as there's an
9 earnings band such as exists in Georgia.

10 Q Okay.

11 MADAM CHAIR PRIDEMORE: Mr. Prenovitz --

12 MR. PRENOVITZ: Good questions. Yes, ma'am.

13 MADAM CHAIR PRIDEMORE: Yeah. Good question,
14 good answer.

15 How many more questions do you have?

16 MR. PRENOVITZ: I'm on page 3 of 4.

17 MADAM CHAIR PRIDEMORE: You have three or four
18 questions left?

19 MR. PRENOVITZ: No, no. Page 3.

20 MADAM CHAIR PRIDEMORE: No. How many
21 questions? Not how many pages.

22 MR. PRENOVITZ: A few.

23 MADAM CHAIR PRIDEMORE: How many questions?

24 MR. PRENOVITZ: A few. I don't know exactly.

25 MADAM CHAIR PRIDEMORE: Let's keep it -- pick

1 your best three. I'm giving you three more.

2 MR. PRENOVITZ: Madam -- Madam Chair, come on.

3 Mr. Walsh had two and a half hours plus. You know,

4 come on. I'm allowed ten minutes? Let me go

5 through -- okay.

6 MADAM CHAIR PRIDEMORE: Three questions.

7 MR. PRENOVITZ: I --

8 BY MR. PRENOVITZ:

9 Q Basically, there's risk -- there's good risk
10 and bad risk; correct?

11 Would you say there's intelligent risk and so
12 on?

13 Like you say, you have to compensate the
14 company for risk; right? So there's intelligent risk and
15 non-intelligent risk, correct?

16 A I'm not aware of that distinguishing
17 characteristics. I think the business you're in to a
18 certain extent defines the risks that you face.

19 I think the intelligence comes in to, you know,
20 how you manage those risks. Some are within your control
21 and others are beyond your control.

22 Q Okay. And some you should take and some you
23 shouldn't take; correct?

24 A Ultimately that's the responsibility of
25 management that defines it.

1 Q Okay. But, still, they --

2 A How they're doing their job.

3 Q Yeah, yeah. Some companies do -- okay.

4 Now, your proxy group, you mentioned,
5 basically, you're comparing Georgia Power to -- how many --
6 I forget how many were in your proxy group.

7 A There are -- there are -- I misspoke. I said
8 11. There are actually 14 companies, if I could correct
9 that, in my proxy group.

10 Q Okay. And you're talking about that,
11 basically, you know, it's a similar type of organization,
12 you know, similar type of risk and so on like that; is that
13 correct?

14 A From an investor standpoint, yes.

15 Q Okay. How many in your proxy groups are
16 currently building nuclear power plants?

17 A Only one.

18 Q And that would be who?

19 A Well, I'm sorry. In my proxy group there would
20 be none. As we know, Georgia Power is the only company in
21 the country that's building a large-scale nuclear power
22 plant at this point in time.

23 Q Okay. Isn't that increasing the financial risk
24 to the company?

25 A The credit rating agencies have certainly taken

1 that view, depending upon -- as they focus on the progress
2 of that project coming to fruition. It's clearly an issue
3 that they focus on.

4 Q Okay. That's in Mr. Fetter's testimony; right?
5 He kind of goes into that in more depth, I
6 believe; is that correct?

7 A Into the specific -- well, I think he could
8 speak to how credit rating agencies view that risk and those
9 risks, yes.

10 Q All right. Are you also aware that in
11 Mr. Fetter's testimony, one, he mentioned --

12 MADAM CHAIR PRIDEMORE: Mr. Prenovitz, I am
13 going to stop you right there.

14 MR. PRENOVITZ: Okay.

15 MADAM CHAIR PRIDEMORE: You're going to ask
16 Mr. Fetter questions about his testimony --

17 MR. PRENOVITZ: You're right. You're right.
18 Okay.

19 MADAM CHAIR PRIDEMORE: You have one question
20 left with Mr. Coyne. Let's make it a good one.

21 MR. PRENOVITZ: Come on.

22 MADAM CHAIR PRIDEMORE: You're doing good.

23 MR. PRENOVITZ: Well, give me a little more
24 time.

25 BY MR. PRENOVITZ:

1 Q Okay. Going back to your return on equity,
2 right, 11 percent, are you aware -- and this is a key
3 point -- that Georgia Power wrote off -- they had losses for
4 Plant Vogtle and it was in their '19 -- excuse me -- 2021
5 financial statement and 2020 -- '18 income statements when,
6 basically, they had a loss of \$1.7 billion in 2021, 300
7 million in 2020, 1.1 billion in 2018, for a total Vogtle
8 writeoff, excluding finance, of \$3.1 billion. As a result
9 of that, in 2021, their return on equity was about 3.4
10 percent. In 2018, the return on equity was about 6 percent.

11 Now, how would you reconcile that with your
12 recommendation that the return on equity should be
13 11 percent?

14 A Well, it goes back to a discussion we had about
15 allowed versus earned. It's up to me to recommend to this
16 Commission an independent appraisal of the cost of equity
17 for a company that's vertically integrated that has a
18 similar risk profile.

19 So the Commission can set that allowed return,
20 but they can't manage the company for it. So if the company
21 has situations arise that prevent it from earning that
22 return, that's the risk of the common equity shareholder.

23 Q Okay.

24 A And common equity is not guaranteed a return.

25 Q Okay. And the Commission should not be blamed

1 for enforcing that; correct?

2 I mean, the Commission didn't cause these
3 writeoffs. You know, this basically happened with a project
4 that Georgia Power was engaged in. So, hence, because it's
5 low -- or as it says right here: Rates cannot be condemned
6 as unjust and unreasonable under the act --

7 MR. MARZO: Madam Chair, I object.

8 BY MR. PRENOVITZ:

9 Q -- even though they produce a meager return.

10 MR. PRENOVITZ: That's a question.

11 MR. MARZO: He, once again, is just quoting
12 information without the source --

13 MR. PRENOVITZ: Oh, come off it. You're not
14 that dumb.

15 MADAM CHAIR PRIDEMORE: Mr. Prenovitz --

16 MR. MARZO: He's asking a question to the
17 witness.

18 MR. PRENOVITZ: I'm sorry.

19 BY MR. PRENOVITZ:

20 Q Wait a sec. Basically --

21 MADAM CHAIR PRIDEMORE: Mr. Marzo, your
22 objection is sustained.

23 Mr. Prenovitz, that was -- you asked your final
24 question, which was a good question.

25 MR. PRENOVITZ: Thank you.

1 MADAM CHAIR PRIDEMORE: Don't lose it. Don't
2 lose your temper. We're done. We're good.

3 MR. PRENOVITZ: Wait, wait.

4 Thank you, Mr. Coyne. Appreciate it. Good to
5 see you, fellow --

6 MR. COYNE: We'll see you.

7 MADAM CHAIR PRIDEMORE: We'll see you back.

8 MR. PRENOVITZ: -- guy from Massachusetts.

9 MADAM CHAIR PRIDEMORE: Okay.

10 MR. PRENOVITZ: Thank you.

11 MADAM CHAIR PRIDEMORE: Georgia Association of
12 Manufacturers.

13 Thank you, Mr. Prenovitz.

14 MR. JONES: Thank you, Madam Chair.

15 CROSS-EXAMINATION

16 BY MR. JONES:

17 Q Mr. Coyne, good morning. How are you?

18 A Good morning. Thank you.

19 Q I don't believe we've had the opportunity to
20 meet before. Your predecessor, Mr. Vanderway, testified
21 many times here.

22 My name is Clay Jones. I am representing the
23 Georgia Association of Manufacturers.

24 A Good morning, Mr. Jones.

25 Q Good morning.

1 Would you agree with me -- I believe this was
2 testified to yesterday -- that the national average
3 authorized ROE for vertically integrated electric utilities
4 for the first six months of this year is 9.47 percent?

5 Does that sound right?

6 A That sounds about right, yes.

7 Q Okay. And would you also agree with me that
8 since 2007, the general trend for average authorized ROEs
9 has been downward trend, not an upward trend?

10 A That's correct. It's followed the general
11 downward trend and interest rates and capital costs
12 generally.

13 Q Okay. Are you aware of any vertically
14 integrated electric utility that has received an 11 percent
15 ROE award during 2021 or 2022?

16 A No. As I mentioned, I believe the closest to
17 that would be Florida Power & Light, which has a --
18 currently has a 10.8 percent ROE, but a higher equity ratio
19 and a higher cost of cap -- of equity capital as a result.
20 So that would be the closest. But, no.

21 But it's also the case that I think we have to
22 realize that we're at an inflection point where the days of
23 low-cost capital are behind us. And so this -- there's some
24 lag in those decisions that we need to recognize. And I
25 think we all know that that inflection point has been hit

1 and interest rates and capital costs are increasing.

2 Q And we can't say for certain how long that will
3 be the case, though, right, with interest rates increasing?

4 Nobody knows the future of how long that will
5 continue to occur?

6 A No. I mean, if you -- as I discussed in
7 response to Commissioner questions earlier, you can look at
8 the current interest rate, which is already higher than
9 those baked into my analysis. And if you were to look at a
10 forecast today, it would even be higher. But there's a lot
11 of uncertainty. I would say that the uncertainty today is
12 probably more on the upside.

13 There are those that have criticized interest
14 rate forecasts for the last 20 years as always being too
15 high because interest rates continue to surprise all of us.
16 As they went lower and lower, we all benefited from that as
17 we refinanced our home mortgages and the cost of debt for a
18 utility company, such as Georgia Power, created a real
19 tailwind from a cost standpoint.

20 And for those of us that are of my age, we can
21 remember the 1980s -- the early 1980s when interest rates
22 were soaring in the other direction. It feels much more
23 like that now than it -- the experience of the last
24 20 years. But I recognize the premise of your question is a
25 lot of uncertainty.

1 Q Okay. Some of us all remember the 1980s, as
2 well.

3 A Okay.

4 Q Fondly, I would say.

5 A Same here.

6 Q Mr. Coyne, Georgia Power is asking this
7 Commission to maintain its 56 percent common equity ratio;
8 correct?

9 A Yes.

10 Q Do you have your Exhibit JMC-10 in front of
11 you? I'll give you a minute to --

12 A I have that.

13 Q Okay. Great.

14 So this is where you show the capital
15 structures for the utilities in your proxy group; do you
16 agree?

17 A Yes.

18 Q And is it -- am I correct in understanding that
19 the companies listed at the top are the holding companies
20 for the proxy groups that you looked at; is that right?

21 A That's right.

22 Q And then the second section below that would be
23 the regulated utility operating companies --

24 A That's right.

25 Q -- that are associated with those holding

1 companies?

2 A Yes.

3 Q Okay. Great.

4 And you provide, looking at the most recent
5 data you used here in 2021, quarter four, that the average
6 for the holding companies, in terms of the common equity
7 ratio, is 52.93 percent. Would you agree?

8 A For which period of time?

9 Q Well, I guess it's the most -- the most recent
10 quarter, but we could also look at your average over on the
11 far right. That's a little bit higher than that, 53.16
12 percent.

13 A Right.

14 Q Okay.

15 A Yeah. That's correct in both cases.

16 Q Okay. Now, did you calculate an average for
17 the operating companies below that, similar to the way that
18 you did at the top?

19 A Well, they are those averages because what I
20 did is I -- in order to determine the comparable capital
21 structures for the proxy group that I've used for my
22 analysis, I took the book equity ratios, what they're
23 actually maintaining on their balance sheets over this
24 period of time, and I rolled them up to their -- to each of
25 the holding companies.

1 So by taking the average of the holding
2 companies, I'm taking the average of the individual
3 companies below. So what I'm expressing in the numbers that
4 you just referred to are the rolled-up averages for each of
5 the operating companies.

6 Q Okay. Gotcha.

7 All right. Thank you very much. That knocks
8 out a few questions there. We are moving right along.

9 Mr. Coyne, you follow the performance of the
10 stock market; do you agree?

11 A I do.

12 Q Okay. And you have to do that as part of your
13 job.

14 Would you agree with me that this has been a
15 challenging year for the stock market?

16 A I do.

17 Q Okay. And, in fact, would it surprise you to
18 know that through September 20th of this year, that the S&P
19 had declined by 19.6 percent?

20 A Sounds about right.

21 Q Sounds about right?

22 But would it also surprise you to know that
23 during that same time period that Southern Company's stock
24 increased by 13.4 percent?

25 A From January 1 through today?

1 Q Through September 20th. September 20th was the
2 date I looked at. If you don't know, you don't know.

3 A I don't know.

4 Q Okay. But would that surprise you, I guess?

5 A I know that utilities have done better than the
6 overall market this year and that's because of the so-called
7 flight to safety thing. When investors get weary of the
8 broader market, they tend to flock to what they consider to
9 be safer investments, such as treasuries or utilities or
10 defensive funds.

11 So utilities have done better in the broader
12 market this year. They haven't over the last three years,
13 but this year has been a bit of a make-up year for
14 utilities. But I don't know the specific performance of
15 Southern this year.

16 Q Okay.

17 A They were not in my proxy group --

18 Q Fair --

19 A -- deliberately.

20 Q Fair enough, yes.

21 And in just moving along, you would agree with
22 me that Georgia Power is a high-performing utility? Would
23 you agree with that?

24 You've looked at a lot of utilities across the
25 country. Do you consider them a high-performing utility?

1 A Well, I guess I would have to answer you in the
2 context with which I have observed the company. But when I
3 look at the scope and scale of the company, the path of its
4 rates over a long period of time as being less than
5 inflation, and the ability to bring a project such as Vogtle
6 online, after all that it's taken to get that project done,
7 I think would certainly qualify, considering the company in
8 that light, yes.

9 Q And you've looked at the history of Georgia
10 Power's return on equity, in terms of not just their
11 authorized -- what they call their set point, their
12 authorized set point, but how they -- what they've actually
13 earned; you looked at that history?

14 A I've heard the company recounts that history,
15 but it hasn't been a focus of my analysis. Mine has been
16 focused on the -- what the allowed return should be.

17 Q Okay.

18 A But I know that they've operated within their
19 earnings band over this period of time. And I heard the
20 panel characterize that performance yesterday.

21 Q Would you agree that -- is it your
22 understanding -- if you don't know, don't say.

23 But if -- would you agree that Georgia Power's
24 return on equity almost always exceeds this ROE set point?

25 A In -- my understanding is in most years that's

1 been the case.

2 Q Okay. And this Commission has created a
3 constructive regulatory environment, which you referred to,
4 I believe, earlier in your testimony, with three-year
5 accounting orders, nuclear construction cost recovery rider,
6 a pro-business, pro-growth philosophy that has helped make
7 Georgia -- at least in view of some, many, I think, the
8 number one state in America to do business. Would you agree
9 that that environment exists here?

10 A I would agree with all of that. There seems to
11 be a healthy relationship between business, the utility, and
12 government in Georgia that seems to work well for the
13 economy.

14 Q Would you agree -- I'm sorry.

15 A And for consumers.

16 Q Okay. I'm sorry. I apologize. I didn't mean
17 to cut you off.

18 Would you agree with me that all things being
19 equal, that that constructive regulatory environment should
20 make Georgia Power a less risky utility?

21 A I believe that that is one of the factors that
22 goes into the -- if you look at what the rating analysts say
23 about Georgia Power, that is certainly one of the factors
24 that they always give this Commission credit for as being a
25 constructive regulatory Commission and creating a

1 constructive environment, as you just characterized, for the
2 utility.

3 So I believe that is a risk reducer for the
4 company, yes.

5 Q And you're familiar with the fact that as these
6 Vogtle units are completed, the costs associated with those
7 would be incorporated into rates after they become
8 commercially operable; right? With Units 3 and 4.

9 Is that -- do you understand that?

10 A That's a simple question with a complicated
11 answer.

12 Q I'm good at those. I ask simple questions
13 because I'm a simple person.

14 A My understanding -- well, it's my -- it's a
15 very important issue, of course.

16 The -- my understanding is that the cost of
17 Vogtle will ultimately be subject to prudence hearings for
18 both Units 3 and Unit 4 before the ultimate cost is
19 determined and, therefore, the ultimate rate treatment for
20 the units. So that remains to be seen.

21 Q Would you agree with me that the ROE issue in
22 this case might take on even more significance because it's
23 the ROE that will be applied to the recovery of those units,
24 whatever they may be?

25 A As I understand, the current schedule for

1 Units 3 and 4, yes, this ROE would be in effect when those
2 units come online. And they'll be online for 60 to 80
3 years. So this is just the tip of the iceberg, in terms of
4 rate treatment for those units.

5 MR. JONES: That's true. Mr. Coyne, thank you
6 this morning for your questions -- for your answers.
7 I appreciate it.

8 Madam Chair.

9 MR. COYNE: Thank you.

10 COMMISSONER MCDONALD: Madam Chair?

11 MADAM CHAIR PRIDEMORE: Yes, Commissioner.

12 COMMISSONER MCDONALD: I have a question.

13 You talked about -- earlier about the
14 Commission setting the ROE and then the management
15 having to work in that framework. This gentleman
16 represents manufacturing across the state of Georgia.

17 If their management team doesn't produce,
18 what's -- what usually happens in that situation?

19 MR. COYNE: Well --

20 COMMISSONER MCDONALD: Is management the
21 responsibility of it? Is the -- of course, they may
22 not have a guaranteed customer base like Georgia
23 Power has.

24 When we look at decisions that are made by the
25 company or where the investments are made, i.e., be

1 in Vogtle plant, be in a transmission upgrade,
2 whatever, where does management fit into that process
3 in regards to balancing with the ROE that this --
4 that a Commission provides?

5 MR. COYNE: That's a good question,
6 Commissioner. It -- I think that goes to the heart
7 of the regulatory compact issue. And that is the
8 Commission can only do so much in your
9 responsibilities.

10 You can -- in the context of this discussion,
11 you can set an allowed return, which is a hurdle, and
12 it's not a guarantee. You're not going to -- you're
13 not going to operate the company or have any impact
14 on the company's ability to live up to expectations
15 for it, other than to set that hurdle. And then the
16 company's management's responsibility is to live
17 within that framework and operate as efficiently and
18 effectively as it can.

19 The Commission is in a position to set
20 incentives. And my experience in working in utility
21 cultures is utility management teams love incentives.
22 They really work. They pay attention to it. And
23 that's why I think concepts, such as an earnings
24 band, makes sense.

25 That becomes known within a utility management

1 team that: Hey, we've got this -- we can do better.
2 And if we do better, some of that will go back to
3 customers and some of that will go back to the
4 company.

5 So there's types of incentives the Commission
6 can set and they do work. But, ultimately, it's up
7 to that management team to run the company well.

8 And a Commission, such as yours, can look over
9 the shoulder of the management team to see how well
10 they're doing. And you can do benchmarking work on
11 rates. You can look at reliability measures, such a
12 SAIDE and SAIFI and things of that nature, to have a
13 view of how well you think they're doing.

14 And you can listen to the company's customers
15 to see how satisfied they are with how the company is
16 doing. But there's a clear division of
17 responsibility between what a Commission can do and
18 ultimately what the management team has to do.

19 COMMISSIONER MCDONALD: See, we've had to
20 partner with the company here. The gray hair says
21 the story because I'm the only Commissioner on this
22 Commission today that voted for the certification of
23 Plant Vogtle 3 and 4 in '09. But at that time I was
24 told by management that this venture would be under
25 about a \$4.7 billion project and finished in six,

1 seven years. Of course, who could ever predict that
2 Westinghouse would belly up.

3 And so we've had to process through those
4 hurdles. And, of course, now we're dealing with
5 craft labor -- with nuclear construction that hasn't
6 been handled in America in 34 years. But, yet, we
7 still have that -- that balancing responsibility with
8 a positive attitude that you alluded awhile ago about
9 60 to 80 years of life that is going to be spread for
10 the ratepayers of Georgia, which we are very proud
11 that it will happen that way. Because it goes back
12 to the reliability of energy; i.e., water and
13 electricity.

14 And so in your expertise in advising us as a
15 witness us here in partnership with the company, what
16 do you see as the future of this regulatory body
17 toward making the right decisions for the management
18 of the company to operate within?

19 Is that too broad?

20 MR. COYNE: It is an interesting question. I
21 will see if I can begin to tackle it. Well, I think
22 to a certain extent, you know, I think we all know
23 that it has been a challenging decade or longer, both
24 for the company in managing this company and for the
25 Commission and fulfilling your role of the --

1 protecting the public interest.

2 There is another data point that is an
3 interesting one to me. There up in Canada, the
4 Province of Newfoundland is building the -- another
5 project of this scale and scope. It's the Muskrat
6 Falls Expansion. And the Muskrat Falls Expansion was
7 initially projected to cost \$6 billion and it's
8 coming in around \$14 billion.

9 And there a lot of people in Newfoundland that
10 are unhappy about that. But it's been a difficult
11 period, be it a nuclear project or a large-scale
12 hydroelectric project, to manage costs during this
13 period. Because we don't do that many large-scale
14 power projects in North America as we used to.

15 And as a result of that, there's a lot of
16 learning that goes on in those projects. And as
17 complicated by bankruptcies, as you said, and other
18 things. So I think a Commission, such as yours, you
19 know, can hold the company accountable through
20 looking at the prudence of its actions and the
21 decisions it made using the only standard that you
22 have. And that is: Did they make the best decisions
23 they could have given the information they had before
24 them in that period of time?

25 And I know that that will certainly be the

1 issue when you consider the prudence of these
2 projects ultimately. That's really the tool that you
3 have available to you.

4 I would say the good news, from my perspective,
5 is that these projects are now coming online. And
6 just as we now look at the hydroelectric projects
7 that were built back in the '40s and '50s, back then
8 those were huge undertakings. My hope would be that
9 with a little bit of passage of time, that the Vogtle
10 projects would be considered in that light, as well.

11 As providing -- when everybody else is
12 scrambling to look for enough renewable energy to
13 transition their fleets that your state will have a
14 leg up on that battle by bringing these projects
15 online and having stood by the company while they did
16 so.

17 COMMISSIONER MCDONALD: I said it before this
18 Commission before, if we don't finish this project,
19 that there will not be another nuclear project in the
20 United States of America for decades because there is
21 not the political will. The science is there. The
22 technology is there. But there's not the political
23 will that it takes to do it.

24 MR. COYNE: What's interesting is now I'm
25 seeing calls for building new power plants again. A

1 new generation of these smaller modular reactors.
2 So, you know, the light may yet again shine on
3 another generation of nuclear power plants and this
4 could be the first of that generation.

5 COMMISSIONER MCDONALD: But they talk about
6 those modular reactors and placing them where there
7 are needs. It's not in my backyard.

8 MR. COYNE: Right. That's a challenge siting
9 any one of these things, yeah.

10 MADAM CHAIR PRIDEMORE: It will be interesting
11 to watch the SMRs constructed in Wyoming and Utah.
12 It really is. I'm already interested in the planning
13 process. So it will be interesting to watch them
14 unfold.

15 I just want to thank you before we move on. I
16 want to thank you for discussing the regulatory
17 compact and doing it on the record. I think that
18 more often than not the media doesn't understand it.
19 The public certainly doesn't know because the media
20 doesn't tell them. And the regulatory compact is
21 what this is completely structured off of and how
22 commissions operate. Not just here in Georgia, but
23 nationally. So thank you, Mr. Coyne.

24 MR. COYNE: I appreciate that comment.

25 MADAM CHAIR PRIDEMORE: Okay. Let's see.

1 Georgia Coalition for Local Governments.

2 Good to see you again today, Ms. Brown.

3 MS. BROWN: Good to see you, Commissioner.

4 CROSS-EXAMINATION

5 BY MS. BROWN:

6 Q Good morning, Mr. Coyne. I'm Alicia Brown with
7 the Coalition of Local Governments.

8 Mr. Prenovitz asked you a question about
9 industries with corresponding risk, which is something that
10 we're supposed to look at when studying a return on equity.
11 And you mentioned other vertically integrated utilities,
12 such as Georgia Power.

13 But are there any industries that don't have a
14 regulated return that you would say have corresponding risk?

15 A Not really. We -- I, and other witnesses that
16 do this work, have tried to bring in other industries into
17 the analysis and draw comparisons to utilities. I did it
18 myself in California three years ago when we were trying to
19 assess the impacts of wildfire risk out there, and looked at
20 low beta, low-risk industries as a way of trying to
21 understand what happens to a company that no longer looks
22 like a utility from a risk perspective.

23 It's difficult to get insurance for a utility
24 in California at this point in time because of increased
25 wildfire risk. We're seeing the same kind of phenomena

1 associated with storms that are certainly ever present in
2 this area.

3 But I've never seen it done successfully to the
4 satisfaction of a regulator where -- because we have so many
5 utilities to draw on. It's deemed as being more reliable to
6 draw on the industry that we know versus trying to compare
7 it to ones that we don't know as well. It is hard to make
8 point-to-point comparisons that are deemed to be reliable.

9 Q When we think about how return on equity is set
10 for this industry, pretty much all of these utilities are
11 coming to a commission like this one and going through the
12 same process of using models and trying to place that number
13 at the right spot where there's a balance.

14 Isn't there a certain circularity using that
15 same process to set the rate for Georgia Power since
16 everyone else is doing the same guessing game we are?

17 A I understand your -- the problem, yeah. The --
18 and that would be the argument for looking outside the
19 industry and using the so-called comparable earnings model
20 where you take in other industries.

21 You try to solve that problem with circularity
22 by not using the subject company in your proxy group; i.e.,
23 I didn't use Southern Company because that does create
24 problems with circularity.

25 It does impact one of the models more than

1 others. The risk premium model, because I'm using decisions
2 from all the other regulators going back over the 40 years,
3 and you could argue that if you look at their decisions,
4 there's some circularity there. But there's so many
5 decisions, I like to think that that mitigates that problem.

6 But I think if you have the expectations from
7 capital markets around 14 companies, as I have here, you
8 have -- and you're using four different ways to estimate
9 that cost to capital, then you can mitigate that concern.
10 But I don't think you can ever entirely eliminate it.

11 Q So if we do take the perspective that looking
12 at other vertically integrated utilities is a good way to
13 approach this problem, would you say that that risk premium
14 model is -- if one is superior, one of the superior models
15 because it crowd sources from a variety of experts where
16 that rate should be?

17 A I wouldn't say it's superior. It's one of the
18 four that I use and I like it for that reason. But I like
19 the inputs -- the market data that you get from the DCF and
20 CAPM comes from -- it comes from real investors making
21 decisions in the marketplace. And that is the strength of
22 the CAPM and the DCF models.

23 The expected earnings model relies on the
24 relationship between historic bond yields and other
25 regulatory decisions. So I like it as a guidepost, but I

1 wouldn't like to use it exclusively because I think you'd
2 have too much circularity if that were the case.

3 Q Okay. With those court cases, you mentioned
4 Hope and Bluefield, another consideration in setting a ROE
5 is to make sure that the utility can go and access capital
6 markets when it needs to on good terms.

7 To your knowledge, has the company ever
8 struggled to access capital markets when it needed to?

9 A Georgia Power?

10 Q Yes. Georgia Power.

11 A Not to my knowledge. I know that the company
12 used to enjoy a greater credit rating -- a higher credit
13 rating through 2017. That used to be at the A level, it's
14 now at the BBB or a notch lower in the case of Fitch today.
15 But I'm not aware that it's not been able to raise capital.

16 You know, when you talk about utilities raising
17 capital, even companies in the beginning of the COVID
18 pandemic, for example, back in March and April of 2020, the
19 way that -- the way that problems impacted utilities is
20 two-fold. If they're deemed as being not credit -- even
21 those that are deemed as being very strong will pay greater
22 spreads when markets are stressed.

23 And if you look at what happened to utility
24 spreads back in the spring of 2020, they increased
25 substantially. So even for A rated -- companies rated

1 higher than Georgia Power, they were able to go to the
2 market, but they had to pay more for the money that they
3 were getting during that period of time because markets were
4 stressed.

5 So for most utilities, the value of a strong
6 credit rating has more to do with the spread that you'll
7 pay, more than you will not have access. It's an
8 extraordinary circumstance when you won't have access at
9 all, but that can happen if you fall below investment credit
10 rating, for example. Mr. Fetter could speak to that in
11 greater detail.

12 Q Sounds good. I'll definitely ask him about it.

13 So you go over some of the factors that are
14 affecting capital markets right now. And one of the
15 indicators that you look at is the Chicago Board Options
16 Exchange Volatility Index. And you talk about how the
17 market appears to be volatile going forward.

18 How long has the market been volatile?

19 A Well, I have a chart in my testimony on that.
20 Let's see how far back it goes. But I think the markets
21 have always had volatility. It's a matter of degree.

22 Okay. That chart goes back to 2010. And
23 that's a Figure 3 on page 13 of my direct. And you can see
24 that over this entire period of time there is always some
25 volatility. But we had unprecedented increase at the

1 beginning of the pandemic that even exceeded. The prior
2 period where market volatility was that high was during --
3 was during the Great Recession of 2007 and '08.

4 Q Okay.

5 A So those were very high. Uncharacteristically
6 high volatility periods. It's still higher than average
7 right now, but it's not as bad as it was back then.

8 Q It's generally trending down as the pandemic,
9 hopefully, stays behind us?

10 A It was. And then, of course, with the war in
11 Ukraine and further disruptions to supply chain, we now are
12 back into a more volatile environment. Although, not as
13 volatile as it was at the outset of the pandemic.

14 Q Sure. Can you tell us a little bit about what
15 this index is based on?

16 A It's based on forward futures tradings for
17 common equity stocks.

18 Q And specifically -- just to make sure my
19 understanding is correct. It specifically looks at options
20 that are set to expire, I believe, in the next 23 to 37
21 days; is that correct?

22 A That's right. It's very short term.

23 Q So it's looking at volatility over typically
24 the next 30 days?

25 A That's correct.

1 Q How valuable is that at looking at volatility
2 over the next three years?

3 A It gives you the only -- it gives you a very
4 short-term window. So I would say it's -- it just gives you
5 a peek into what investors are thinking about volatility
6 over the next three years.

7 Q Okay. Another measure you look at is beta
8 coefficients which measure variance of security from the
9 broader stock market. And you talked about how those rows
10 between January of 2020 and April of 2022.

11 Are those betas calculated on a forward-looking
12 basis or a backward-looking basis?

13 A It would be nice if we had forward-looking
14 betas, but we don't. So those are estimated using five
15 years of historic weekly returns calculated by both
16 Bloomberg and Value Line using the New York Stock Exchange
17 or the S&P 500. So it's the most recent five years of
18 trading relationships between utility stock and the market
19 overall.

20 Q Okay. So just by the way that's calculated,
21 looking at five years, betas could be skewed
22 disproportionately high as far out as 2025 because it will be
23 using data from the pandemic, 2020 to 2022; is that correct?

24 A Well, when you say skewed, they would continue
25 to incorporate that pandemic experience, yes, until you were

1 past that window in time. One of the reasons why I, and
2 another analyst, like to look at five years is because it
3 gives you a long enough period of time such that you're just
4 not subject to very short-term things, such as the pandemic.

5 So you want to build it in, but you don't want
6 to overemphasize it. That's why I like five years as a
7 balance.

8 Q You also look at equity markets and pointing
9 out that utilities performed very poorly relative to other
10 sectors during the pandemic.

11 Can you give us some of the reasons why that
12 might be the case?

13 A Well, I think a couple reasons. You know, at
14 the outset of the pandemic it wasn't clear what was going to
15 happen to energy demand. You know, as we all shifted how we
16 worked and commuted and things of that nature, it wasn't
17 clear whether or not electricity or gas demand was going to
18 go up or down and how it was going to be impacted. And it
19 wasn't clear what kind of arrears companies would have
20 associated with payments from customers and how those would
21 be reconciled.

22 So there was a lot of uncertainty about what
23 was going to happen with consumption and how that would be
24 dealt with by commissions and utilities. It was also at a
25 period of time where energy transition went from being

1 conceptual to real. So we had state and federal mandates at
2 that point in time that were becoming more clear around
3 business is not going to be business as usual.

4 So I characterized that as a structural change
5 in the industry that happened around that period of time.
6 So both of those things happened at around the same period
7 of time, 2019 and '20. The pandemic impact has mitigated
8 the structural changes and the industry have not.

9 Q Now that consumption has recovered, the
10 disconnection moratoriums are over, a lot of those
11 arrearages have already been deferred to be collected, those
12 factors are behind us, are utility stocks improving?

13 A They haven't if you go back to the pre- -- they
14 haven't caught up to the pre-COVID period, but they have
15 improved this year versus the overall S&P 500. So they have
16 underperformed the market over the last three years; they've
17 outperformed the market this year.

18 Q Right. So in that period in your testimony you
19 talk about how from January 2022 to April 2022 utility
20 stocks have actually outperformed the market, but you cite
21 Fidelity Investments as a reason why that might not be the
22 case. And the quote you have is: In the past, powerful
23 utility rallies have signaled investors getting too
24 defensive. The market typically has gained and utilities
25 have underperformed in 12-month periods after top-decile

1 monthly relative returns for the sector.

2 What does it mean for investors to get
3 defensive?

4 A When they're concerned about the overall market
5 and its stability, they -- for anybody that has ever
6 listened to investment advice, they will tell you to go to
7 defensive stocks. And if you ask what a defensive stock is,
8 they'll usually rattle off companies like General Mills or
9 companies that are deemed to provide a product that is not
10 so subject to cyclical market cycles.

11 We can all -- we can postpone the decision to
12 buy a refrigerator, but generally most of us are going to
13 continue to buy food; hence, General Mills. Or power and
14 gas; hence utilities. So defensive stocks are those that
15 are deemed to be less impacted by economic cycles than more
16 cyclical stocks.

17 Q So essentially utility stocks are rallying
18 because people see them as safe?

19 A Safer than they do the broader market, yes.

20 Q Okay. You also talk about credit ratings and
21 you mention that utility credit ratings weakened quite
22 sharply over the last couple of years.

23 Did Southern Company get downgraded during this
24 time?

25 A Over which period of time?

1 Q I believe it was 2020 and 2021. It was on
2 page 16 of your testimony.

3 A Yeah. Let me look at that.

4 Right. I'm speaking to the industry in
5 general. I'm not aware of whether or not Southern Company
6 was downgraded or not over that period of time.

7 Q So you referenced an S&P report that talked
8 about the reasons for a lot of those downgrades. And many
9 of them came down to ESG issues, like the FirstEnergy
10 scandal, introduced storm damage, California wildfire
11 damage.

12 Has Georgia Power had any scandals or natural
13 disasters that would set them up for a credit downgrade
14 going forward?

15 A I'm certainly not aware of any scandals. In
16 terms of other impacts, if I look at the -- are you asking
17 historically?

18 Q I'm asking: Is Georgia Power in any danger of
19 a credit downgrade at the moment for those ESG reasons?

20 A If I -- if you look at the credit rating
21 reports for the company, the reasons that they cite for
22 potential downgrades are probably Georgia Power specific.
23 You could look at what Fitch or S&P or Moody's have to say.

24 They all have -- as credit rating agencies do,
25 they all list a series of pros and cons. If you look at --

1 I think Moody's had a pretty good list in their report.

2 It was actually S&P I was thinking of. If you
3 look at the -- they provide a matrix of key strengths and
4 key risks that they cite for Georgia Power. And you're
5 asking about what the key -- is your question: What are the
6 key risks for Georgia Power in terms of what could cause a
7 downgrade?

8 Q I specifically asked about ESG, but feel free
9 to mention the others.

10 A Well, they cite construction and execution
11 risks until units -- Vogtle Units 3 and 4 are placed in
12 service, a potential eventual disallowance after nuclear
13 projects come online, energy transition risk, and, I guess
14 that would be ESG risk, similar to peers with legacy
15 coal-fire generation assets, and negative discretionary cash
16 flow throughout our forecast period indicates external
17 funding needs.

18 Q So on that transition risk, in your opinion, is
19 it a liability or a risk that Georgia Power continues to
20 operate coal assets and, in fact, recently received approval
21 for six new gas-fired PPAs?

22 A Maybe I can break your question down to --
23 first, is your question: Do I consider it a risk that the
24 company continues to operate coal-fired power plants?

25 Q Yes. Followed by their continued reliance and

1 perhaps new investments in gas-fired power plants?

2 A Well, one of the -- I think any -- maybe just
3 talk about the industry general and then I'll try to answer
4 your question for Georgia Power.

5 I think a vertically integrated utility is
6 inherently riskier than a distribution-only utility because
7 it has to make those decisions and it has to bear the
8 consequences of them.

9 And any utility that is operating fossil-fired
10 resources right now, and more so even coal, I think are at a
11 greater risk associated with those operations than a company
12 that is not reliant on them.

13 And in terms of additional reliance on natural
14 gas-fired facilities, one of the elements of transition for
15 most companies is going to be some reliance on natural gas
16 until it has sufficient low-carbon resources online that it
17 can make the transition to net zero or something that looks
18 like net zero out in the period of 2030 and beyond.

19 So I think it depends on the degree of reliance
20 on fossil fuel resources that determines how risky that
21 strategy is. I think we're in an environment where
22 investors and policymakers understand that this won't happen
23 overnight. It's going to take years to happen and a
24 combination of resources that probably includes fossil fuel
25 resources for some period of time, including natural gas.

1 Q Is it more risky to have new gas resources that
2 you're just beginning to depreciate, that are just beginning
3 to go into service, or is it better to have those that are
4 partially depreciated and you're not going to caught with as
5 many stranded costs?

6 A I think it depends on the resource. The new
7 natural gas-fired resources are much more efficient than the
8 older ones. And, also, they have lower emissions.

9 So I don't know the specifics of how these new
10 versus old plants compare to really make -- to give you more
11 of an opinion than that.

12 MR. MARZO: Madam Chair, maybe less of an
13 objection and maybe pointing out. We have a witness,
14 Steve Fetter, who will get up to credit quality. And
15 so, you know, maybe these are the questions that will
16 be asked only to Mr. Coyne.

17 But if they are going to be duplicative, I
18 would just ask that we have the witnesses that can be
19 asked specific questions about risk and how credit
20 rating agencies are assessing that.

21 I think we've gone now beyond the scope of what
22 was covered in Mr. Coyne's testimony at this point.
23 I just want to be efficient.

24 MADAM CHAIR PRIDEMORE: You're objecting?

25 MR. MARZO: I'm objecting or -- yes.

1 MS. BROWN: May I respond?

2 MADAM CHAIR PRIDEMORE: Go ahead.

3 MS. BROWN: This is specifically in response to
4 a report that he cited talking about ESG risk. This
5 is something that is squarely within his testimony as
6 opposed to Mr. Fetter's. And it's not something I
7 intend to duplicate.

8 MADAM CHAIR PRIDEMORE: You did not enumerate,
9 though, in your question, Ms. Brown, that it was --
10 that the usage of gas or the usage of coal was ESG
11 related in particular.

12 I'm going to sustain Mr. Marzo's objection, and
13 ask you to reassess your questions for another
14 witness, and also remind the witness and the record
15 that you cite S&P. S&P is one of three agencies.

16 S&P is the only one that bakes ESG scores into
17 their overall credit rating. Moody's treats it
18 separately. Fitch does not give it any treatment at
19 all. Is that fair?

20 MR. COYNE: I believe so, Madam Chair.

21 MADAM CHAIR PRIDEMORE: Okay. Okay.

22 All right. Go ahead, Ms. Brown.

23 MS. BROWN: I'll reserve the balance of my
24 questions for Mr. Fetter. Thank you.

25 MADAM CHAIR PRIDEMORE: Okay. Ms. Brown, do me

1 a favor before you walk away. I should have asked
2 you this yesterday and I'm completely remiss in doing
3 so.

4 The Coalition of Local Governments represents
5 what local governments in the state of Georgia?

6 MS. BROWN: It's the City of Atlanta, the City
7 of Savannah, Athens-Clarke County, DeKalb County, and
8 the City of Decatur.

9 MADAM CHAIR PRIDEMORE: Okay. On the record
10 like we like it.

11 All right. Georgia Conservation Voters.

12 MS. NAGHISE: No questions.

13 MADAM CHAIR PRIDEMORE: Okay. Speak up for me
14 now.

15 MS. NAGHISE: No questions.

16 MADAM CHAIR PRIDEMORE: Thank you, Ms. Naghise.
17 Georgia Interfaith Power & Light.

18 MS. WHITFIELD: Good morning, Commissioners.

19 CROSS-EXAMINATION

20 BY MS. WHITFIELD:

21 Q Good morning, Mr. Coyne.

22 A Good morning.

23 Q I'm going to ask Ms. Kysor to hand out an
24 exhibit that I have marked as GIPL Exhibit 5.

25 MADAM CHAIR PRIDEMORE: Go ahead.

1 (The document referred to was marked for
2 identification as GIPL Exhibit 5.)

3 MADAM CHAIR PRIDEMORE: And go ahead with your
4 question, Ms. Whitfield.

5 BY MS. WHITFIELD:

6 Q Mr. Coyne, do you have a copy of what has been
7 marked as GIPL Exhibit 5?

8 A I do.

9 Q And do you recognize this graph? You prepared
10 it.

11 A I thought it looked familiar.

12 Q Let me -- can you also provide him with that?

13 This is a graph that you created as part of
14 your testimony on behalf -- your rebuttal testimony on
15 behalf of San Diego Gas & Electric Company.

16 A That's why it looks familiar.

17 Q Yeah. And I've got a tape flag on the copy of
18 the testimony that I just provided you in case that is
19 helpful.

20 Could you describe for the Commissioners what
21 this graph reflects?

22 A Yes. It looks like, to refresh my memory, that
23 it's the averaged authorized ROEs in the United States for
24 gas and electric utilities. And I guess it's probably all
25 gas and all electric utilities is my guess.

1 I believe it's all gas and all electric utility
2 decisions that were made over the 2019 through 2022 period
3 year-to-date.

4 Q If you --

5 A That was in August. So relatively recent.

6 Q Yes. And if you want to look at page 11 of the
7 testimony Ms. Kysor presented you, you include a footnote
8 with your sources for this graph that indicates that the
9 data you used is from S&P Capital IQ Pro Regulatory Retail
10 Associates.

11 Do you see that?

12 A I do.

13 Q Okay. And just for clarity, as we look at
14 this, there are circles and triangles. The circles reflect
15 electric utilities; correct?

16 A That's right.

17 Q And the triangles are gas utilities?

18 A Yes.

19 Q And here we're focusing on electric?

20 A Yes.

21 Q And the -- and the vertical axis reflects the
22 authorized return on equities for utilities during these
23 periods of time?

24 A That's right.

25 Q And the higher the circles are, the higher the

1 return on equity; correct?

2 A Correct.

3 Q So this graph I thought was really well done,
4 which is why I wanted to use it today. It makes outliers
5 quite easy to see. And the version that I gave to you also
6 has highlights on it. Those are on everybody's. Those are
7 my additions.

8 MS. WHITFIELD: Did you get a color copy?

9 MR. MARZO: I did not.

10 MS. WHITFIELD: Yeah.

11 MR. MARZO: Is that color?

12 MS. WHITFIELD: Yeah.

13 BY MS. WHITFIELD:

14 Q The highlights are my addition to your
15 testimony from that case.

16 MR. MARZO: I have one.

17 BY MS. WHITFIELD:

18 Q You will see the first one is a highlight on a
19 circle. And it's one of the two circles that's at the top
20 of that graph.

21 And it shows a 10 1/2 percent return on equity
22 in 2019. Do you see that?

23 A I do see that.

24 Q And do you recognize that as Georgia Power's
25 return on equity?

1 A I know that's what was set in 2019. So that
2 would make sense to me. So, yes.

3 Q If you look at the far right side of the graph,
4 it gets us as close as kind of we can based on this data to
5 present day. And if you look at the very top of the graph,
6 the very top is 11 percent; correct?

7 A That's right.

8 Q And there aren't any utilities that are
9 approaching that, are there?

10 A Well, as I mentioned, I think the other dot
11 that you have there is Florida Power & Light.

12 Q Yes.

13 A And that would now be at 10.8, if we had an
14 update today.

15 Q Okay. Great.

16 And would you agree that to support a
17 significant departure from the returns available to other
18 electric utilities, you would have to demonstrate first that
19 the utility's risk profile is meaningfully different than
20 the average electric utility?

21 A I don't believe that's correct.

22 Q All right. If you could, turn to page 10 of
23 your rebuttal testimony and refer to lines 7 through 9.

24 And as a reminder, while you're looking at
25 that, if it's just to speed things along, a little table

1 setting. You were using this graph in your rebuttal
2 testimony, which means you were responding to intervenor and
3 staff's recommended return on equities which were lower than
4 yours?

5 A Well, lower than what I thought was a
6 reasonable rate of return.

7 Q Yes. Thank you for that clarification. That
8 were lower than your recommended reasonable rate of return.

9 And in that case, they were coming in lower
10 than yours and you say here -- you testified there that to
11 support such a significant departure from the returns
12 available to other electric utilities, the intervenor
13 witnesses would have to demonstrate that SDG&E's risk
14 profile is meaningfully lower than the average electric
15 utility.

16 Do you see that?

17 A I do, yes.

18 Q Okay. And would the inverse not also be true;
19 that if you're going to go significantly higher that you
20 would need to demonstrate that the risk profile is also
21 significantly higher?

22 A It would be -- there are two ways you might
23 make that demonstration. One is that the risk -- a risk
24 differential is justified, or, secondly, that the market
25 data on which that return is based had changed.

1 And in this case we're looking at setting an
2 ROE over the next three years for Georgia Power. So while
3 it's interesting to look backward at what these awarded ROEs
4 were, I'm not arguing that the 11 percent is the right
5 number because there is a risk differential. One could
6 justify it that way and then one would have to make that
7 demonstration.

8 Q Okay.

9 A But what I am arguing is based on today's
10 market data, or forward-looking market data, as I analyzed
11 it, that's what justifies the 11 percent.

12 If these are all decisions that were made based
13 on capital market data, that is -- that is out-of-date based
14 on where we sit today. And so that's the basis upon which I
15 would justify that differential, not a risk differential.

16 Q Okay. And you recognize here -- you mention
17 that you performed the analysis for this case in April of
18 this year; correct?

19 A That's when I completed my analysis, right.

20 Q Okay. And you recognize here that quite a bit
21 of data on this chart is from April of this year?

22 A It includes -- it includes a couple of data
23 points that are as of April of this year, yes.

24 Q Okay.

25 A I think it's important, you know, when you look

1 at this national data, to understand what it is. It's
2 interesting. I use it and cite it, as you see here.

3 Q Uh-huh.

4 A But what you have to recognize is five things.
5 One is, it's a mix of litigated and settled cases. So you
6 have to understand each of these cases is an individual data
7 point with a history.

8 Some of these data points, for example, in the
9 states of Vermont and Illinois are artificially depressed
10 because the ROEs are set by formulas and the formulas are
11 attached to ten-year bond units.

12 Q Uh-huh.

13 A And nobody ever expected the pandemic to happen
14 and to have the Federal Reserve drive bond yields down to
15 near zero with the Federal Funds rate and ten-year bond
16 yields down to below 1 percent.

17 So when those commissions set the formula in
18 Illinois and in Vermont, it depressed those ROEs down to
19 very low levels that are not consistent with the cost of
20 capital. So as a result of that, each year those formulas
21 update in Vermont and Illinois, they go into those averages
22 and they set artificially low ROEs. I don't think anybody
23 would say that they're correct today.

24 It's also the case that these decisions do not
25 reflect Georgia's regulatory environment or Georgia Power's

1 risk file. And perhaps even most importantly, they don't
2 reflect current capital markets certainly and those
3 projected to exist through the year 2025.

4 So I think -- as I cited, I think the Florida
5 Power & Light decision, which is the outlier, as you pointed
6 out, is recent, is for a company that's more like Georgia
7 Power than many of these other companies. So I don't think
8 they're all suitable comparers.

9 Q All of that is well taken. I want to address a
10 couple of the things that you mentioned. You talked about
11 the formulas that have depressed rates, I think you said in
12 Illinois and Vermont, if my notes are correct.

13 A I did.

14 Q Is that right?

15 Okay. Do Illinois and Vermont utilities rely
16 on equity as part of their financing; do you know?

17 A They both do. Neither one of them -- they are
18 not integrated utilities the way that Georgia Power is, but
19 they both, of course, rely on equity, yes.

20 Q Okay. Do you know if they are able to access
21 equity markets?

22 A I believe that they have, yes.

23 Q Okay. And then you also mentioned the
24 regulatory environment. And as you have discussed in your
25 opening -- in your opening summary, the regulatory

1 environment in Georgia, because of these Commissioners' hard
2 work, has been extremely positively viewed. So, if
3 anything, that would be a benefit to Georgia Power and make
4 Georgia Power viewed in a less risky light; correct?

5 A It is beneficial. It is. The credit rating
6 agencies list Georgia Power and the RA lists this Georgia
7 Commission and state environment as being one of the best in
8 the nation.

9 Q And you mentioned risk profile is one of those
10 factors and we talked about that. That you're not relying
11 on that here because you have also not found that Georgia
12 Power is a riskier utility than your peers that you used in
13 your proxy group?

14 A That's right. I ultimately concluded the
15 constructive regulatory environment. And this is consistent
16 with what the regulatory agencies say, as well, that the
17 risks that I just mentioned from S&P are substantial. And
18 they do distinguish Georgia Power from other companies.

19 But on the other side of the ledger, they
20 viewed the constructive regulatory environment in Georgia as
21 being so positive that it offsets risks that might otherwise
22 have a very negative impact for them in credit markets.

23 Q Okay. And then the last thing that you
24 mentioned was capital markets. And, generally, across the
25 United States, do people generally look at capital markets

1 as part -- utility commissioners, do they typically look at
2 capital markets as part of their process for setting the
3 authorized return on equity for utilities?

4 A In my experience, they always do, yes.

5 Q Okay. So you talked with some others,
6 Mr. Prenovitz specifically, specifically about the goals of
7 the process and you read from page 6 of your testimony. I
8 won't make you do it again.

9 And as Mr. Prenovitz -- he highlighted from
10 Hope that there is a balancing test that is -- that is part
11 of the analysis; correct?

12 A When you say part of the analysis, could you be
13 more specific?

14 Q Yes. That Hope specifically requires the
15 reasonableness of the return set by Commissioners to be
16 required to weigh the relative merits of putting the burden
17 of certain expenses on the ratepayers versus putting the
18 burden on the investor of the public utilities. That that's
19 a balancing test between those two burdens.

20 A I would say that's fair.

21 Q Okay. I do have Hope, if anyone would like it.
22 I'm happy to pass it out.

23 A Is that with capital "H" or lower "h"?

24 MADAM CHAIR PRIDEMORE: I went to college on
25 the Hope. Does that count?

1 BY MS. WHITFIELD:

2 Q Okay. Did you -- speaking of the balancing
3 test, did you calculate the burden on customers before
4 providing your recommendation?

5 A No. It's not part of the cost of capital
6 analysis. Mine is a market-based determination. So my job
7 is to provide an independent estimate of what the market
8 would determine the cost of equity is. It's a market-based
9 cost test. It is not designed to determine the impact on
10 customers. Although, of course, it does have an impact on
11 customers.

12 Q Right. So if it has an impact on customers and
13 the Commissioners are directed by Hope to consider the
14 impact on customers, what are they to look to to make that
15 balance between customers -- between the harm to customers
16 and what the electric -- what the utility's investors need
17 to give equity?

18 A Well, I believe the Commission is doing its job
19 when it sets a fair return. And the fair return is guided
20 by three principles. And I think those are articulated well
21 when -- it's described in Hope or in Bluefield what those
22 standards are. And they are the three that I cited in my
23 opening statement, but they need to be comparable to returns
24 investors would receive for investments of like risk.

25 That's why I use a proxy group of like-risk

1 companies and they need to be sufficient enough to maintain
2 the financial integrity of the company, which generally
3 means maintaining, in my view, strong ratings so that they
4 maintain access to both debt and equity capital and the
5 ability to attract capital on favorable terms. And I view
6 that as meaning, again, maintaining a strong investment
7 environment so that the utility wants to invest here and in
8 this system, and is also able to tell its story to equity
9 investors and debt investors so that they want to choose to
10 invest in Georgia Power Company as opposed to investing in
11 Exelon or Dexterra.

12 Investors have choices to make. And whenever
13 companies like Georgia Power go to market, they have to make
14 a pitch and they have to say: Here is why you want to
15 invest here.

16 And I believe one of the things that served
17 Georgia Power well over the last decade, while it's been
18 building this major project, has been continued access to
19 capital on favorable terms. And one of the reasons it has
20 maintained access is I think the investment community has
21 had confidence that the company would have access to a
22 reasonable set of regulatory provisions that would allow it
23 to manage its resources and continue to invest in the
24 system, as they had planned to do so.

25 And in listening to the discussion yesterday

1 and today, you know, I'm reminded of the fact that not all
2 utility companies are eager to invest in their systems.
3 They are all required to do so to maintain safe and reliable
4 service, but there is a -- there is an environment that can
5 be created that strikes that balance where the Commission is
6 going to set a standard for establishing fair and reasonable
7 rates -- that's their job under the regulatory compact --
8 and the company will be incented to make the necessary
9 investments to expand its system and to serve its customers.

10 So when you have that balance right, those
11 things happen and it's for the betterment of the economy and
12 for consumers and for investors overall. It's a difficult
13 balance to strike, but ultimately that's the one I believe
14 the Commission is intending to strike through its actions.

15 Q Thank you for that.

16 For what you describe as a fair return, would
17 you agree that it's a range?

18 That it can be a range; there can be a range of
19 return on equity that can be fair?

20 A It can be perceived as a range, but ultimately
21 the analysis that I'm required to do is to come up with an
22 estimate. And while I can say it's a range from "X" to "Y,"
23 the tools that I have available to me are -- require me to
24 provide an estimate of what I believe is the fair return.
25 And, ultimately, I conclude in this case that it's 11

1 percent on a 56 percent equity ratio.

2 Q I guess the reason I'm asking about the range
3 is because I know -- I've read lots of your other testimony
4 and I know you often provide ranges of what you believe to
5 be fair and reasonable.

6 A Yes.

7 Q But that you didn't here. And I also note that
8 you didn't consider this side of the scale. You didn't
9 consider the consumers. We're going to leave that to the
10 Commissioners to consider the consumer side of the balancing
11 scale of Hope.

12 And so is your recommendation of 11 -- is that
13 the floor of what you would consider to be just and
14 reasonable?

15 A I wouldn't say it's the floor. I think it's
16 the center point of what's just and reasonable. There -- I
17 did provide the range from the models and it's from within
18 that range.

19 I took the average. And because I made the
20 determination that ultimately if I look at the balancing
21 scale, in terms of the risk of Georgia Power versus the
22 benefits of its regulatory environment, it put me back in
23 the middle of determining it was an average risk utility,
24 and, therefore, the averages of my models -- or the average
25 of my models was the most reliable estimate.

1 So I view that as being the most reliable
2 estimate of a fair return. And I think a couple of things
3 are worth noting. You know, there are times when this work
4 can be -- can seem academic because of the tools that we use
5 and the inputs and the models and all that.

6 But sometimes intuition I think is helpful,
7 too. But if you go back and look at the decision that this
8 Commission made for Georgia Power in 2013, it allowed the
9 company a 10.95 percent return. And in 2013, the average
10 30-year bond yield was 3.44 percent; okay?

11 So 10.95, the underlying risk-free bond yield
12 was 3.44. In 2019, when this Commission set its return for
13 Georgia Power at 10.5, the underlying 30-year bond yield was
14 2.58 percent. Today that 30-year bond yield is 3.85
15 percent.

16 So it's higher than it was in -- it's 50 basis
17 points higher roughly than in 2013 and over 100 basis points
18 higher than 2019. So the 11 point -- the 11 percent ROE
19 doesn't -- isn't as much higher than either the 10.9 or the
20 10.5 as the underlying risk-free rate would justify.

21 So, to me, it kind of draws an intuitive line
22 that connects prior decisions with where we are today. And,
23 if not, it suggests to me that the 11 is probably
24 conservative.

25 Q To be clear, though, looking at Georgia Power's

1 rate history is not the method you used to arrive at your
2 recommendation, is it?

3 A It's not, no.

4 Q Okay.

5 A I used the market models and market inputs in
6 order to make that determination, but --

7 Q Okay.

8 A -- sometimes it's -- you mentioned looking at
9 history can be interesting and I agree.

10 Q Yes. Let's turn to capital structure.

11 A Okay.

12 Q On pages 44 to 45, which is Section VII of your
13 testimony, you discuss your recommendation of maintaining
14 Georgia Power's capital structure of a 50 percent equity
15 bucket and a 44 percent debt bucket; correct?

16 A I believe it's 56 and 44.

17 Q Agreed. If I did not say that, I misspoke.
18 I'm sorry.

19 So an authorized capital structure signals to
20 the market what percentage of the company's capital will be
21 debt and what percentage will be from equity; right?

22 A Well, it initially signals how it will be
23 treated in the rates.

24 Q Yeah.

25 A And then, of course, that decision will

1 ultimately be interpreted in the capital market as sending a
2 signal for how much financial risk common equity investors
3 will be exposed to and how much financial -- and what the
4 resources will be to pay for debt. So I think that's how
5 those signals get translated.

6 Q Okay. And Commissioner McDonald earlier asked
7 you about credit ratings and sort of how they interplay
8 here. And I know in your testimony and in your response to
9 Commissioner McDonald -- this is on page 16. You discussed
10 that credit ratings are important, but not a primary focus
11 for equity investors because credit ratings are really
12 mostly concerned about -- with a company's ability to pay
13 debt, not equity; correct?

14 A That's a proper characterization, yes.

15 Q Okay. And for customers, capital structure is
16 important when you pair it, as you mentioned for rates, with
17 the cost of equity; right?

18 A That's right.

19 Q Because if you don't pair them together, if you
20 don't look at them jointly, the percentage alone for a
21 customer is kind of meaningless?

22 A I wouldn't say meaningless, but I agree that
23 it's important to look at them together.

24 Q Okay. To arrive at your capital structure
25 recommendations, I saw that you looked at the equity ratio

1 of other peer utilities and you compared that to Georgia
2 Power and what Georgia Power's recommendation was. And
3 you -- and you recommend that because Georgia Power's
4 recommended percentages, it's recommended structure is
5 within that band that it is reasonable.

6 I'm wondering, though, if you considered those
7 peer utilities capital structures in conjunction with the
8 rate of equity that's authorized for that utility.

9 A I want to make sure I understand your question.

10 Q Uh-huh.

11 A You mean when I arrived at my ROE capital
12 structure recommendation did I consider the joint impact of
13 the two?

14 Q No. I'm asking when you arrived at your
15 recommendation for Georgia Power that it maintain a
16 56 percent equity ratio as a reasonable ratio, did you
17 consider when looking at the peer utilities to make that
18 assessment what those peer utilities' capital structures
19 were in relationship to what their authorized return on
20 equity was?

21 A No. Because I looked at it sequentially. I
22 looked at the -- first of all, from the proxy group, the
23 proxy group is used in order to generate the cost of capital
24 analysis which provides for the ROE.

25 And then I looked to see if there needs to be

1 any kind of an adjustment to the ROE for financial risk
2 based on a differential to the proxy group. And if there's
3 a big difference, then you need to consider whether or not
4 that ROE needs to be adjusted or not.

5 So that's when I looked to the underlying
6 capital structures of the proxy group companies to see if an
7 adjustment is necessary, or to see if the proposed capital
8 structure is reasonable.

9 So for me that's a two-part test. One, I look
10 at the proxy group companies, and, then, secondly, I look at
11 how the company is actually capitalized. Because how the
12 company is actually capitalized determines the benefit that
13 ratepayers are getting for the strength of the balance
14 sheet. And in the case of Georgia Power, they're actually
15 capitalizing the company at 56 percent equity.

16 Q Okay.

17 A And that tells a debt investor that that is a
18 good, strong balance sheet. So I'm going to give you credit
19 for that. And my expectation would be that I pay a lower
20 cost of debt than I would otherwise if they had a less
21 strong balance sheet. So that's how that flows through my
22 analytical framework.

23 Q When you consider the debt investors, though,
24 they're also looking at those two factors in conjunction,
25 aren't they?

1 I mean, if they're looking at the debt and -- I
2 think it's pronounced EBITDA to debt?

3 A Close enough.

4 Q Thank you.

5 Both of those factors, which are key metrics
6 for debt, investors -- both of those consider both things
7 together. They don't consider them separately, do they?

8 A No. I would defer to Mr. Fetter on that
9 question because he did it for a living.

10 Q Okay.

11 A And I would like to hear his answer.

12 Q I would, too.

13 All right. So to save time, I'm going to get
14 right to the point on the last section. You've conducted a
15 similar analysis in a lot of other states; correct?

16 A Yes.

17 Q And you've testified and you've made
18 recommendations?

19 A Yes.

20 Q And often commissioners have not accepted your
21 recommendations?

22 A They don't always, no.

23 Q And, in fact, often commissioners go below the
24 range of what you have testified to be just and reasonable?

25 A They may have.

1 Q And recently a commission even authorized a
2 return on equity that was 1.2 percent below the bottom of
3 your just and reasonable band?

4 A Which commission was this?

5 Q Dominion in South Carolina.

6 Virginia. Sorry. Dominion in Virginia.

7 A For Vetco?

8 Q For Dominion Energy Virginia.

9 A Vetco.

10 Okay. Right. That was a settlement and it was
11 below --

12 Q Yeah.

13 A -- my recommended cost of capital. I don't
14 recall if it was below the range. It probably was, given
15 the difference between the settlement and my recommendation
16 and what the company had proposed. It was a complex
17 settlement with a lot of different moving parts, but that's
18 correct.

19 Q And are you aware that today S&P Global is
20 reflecting that Dominion's stocks have been increasing since
21 November 2021 when that decision was made about return on
22 equity?

23 A I don't think that could have been the case
24 because Vetco is not publicly traded.

25 Q It's for Dominion, the parent.

1 A Corporate?

2 Q Yes.

3 A Right. Well, there are a lot of pieces to
4 Dominion.

5 Q Yes.

6 A So if your question -- could I ask you to
7 rephrase your question?

8 Q Sure. The point I'm getting to is: Even in
9 Dominion, the stocks didn't tank. The market didn't crash.
10 They're still raising equity.

11 And S&P Global is estimating their parent, who
12 is traded on the market, is a stock that is expected to
13 continue to outperform.

14 A Well, as I mentioned, utility stocks have done
15 well this year. And I would expect that Dominion Energy
16 would be part of that group. So I don't see the connection
17 of -- between Dominion performing like other utilities and
18 the impact of that one decision.

19 As I mentioned, utilities will generally have
20 access to capital, but it's -- do they have access to
21 capital, you know, during good periods and bad periods and
22 what you're paying for that capital become the discerning
23 differences.

24 MADAM CHAIR PRIDEMORE: Ms. Whitfield, they do
25 crazy stuff in Mississippi all the time, which could

1 also have an impact on Southern Company stock. This
2 is Georgia.

3 MS. WHITFIELD: They do crazy stuff everywhere.
4 I know.

5 I'm done. That's all I have. Thank you.

6 MR. COYNE: You're welcome.

7 MADAM CHAIR PRIDEMORE: Okay. We are going to
8 take a break at 12:30, as I stated. But let's --
9 Georgia Solar Energy Industries Association.

10 MR. THOMASSON: No questions, Madam Chair.

11 MADAM CHAIR PRIDEMORE: No questions.

12 MR. JONES: Madam Chair, may I move in GIPL
13 Exhibit 5?

14 MADAM CHAIR PRIDEMORE: Yes. So moved, so
15 marked.

16 (GIPL Exhibit 5 was admitted into evidence.)

17 MADAM CHAIR PRIDEMORE: "GA SOLAR"?

18 MR. MORELAND: No questions.

19 MADAM CHAIR PRIDEMORE: Georgia Watch?

20 MS. COYLE: No questions.

21 MADAM CHAIR PRIDEMORE: Well, I'm surprised by
22 that one.

23 Interstate Gas Supply?

24 MS. COYLE: My gift to you.

25 MADAM CHAIR PRIDEMORE: Thank you. I

1 appreciate it, Liz.

2 Interstate Gas Supply?

3 (No Response.)

4 MADAM CHAIR PRIDEMORE: Kroger Company?

5 MR. BOEHM: No questions. Thank you.

6 MADAM CHAIR PRIDEMORE: Okay. MARTA?

7 MS. STURM: Sorry. No questions from MARTA.

8 MADAM CHAIR PRIDEMORE: All right. Thank you,
9 Ms. Sturm.

10 Resource Supply Management?

11 MR. CLARKSON: No questions.

12 MADAM CHAIR PRIDEMORE: Thank you,
13 Mr. Clarkson.

14 Sierra Club?

15 MS. ARIZA: No questions.

16 MADAM CHAIR PRIDEMORE: Thank you, Ms. Ariza.
17 Southern Alliance For Clean Energy and
18 Southface?

19 MR. DOWDY: No questions.

20 MADAM CHAIR PRIDEMORE: Thank you, Mr. Dowdy.

21 Ms. Medlyn?

22 MS. MEDLYN: I do have questions, Commissioner.

23 MADAM CHAIR PRIDEMORE: How many do you have?

24 MS. MEDLYN: Possibly could get it done in five
25 minutes.

1 MADAM CHAIR PRIDEMORE: Let's try it. I have
2 faith in you, Ms. Medlyn. You wrapped us up last
3 night.

4 MS. MEDLYN: Some of them have already been
5 answered, so...

6 MADAM CHAIR PRIDEMORE: Good. We are going to
7 strike those then.

8 CROSS-EXAMINATION

9 BY MS. MEDLYN:

10 Q Good afternoon, Mr. Coyne. I'm Emily Medlyn
11 with the United States Department of Defense and all other
12 Federal Executive Agencies.

13 A Good afternoon.

14 Q Regarding your proxy group, if you were to
15 write your testimony today, would your proxy group be the
16 same or would you change any of the utilities?

17 A I'd have to run the screen again as I did then.
18 And what typically knocks in and out of the proxy group are
19 merger announcements. And if they had a merger that is --
20 if there is an announced merger significant for the company,
21 then it would knock it out of the proxy group.

22 Otherwise, analyst coverage tends to stay the
23 same and the business that they're in don't tend to be
24 volatile from one period to the next. But that -- sometimes
25 I see companies, one or two, move in or out just based on

1 merger activity.

2 Q Okay. But based on what you -- I know you have
3 not run the analysis, but is there any of the companies that
4 you see offhand that you would exclude today?

5 A I don't off the top of my head know.

6 Q Okay. And same goes -- would there be any
7 company that you could think of that you maybe would include
8 today, understanding you haven't run the analysis?

9 A I would have to go back and look at those that
10 were knocked out for merger -- there were a couple that were
11 knocked out for mergers. And it could be that the time has
12 elapsed sufficiently to bring them in.

13 Q Okay.

14 A But I don't really know until I go back and
15 look at the time frame to see if it's had any impact on the
16 stock that would move it in or out.

17 Q Okay. All right. Please turn to page 26 of
18 your testimony, lines 1 through 7, where the question was
19 asked: "Why did you use averaging periods of 30, 90 and 180
20 trading days?"

21 And you said that's important so the ROE is not
22 skewed by anomalous events. Did you utilize this concept of
23 calculating averages over a period of time to avoid market
24 anomalies in other models that you used in your analysis?

25 A No. This is -- this is specifically for the

1 DCF. And that's because you get a lot of volatility in the
2 price of individual stocks based on market circumstances or
3 company-specific circumstances. So this is something I use
4 exclusively for the DCF.

5 It wouldn't be applicable to the expected
6 earnings. It wouldn't be applicable to the risk premium
7 model because stock prices are not a direct input. It could
8 be applicable to the CAPM, but it's not a long enough period
9 of time to estimate a beta if you only use 30, 90 or 180
10 days. And I use 100 -- as I mentioned earlier, I use
11 five-year weekly betas, which -- which transcends these 30,
12 90 and 180-day trading periods. So the bottom line is DCF
13 is the only model where that screen is in effect.

14 Q Okay. If you could turn to page 34 of your
15 testimony. That's the Figure 9, the proxy group average
16 CAPM results.

17 And in this figure you list a long-term
18 projected risk-free rate of 3.4 percent. And then if you go
19 to your Exhibit JMC-5.2, you state that the source that
20 you've used for the long-term projected risk-free rate was
21 Blue Chip Financial Forecasts.

22 A And that's in -- that sounds familiar. I just
23 want to get to that exhibit.

24 Q Okay.

25 A That's in 5-2?

1 Q That's correct.

2 A That's right.

3 Q Okay. Have you compared past Blue Chip
4 Forecasts' forecasted interest rates to the actual rates?

5 A No. But I've had it done for me.

6 Q Okay. What were those results then?

7 A Well, as I mentioned earlier, interest rate
8 forecasters, including Blue Chip -- and Blue Chip is a
9 consensus forecast -- have been woefully wrong for the last
10 20 years. And that's a record that I readily recognize.

11 Q Okay.

12 A All forecasters -- and this is a consensus
13 view -- have consistently exceeded what actual interest
14 rates have been for one period of time. So I'd say that
15 they've had a miserable track record over the last 20 years.
16 And now they'll probably have a miserable track record on
17 the other side of underestimating.

18 As I mentioned earlier, it's difficult to
19 forecast interest rates because not only is it subject to
20 what's going on in the economy, the Federal Reserve can step
21 in and decide that inflation is running away and we're going
22 to go ahead and take actions. And we will deliberately try
23 to shift the cost of debt and interest rates as a matter of
24 monetary policy.

25 So there's a lot going on in interest rates

1 that make them difficult to forecast. But as the case in
2 point, the forecast that I used here, as you point out, was
3 from Blue Chip. And at this period of time, the projected
4 was 3.4 percent. And that's supposed to be over the next --
5 the 2023 to 2027 period.

6 And today's rate is currently 3.85 percent. So
7 I would say that they had a hard time when interest rates
8 were on the way down and they'll probably have a hard time
9 when interest rates are on the way up, as well.

10 Q All right. In your ROE estimates you included
11 flotation costs; correct?

12 A I did.

13 Q And I believe on JMC-8 you, I guess, provide
14 the calculations for the total calculation. One of the
15 items used was an underwriting discount.

16 A Right.

17 Q Can you tell me what an underwriting discount
18 is?

19 A Sure. When -- it's called a discount. It's --
20 only in banking is the discount the cost. But when you go
21 to -- if you were to issue \$100 of stock, the bank, who is
22 the underwriter, will charge their expenses to you. And
23 those expenses they're charging to you are called the
24 discount. And it's usually a negotiated fee for how much
25 the bank is going to take.

1 Both lead bank and the runners will take a
2 piece of that equity issuance, find investors for it, and
3 charge you a fee for doing that. And that fee is called the
4 discount. So it's their cost of going to --

5 Q Okay.

6 A -- market and obtaining that equity.

7 Q Okay. That's a follow-up question. Is it
8 synonymous with an underwriting fee or is that different?

9 A It can be synonymous, yes.

10 Q Okay. All right. Did you use a flotation cost
11 adjustment based on issuance of new stock and associated
12 cost from Southern Company?

13 A No. The way I typically approach it is --
14 because Southern Company, their flotation costs may not be
15 representative of the industry. And that's why I used the
16 proxy companies to estimate what their actual cost of equity
17 issuances have been. And I apply that to Georgia Power's
18 cost of equity.

19 If Southern is paying too much in discount fees
20 or not enough, I avoid that problem by looking at the --
21 what is appropriate for the industry by what they actually
22 experienced in their equity issuances.

23 Q Okay. So you did not utilize Southern
24 Company's flotation cost?

25 A No. It would -- it would not be the typical

1 approach that you would take to do that.

2 MS. MEDLYN: Okay. All right. Thank you.

3 That's all I have.

4 MADAM CHAIR PRIDEMORE: Thank you, Ms. Medlyn.

5 THE WITNESS: You're welcome.

6 MADAM CHAIR PRIDEMORE: Do you have redirect?

7 MR. MARZO: Yes. Just a few, if you would like
8 to do that.

9 MADAM CHAIR PRIDEMORE: Go ahead. That way
10 your witness can be excused.

11 MR. MARZO: Okay. Yes, ma'am.

12 REDIRECT EXAMINATION

13 BY MR. MARZO:

14 Q Mr. Coyne, it's been a long morning, now early
15 afternoon. I just have a few redirect questions for you.

16 You were asked several questions regarding the
17 average returns that have been granted by other commissions.
18 Do you recall those?

19 A I do.

20 Q And, in your opinion, do commissions of other
21 jurisdictions determine required cost of capital for Georgia
22 Power, or is that set by investors in the marketplace?

23 A By investors in the marketplace.

24 Q Does your analysis try to justify what other
25 commissions have done or are you trying to predict

1 investors' expectations?

2 A I'm trying to capture investor expectation.

3 Q Is it fair to say your analysis is
4 case-specific to Georgia Power; correct?

5 A Yes, it is.

6 Q Okay. And in your analysis intended to allow
7 the company to access capital so that it can make the
8 investments it needs for customers; is that --

9 A Yes, it is.

10 Q Is it at all relevant to you what other
11 commissions have done in other jurisdictions when you're
12 trying to predict investor expectations for Georgia Power,
13 as you've analyzed in this case?

14 A I think it's relevant as a point of interest,
15 but you have to recognize, as I mentioned, that it's
16 backward-looking and it's not Georgia Power specific. So
17 it's a point of interest, but it is not -- I don't think it
18 is determinative in terms of the proper way to determine the
19 cost of capital for Georgia Power in this proceeding.

20 Q Thank you, Mr. Coyne.

21 You were asked a couple of questions by -- or
22 several questions, I should say, by GIPL counsel regarding
23 the SDE&G case she handed out to you.

24 A Yes.

25 Q Okay. And she asked you about the chart, which

1 I understand from just quick preview as a response to other
2 persons' testimony in the case, but could you turn to
3 page 13 of that testimony?

4 Do you have it?

5 A I do.

6 Q Okay. And if I look at page 13, am I correct
7 that the company in that case requested a 10.55 percent ROE,
8 which is higher than national averages that are being
9 referenced by GIPL counsel?

10 A That's right.

11 Q Okay. Thank you.

12 Now, you were asked some questions around the
13 Hope and Bluefield cases from several intervenors. Do you
14 recall those?

15 A Yes.

16 Q And some centered around the management of the
17 company and how that's used in the analysis of Bluefield and
18 Hope. Do you recall that?

19 A Yes.

20 Q In considering the efficient and economic
21 management of the company, might this Commission consider
22 the fact that the company is routinely rated number one in
23 customer satisfaction?

24 A I think that would be important for the
25 Commission to recognize, yes.

1 Q And might the Commission consider the
2 recognition and awards the company has received for economic
3 development in this state?

4 A Yes. I think it's part of the Commission's
5 overview how it's perceived in the community.

6 Q So when assessing Bluefield and Hope and
7 looking outside of just analytical models, the Commission
8 might consider the excellence in customer service that this
9 company has provided as a factor in determining the correct
10 ROE; is that your opinion?

11 A I wouldn't go that far. I would say that
12 ultimately it's a market test. And while I think service to
13 the community is an important consideration for the
14 Commission in terms of how it views the utilities it
15 regulates, I think if the Commission varies too far from a
16 market-based cost of equity, then you can get unpredictable
17 results. And one of the things that I believe that this
18 Commission has been credited with is providing predictable
19 regulation and market-based returns. And I think if it
20 sticks to those for this purpose, it's better off leaving
21 those other determinations to a broader view of how it deems
22 the company's performance.

23 Q And, Mr. Coyne, I may have misstated or maybe
24 incorrectly stated how -- the question. Putting -- you have
25 been asked several questions that have essentially suggested

1 that you put the analytical tools aside and asked what other
2 factors the Commission can consider.

3 And in that context, not in the analytical tool
4 context -- which I think we fully support -- in that
5 context, though, my question was: Isn't excellence in
6 customer service one of those factors, if you're going to go
7 outside of the analytical tools that the Commission would
8 consider?

9 A If the Commission were to do so, yes, that
10 would be one of the factors I would consider.

11 MR. MARZO: Okay. Thank you.

12 Thank you, Commissioners.

13 MADAM CHAIR PRIDEMORE: Okay.

14 MR. MARZO: I would also ask that Mr. Coyne's
15 exhibits be moved into the record and that he be
16 excused.

17 MADAM CHAIR PRIDEMORE: So moved, so marked.

18 And you are excused, Mr. Coyne. Have a good
19 day.

20 (GPC Exhibits 15 through 25 were previously
21 admitted into evidence.)

22 MADAM CHAIR PRIDEMORE: We are going to recess
23 for lunch. We'll come back at 1:40.

24 (A recess was held from 12:43 p.m. until
25 1:40 p.m.)

1 MADAM CHAIR PRIDEMORE: Good afternoon. Before
2 we get started, Commissioner Shaw had a good idea.

3 COMMISSIONER SHAW: Thank you, Madam Chair. I
4 am sure we have all looked at our phones and looked
5 at the weather during the lunch break, so we all know
6 that the storm is about to hit South Florida. So I
7 have asked the Chair if we could to just let's --
8 we're going to have a moment of silence and just
9 remember those folks down there. Let's remember all
10 of those people that are impacted, the millions of
11 people that are going to be without power for a long
12 time. And let's also remember all of our workers
13 across the southeast that are down there that are
14 going to be helping put the pieces back together.

15 So join me, if you would.

16 (Pause in proceedings.)

17 COMMISSIONER SHAW: Thank you.

18 MADAM CHAIR PRIDEMORE: Thank you, Commissioner
19 Shaw.

20 All right. Moving to our next witness.
21 Georgia Power Company.

22 MR. MARZO: Thank you, Madam Chair. I would
23 like to call -- Mr. Fetter is already seated, but
24 call Mr. Fetter to the stand as Georgia Power's next
25 witness.

1 Mr. Fetter, would you please raise your right
2 hand.

3 With your permission, Madam Chair, I will swear
4 him in.

5 MADAM CHAIR PRIDEMORE: Please do.

6 Thereupon,

7 STEVEN M. FETTER,
8 having been duly sworn, testified as follows:

9 DIRECT EXAMINATION

10 BY MR. MARZO:

11 Q Okay. Thank you, Mr. Fetter.

12 Mr. Fetter, for the benefit of the record,
13 would you please state your full name and your business
14 address.

15 A Steven M. Fetter. And my address is 1240 West
16 Sims Way, Port Townsend, Washington 98368.

17 Q Thank you, Mr. Fetter.

18 On June 24th of this year, did you prefile or
19 cause to be prefiled 19 pages of direct testimony in
20 question-and-answer format in this docket?

21 A Yes, I did.

22 Q Did you also, at that time, prefile an Exhibit
23 Appendix 1?

24 A Yes.

25 Q Was that appendix prepared under your

1 supervision and direction?

2 A Yes.

3 Q Mr. Fetter, are there any corrections which you
4 need to make to your prefiled testimony or Appendix 1?

5 A Yes. There was one typo. On page 16, in
6 footnote 16, it should end after the date, February 22,
7 comma, 2022, period. And then there is some extraneous --
8 an old citation that somehow must have gotten pasted in. So
9 it would be deleting "IDR Places on Negative Watch, August
10 9, 2018." I have no idea how it got there, but it should
11 not be there.

12 Q Okay. Thank you, Mr. Fetter.

13 With that correction, is your prefiled
14 testimony and your Appendix true and accurate to the best of
15 your knowledge?

16 A Yes, it is.

17 Q If I were to ask you the same questions today
18 under oath, would your answers be the same as set forth in
19 your prefiled testimony?

20 A Yes.

21 MR. MARZO: Madam Chair, the court reporter has
22 previously been given a copy of the prefiled direct
23 testimony, and I would now ask that the testimony of
24 Mr. Fetter be copied into the record as if it were
25 given here orally today?

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MADAM CHAIR PRIDEMORE: So moved, so marked.
(Whereupon, the prefiled direct testimony of
Mr. Steven M. Fetter follows:)

**DIRECT TESTIMONY OF
STEVEN M. FETTER
ON BEHALF OF
GEORGIA POWER COMPANY**

DOCKET NO. 44280

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

2 A. My name is Steven M. Fetter. I am President of Regulation UnFettered. My
3 business address is 1240 West Sims Way, Port Townsend, Washington 98368.

4 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

5 A. I am testifying on behalf of Georgia Power Company (“Georgia Power” or “the
6 Company”) before the Georgia Public Service Commission (“Commission” or
7 “GPSC”).

8 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

9 A. I am President of Regulation UnFettered, a utility advisory firm that I started in
10 April 2002. Prior to that, I was employed by Fitch, Inc. (“Fitch”), a credit rating
11 agency based in New York and London. Prior to that, I served as Chairman of the
12 Michigan Public Service Commission (“Michigan PSC”). I am also an attorney,
13 having graduated from the University of Michigan Law School in 1979.

14 **Q. PLEASE DESCRIBE YOUR SERVICE ON THE MICHIGAN PSC.**

15 A. I was appointed as a Commissioner to the three-member Michigan PSC in October
16 1987. In January 1991, I was promoted to Chairman and retained that designation

1 following reappointment in 1993. During my tenure as Chairman, timeliness of
2 commission processes was a major focus, and my colleagues and I achieved the
3 goal of eliminating the agency's case backlog for the first time in 23 years. While
4 on the Michigan PSC, I also served as Chairman of the Board of the National
5 Regulatory Research Institute ("NRRI"), the research arm of the National
6 Association of Regulatory Utility Commissioners ("NARUC"). After leaving
7 regulatory service, I was appointed to the NRRI Board as a public member. I have
8 also served as a lecturer at Michigan State University's Institute of Public Utilities
9 Annual Regulatory Studies Program ("Camp NARUC") and at NARUC's New
10 Commissioner Regulatory Orientation.

11 **Q. PLEASE DESCRIBE YOUR ROLE AS PRESIDENT OF REGULATION**
12 **UNFETTERED.**

13 A. I formed a utility advisory firm to use my financial, regulatory, legislative, and legal
14 expertise to aid the deliberations of regulators, legislative bodies, and the courts,
15 and to assist them in evaluating regulatory issues. My clients have included
16 investor-owned and municipal electric, natural gas and water utilities, state public
17 utility commissions and consumer advocates, non-utility energy suppliers,
18 international financial services and consulting firms, and investors.

19 **Q. PLEASE DESCRIBE YOUR ROLE DURING YOUR EMPLOYMENT WITH**
20 **FITCH.**

21 A. I was Group Head and Managing Director of the Global Power Group within Fitch.
22 In that role, I served as group manager of the combined 18-person New York and
23 Chicago utility team. I was originally hired to interpret the impact of regulatory and
24 legislative developments on utility credit ratings, a responsibility I continued to
25 have throughout my tenure at the rating agency. In April 2002, I left Fitch to start
26 Regulation UnFettered.

1 **Q. HOW LONG WERE YOU EMPLOYED BY FITCH?**

2 A. I was employed by Fitch from October 1993 until April 2002. In addition, Fitch
3 retained me as a consultant for a period of approximately six months after I left the
4 agency.

5 **Q. HOW DOES YOUR EXPERIENCE RELATE TO YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. My experience as Chairman and Commissioner on the Michigan PSC and my
8 subsequent professional experience with financial analysis and ratings of the U.S.
9 electric and natural gas sectors – in jurisdictions involved in restructuring activity
10 as well as those still following a traditional regulated path – have given me solid
11 insight into the importance of a regulator’s role vis-à-vis regulated utilities, both in
12 setting their rates as well as the appropriate terms and conditions for the service
13 they provide. In addition, for the past 21 years I have been a member of the Wall
14 Street Utility Group, an honorary society comprised of debt and equity analysts
15 assigned to cover and make assessments of companies within the utility sector.

16 **Q. HAVE YOU PREVIOUSLY GIVEN TESTIMONY BEFORE REGULATORY**
17 **AND LEGISLATIVE BODIES?**

18 A. Yes. Since 1990, I have testified before the U.S. Senate, the U.S. House of
19 Representatives, the Federal Energy Regulatory Commission, federal district and
20 bankruptcy courts, and various state and provincial legislative, judicial, and
21 regulatory bodies in more than 100 proceedings or hearings on the subjects of credit
22 risk and cost of capital within the utility sector, utility regulatory and legislative
23 policies, electric and natural gas utility restructuring, fuel and other energy cost
24 adjustment mechanisms, regulated utility mergers and acquisitions, construction
25 work in progress and other interim rate recovery structures, utility securitization
26 bonds, and nuclear energy. I have previously testified and been accepted as an

expert witness before this Commission on behalf of Georgia Power in Docket Nos. 18300, 27800, 31958, 29849, 36989, and 42516. My full educational and professional background is presented in my Appendix - 1.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. Utilizing my past experience as a state utility commission Chairman and head of a major utility credit rating practice, my direct testimony focuses on the rate-setting process and the “regulatory compact;” the importance of credit ratings for regulated utilities and their customers; the importance of constructive utility regulation as an underpinning of strong credit quality; how the Company is currently viewed by the credit rating agencies; and how the financial community currently views the utility regulatory environment within Georgia.

Q. PLEASE SUMMARIZE THE CONCLUSIONS OF YOUR DIRECT TESTIMONY.

A. The core concept of utility rate-setting is to provide a fair rate of return on investment and recovery of prudently incurred costs. Meeting these goals within what has been called the “regulatory compact” provides a regulated utility with the financial integrity needed to maintain reliable utility infrastructure. Such strength is exhibited to the financial community through strong credit ratings. Accordingly, a utility’s credit ratings are central to its ability to raise capital at reasonable cost and upon reasonable terms.

Regulation is a key qualitative component of a utility’s credit ratings, and Georgia is viewed by the market as among the most credit supportive states, which is a strong positive factor in the credit ratings assigned to the state’s regulated utilities. James Coyne, the Company’s Return on Equity (“ROE”) witness, explains in detail the appropriate ROE level and capital structure for Georgia Power under its current circumstances. Georgia Power currently holds the following corporate credit

1 ratings from the three major rating agencies: Standard & Poor's ("S&P"), 'BBB+'
2 with a Stable outlook; Moody's Investors Service ("Moody's") similarly at 'Baa1'
3 with a Stable outlook; and Fitch one notch lower at 'BBB' with a Stable outlook.
4 These ratings are approximately one notch weaker than they were at the time of
5 Georgia Power's last rate case in 2019. In order for Georgia Power to be able to, at
6 a minimum, maintain, and potentially improve its current ratings range across all
7 three agencies, I encourage the Commission to set the ROE and capital structure at
8 levels consistent with Mr. Coyne's recommendations. Such a Commission
9 determination would show a continuation of the strong regulatory support that
10 Georgia Power has long experienced, which should avoid further weakening the
11 Company's credit profile. On the other hand, a less than constructive decision by
12 the Commission in this case could lead to further negative credit rating actions,
13 potentially continuing the Company movement below the 'BBB+' / 'Baa1' rating
14 level that I have long testified represents the lowest appropriate credit rating level
15 for a U.S. regulated utility. Such negative ratings actions would increase the
16 Company's cost of capital and its normal day-to-day capital investment for
17 reliability during a time of increasing inflationary pressure, ultimately leading to
18 higher rates for customers.

19 **II. RATE-SETTING AND PRUDENCY IN THE ELECTRIC UTILITY**
20 **INDUSTRY**

21 **Q. COULD YOU PROVIDE A BRIEF REVIEW OF THE RATE-SETTING**
22 **PROCESS FOR ELECTRIC UTILITIES?**

23 A. Yes. Electric utilities, in order to fund their operations and ongoing capital
24 investment, need rates set that are sufficient to cover their costs. U.S. electric
25 investor-owned electric utilities are subject to administrative price setting by the
26 relevant state and federal regulatory authorities. Those regulators typically employ
27 "cost of service" ratemaking. Under this method of pricing, the regulator
28 determines a "revenue requirement" that is used to structure rates to allow the utility

1 to recover all of its prudently incurred costs. For investor-owned utilities like
2 Georgia Power, such rates are set by the economic regulators to allow the utility to
3 earn a “reasonable rate of return” (i.e., the cost required to attract needed equity
4 investment).

5 **Q. COULD YOU DISCUSS THE LEGAL UNDERSTANDING FOR THE RATE-**
6 **SETTING PROCESS?**

7 A. Yes. The core principle that underlies rate-setting at both the federal and state levels
8 is the attainment of “just and reasonable” rates that are fair to both the utility (and
9 its investors) and also its customers. The constitutional basis for this standard goes
10 back many years to two seminal U.S. Supreme Court cases which explained this
11 fairness concept. First, regulated utilities should have a reasonable opportunity to
12 receive recovery of their prudently incurred costs, a principle set forth in *Federal*
13 *Power Commission v. Hope Natural Gas Co.*, (“*Hope*”), 320 U.S. 591 (1944),
14 which held that “the result reached and not the method employed” is controlling in
15 determining “just and reasonable” rates. In addition, the ability of a regulated utility
16 to earn a fair return on its invested capital had earlier been ensured by the U.S.
17 Supreme Court in *Bluefield Water Works and Improvement Co. v. Public Service*
18 *Commission* (“*Bluefield*”), 262 U.S. 679, 692 (1923), which required rates
19 “sufficient to yield a reasonable return on the value of the property to be used, at
20 the time it is being used to render the service.” Regarding the utility’s ongoing
21 financial integrity, *Bluefield* held that the return should be “sufficient to assure
22 confidence in the financial soundness of the utility, and should be adequate, under
23 efficient and economic management, to maintain and support its credit and enable
24 it to raise money for the proper discharge of its public duties.” Similarly, *Hope*
25 requires that the return “should be sufficient to assure confidence in the financial
26 integrity of the enterprise, so as to maintain its credit and attract capital.” The legal
27 structure laid out by *Hope* and *Bluefield* endures to this day and guides the decision-
28 making activities of the regulators at both the state and federal levels, as well as the

1 courts when they are called upon to review and opine upon the legality of the
2 determinations made by the various utility regulatory bodies.

3 **Q. YOU MENTION THE CONCEPT OF PRUDENCY WITHIN YOUR**
4 **DISCUSSION OF THE RATE-SETTING PROCESS. HOW DOES**
5 **PRUDENCY FIT WITHIN REGULATORY REVIEW OF UTILITY**
6 **INVESTMENT?**

7 A. The concept of “prudency” is present in the legislative and administrative rules of
8 every utility commission across the U.S. In their reference book *Fundamentals of*
9 *Energy Regulation*, authors (and Ph.D. economists) Lesser & Giacchino discuss
10 prudence both in terms of the deference accorded utility management decisions, as
11 well as the review process before imprudent behavior is found to have occurred:

12 “...utility management is given the benefit of the doubt, and
13 management’s decisions are presumed reasonable unless the
14 facts show otherwise. ...Moreover, the prudence of
15 managerial decisions must be judged on their reasonableness
16 at the time those decisions were made and based on
17 information then available. Prudence is not meant as an
18 exercise in hindsight regulation. In essence, a prudent
19 decision is one that a reasonable person could have made in
20 good faith, given the information and decision tools
21 available at the time of the decision.”¹

22 In support of that position, economist Charles F. Phillips in his widely-respected
23 public utility regulation treatise *The Regulation of Public Utilities* quotes the views
24 of the Massachusetts and New York commissions:

25 “A prudence review must determine whether the company’s actions,
26 based on all that it knew or should have known at the time were
27 reasonable and prudent in light of the circumstances which then
28 existed. It is clear that such a determination may not properly be
29 made on the basis of hindsight judgments, nor is it appropriate for
30 the [commission] merely to substitute its best judgment for the

¹ Jonathan A. Lesser & Leonardo R. Giacchino, *Fundamentals of Energy Regulation*, 42 (1st Ed. 2007).

1 judgments made by the company's managers." [*In re Western Mass.*
2 *Elec. Co.*, 80 PUR4th at 501.]

3 "The company's conduct should be judged by asking whether the
4 conduct was reasonable at the time, under all the circumstances,
5 considering that the company had to solve its problems prospectively
6 rather than in reliance on hindsight. In effect, our responsibility is to
7 determine how reasonable people would have performed the task that
8 confronted the company." [*In re Consolidated Edison Co. of N.Y. Inc.*,
9 Opinion No. 79-1 (N.Y. 1979), 5-6.]²

10 **Q. OTHER ASPECTS OF UTILITY REGULATION THAT YOU HAVE OFTEN**
11 **TESTIFIED ABOUT ARE THE "REGULATORY COMPACT" AND**
12 **"CONSTRUCTIVE UTILITY REGULATION". COULD YOU PROVIDE A**
13 **DESCRIPTION OF WHAT THESE KEY CONCEPTS ENTAIL?**

14 A. There is an unwritten but core concept within the regulatory process known as the
15 "regulatory compact." Since there is no hard and fast universal rule or regulation
16 delineating the "regulatory compact," it has been described in many different ways. In the
17 above-noted reference book, Lesser & Giacchino describe that under the "regulatory
18 compact:"

19 ... the regulator grants the company a protected monopoly, essentially a
20 franchise, for the sale and distribution of electricity or natural gas to
21 customers in its defined service territory. In return, the company commits
22 to supply the full quantities demanded by those customers at a price
23 calculated to cover all operating costs plus a "reasonable" return on the
24 capital invested in the enterprise. The first half of this "compact" protects
25 the company from would-be competitors and secures for the public the
26 substantial economies of scale available in the large-scale production of
27 electricity. The second half of the "compact" counteracts the injurious
28 tendency of monopolies to raise prices above the level that would prevail
29 in a competitive market.³

30 In my experience advising a range of utility industry stakeholders across the U.S., I have
31 found that every utility commission adheres to some conception of the "regulatory

² Phillips, *The Regulation of Public Utilities*, 340-341.

³ Lesser & Giacchino, *Fundamentals of Energy Regulation*, 43-44.

compact” in concert with the constitutionally and statutorily mandated prudence standards.

In addition, my own conception of “constructive utility regulation” is that which aligns the seemingly competitive interests of utility investors and utility customers in a manner that is consistent and steady over time, so that all parties have reasonable expectations about how regulatory policy will be effectuated. Importantly, it supports a utility’s ability to provide safe and clean utility service to its customers with a high level of reliability at reasonable rates. Constructive regulation is efficient and predictable with a long-term focus on relatively stable rates, while also recognizing the need for timely recovery of costs and the value to customers of a financially-strong utility with ready access to the capital markets at attractive rates, even when the financial markets are under stress. It recognizes that utility investors react negatively to major, frequent or sudden changes in regulatory policy and that such uncertainty ultimately has an adverse effect on customers. In sum, longstanding constructive regulatory policy should provide a utility with the confidence to make capital-intensive investments and incur O&M expenses for the benefit of its customers, with the reasonable expectation that those costs would be recovered in a timely manner, including a fair return on investment, consistent with that stable and consistent regulatory policy.

Q. IN YOUR EARLIER LEGAL DISCUSSION OF *HOPE* AND *BLUEFIELD*, YOU REFERENCE REGULATED UTILITIES BEING ABLE TO MAINTAIN THEIR CREDIT STRENGTH. WITH YOUR CREDIT RATINGS LEADERSHIP ROLE AT FITCH, CAN YOU DISCUSS THE IMPORTANCE OF “CONSTRUCTIVE REGULATION” IN THE RATING AGENCIES’ ASSESSMENT OF UTILITY CREDIT PROFILES?

A. Yes, I saw firsthand how important constructive regulation is to agencies when Fitch recruited me to provide regulatory analysis after I had decided to move on

1 from the Michigan PSC. Moody's has highlighted the critical role that regulators
2 play in a June 23, 2017 report entitled "Rating Methodology: Regulated Electric
3 and Gas Utilities:"

4 An over-arching consideration for regulated utilities is the regulatory
5 environment in which they operate. While regulation is also a key
6 consideration for networks, a utility's regulatory environment is in
7 comparison often more dynamic and more subject to political intervention.
8 The direct relationship that a regulated utility has with the retail customer
9 ... can lead to a more politically charged rate-setting environment. ...Our
10 views of regulatory environments evolve over time in accordance with our
11 observations of regulatory, political, and judicial events that affect issuers
12 in the sector.⁴

13 And S&P has long held the same view:

14 Regulatory advantage is the most heavily weighted factor in [S&P's]
15 analysis of a regulated utility's business risk profile. ...An established,
16 dependable approach to regulating utilities is a hallmark of a credit-
17 supportive jurisdiction. ...Major or frequent changes to the regulatory
18 model invariably raise risk due to the possibility of future changes. Steady
19 application of transparent, comprehensible policies and practices lowers
20 risk. ...We adjust the assessment downward if the development of the
21 framework was contentious due to policy disputes or legal actions,
22 indicating that the political consensus regarding utility regulation is
23 fragile. ... [A] regulatory approach that allows utilities the opportunity to
24 consistently earn a reasonable return as a positive credit factor in our
25 regulatory assessments. ...We measure the timeliness of rate decisions, the
26 obsolescence of the costs on which the rates are based, the timing of interim
27 rates, and other practices (such as allowing rates to automatically change in
28 a future period based on inflation) that affect a utility's ability to earn its
29 authorized return. ...Practices such as legislative or regulatory recognition
30 of the need for preapproval of [large capital projects], periodic reviews that
31 substantively involve the regulator in the progress of the project, and rolling
32 prudence determinations during construction can reduce the general level
33 of risk...[W]e consider financial stability to be of substantial importance
34 [with cash taking] precedence in credit analysis. ...We assess a jurisdiction
35 most strongly if all large expense items are recoverable through an
36 automatic tariff clause that is based on projected costs, adjusts frequently,

⁴ Moody's Research: "Rating Methodology: Regulated Electric and Gas Utilities," June 23, 2017.

1 and has no record of any significant disallowances. ... [A] primary factor ...
2 is the political independence of regulators.⁵

3 **III. CREDIT RATINGS AND THEIR IMPORTANCE TO**
4 **REGULATED UTILITIES**

5 **Q. WHAT IS A CREDIT RATING AND WHY IS IT IMPORTANT?**

6 A. A credit rating reflects an independent judgment of the general creditworthiness of
7 an obligor or of a specific debt instrument. While credit ratings are important to
8 both debt and equity investors for a variety of reasons, their most important purpose
9 is to communicate to investors the financial strength of a company or the underlying
10 credit quality of a particular debt security issued by that company.

11 Credit rating determinations are made by credit rating agencies through a
12 committee process involving individuals with knowledge of a company, its
13 industry, and its regulatory environment. Corporate rating designations of S&P and
14 Fitch have 'AAA', 'AA', 'A' and 'BBB' category ratings within the investment-
15 grade ratings sphere, with 'BBB-' as the lowest investment-grade rating and 'BB+'
16 as the highest non-investment-grade rating. Comparable rating designations of
17 Moody's at the investment-grade dividing line are 'Baa3' and 'Ba1', respectively.
18 In addition, the agencies seek to make their rating judgments even more precise by
19 dividing each of the rating categories into three levels ("+", "neutral", and "-" at
20 S&P and Fitch, and 1, 2 & 3 at Moody's). The following chart illustrates the
21 comparability of ratings between the three agencies.

⁵ S&P Research: "Assessing U.S. Investor-Owned Utility Regulatory Environments," January 7, 2014.

CHART 1^{6,7,8}

Ratings Categories – Comparability Between Agencies

Investment Grade		Below Investment Grade	
<u>S&P and Fitch</u>	<u>Moody's</u>	<u>S&P and Fitch</u>	<u>Moody's</u>
AAA	Aaa	BB+	Ba1
AA+	Aa1	BB	Ba2
AA	Aa2	BB-	Ba3
AA-	Aa3	B+	B1
A+	A1	B	B2
A	A2	B-	B3
A-	A3	CCC	Caa
BBB+ ⁽⁶⁾	Baa1 ⁽⁷⁾	CC	Ca
BBB ⁽⁸⁾	Baa2	C	C
BBB-	Baa3	D	[C]

Corporate credit rating analysis considers both qualitative and quantitative factors to assess the financial and business risks of fixed-income debt issuers. A credit rating is an indication of an issuer's ability to service its debt, both principal and interest, on a timely basis. At times, a credit rating also incorporates some consideration of ultimate recovery of investment in case of default or insolvency. Ratings can also be used by contractual counterparties to gauge both the short-term and longer-term financial health and viability of a company, including decisions related to required collateral levels, with higher-rated entities facing lower requirements.

⁶ Georgia Power corporate credit rating from S&P with a Stable outlook.

⁷ Georgia Power corporate credit rating from Moody's with a Stable outlook.

⁸ Georgia Power corporate credit rating from Fitch with a Stable outlook.

1 **Q. HOW WOULD YOU DESCRIBE GEORGIA POWER'S CREDIT RATINGS**
2 **STATUS?**

3 A. Georgia Power's corporate issuer credit ratings have fallen out of the 'A' category,
4 and show some weakness within the 'BBB' / 'Baa' category.⁹ I have long testified
5 that a regulated utility should aim to hold ratings no lower than 'BBB+' / 'Baa1',
6 with a longer-term goal of moving into (or maintaining in) the 'A' category.
7 Accordingly, Georgia Power now rests at the lower end of my recommended scale,
8 with one rating, from Fitch, below my recommended level, which increases the
9 importance of this rate proceeding.

10 **Q. WHY ARE CREDIT RATINGS IMPORTANT FOR REGULATED UTILITIES**
11 **AND THEIR CUSTOMERS?**

12 A. A utility's credit ratings have a significant impact on its ability to raise capital on a
13 timely basis and upon reasonable terms. As economist Charles F. Phillips states in
14 his treatise on utility regulation:

15 Bond ratings are important for at least four reasons: (1) they are used by
16 investors in determining the quality of debt investment; (2) they are used
17 in determining the breadth of the market, since some large institutional
18 investors are prohibited from investing in the lower grades; (3) they
19 determine, in part, the cost of new debt, since both the interest charges on
20 new debt and the degree of difficulty in marketing new issues tend to rise
21 as the rating decreases; and (4) they have an indirect bearing on the status
22 of a utility's stock and on its acceptance in the market.¹⁰

⁹ Corporate or issuer utility credit ratings reflect the intrinsic financial strength of the utility being rated, with no backing from or recourse against specific utility assets. At times, regulated utilities issue secured debt, representing utility borrowings that are backed by collateral, usually in the form of utility real property. In almost all instances, secured credit ratings are higher than corporate/issuer credit ratings because, in the case of a utility defaulting on its bond payment obligations, secured debtholders have recovery priority on the defined collateral as compared to the claims of unsecured debtholders.

¹⁰ Phillips, Charles F., Jr., The Regulation of Public Utilities, Arlington, Virginia: Public Utilities Reports, Inc., 1993, at p. 250 (emphasis supplied). See also Public Utilities Reports Guide: "Finance," Public Utilities Reports, Inc., 2004 at pp. 6-7 ("Generally, the higher the rating of the bond, the better the access to capital markets and the lower the interest to be paid.").

1 Thus, a utility with strong credit ratings is not only able to access the capital markets
2 on a timely basis at reasonable rates, but it is also able to pass the benefit from those
3 attractive interest rate levels on to customers since cost of capital gets factored into
4 utility rates. Conversely, but of equal importance, the lower a utility's credit rating,
5 the more the utility must pay to raise funds from debt and equity investors to carry
6 out its capital-intensive operations, and those higher capital costs get factored into
7 the rates that consumers are required to pay. Maintaining Georgia Power's credit
8 profile is especially important in view of its significant nuclear construction
9 activities, along with capital investment related to its ongoing duty to serve its
10 customers in a safe and reliable manner. Significantly, a regulated utility is required
11 to raise funding even if the markets are in turmoil and costs are escalating wildly.
12 Strong credit ratings limit the negative effects of having to finance at times of great
13 volatility within the capital markets.

14 **Q. WHAT QUALITATIVE FACTORS ARE USED BY THE RATING AGENCIES**
15 **TO ESTABLISH UTILITY CREDIT RATINGS?**

16 A. The most important qualitative factors are regulation, management and business
17 strategy, and access to energy, gas and fuel supply with recovery of associated
18 costs.

19 **Q. WHAT ARE THE KEY QUANTITATIVE MEASURES?**

20 A. The major rating agencies use several financial measures within their utility
21 financial analysis. S&P has been the most transparent of the rating agencies and
22 currently highlights the following two core financial ratios as its key indicators:
23 Funds from Operations to Debt (FFO / Debt), which focuses on cash flow; and Debt
24 to Earnings Before Interest, Taxes, Depreciation and Amortization (Debt /
25 EBITDA), which provides a comparative profitability measure.¹¹ A focus on these

¹¹ S&P Research: "Corporate Methodology," November 19, 2013 (republished on April 1, 2019 with revisions and nonmaterial changes unrelated to references to that report in this testimony).

1 two ratios is consistent with S&P's long-held belief that "Cash flow analysis is the
2 single most critical aspect of all credit rating decisions,"¹² an opinion shared by
3 both Moody's and Fitch. I note that all three agencies often adjust these key ratios
4 to reflect imputed debt and interest-like fixed charges related to operating leases
5 and certain other off-balance sheet obligations.

6 **Q. WHY IS REGULATION A KEY QUALITATIVE COMPONENT OF THE**
7 **UTILITY CREDIT RATING PROCESS?**

8 A. Regulation is a key factor in assessing the financial strength of a utility because a
9 state public utility commission determines revenue levels (recoverable expenses
10 including depreciation and operations and maintenance, fuel cost recovery, and
11 return on investment) and the terms and conditions of service that affect a utility's
12 cost of service. As Moody's has long noted, "A utility's ability to recover its costs
13 and earn an adequate return are among the most important analytical considerations
14 when assessing utility credit quality and assigning credit ratings."¹³

15 **IV. FINANCIAL COMMUNITY PERCEPTIONS OF THE GPSC**

16 **Q. HOW IS THE COMMISSION VIEWED BY THE FINANCIAL COMMUNITY?**

17 A. Very positively. Probably the most objective and respected commentator on
18 regulatory policy and activities from a financial community perspective is
19 Regulatory Research Associates ("RRA"). RRA currently rates the Georgia
20 regulatory environment (which goes beyond the Commission to also include
21 legislative and executive branch policies) as Above Average 2, placing Georgia
22 among the top five of the 53 regulatory jurisdictions upon which RRA currently

¹² S&P Research: "A Closer Look at Ratings Methodology," November 13, 2006.

¹³ Moody's Research: "Cost Recovery Provisions Key to Investor Owned Utility Ratings and Credit Quality: Evaluating a Utility's Ability to Recover Costs and Earn Returns," June 18, 2010.

1 opines. Such status is a strong positive factor within the context of credit rating
2 analysis.

3 **Q. DOES MOODY’S SHARE THE POSITIVE ASSESSMENT ABOUT GEORGIA**
4 **REGULATION?**

5 A. Yes. Moody’s continues to describe the “Georgia regulatory framework [as] credit
6 supportive,” noting this Commission’s constructive decision in the Company’s
7 2019 rate case, “as well as the continued support of the Vogtle [nuclear] project.”¹⁴

8 **Q. HOW DOES S&P VIEW THE GEORGIA REGULATORY ENVIRONMENT?**

9 A. S&P is also positive, but with similar concerns about future Plant Vogtle nuclear
10 construction issues. In a November 18, 2021 report, S&P stated that Georgia
11 Power’s multiyear rate plan effective since the 2019 rate case has been “supportive
12 of GPC’s credit quality.” S&P concludes that whether GPC’s ratings go up or down
13 will turn primarily on the timing of the completion and in-service dates of the
14 nuclear construction project.¹⁵

15 **Q. WHAT IS FITCH’S ASSESSMENT OF THE GEORGIA REGULATORY**
16 **ENVIRONMENT?**

17 A. Notwithstanding its recent downgrade of GPC’s corporate Issuer Default Rating to
18 ‘BBB’ (Stable outlook), Fitch still sees “a constructive regulatory construct in
19 Georgia.” Fitch notes that its downgrade was “driven by the continued uncertainty
20 regarding the schedule and costs to complete the Vogtle” nuclear project.¹⁶

¹⁴ Moody’s Research: “Georgia Power Company,” October 13, 2021.

¹⁵ S&P Research: “Georgia Power Co.,” November 18, 2021.

¹⁶ Fitch Research: “Fitch Downgrades Georgia Power to ‘BBB’; Outlook Stable; Revises Southern’s Outlook to Negative,” February 22, 2022.’s IDR’; Places on Negative Watch,” August 9, 2018.

1 **Q. WHAT OTHER KEY FACTORS ARE IMPACTING THE VIEWS OF THE**
2 **RATING AGENCIES?**

3 **A.** Across the country the electric utility industry is shifting away from carbon-
4 intensive generating resources and toward low-to-no carbon emitting resources.
5 The risk with this transition has become an important factor in evaluating the credit
6 quality of the electric utility industry.

7 **Q. HAVE TRANSITION RISKS BEEN AN IMPORTANT FACTOR IN THE**
8 **EVALUATION OF GEORGIA POWER BY THE VARIOUS RATING**
9 **AGENCIES?**

10 **A.** Yes. Coal resources have been an integral component of Georgia Power's large
11 diverse generation fleet. With increasing regulatory pressure regarding the utility
12 sector's historic use of coal, the industry has been shifting toward a greater use of
13 renewables and natural gas to replace coal resources. Further, there is also growing
14 pressure from both consumers of electricity as well as investors to move to cleaner
15 sources of electric generation. The ability to manage this risk and to do so in a
16 constructive regulatory environment has become critical for many utilities, and the
17 rating agencies have begun to focus on the management of this transition.

18 **Q. WHAT HAVE BEEN THE OPINIONS OF THE RATING AGENCIES**
19 **REGARDING GEORGIA POWER'S MANAGEMENT OF THE**
20 **GROWING TRANSITION RISK?**

21 **A.** Moody's states that "Georgia Power has moderate carbon transition risk within the
22 utility sector [and that as] an integrated utility, its generation ownership places it at
23 a higher risk profile than electric T&D companies." The Company's current long-
24 term Integrated Resource Plan (IRP) was approved by the Commission on July 19,
25 2019, and incorporated the decertification and retirement of about 1,000 MWs of
26 coal-fired generation; the addition of 1,000 MWs of new nuclear power; and the

1 investment of 2,210 MWs of new renewable resources through competitive bidding
2 to offset the coal-fired generation retirement and meet future load growth. With all
3 of this planned activity, including bringing Vogtle to completion, Moody's assesses
4 the overall regulatory environment as "credit supportive."¹⁷

5 As noted above, notwithstanding Georgia Power's "exposure to energy transition
6 risks given its coal-fired fleet," S&P maintains a Stable outlook on the Company's
7 credit ratings with an expectation of continuing "strong regulatory support."¹⁸
8 Similarly, Fitch, having recently downgraded Georgia Power's rating, now has the
9 Company at Stable outlook and views ESG issues as "credit-neutral," only having
10 "a minimal credit impact ..., either due to their nature or the way in which they are
11 being managed."¹⁹

12 **Q. HOW DOES CONSTRUCTIVE REGULATION FACTOR INTO THE**
13 **COMPANY'S TRANSITION PLAN?**

14 A. The concept of "constructive regulation" recognizes that there are mutual
15 obligations across all stakeholders. Georgia Power would move forward to
16 successfully structure a modified investor-owned utility method of providing
17 needed power, the Commission would support this transition strategy and maintain
18 its longstanding regulatory support for the Company's prudent actions and
19 expenditures, and the financial community would provide funding for the
20 Company's less traditional infrastructure future with the expectation of receiving a
21 fair return on investment and recovery of all prudent expenditures. The end result
22 is efficient movement toward the evolving utility model.

¹⁷ Moody's Research: "Georgia Power Company," October 13, 2021.

¹⁸ S&P Research: "Georgia Power Co.," November 18, 2021.

¹⁹ Fitch Research: "Fitch Downgrades Georgia Power to 'BBB'; Outlook Stable; Revises Southern's Outlook to Negative," February 22, 2022.'s IDR'; Places on Negative Watch," August 9, 2018.

1 **V. CONCLUSION**

2 **Q. DO YOU HAVE CONCLUDING THOUGHTS?**

3 A. Yes. During my participation in regulatory proceedings in Georgia over the past
4 eighteen years, I have seen firsthand this Commission deliberate difficult issues
5 affecting customers and investors in a constructive manner. Such balanced
6 decision-making has allowed this body to create a regulatory climate in which
7 investors desire to fund utilities in their efforts to provide reliable service at
8 reasonable rates. As I have testified to before this Commission in the past, I believe
9 that utilities and their regulators should strive to attain corporate / issuer credit
10 ratings no lower than 'BBB+' / 'Baa1', with a longer-range strategy to achieve
11 ratings within the "A" category. A utility that holds "A" category ratings status
12 should possess sufficient financial strength to access the capital markets even under
13 the most stressful of conditions. This Commission has been supportive of that
14 position. Accordingly, my recommendation in this testimony is that the Company
15 should seek to achieve excellent operational performance going forward, and the
16 Commission should sustain its ongoing constructive regulatory support, which
17 together should maintain Georgia Power's credit ratings no lower than their current
18 levels, with the potential for positive movement down the road.

19 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

20 A. Yes, it does.

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MR. MARZO: Thank you, Madam Chair.

For the record, I would also like to identify Mr. Fetter's prefiled Appendix 1 as Georgia Power Company's Exhibit GPC-26 and have it admitted into the record subject to cross-examination.

MADAM CHAIR PRIDEMORE: So moved, so marked.

(GPC Exhibit 26 was admitted into evidence.)

MR. MARZO: With your permission, Madam Chair, I would like to have Mr. Fetter summarize.

MADAM CHAIR PRIDEMORE: Please go ahead, Mr. Fetter.

MR. FETTER: Good afternoon, Madam Chair and commissioners. It's a pleasure to be back in Georgia today, especially after hearing the last panel during which it appears everyone in the room wants to talk to me this afternoon.

MADAM CHAIR PRIDEMORE: You are going to be very popular.

MR. FETTER: Yes, ma'am.

My name is Steven Fetter and I serve as president of my utility advisory firm, Regulation UnFettered.

Prior to that, I was employed by Fitch, a credit rating agency based in New York and London. Earlier I served as chairman of the Michigan Public

1 Service Commission.

2 As a state utility commission chairman, head of
3 a major utility credit rating practice and currently
4 consultant to regulated utilities, public utility
5 commissions, and consumer advocates, it is my opinion
6 that a utility's financial strength, as measured by
7 its credit ratings, is central to its ability to
8 raise capital at reasonable costs and upon reasonable
9 terms.

10 As noted in my testimony, the core concept of
11 utility rate setting is to provide a fair rate of
12 return on investment and recovery of prudently
13 incurred costs.

14 The extent to which regulators meet these goals
15 defines whether a constructive regulatory environment
16 exists, a crucial element to providing a regulated
17 utility with the financial integrity necessary to
18 maintain reliable utility service while attracting
19 needed funds from investors.

20 Georgia Power's corporate issuer credit ratings
21 are BBB+ at S&P, the equivalent Baa1 at Moody's, and
22 one notch lower at BBB at Fitch.

23 I have long testified that a regulated utility
24 should aim to hold ratings no lower than BBB+, with a
25 longer term goal of moving into or, for Georgia

1 Power, returning to the "A" category.

2 Accordingly, Georgia Power's ratings span the
3 lower end of my recommended scale, including one
4 rating that is one notch below that level, thus
5 increasing the importance of this rate proceeding.

6 Within their analytical processes, all of the
7 credit rating agencies emphasize the importance of
8 constructive regulation. Here are words from
9 Moody's, quote: "An overarching consideration for
10 regulated utilities is the regulatory environment in
11 which they operate. The direct relationship that a
12 regulated utility has with the retail customer can
13 lead to a more politically-charged rate setting
14 environment.

15 Our views of regulatory environments evolve
16 over time in accordance with our observations of
17 regulatory, political, and judicial events that
18 affect issuers in the sector." And that ends Moody's
19 quote.

20 S&P agrees with that concept, and here is their
21 language: "Regulatory advantage is the most heavily
22 weighted factor in S&P's analysis of a regulated
23 utility's business risk profile. An established
24 dependable approach to regulating utilities is a
25 hallmark of a credit-supportive jurisdiction.

1 "Major or frequent changes to the regulatory
2 model invariably raise risk due to the possibility of
3 future changes. Steady application of transparent,
4 comprehensible policies and practices lowers risk.
5 We consider financial stability to be of substantial
6 importance. A primary factor is the political
7 independence of regulators." And that ends the words
8 of S&P.

9 With the substance of that language in mind,
10 the Georgia Public Service Commission is viewed very
11 positively across the entire financial community.
12 For example, Moody's continues to view the Georgia
13 regulatory framework as credit supportive, noting
14 this Commission's constructive decision in the last
15 rate case and its continuing support for the Vogtle
16 nuclear project.

17 Similarly, S&P's view of the Commission is also
18 positive, stating that Georgia Power's multi-year
19 rate plan approved in 2019 has been supportive of the
20 company's credit quality.

21 Both agencies have acknowledged that the timing
22 and completion of the Vogtle project will be a
23 relevant factor with respect to the company's credit
24 ratings in the future.

25 In sum, my concluding recommendation is that

1 the company should seek to achieve excellent
2 operational performance going forward and the
3 Commission should sustain its ongoing constructive
4 regulatory support, which, together, should maintain
5 Georgia Power's credit ratings no lower than their
6 current levels with the potential for positive
7 movement down the road.

8 Thank you.

9 MR. MARZO: Thank you, Mr. Fetter.

10 Madam Chair, Mr. Fetter is available for
11 questions from the Commission and for
12 cross-examination.

13 MADAM CHAIR PRIDEMORE: Thank you, Mr. Marzo.

14 Questions from commissioners? Commissioner
15 McDonald.

16 COMMISSIONER MCDONALD: Mr. Fetter, nice to see
17 you, sir.

18 MR. FETTER: Commissioner, nice to see you
19 again.

20 COMMISSIONER MCDONALD: Those statements from
21 Moody's and Standard & Poor's, aren't they a little
22 bit hypocritical?

23 MR. FETTER: In what way, sir?

24 COMMISSIONER MCDONALD: In the fact that they
25 rate the regulatory environment as very positive but

1 yet their ratings are a little -- just above your
2 standard or a little bit below your standard. And I
3 find that a little -- kind of deceiving to some
4 degree.

5 MR. FETTER: Well, I think -- as we know, the
6 company has had some downgrades in the last few
7 years. And it is now -- two of the ratings at the
8 two of the larger more important rating agencies are
9 still at the BBB+ level. Fitch is down one below
10 that. But I think -- I don't think there is a
11 utility in the country that could have had the ups
12 and downs we have seen at Vogtle and still maintained
13 two ratings at the BBB+ level.

14 And I attribute that to two things: One, is
15 the very supportive and constructive regulation that
16 has come out of this Commission and other entities
17 within the state. And the other is having a parent
18 company like Southern, which has been willing to step
19 in when one of its regulated subsidiaries runs into a
20 bit of financial trouble.

21 And Southern has been willing to step forward.
22 All of you at the Commission have been supportive.
23 And I think that allows Georgia Power to maintain two
24 ratings within what I view as an acceptable range.
25 And I think that's a positive situation for this

1 Commission and also for the support from the parent
2 company.

3 MADAM CHAIR PRIDEMORE: Any other questions
4 from commissioners?

5 (No Response.)

6 MADAM CHAIR PRIDEMORE: Hi, Mr. Fetter, it's
7 good to see you again.

8 MR. FETTER: Nice to see you, Madam Chair.

9 MADAM CHAIR PRIDEMORE: So in your
10 recommendation, which I recall from the same
11 recommendation in 2019, that regulated utilities
12 should strive for a BBB+ rating.

13 MR. FETTER: No lower than.

14 MADAM CHAIR PRIDEMORE: No lower than. With
15 Fitch currently they're at a BBB.

16 MR. FETTER: They are.

17 MADAM CHAIR PRIDEMORE: If the company was to
18 be awarded their request in this rate case, do you
19 believe that it would give them the plus that they
20 need to get them back up into the BBB+ rating that
21 you recommend?

22 MR. FETTER: I expect that the ratings would be
23 certainly at the level they are at now. Probably
24 awaiting the fuel load and startup at Vogtle. If
25 those two events occur on -- within the timetable

1 discussed, I think the rating, certainly at Fitch,
2 would move up and, over time, the potential of a
3 return to the "A" category.

4 MADAM CHAIR PRIDEMORE: Do you believe that
5 Fitch would be satisfied with a fuel load in
6 operation COD at Unit 3 only?

7 MR. FETTER: I believe if there is success with
8 Unit 3 in the near term, that will be a very positive
9 event in the eyes of all three agencies and Fitch,
10 being the lowest rated, I expect there would be
11 movement before too long after that.

12 MADAM CHAIR PRIDEMORE: I always appreciate how
13 conservative Fitch is. That's good.

14 All right. Thank you.

15 MR. FETTER: Thank you, Madam Chair.

16 MADAM CHAIR PRIDEMORE: Georgia Public Service
17 Commission.

18 CROSS-EXAMINATION

19 BY MR. THOMAS:

20 Q Thank you. Mr. Fetter.

21 Preston Thomas on behalf of PIA staff.

22 Mr. Fetter, you are testifying in support of
23 Georgia Power's request for 11 percent ROE and 56 percent
24 equity and capital structure.

25 And I just want to understand, is it your

1 testimony that Georgia Power's credit rating will be
2 downgraded unless the Commission approves its requested ROE?

3 A No.

4 Q Okay. And you are not testifying, are you,
5 that the company will be unable to maintain its current
6 credit ratings unless the ROE is set at precisely
7 11 percent, are you?

8 A I am not testifying to that.

9 Q And your testimony is that the company's ROE
10 and capital structure request would support the credit
11 rating. Is that your testimony?

12 A As I say in my testimony, I expect that that
13 would maintain the current credit ratings, with the
14 potential for positive movement down the road.

15 Q Okay. And you acknowledge, don't you, that
16 there's a trade-off for ratepayers between a higher ROE and
17 more equity in capital structure versus the savings from
18 lower interest expenses that may result from a stronger
19 credit rating?

20 A I think I lost you somewhere in that question.

21 Q So --

22 A Are you -- are you directing me to part of my
23 testimony, or are you just summarizing how you view my
24 testimony?

25 Q So let me ask you if I am understanding your

1 testimony correctly.

2 You know, you are advocating for this ROE and
3 you are saying that it could be beneficial in supporting the
4 company's credit rating. But you do acknowledge, don't you,
5 that there are -- there are trade-offs in setting the ROE at
6 11 percent, that there are trade-offs for the ratepayers;
7 correct?

8 A Well, let me say, I'm not the return on equity
9 witness in this proceeding. We have just heard a couple of
10 hours from Mr. Coyne. I -- I refer to his recommendation in
11 saying it would maintain the ratings at the current level
12 with the potential for positive movement.

13 As far as what you said about consumers, I -- I
14 think I am -- I may be one of -- I am not even sure.
15 There's a handful of expert witnesses in the country who
16 have been retained by utilities, commissions, and consumer
17 advocates. And so certainly my views when I provide
18 testimony is respectful of all three of those entities, as
19 is this testimony that I filed here.

20 So if you ask me, do I think of consumers when
21 I write testimony like this? I would say yes. Because in
22 any decision I come to, or any judgment I make, based on my
23 regulatory background and my credit rating background, I try
24 to think of how it affects all stakeholders to the process.

25 Q Okay. And so that being said, you would agree

1 that as the Commission makes decisions on whether to set an
2 ROE that high, there are trade-offs in setting it at that
3 level?

4 A It is a very difficult job they have. And
5 Mr. Coyne provided his testimony and what I thought was a
6 strong defense of his testimony, and I think the Commission
7 has to look at the entire record in this case and determine
8 what is the best policy going forward for the state of
9 Georgia.

10 Q And as you support his testimony, like you
11 said, all else being equal, a higher ROE and more equity in
12 capital structure would result in higher customer bills;
13 correct?

14 A Say -- you are saying -- say that question
15 again.

16 Q Sure. All else being equal, a higher ROE and
17 more equity in capital structure would result in higher
18 customer bills; correct?

19 A So you are saying ignoring everything else
20 impacting rates, would those two items in --

21 Q I am saying this item does have an impact and
22 it is an upward pressure?

23 A It certainly has an impact. The current equity
24 is at 56 percent. So it would be a question of the 10 1/2
25 versus the 11 having a rate impact. And 11 would be higher

1 than the 10 1/2.

2 Q Okay. Thank you.

3 Did you perform any kind of quantitative analysis
4 to compare the cost of a higher ROE and -- versus the
5 interest expense savings?

6 A No.

7 Q Okay. Did you perform any type of quantitative
8 analysis to calculate savings from a lower ROE versus
9 additional cost from potentially more interest expense?

10 A I did not.

11 Q Okay. So while the company's ROE and capital
12 structure expense would support the company's credit rating,
13 you haven't performed any kind of cost-benefit analysis to
14 determine its potential impact to ratepayers; correct?

15 A I haven't done such financial analysis, but
16 from my experience over the last 30 to 35 years in this
17 sector, I have qualitative views on the value of an A rating
18 versus a BBB+ versus a BBB. And I would be glad to share
19 that with you, if you desire.

20 Q Would it surprise you that the cost to
21 ratepayers of a higher ROE and more equity in capital
22 structure could be a lot greater than the savings from a
23 lower interest rate?

24 A See, that's where -- I made an offer to you to
25 provide an explanation. And based on that question, I am

1 thinking I better move ahead with my explanation.

2 I have written on the value of an A rating.
3 Georgia Power used to have an A rating until relatively
4 recently. The two events that led me to believe that an
5 A rating has great value, apart from any of the type of
6 financial analysis that counsel has suggested, dates back to
7 September 11 in New York. I happened to be a block away
8 when the south tower came down.

9 Consolidated Edison that day, the greatest
10 terrorist act, I believe, in global history, Consolidated
11 Edison of New York, the local regulated utility, held a
12 strong A rating. Within days of that horrific event, ConEd
13 started remediating the borough of Manhattan. They didn't
14 have to go to their bankers. They didn't have to go to
15 their investors. They had the wherewithal, the financial
16 wherewithal -- didn't have to go to the regulators -- the
17 financial wherewithal to start that process within a day or
18 two, let's say.

19 Four years later, I had testified on behalf of
20 Entergy New Orleans. And they were on an improving track.
21 They had solidified their rating at BBB, hoping to move up
22 to what I suggested back then, the BBB+ level. And then
23 Hurricane Katrina hit. Devastated the entire city of New
24 Orleans. And before Entergy New Orleans could begin their
25 remediation process, they had to have the parent company put

1 ENO into bankruptcy so that the parent could provide funds
2 to start that remediation effort.

3 And to me, that says a world of news about what
4 an A rating provides if a catastrophe occurs, versus a BBB
5 if a catastrophe occurs. And all of us woke up this morning
6 and watched Hurricane Ian moving up and eventually will move
7 through Florida city by city. And let's say it hits
8 Ft. Meyers instead of Tampa, which they thought a couple
9 days ago -- whatever city it hits, is going to be
10 devastating. And I would say with great confidence, if it
11 hit a city that had A-level quality financial status, the
12 recovery effort would be much quicker and more far reaching
13 than if it hits a city with a weak credit rating that's just
14 getting by.

15 And so time will tell which -- which city it
16 hits and their ability to recover. And when I talk about
17 one with a weaker credit rating, one need only look at
18 Puerto Rico and Cuba, which I think anyone would view as
19 being on the weaker financial level, and the recovery effort
20 in either of those places, it's -- recovering from that
21 devastation, I'm not even sure how soon it could ever equate
22 to 100 percent recovery, if ever.

23 So long story short, it's not a question of how
24 many dollars you save between being an A or a BBB+ or BBB.
25 There's more to it than --

1 Q But that is definitely --

2 A -- just the calculation.

3 MADAM CHAIR PRIDEMORE: Let him finish.

4 BY MR. THOMAS:

5 Q Okay. And that is definitely a question that I
6 have noted -- I don't believe you answered -- was -- I do
7 thank you for sharing those stories, and I will ask you some
8 questions about those in a second, but just to return to my
9 question: Would you be surprised that the cost to
10 ratepayers of a higher ROE and more equity in capital
11 structure could be much greater than the savings from the
12 lower interest rate? That's all I am asking.

13 A So putting aside the safety of having an
14 A rating, you're saying?

15 Q Putting aside what you see as the safety as the
16 A rating, could you just answer my question?

17 A Okay. So just on -- you're saying just on the
18 financial analysis?

19 Q Right. As the commissioners take into
20 account -- I know you don't have to take into account the
21 impact on ratepayers, but commissioners do. So if you could
22 just answer that question.

23 A Well, first, I take a little offense at saying
24 I don't have to take into account. The story I just shared
25 with you, you know, I -- I lived through post September 11

1 in New York. I didn't live through post Katrina in
2 New Orleans. But I think my story illustrated concern for
3 consumers just as much as the financial calculation that you
4 proposed.

5 I will accede to your view that on a financial
6 calculation, the levels proposed by Mr. Coyne would cost
7 more than if they were lower or if the credit rating was
8 lower. But I don't view it as a purely financial
9 calculation. And the Commission is certainly free to take
10 your evidence and factor it in on the record as a whole and
11 consider what I have said and make a determination of where
12 they feel their consumers should be going forward.

13 Q Yes, sir. And so I understand that you don't
14 look at it as purely financial calculation, but I -- I think
15 I heard in there that if you were to look at it as a purely
16 financial calculation, you would agree with that assessment?

17 MR. MARZO: Madam Chair, I am going to object.

18 MR. THOMAS: It was a very long answer.

19 MR. MARZO: I think he -- he has asked the
20 question several times and I think it's been answered
21 several times. I'd say asked and answered.

22 MR. THOMAS: I have gotten a lot of long
23 answers and I have gotten explanations to why he
24 disagrees with looking at it this way. But I am
25 having a hard time just hearing what the answer is to

1 that question.

2 BY MR. THOMAS:

3 Q So if you could just say it succinctly.

4 MR. FETTER: Okay. Madam Chair, I am willing
5 to try very simply to answer it, with your leave.

6 MADAM CHAIR PRIDEMORE: If you choose.

7 You are trying to get the witness to answer the
8 question the way you want it answered. The witness
9 has already answered --

10 MR. THOMAS: He has not --

11 MADAM CHAIR PRIDEMORE: Can I finish?

12 MR. THOMAS: Yes, Madam Chair.

13 MADAM CHAIR PRIDEMORE: But the witness has
14 already answered your question. So he has offered to
15 do it one more time. And this is it. Stop asking
16 the same question.

17 MR. FETTER: Okay. I will try to be -- Madam
18 Chair, I will try to be quick.

19 A With an equity layer of 56 percent and
20 11 percent ROE, rates would be higher than if it was, let's
21 say, 50 percent and a 10 percent ROE. Rates would be higher
22 at the level proposed here.

23 If the company attempted to fund -- get funds
24 from investors at an A rating, it would cost less than if
25 they got that same amount of funding at the BBB level, but

1 at the BBB level, access would become much more of an issue
2 than it would at the A level.

3 BY MR. THOMAS:

4 Q And returning to your answer where you
5 referenced Puerto Rico, if the Commission chose not to
6 implement the 11 percent ROE that the company has asked for,
7 the company is not at risk in being at a similar credit
8 position as Puerto Rico, are they?

9 A No.

10 Q Okay.

11 A Not at all. And, in fact, you know, I think
12 there's a little bit of a misnomer that the credit rating
13 agencies look at one issue and make determinations. They
14 don't. If they feel it's necessary, and -- they would
15 convene a rating committee made up of analysts within their
16 credit rating agency familiar with the credit, familiar with
17 the industry. I have led hundreds of those credit rating
18 reviews; and they factor in all qualitative and quantitative
19 issues, including something that might have triggered them
20 to call that meeting.

21 But when they -- they meet, they don't say,
22 this one event is going to lead us to downgrade or upgrade a
23 credit. They will then review the entire credit of that
24 entity, qualitatively and quantitatively, and make a
25 judgment as to what the appropriate credit rating should be,

1 whether it should stay the same or go up or down.

2 Q And to your point, would it be accurate to say
3 that in the past, the primary driver for the downtick in
4 credit hasn't been the ROE, it's been risks associated with
5 the construction of Vogtle Units 3 and 4; correct?

6 A I would say the events at Vogtle has led the
7 agencies to call credit rating committees, and then they
8 consider all qualitative and quantitative issues, including
9 an important issue like the Vogtle project.

10 Q Okay. And the Commission has adopted a lower
11 ROE than the company's recommended ROE, which you testified
12 in support of in 2010, 2013, and 2019. But the company has
13 continued to have very good access to debt financing and
14 favorable terms in that 12 years; correct?

15 A Yes. And to the extent that any of those came
16 as a result of settlement, through settlement, all the
17 issues, if the Commission agrees with the settlement, have
18 been resolved. And so a lot of risks outside just pure ROE
19 and equity level get resolved in a settlement, and I think
20 that gives the company a little bit more flexibility on the
21 financial items you point to.

22 MR. THOMAS: That concludes my questions.

23 MR. FETTER: Thank you, Counsel.

24 MR. THOMAS: Thank you.

25 MADAM CHAIR PRIDEMORE: Americans for

1 Affordable Clean Energy.

2 MR. GALLOWAY: No questions, Madam Chair.

3 MADAM CHAIR PRIDEMORE: Commercial Group.

4 MR. JENKINS: No questions.

5 MADAM CHAIR PRIDEMORE: Concerned Ratepayers
6 for Georgia?

7 (No Response.)

8 MADAM CHAIR PRIDEMORE: You're up,
9 Mr. Prenovitz.

10 MR. PRENOVITZ: Sorry I am moving slow.

11 CROSS-EXAMINATION

12 BY MR. PRENOVITZ:

13 Q Good afternoon, Mr. Fetter.

14 A I missed you three years ago, so that's why I
15 came back.

16 Q Hey, from one Steven to another, I am glad to
17 see you.

18 Steve Prenovitz, Concerned Ratepayers of
19 Georgia. Background similar to yours -- finance and
20 economics -- so hopefully we will have a good discussion.

21 You mentioned you have testified many times
22 over the -- how many cases have you testified and over how
23 many years here?

24 A Here or --

25 Q Yes, here. Just here.

1 A I think I listed in my testimony the ones I
2 have done in Georgia. But I have done -- in my 20 years on
3 my own, I have testified in over 120 proceedings across the
4 country and in Canada.

5 Q Okay. But in Georgia, though? Roughly. I
6 don't need a precise number.

7 A Docket numbers -- I won't give the numbers.
8 One, two, three, four, five, six -- six proceedings. I
9 think one of those might have settled early.

10 Q Okay.

11 A I am not sure if my testimony had been filed or
12 not. So five that went to completion and one that might
13 have settled before filing.

14 Q Were those all rate cases or other stuff, too?

15 A Let me --

16 Q It doesn't matter.

17 A Four, seven, 10, 13, 16, 19. I believe those
18 were six rate cases.

19 Q Okay. That's fine.

20 Also, I noticed that you were on the Michigan
21 Commission from '87 to '93; is that correct?

22 A Yes. Those were the glory years.

23 Q Yes, right. That's the next question.

24 Did you ever see the Midland nuclear project
25 that I believe was canceled at about a 90 percent completion

1 rate? Were you involved in that?

2 A I -- we brought -- we brought it to eventual
3 completion and turning it into the biggest Midland
4 co-gener- -- the biggest co-generation project in the world.

5 Q Yeah, right. My colleague, Ben Stockton, who
6 hasn't been here in a while, but he has been involved in
7 this and worked in 15 nuclear units, including Midland. He
8 was very upset when they canceled --

9 MADAM CHAIR PRIDEMORE: Let's have a question,
10 Mr. Prenovitz.

11 MR. MARZO: Is there a question?

12 MR. PRENOVITZ: Yes, fine. Okay.

13 BY MR. PRENOVITZ:

14 Q What do you mean by "regulatory compact and
15 destructive utility regulation"?

16 A Well, I give page-long descriptions, but
17 basically the regulatory compact is an entity, the utility
18 is given monopoly status in return for them acting in the
19 public interest and providing all who need what they are
20 supplying, whether it be electricity or gas or water,
21 sufficient supply at a just and reasonable rate.

22 Q Okay. Is constructive regulation granting
23 Georgia Power all or most of what they ask for?

24 A That's not how I view constructive regulation.

25 Q Okay. Because -- okay.

1 We will go on with that.

2 Now, here's a question that we have always
3 asked consultants in the past and it's drew a lot of
4 objections, so you don't have to answer if you don't want
5 to. But how much are you compensated for this project
6 and --

7 MADAM CHAIR PRIDEMORE: You are going to
8 withdraw that question, Mr. Prenovitz.

9 MR. FETTER: Madam Chair, I have a way to
10 answer it, if you will allow me leave.

11 MADAM CHAIR PRIDEMORE: Okay, Mr. Fetter.

12 MR. FETTER: Okay. Thank you, Madam Chair.

13 A I am the only person in the world who has
14 headed a utility credit ratings practice at a major credit
15 rating agency and also chaired a public utility commission,
16 and I am paid less than the lowest paid baseball player on
17 the Atlanta Braves.

18 BY MR. PRENOVITZ:

19 Q How much is the lowest paid player on the
20 Atlanta Braves paid?

21 A I believe under that incredibly strong Baseball
22 Players Union, they have negotiated that the minimum salary
23 is \$750,000.

24 Q Okay. So you are under that. Okay. Thank
25 you.

1 MADAM CHAIR PRIDEMORE: Regardless. Go Braves;
2 beat the Mets.

3 BY MR. PRENOVITZ:

4 Q You mentioned that the PSC is one of the most
5 credit supportive states in the country. You rank five out
6 of 53. How long has the Commission had that rating?

7 A I would say they have been in the top five,
8 six, or seven for a long time. You know, I haven't
9 researched back to a time when they were well below that.
10 But it's been probably since I first testified here in 2004.
11 I would think they were strong back then.

12 Q Eighteen years. Okay.

13 A I know I was a young man when I started this.

14 Q We were all young then.

15 A Yes.

16 Q Okay. Also referencing Georgia Power's sister
17 company, Mississippi Power, how is the Mississippi
18 Commission rated? Stay over seven --

19 A I haven't -- I haven't looked it up.

20 Q Okay. Fine.

21 MR. MARZO: Madam Chair, I'd just object if we
22 are going to start going down asking about
23 commissions that --

24 MR. PRENOVITZ: I'm done with this question.

25 Okay. That's fine.

1 MADAM CHAIR PRIDEMORE: Sustained. Next,
2 Mr. Prenovitz.

3 BY MR. PRENOVITZ:

4 Q On page 5, you mentioned that Georgia Power's
5 credit rating dropped one notch lower in the 2019 case.

6 How -- why did that happen -- since basically
7 this Commission was rated so highly, as you said for the
8 past many years, why did it drop in the past, since the last
9 case?

10 A Well, as I shared with staff counsel, the
11 credit rating agencies track the Vogtle ups and downs, and
12 that would have triggered a credit rating review, which then
13 would have looked at all aspects of the company. And I
14 think two of the most important aspects were the quality of
15 regulation and the support from the parent company. And
16 that's why I said earlier, I don't think there's another
17 utility in the country that could face what it has over the
18 last several years and maintain the BBB+ ratings at two of
19 the major agencies.

20 Q Okay. So basically you said Vogtle was a key
21 contributing factor to the --

22 A I don't think any agency would view that Vogtle
23 was not an important part of the analysis.

24 Q Okay. Then you talked about the downgrading
25 about -- because of Vogtle.

1 A That's not what I said, but --

2 Q Okay.

3 A -- but that's what you said. So they can take
4 it --

5 Q Okay. What did you say? I'm sorry.

6 A They can take it for the way it deserves.

7 Q Okay. Okay.

8 But basically it was downgraded and Vogtle was
9 a key contributing factor.

10 Actually, you did say in here, you said
11 Standard & Poor was concerned about Vogtle's completion
12 dates --

13 MR. MARZO: Madam Chair, I am going to object.
14 If he's going to start citing, cite him to the page.
15 Let's read the page --

16 MR. PRENOVITZ: Page 17. Page 17.

17 MR. MARZO: -- give him the line and the page
18 number.

19 MR. PRENOVITZ: I don't know the line.

20 Page 17. That's enough. Now --

21 MADAM CHAIR PRIDEMORE: Mr. Prenovitz, now.

22 Mr. Prenovitz.

23 MR. PRENOVITZ: Yes, ma'am.

24 MADAM CHAIR PRIDEMORE: Let's pull it back.

25 MR. PRENOVITZ: You are right.

1 MADAM CHAIR PRIDEMORE: We do -- we do ask for
2 lines here. Do you have a line?

3 MR. PRENOVITZ: Just the page.

4 MADAM CHAIR PRIDEMORE: Page. And it's
5 page 17?

6 MR. PRENOVITZ: Yes, it is.

7 MADAM CHAIR PRIDEMORE: The Chair is going to
8 help you.

9 MR. PRENOVITZ: Thank you.

10 MADAM CHAIR PRIDEMORE: Because you have been
11 doing a good job today.

12 MR. PRENOVITZ: Thank you. I appreciate that.

13 MADAM CHAIR PRIDEMORE: All right. Page 17.
14 You have three questions. What other key factors are
15 impacting the views of the rating agencies? Have
16 transition risks been an important factor in
17 evaluation of Georgia Power? And: What have been
18 the opinions of the rating agencies regarding Georgia
19 Power's management?

20 Which question do you want?

21 MR. PRENOVITZ: From page 17, we are talking
22 about?

23 MADAM CHAIR PRIDEMORE: Page 17, Mr. Fetter's
24 testimony.

25 MR. PRENOVITZ: Okay. What was your third

1 point?

2 MADAM CHAIR PRIDEMORE: What have been the
3 opinions of the rating agencies regarding their
4 management.

5 MR. PRENOVITZ: Yes, that's a good one.

6 MADAM CHAIR PRIDEMORE: Okay.

7 So, Mr. Fetter, that would be lines 21 through
8 26.

9 MR. FETTER: Should I read the answer for
10 Mr. Prenovitz?

11 BY MR. PRENOVITZ:

12 Q No.

13 MADAM CHAIR PRIDEMORE: No.

14 BY MR. PRENOVITZ:

15 Q Just summarize is fine.

16 A It -- that answer deals with carbon transition
17 risks, and it says that Georgia Power has moderate carbon
18 transition risk.

19 Then it goes on to talk about the IRP. And
20 then the end of that paragraph, with all of this -- with all
21 of this planned activity, including bringing Vogtle to
22 completion, Moody's assesses the overall regulatory
23 environment as, quote, "credit supportive."

24 And then I go on to say, "As noted above,
25 notwithstanding Georgia Power's exposure to energy

1 transition risks, given it's coal-fired fleet, S&P maintains
2 a stable outlook on the company's credit ratings with an
3 expectation of continuing strong regulatory support. And
4 then, similarly Fitch, which had done the most recent
5 downgrade of Georgia Power, now has the company at stable
6 outlook and it views ESG issues as credit neutral, only
7 having a minimal credit impact, either due to their nature
8 or the way in which they are being managed."

9 And so I think the bottom line is that right
10 now, after the recent downgrade activity, all three agencies
11 have the credit ratings on stable outlook, meaning that they
12 do not expect to either raise or lower the rating over the
13 next six to nine months.

14 Q Okay. Wasn't that based on what you are saying
15 is relatively favorable treatment on the Vogtle project?

16 A I am sorry. I lost you there.

17 Q Wasn't that based on the projection of
18 regular -- excuse me -- on favorable treatment of the Vogtle
19 project by the Commission?

20 A Well, as I said in my summary and in the
21 testimony, the rating agencies will watch the company's
22 operation with regard to fuel load and completion of Unit 3,
23 and then that will follow, I believe, then regulatory action
24 on those scores.

25 Q Okay.

1 A And that's what -- can I finish?

2 Q I am sorry.

3 A And that's what the rating agencies will be
4 watching over the next six to nine months.

5 Q Okay. If they run into trouble, like they've
6 already got a \$3.1 billion write-off through 2021, that
7 could affect the future rating; correct?

8 A Well, for one, the activity you have described
9 from the past has already had an effect on the ratings
10 considered at Georgia Power as a whole. And what occurs in
11 the future, the rating agencies will factor into their
12 overall analysis going forward.

13 Q Okay. Do you consider the Vogtle project in
14 the best interests of the customer, since you were talking
15 about to try to balance the need between the company --

16 MADAM CHAIR PRIDEMORE: Mr. Fetter, before you
17 answer that, I am going to stop you right there.

18 MR. PRENOVITZ: Yes, ma'am.

19 MADAM CHAIR PRIDEMORE: All right. So,
20 remember, this is the 2022 Georgia Power rate case.

21 MR. PRENOVITZ: It is.

22 MADAM CHAIR PRIDEMORE: We are going to talk
23 about rates. Those rates do not include Plant
24 Vogtle. Plant Vogtle is not in service yet. So
25 let's talk about the rates and Mr. Fetter's testimony

1 as it's found in this rate case.

2 MR. PRENOVITZ: Okay. It's my understanding
3 that that would impact the credit rating though.
4 Okay.

5 MADAM CHAIR PRIDEMORE: We are not there yet.

6 MR. PRENOVITZ: Okay, fine.

7 BY MR. PRENOVITZ:

8 Q You mentioned the Hope decision, and we don't
9 need to recycle all of that because we talked about that
10 with Mr. Coyne. But a key part of your analysis, and I
11 think it's similar to what his was, but it didn't mention
12 the part about balancing the needs of the customer and the
13 company and just and reasonable rates, and also saying that
14 regulation does not ensure that the business shall produce
15 net revenues.

16 So how do you incorporate that part of the Hope
17 decision into your analysis of what an effective regulation
18 should be?

19 A Well, for one, whether I mention it or
20 Mr. Coyne mentions it, you -- you, when you brief in this
21 case, will have the ability to cite to the entire opinion,
22 which we don't have the benefit of having before us here
23 today.

24 So I am not sure what you are -- I cite Hope
25 and Bloomfield just in brief passing in answer to a very

1 generic, "Could you provide a brief review of the rate
2 setting process for electric utilities."

3 I don't think anywhere in the remainder of my
4 testimony I am relying on Hope and Bloomfield, as the
5 witness who preceded me, by its very nature, had to rely on
6 those items.

7 So I guess ask your question again.

8 Q All right. Well, I will do it another way.

9 MR. PRENOVITZ: Could I take a minute to get my
10 water?

11 MADAM CHAIR PRIDEMORE: Can someone bring
12 Mr. Prenovitz his water, please. I would appreciate
13 it.

14 Thank you, Mr. Jones.

15 MR. STEVEN JONES: You're welcome.

16 MADAM CHAIR PRIDEMORE: There you go.

17 MR. PRENOVITZ: Thank you so much. Sorry about
18 that.

19 BY MR. PRENOVITZ:

20 Q I got the impression, and if I am wrong, tell
21 me, that much of what your testimony says is that the --
22 it's really important for this Commission to help Georgia
23 Power maintain its strong credit ratings and by doing that,
24 basically pretty much grant Georgia Power much of what they
25 are asking for in this rate case.

1 Is that a fair interpretation of your
2 testimony?

3 A No.

4 Q Okay. Where am I off?

5 A I am talking about the credit rating process.
6 I am talking about credit rating levels, what I feel are
7 appropriate.

8 As a lowest -- the lowest appropriate and the
9 reason why one might want to strive to go even higher than
10 that. So I'm not -- I'm not advocating what level of rates.
11 I'm talking about the quality of having a strong credit
12 rating for the Commission to factor in when they review the
13 financial testimony put in by people like Mr. Coyne and
14 others at the company.

15 Q Okay. And if their conclusion is, based on all
16 of that analysis, plus you got the next round of the PSC's
17 witnesses, that the company made a lot of decisions that, in
18 essence, caused their credit rating to go down, are you
19 factoring that into your analysis? Because the way I'm
20 reading this, it's almost like much of the burden is on the
21 Commission to say, hey, you got to give them what they want
22 so that we can keep the credit rating high because if you
23 don't --

24 MADAM CHAIR PRIDEMORE: That's not a question.

25 Turn that into a question.

1 MR. PRENOVITZ: Okay.

2 BY MR. PRENOVITZ:

3 Q How do you reconcile the fact that if the
4 company -- if the Commission concludes that much of the
5 problems that -- caused by Vogtle and other things --
6 impacted their credit rating in a negative sense, would the
7 Commission be responsible for the lower credit rating or
8 would the company be responsible or would both be
9 responsible?

10 A The Commission should factor in all the
11 evidence on the record, including my view of the appropriate
12 credit rating levels, and make a determination of what
13 serves the public policy in the state the best as far as --

14 Q Okay.

15 A -- how -- what they should decide for the final
16 decision in this case.

17 Q Okay. Because I think -- and we all agree that
18 the higher the credit rating the better. The question is if
19 it doesn't meet that standard, who's responsible. And you
20 are saying -- you are not answering that question.

21 A Luckily you are able to brief your arguments.

22 MADAM CHAIR PRIDEMORE: Mr. Prenovitz --

23 Mr. Prenovitz, so you are -- I just want to remind
24 you. You ask questions; he gives you answers. It's
25 not a conversation. You and I had a conversation out

1 in the hall. That's a conversation. We talk back
2 and forth. Catch up with one another. This is you
3 ask him questions and he gives you an answer.

4 MR. PRENOVITZ: Yes.

5 MADAM CHAIR PRIDEMORE: Okay. You are doing
6 good. And for the sake of time, let's have the final
7 question. Let's make it a good one for Mr. Fetter.

8 MR. PRENOVITZ: Okay.

9 BY MR. PRENOVITZ:

10 Q Are you familiar -- there's a few questions on
11 this. You mentioned the -- excuse me -- the economists of
12 Lesser, Fundamentals in Energy Regulation, and Phillips,
13 Regulation of Public Utilities; correct?

14 A I do.

15 Q Okay. And what's their central argument as it
16 relates to this case?

17 A Well, I --

18 Q Just briefly. I don't need a --

19 A I mean, I quote Phillips on two cases. I mean,
20 that's why we put footnotes in here --

21 Q Okay.

22 A -- so that you can easily read where it comes
23 from.

24 Q All right. Let me go on then. That's fine.

25 Okay.

1 A No. You asked me a question.

2 Q Okay.

3 A Here's what Phillips said. In a -- in a
4 Massachusetts case, he said: "A prudence review must
5 determine whether the company's actions, based on all that
6 it knew or should have known at the time, were reasonable
7 and prudent in light of the circumstances which then
8 existed. It is clear that such a determination may not
9 properly be made on the basis of hindsight judgments, nor is
10 it appropriate for the Commission merely to substitute its
11 best judgment for the judgments made by the company's
12 managers."

13 And then Phillips talks about -- actually,
14 ironically, a ConEd of New York case. And Phillips goes on
15 to say: "The company's conduct should be judged by asking
16 whether the conduct was reasonable at the time under all the
17 circumstances, considering that the company had to solve its
18 problems prospectively rather than in reliance on hindsight.
19 In effect, our responsibility is to determine how reasonable
20 people would have performed the task that confronted the
21 company."

22 So I think what Phillips is saying there is
23 that when you make an argument of: Shouldn't they have
24 done -- seeing the results, shouldn't they have done
25 something differently five or nine years ago, Phillips is

1 saying you can't look at it that way.

2 You have to look at the circumstances at the
3 time the decision was made and make a judgment like that,
4 rather than what you have -- you know, from watching you in
5 action, a lot of what you are calling for is hindsight
6 decision-making after the fact. And I'm sure -- I'm sure
7 the five commissioners know that that's not the way -- not
8 only not to have constructive regulation, it doesn't even
9 equate to reasonable regulation.

10 Q Okay. I will go on to --

11 MADAM CHAIR PRIDEMORE: I would rather be Tom
12 Brady than the Monday morning version of Tom Brady.
13 Mr. Prenovitz.

14 BY MR. PRENOVITZ:

15 Q Are you also familiar with George Stadler, The
16 Economic Theory of Regulation? Have you heard his piece?

17 MADAM CHAIR PRIDEMORE: He's going to answer
18 this one and then we're done.

19 MR. PRENOVITZ: No, I've got some more I really
20 need to --

21 MADAM CHAIR PRIDEMORE: No.

22 MR. PRENOVITZ: I mean, give me the same credit
23 that everybody else has.

24 MADAM CHAIR PRIDEMORE: No. Everybody else has
25 been -- has been clipping along.

1 MR. PRENOVITZ: Well, I am clipping.

2 MADAM CHAIR PRIDEMORE: Nobody has your

3 commentary, Mr. Prenovitz.

4 MR. PRENOVITZ: Let me go through the part on

5 what he said about the prudency piece because --

6 MADAM CHAIR PRIDEMORE: Prudency is for Vogtle.

7 MR. PRENOVITZ: I'm sorry?

8 MADAM CHAIR PRIDEMORE: Prudency is for Vogtle.

9 MR. PRENOVITZ: He just mentioned it, though.

10 He just went through -- we can't go back in

11 hindsight.

12 MADAM CHAIR PRIDEMORE: Save your best

13 questions for the next VCM.

14 Okay. All right. You have done good,

15 Mr. Prenovitz. Let's see you back. You got two more

16 steps.

17 MR. PRENOVITZ: Not as good as I would like.

18 MADAM CHAIR PRIDEMORE: It's all right.

19 MR. PRENOVITZ: May I ask a question, though?

20 MADAM CHAIR PRIDEMORE: Give you something to

21 strive for.

22 MR. PRENOVITZ: I got one -- just in general.

23 MADAM CHAIR PRIDEMORE: For me?

24 MR. PRENOVITZ: Yes, for you.

25 MADAM CHAIR PRIDEMORE: You can ask me one

1 question right now.

2 MR. PRENOVITZ: Okay. On the Vogtle, on 27,
3 can we do that Zoom or are you requiring me in person
4 for that?

5 MADAM CHAIR PRIDEMORE: You are either all here
6 or you are all there. Your call. Everybody is the
7 same. Everybody gets the same treatment.

8 MR. PRENOVITZ: So we are back to no more Zoom,
9 is that it?

10 MADAM CHAIR PRIDEMORE: No. You are either all
11 here or you are all there. Either one. Okay.

12 MR. PRENOVITZ: Okay.

13 MADAM CHAIR PRIDEMORE: We will deal with that
14 on another day.

15 COMMISSIONER JOHNSON: Ma'am.

16 MADAM CHAIR PRIDEMORE: Yes.

17 COMMISSIONER JOHNSON: May I say something,
18 please?

19 MADAM CHAIR PRIDEMORE: Thank you, Commissioner
20 Johnson.

21 COMMISSIONER JOHNSON: Yeah. So we are having
22 a lot of good discussion --

23 Not for you, Mr. Prenovitz.

24 MR. PRENOVITZ: Oh, okay. I'm making myself
25 available.

1 COMMISSIONER JOHNSON: You're good.

2 We are having some great discussion here on

3 this ROE.

4 Now, Georgia Power has graciously told us what

5 they want for their ROE. I believe that's

6 11 percent. Am I correct? So ask this for all

7 intervenors: For the benefit of me, and for the

8 benefit of -- hopefully for the benefit of my fellow

9 commissioners, if you are asking them to reduce their

10 ROE, please provide a definitive number as to what

11 you want to reduce it, so that we can take that into

12 account. Are we clear?

13 Thank you, Madam.

14 MADAM CHAIR PRIDEMORE: Thank you,

15 Commissioner.

16 Georgia Association of Manufacturers.

17 MR. CHARLES JONES: No questions.

18 MADAM CHAIR PRIDEMORE: Georgia Coalition for

19 Local Governments.

20 She is bringing her assistant up.

21 MS. BROWN: Power in numbers; am I right?

22 MADAM CHAIR PRIDEMORE: Do you have an exhibit?

23 MS. BROWN: I do. I was going to give you the

24 full spiel. He just didn't have anywhere to sit.

25 MADAM CHAIR PRIDEMORE: He can sit right there.

1 Mr. Seydel can sit in one of those three chairs.
2 That's acceptable. That's what everybody else does.

3 MS. BROWN: Just trying to be quick for you,
4 Madam Chair.

5 MADAM CHAIR PRIDEMORE: Thank you, Ms. Brown.
6 Good of all of us. Please go ahead.

7 CROSS-EXAMINATION

8 BY MS. BROWN:

9 Q Mr. Fetter, Mr. Seydel has handed you an
10 exhibit that will be marked as CLG-1. And this is from the
11 Regulatory Research Associates that you mentioned in your
12 testimony.

13 Does this look familiar to you?

14 A Yes. And it's in color, which I appreciate.

15 (The document referred to was marked for
16 identification as CLG Exhibit 1.)

17 BY MS. BROWN:

18 Q If you would like to turn to page 15 of your
19 testimony -- though you do have the exhibit in your hand --
20 can you please tell me what factors the RRA considers when
21 assessing regulatory environments?

22 A I am on page 15.

23 Q Fifteen of your testimony. I'm sorry.

24 A Oh, I'm sorry.

25 MADAM CHAIR PRIDEMORE: Fifteen of your

1 testimony. State your lines, please. Help him out.

2 MS. BROWN: Seventeen.

3 MADAM CHAIR PRIDEMORE: Thank you.

4 BY MS. BROWN:

5 Q I'm asking which factors the RRA considers in
6 assessing regulatory environments like this Commission.

7 A You mean not what's in my testimony, what's in
8 my head? Is that what you are saying?

9 Q Well, are you part of the Regulatory Research
10 Associates?

11 A Am I part of them? No, I'm not.

12 Q I'm asking what factors they consider, because
13 in your testimony, you reference that they ranked the
14 Georgia Commission as one of the best environments for
15 regulation. So I'm asking you what factors are considered.

16 A So you're asking my opinion of what factors
17 they consider?

18 Q I would hope it's not your opinion and it's
19 based on your knowledge of their analysis.

20 A Well, you can probably -- you probably can go
21 into their documents and get the answer.

22 Clearly it is the quality of decision-making,
23 the timeliness, absence of regulatory lag, providing
24 recovery for all prudent costs. And I should note, I think,
25 RRA even credits commissions for imprudent findings when

1 they are supported on the record.

2 I think at times they have factored in whether
3 a commission is elected or appointed. And if it's elected,
4 if politics enters into the decision-making. I think if
5 they're elected and politics doesn't enter into the decision
6 making, it's not viewed as a concern to RRA.

7 I think they factor in the financial impact on
8 investors of the decision-making. I think that captures
9 much of what they're looking at.

10 Q Yes, sir. That definitely does.

11 If I can direct your attention to page 10 of
12 the exhibit that Mr. Seydel handed to you.

13 A I am there.

14 Q Okay. Could you please read the highlighted
15 portion for me.

16 A "Generally speaking, the greater the number of
17 consumer intervenors, the greater the level of uncertainty
18 for investors." That was a period after investors.

19 "The level of risk for investors also depends
20 on the caliber and influence of the intervening parties and
21 the level of contentiousness in the rate case process."

22 Q So just to make sure I'm understanding, the
23 fact that my organization is here and Sierra Club and GIPL,
24 factors negatively into the assessment of a commission?

25 A Well, for one, it starts by "generally

1 speaking," so they're talking about the potential impact of
2 not only great intervenors like you, but also some of the
3 lesser ones that either appear here or in other states.

4 Then they say "the greater the number of
5 consumer intervenors." I think the greater the number, the
6 more chance that there may be really good ones and so-so
7 ones. And that that difference in quality of intervenors
8 can lead to a greater level of uncertainty for investors,
9 because, you know, I -- I'd say some of the toughest answers
10 I've ever had to -- some of the toughest questions I have
11 ever had to face were from intervenors who really didn't
12 know much so they would ask me questions that it was hard
13 for me to understand exactly what they were trying to get
14 at. And so I wasn't sure that my answer to those uncharted
15 questions really helped the commission to come to a
16 decision.

17 And then it goes on to say, "The level of risk
18 for investors also depends on the caliber and influence" --
19 exactly what I said. If we have all great intervenors, I
20 think -- speaking as a former chairman, I loved high-quality
21 intervenors, because that helped us get to the nub of the
22 issue and come to a good decision.

23 "And the level of contentiousness in the rate
24 case process." You know, I -- I don't feel bad about
25 contentiousness if it's based on quality thinking. I have a

1 problem with -- in fact, even here today, I saw a little bit
2 of contentiousness that I did not think helped the process.

3 Q Understood.

4 But just to summarize, does this imply that
5 there is some opposition between consumer interest and
6 between the interests of the utility, even as it comes to
7 its credit rating?

8 MR. MARZO: Madam Chair, I would object. The
9 document speaks for itself. Mr. Prenovitz [sic] is
10 not a member of the organization --

11 MR. HEWITSON: That's Mr. Fetter.

12 MR. MARZO: Mr. Fetter. I'm sorry.

13 MADAM CHAIR PRIDEMORE: Mr. Fetter. Ms. Brown.

14 MR. MARZO: I've got that on my mind.

15 MADAM CHAIR PRIDEMORE: It's okay.

16 MR. MARZO: Forgive me. Forgive me. He
17 answered the question with his opinion.

18 MADAM CHAIR PRIDEMORE: The RRA evaluates us,
19 Ms. Brown. It doesn't evaluate the utility. The
20 fact that the RRA states on one page of one of their
21 evaluations that the number of intervenors -- by
22 which there's not three as you listed, there's 25 in
23 this case -- that the number of intervening parties
24 and the level of contentiousness in the rate case
25 process is -- greater the level of uncertainty for

1 investors. Not uncertainty for the utility or
2 uncertainty for the commissions. But uncertainty for
3 investors.

4 This document evaluates commissions. Not the
5 utility and not expert witnesses. I don't understand
6 where your question is even going with this.

7 MS. BROWN: Well, if I may. It's saying that
8 the -- a utility's credit rating depends partially on
9 the regulatory environment, which is assessed, in
10 part, based on the caliber and number of intervenors.
11 So basically, as Mr. Fetter said, it's assessing how
12 powerful the influence of consumers is in that case.
13 And all I was asking --

14 MADAM CHAIR PRIDEMORE: That inference is
15 incorrect. So overview of RRA rankings process. So
16 let's go through all of them, shall we?

17 Methodology. Mayor, governor, commissioner
18 selection process and membership -- to your point,
19 Mr. Fetter, that's whether or not we're elected or
20 appointed.

21 Commission staff. Settlements, rate case
22 timing, interim procedures, rate base. There is a
23 whole host -- test period, return on equity.

24 I can keep going if you'd like for me to,
25 explain the whole document.

1 MS. BROWN: I was basically --

2 MADAM CHAIR PRIDEMORE: So the level of
3 intervenors or the quality of intervenors and how
4 many of them are introduced into a rate case, it's
5 not germane. I don't understand.

6 MS. BROWN: The relevance is he cites
7 regulatory environment as a critical factor in a
8 credit rating. And I wanted to understand what those
9 factors were. So I went to the source he provided.
10 And I would assume because he cited it, he's able to
11 answer questions about it.

12 MADAM CHAIR PRIDEMORE: He provided lots of
13 sources. I don't know. The local governments that
14 you represent, do you know their credit ratings?

15 MS. BROWN: Savannah's got a very good credit
16 rating. We don't issue a lot of debt.

17 MADAM CHAIR PRIDEMORE: But you are here today
18 representing five local governments. Do you know
19 their credit ratings?

20 MS. BROWN: I don't know all of theirs. I'm
21 not privy to City of Atlanta, City of Decatur's
22 finances.

23 MADAM CHAIR PRIDEMORE: Well, it's public
24 information. I just wondered.

25 MS. BROWN: I haven't taken the time to look.

1 I will after this proceeding.

2 MADAM CHAIR PRIDEMORE: Very good. Maybe we
3 will read this after the proceeding.

4 MS. BROWN: Okay.

5 BY MS. BROWN:

6 Q Okay. If I can direct you to page 12.

7 A Of this or my testimony?

8 Q Of the exhibit.

9 A I am there.

10 Q Okay. If you could please read that
11 highlighted portion.

12 A Okay. It is a section on return on equity and
13 it starts, "ROE is perhaps the single most litigated issue
14 in any rate case." And then the part you highlight, "There
15 are two ROE-related" and it's a typo, it says "issued." I
16 think they mean --

17 Q Issues.

18 A -- "two ROE-related issues that RRA considers
19 when evaluating an individual rate case in the overall
20 regulatory environment. One is how the authorized ROE or
21 ROEs compares to the average of returns authorized for
22 energy utilities nationwide over the 12 months or so
23 immediately preceding the decision."

24 And then your highlighting ends, but it goes on
25 to, "and, two, whether the company has been accorded a

1 reasonable opportunity to earn the authorized return in the
2 first year of the new rates."

3 Q So in rating the Georgia Commission, which
4 again is an important part of the credit rating, one of the
5 factors was whether it allows ROEs that are favorable
6 relative to the national average; is that correct?

7 A That would be one of the factors. And I know
8 that one of the highest-rated entities is Wisconsin,
9 which -- which I believe the ROEs are a little lower. But
10 it -- it has a yearly process that is so efficient that
11 Wisconsin has been held up as an exemplar in constructive
12 regulation since when I served in the late '80s.

13 MADAM CHAIR PRIDEMORE: But for the record, I
14 just want to make clear, because it is not on the
15 record, that this exhibit that Ms. Brown has put
16 forward rates the Georgia Commission in the same
17 category as the Wisconsin Commission. We are all
18 above average, both of us.

19 MS. BROWN: There are a confluence of factors
20 that are considered, but I would also point you to
21 Alabama Power, which has one of the highest ROEs in
22 the country as well.

23 MADAM CHAIR PRIDEMORE: Alabama, Georgia,
24 Florida, Pennsylvania, Wisconsin, Iowa, Michigan,
25 Tennessee.

1 MS. BROWN: Also Florida has a very high return
2 on equity, as was mentioned by one of the witnesses
3 earlier today.

4 MADAM CHAIR PRIDEMORE: I am not arguing with
5 you, Ms. Brown. I am stating your exhibit and the
6 information in your exhibit, and I am hoping you are
7 going to get to a point in your questions soon.

8 MS. BROWN: I will. Yes, ma'am.

9 BY MS. BROWN:

10 Q So I am actually going to be moving on from
11 that exhibit, so if you could turn to page 17 of your
12 testimony.

13 A I know one thing. I know RRA gets very upset
14 when I put their proprietary documents into a public record
15 and they usually don't want it done at all or under
16 confidentiality.

17 Q Well, I pulled this from the Utah PSC, so it
18 was in someone else's -- it's not you. Don't worry.

19 A So you won't be going to jail.

20 Q I will not.

21 So on page 17 of your testimony -- this has
22 been asked, but just to give us some idea of where we are.
23 You did state that Moody's sees Georgia Power as having
24 moderate carbon transition risk; is that correct?

25 A That's what I quote from Moody's.

1 Q And just continuing on to the next page,
2 page 18, it appears to be conditioned on the continuation of
3 a regulatory environment that is, quote, "credit
4 supportive."

5 Is that correct?

6 A It's conditioned on or it's described as? They
7 describe the overall regulatory environment as credit
8 supportive.

9 Q So it's saying it's a moderate carbon
10 transition risk as opposed to a severe because the
11 regulatory environment is credit supportive?

12 A Okay. So my conclusion was, with all of this
13 planned activity, which was all of the IRP-type activities,
14 including bringing Vogtle to completion, Moody's overall
15 view of the regulatory environment was credit supportive.

16 Q Okay. So in the IRP, Georgia Power received
17 approval to execute six gas power purchase agreements, some
18 that start in 2024, some as late as 2028, despite growing
19 carbon pressure, despite low load growth.

20 So let's just say for hypothetical sake that
21 this carbon risk intensifies and they either have to close
22 those plants or retrofit them with carbon capture equipment.
23 What would a credit supportive regulatory environment look
24 like in that instance?

25 A So you are offering me a hypothetical to offer

1 my opinion?

2 Q Yes. I think that would be important.

3 A I -- as a former regulator, I would say credit
4 supportive would be to consider all of those factors you
5 just laid before me and allow all stakeholders to file their
6 opinions in a contested proceeding like this and then to
7 come to a decision that is based on the record as a whole.
8 And which is upheld eventually by the reviewing judicial
9 body. That would be, I think, the most credit supportive
10 path for contentious issues like you describe.

11 Q So let's look more specifically at cost
12 recovery. Would a credit supportive environment allow cost
13 recovery, either for the closure and replacement of that
14 plant or for retrofitting that plant with carbon capture?

15 A It would go through the prudence analysis that
16 I described in detail in my testimony.

17 MR. MARZO: Madam Chair, I am just going to
18 object. I mean, there is no carbon capture request
19 being made in this case. I don't know what we're
20 speculating on at this point.

21 MADAM CHAIR PRIDEMORE: Sustained.

22 Speculation. Next question.

23 MS. BROWN: Okay. No further questions.

24 COMMISSIONER JOHNSON: Wait a minute.

25 Ms. Brown?

1 MADAM CHAIR PRIDEMORE: Ms. Brown.

2 MS. BROWN: Yes, sir.

3 COMMISSIONER JOHNSON: You owe me an answer.

4 MS. BROWN: Sir?

5 COMMISSIONER JOHNSON: Would you like Georgia

6 Power to reduce their ROE?

7 MS. BROWN: I would certainly think that with

8 all that's being requested, some ratepayers would

9 like to see that.

10 COMMISSIONER JOHNSON: Is there a number that

11 you would like to see it reduced to?

12 MS. BROWN: I think it should be whatever the

13 average across similar utilities is.

14 MADAM CHAIR PRIDEMORE: Define "similar

15 utility."

16 MS. BROWN: Those that were selected by

17 Mr. Coyne for his analysis.

18 MADAM CHAIR PRIDEMORE: That's exactly what his

19 analysis represented.

20 MS. BROWN: He did not select the average among

21 those utilities.

22 MADAM CHAIR PRIDEMORE: Commissioner Johnson

23 asked you a question. Do you agree with the

24 11 percent ROE? Yes or no.

25 MS. BROWN: I do not.

1 MADAM CHAIR PRIDEMORE: What should it be? And
2 your answer needs to be a number.

3 MS. BROWN: I don't have the number of those 14
4 utilities that he selected, but it should be an
5 average among vertically integrated utilities.

6 MADAM CHAIR PRIDEMORE: Do some research, and I
7 suggest that you get Commissioner Johnson a number.

8 MS. BROWN: I will. Thank you.

9 COMMISSIONER JOHNSON: Thank you, Ms. Brown.

10 MADAM CHAIR PRIDEMORE: Georgia Conservation
11 Voters.

12 (No Response.)

13 MADAM CHAIR PRIDEMORE: Georgia Interfaith
14 Power & Light.

15 CROSS-EXAMINATION

16 BY MS. WHITFIELD:

17 Q Hi, Mr. Fetter. My name is Jennifer Whitfield.
18 I am here on behalf of Georgia Interfaith Power & Light.

19 A Yes.

20 Q And I believe --

21 A Can I ask what your group represents?

22 Q Georgia Interfaith Power & Light?

23 A Yes.

24 Q They are an interfaith group that also cares
25 about clean energy issues and they represent faith groups

1 throughout Georgia.

2 A Okay. Thank you.

3 Q Yes. I just want to follow up on something
4 that Mr. Coyne passed to you --

5 A Yes. He warned me.

6 Q -- during his testimony.

7 On page 14, you talk about key quantitative
8 measures. Specifically, you reference FFO to debt and debt
9 to EBITDA as two core financial ratios that are considered
10 by credit agencies.

11 A Yes.

12 Q Do both of those ratios include inputs that are
13 affected by both capital structure and the return on equity?

14 A Well, it certainly factors in the equity/debt
15 split because in one, the debt divides from the bottom and
16 in the other, the debt is divided into by the EBITDA.

17 As far as whether ROE gets factored into this,
18 FFO -- ROE ends up resulting in revenues and FFO is a
19 certain measure and EBITDA is an earnings measure. And so
20 ROE would impact those two items.

21 Q Thank you.

22 MS. WHITFIELD: That's all I have.

23 MR. FETTER: Oh, thank you very much.

24 MADAM CHAIR PRIDEMORE: Georgia Solar Energy
25 Industries --

1 COMMISSIONER JOHNSON: Madam Chair.

2 MADAM CHAIR PRIDEMORE: Please answer
3 Commissioner's Johnson's question.

4 MS. WHITFIELD: Commissioner Johnson.

5 MR. THOMAS: I am actually, Commissioner,
6 respectfully going to object to having an attorney
7 testify. This is usually handled through the briefs.
8 And I just don't know that attorneys are prepared to
9 go on the record to testify here today.

10 MS. WHITFIELD: I was going to comment, if I
11 may, we will absolutely provide you a number. And we
12 will do it when we submit our testimony in response
13 at the next set of hearings.

14 COMMISSIONER JOHNSON: So this is a --

15 MS. WHITFIELD: Because as Commissioner
16 Pridemore suggested -- Chair Pridemore suggested, we
17 will consult an expert and make sure our
18 recommendation to you is informed by that expert.

19 COMMISSIONER JOHNSON: Okay. Thank you.

20 MS. WHITFIELD: Thank you.

21 MADAM CHAIR PRIDEMORE: During this phase, they
22 just criticize. That's all.

23 Okay. Georgia Solar Energy Industries
24 Association, Solar Energy Industries Association and
25 Vote Solar.

1 MR. THOMASSON: No questions or criticisms for
2 this witness.

3 MADAM CHAIR PRIDEMORE: That's new.

4 GA Solar.

5 MR. MORELAND: No questions.

6 MADAM CHAIR PRIDEMORE: Thank you,
7 Mr. Moreland.

8 Georgia Watch. Come on up, Ms. Coyle.

9 MS. COYLE: Thank you, Chairman Pridemore. I'm
10 going to try to get the microphone right today.
11 Please let me know if it's --

12 MADAM CHAIR PRIDEMORE: That's all right. If
13 you just keep the arm straight. We figured out last
14 night that the wires in them are old and we will
15 probably have to have new mics here in the next
16 month.

17 MS. COYLE: Well, I will do my best not to set
18 it off.

19 MADAM CHAIR PRIDEMORE: Thanks.

20 CROSS-EXAMINATION

21 BY MS. COYLE:

22 Q Good afternoon, Mr. Fetter.

23 A Good afternoon.

24 Q I'm not sure if you remember me. I am Liz
25 Coyle with Georgia Watch.

1 A I am trying to remember if you were one of the
2 contentious ones.

3 Q I would like to think that you thought I was
4 one of the quality intervenors.

5 A Okay. Now I remember you.

6 Q And just to set -- just for the record, in case
7 anyone is wondering, the previous witness, Mr. Coyne, and I
8 are not related. My last name is Coyle. His is Coyne. I
9 just wanted to be clear.

10 MR. HEWITSON: We want him to speculate.

11 BY MS. COYLE:

12 Q So I have just -- I have just a few questions,
13 Mr. Fetter.

14 In follow up to some questions from Mr. Thomas,
15 you indicated that Georgia Power has had an A rating until
16 recently.

17 A Until a few years ago.

18 Q And could you tell me some reasons why that
19 might be? Because their ROE has not been lowered, as I
20 recall, in recent years.

21 A Well, I think as I shared with staff counsel,
22 some of the problems at the -- at Vogtle was a triggering
23 event which led to an overall review of the ratings. And
24 during such a review, they look at the negatives, the
25 positives, the neutrals.

1 And as I said, two of the positives that stand
2 out here versus other jurisdictions would be long-term
3 sustained support from this Commission, providing
4 constructive regulation, coupled with a parent company that
5 is willing to step in when one of its subsidiaries in this
6 state or in other states runs into potential financial
7 difficulty, including when the federal laws were changed
8 about tax and bonus depreciation. It's a very giving parent
9 when needed, and I think that gets factored into the credit
10 rating as a very positive factor.

11 Q So in addition to the problems in recent years
12 with Plant Vogtle 3 and 4 construction, you would agree that
13 the regulatory environment at this Commission has been
14 consistently favorable to Georgia Power and Southern
15 Company?

16 A Well, I view it as constructive. I started
17 testifying here in 2004, and that was pre-Vogtle. So it --
18 they have a point of view and a way of carrying on their
19 duties, and I have viewed it as constructive from the first
20 time I appeared here in 2004.

21 Q And so in that constructive environment and the
22 consistent in the last few -- this is -- I have been doing
23 these rate cases here only since 2013.

24 A Oh, we had a lot of fun before you got here.

25 Q I know you did. Previous colleagues from

1 Georgia Watch were here in some of those earlier days.

2 But the -- so the construct- -- there's been a
3 constructive regulatory environment for some time. This
4 Commission, in the rate cases I participated in since 2013,
5 has not significantly lowered the company's ROE, although
6 they have often not given the company exactly what they've
7 asked for in the ROE.

8 Would you say that's correct?

9 A I believe that's correct.

10 Q And so -- but the -- but again, the rating was
11 lowered to BBB. It is not even BBB+ anymore. Is that
12 correct?

13 A No. The two main -- the two strongest agen- --
14 biggest agencies are BBB+ and Baa 1, which are equivalent.
15 And Fitch, where I used to work, is a BBB, one notch lower.

16 Q And is -- short of the Commission granting the
17 company's request to increase their ROE, what are some other
18 things the company could do, along with this constructive
19 regulatory environment, to earn back that highly coveted "A"
20 rating you talked about?

21 A I think it's going to be a while, but for one,
22 Vogtle has to go smoothly from here on out. They have to
23 continue -- we heard about the grid project yesterday from
24 Mr. Robinson. That is a huge project. The quality of them
25 carrying out that will be important.

1 I mean, basically, as I say, I think in my last
2 sentence, operational excellence, coupled with bringing
3 Vogtle through fuel and completion.

4 That -- I would say without the strong
5 constructive regulation, the potential would have been there
6 where Vogtle had to be abandoned. And as a commissioner who
7 sat not -- not as the cause of the Midland abandonment --
8 that came before I got there -- but it's not a pretty thing
9 to watch the abandonment. And I think the ratepayers in
10 South Carolina probably are feeling that, getting a bit of a
11 negative feeling now, based on the abandonment of a nuclear
12 project there.

13 Q And, Mr. Fetter, I'm -- I'm going to guess that
14 you are not aware that I, on behalf of Georgia Watch, have
15 intervened in every Vogtle proceeding, every six-month
16 Vogtle proceeding since VCM 8 in 2012. So would you agree
17 that as a consumer advocate, I am here on behalf of
18 residential ratepayers because of the work my organization
19 does, that we have a need to uplift the needs of hardworking
20 people of Georgia, to balance that with the needs of
21 Southern Company shareholders? Does that -- does that seem
22 fair?

23 A Are you asking whether -- whether you should be
24 welcomed as an intervenor here --

25 Q Sure.

1 A -- and my answer to that, as a former
2 regulator, would be yes.

3 Q And would you agree that the commissioners have
4 the very important responsibility of weighing the interests
5 of hardworking Georgians who have to pay higher power bills
6 versus whether to give the company even more profit?

7 A I think the Commission has to look at the
8 record as a whole, including evidence put in by Georgia
9 Watch, and come to the decision that they feel best serves
10 the public policy of the state of Georgia.

11 COMMISSIONER MCDONALD: Mr. Fetter, before you
12 take that former regulator hat off, as a former
13 regulator --

14 MR. FETTER: Yes, sir.

15 COMMISSIONER MCDONALD: -- and then you just
16 talked about the influence or the support of the
17 parent company --

18 MR. FETTER: Yes.

19 COMMISSIONER MCDONALD: -- due to rates and how
20 the rating community looks at the -- like the Georgia
21 Power Company.

22 Do you find that sometimes that the rating
23 companies are more interested in what the investors
24 get from the parent company versus the utility itself
25 with the consumer?

1 MR. FETTER: Well, let me say, Commissioner,
2 the -- the credit rating agencies are most interested
3 in whether the debt holders are going to get their
4 principal back with interest on a timely basis.

5 COMMISSIONER MCDONALD: So they do --

6 MR. FETTER: So they are interested in Georgia
7 Power. They are Georgia Power debt holders. And at
8 the parent company, it more goes to what Mr. Coyne
9 had to talk about, which is the return on equity.

10 So equity at the Southern level and including
11 the subsidiaries, and then the debt holders are most
12 interested in getting their money back from Georgia
13 Power, from the subsidiary. And that's what the
14 credit rating agency is basing its credit rating
15 determination on, the ability for Georgia Power to
16 pay back on the debt that they've borrowed.

17 COMMISSIONER MCDONALD: But you brought in the
18 parent company earlier. And its --

19 MR. FETTER: Because that's where the equity
20 is. The equity is sold -- equity holders buy
21 Southern Company. They can't buy Georgia Power.
22 Debt holders can vote with their money by borrowing,
23 by providing money to Georgia Power, the subsidiary.

24 So that's the differential between Mr. Coyne's
25 overall analysis of return on equity and the way he

1 looks at it for Georgia Power, even though the equity
2 is sold at the Southern level, versus the debt holder
3 who is actually lending money to Georgia Power,
4 having nothing to do with the parent company.

5 COMMISSIONER MCDONALD: Is this a consultant's
6 answer or is this your former regulator's answer?

7 MR. FETTER: Okay. As a regulator, it would be
8 the same answer.

9 COMMISSIONER MCDONALD: Okay.

10 MS. COYLE: Thank you, Commissioner McDonald.

11 BY MS. COYLE:

12 Q So, Mr. Fetter, continuing that line of
13 questioning. So the return -- are you aware that in a
14 settlement a few years ago in the Vogtle matter, the
15 company -- and this is specific to those Southern Company
16 shareholders you were just talking with Commissioner
17 McDonald about -- had to agree to a lower ROE on the
18 finance -- the financing of Plant Vogtle that's collected
19 already from ratepayers in the nuclear construction cost
20 recovery tariff?

21 And because of delays with completing the
22 project, their return on equity is significantly lower than
23 their authorized 10.5. Are you aware of that?

24 A I have heard that discussed.

25 Q And do you, by any chance, listen to the

1 Southern Company earnings calls on a quarterly basis like I
2 do?

3 A I do not.

4 Q All right. So you wouldn't be aware that most
5 of the questions coming from those nervous analysts to Tom
6 Fanning and the CFO relate to --

7 MR. MARZO: Madam Chair, I object. He said he
8 doesn't listen to them, so now we are asking a
9 question that he can't clarify or confirm.

10 MS. COYLE: Fair enough. Fair enough.

11 BY MS. COYLE:

12 Q So finally, Mr. Fetter, would you -- then to
13 summarize, would you agree that the Commission's decision
14 about whether to grant the company a higher return on equity
15 in this proceeding is one of many factors that will
16 influence the company's credit rating, not least of which is
17 completing successfully Vogtle 3 and 4?

18 A And as I said, they should look at the record
19 as a whole and come to the best judgment for public policy
20 in the state of Georgia, factoring in everything you have
21 talked about, everything I have talked about, and Mr. Coyne,
22 and all the intervenors -- the quality intervenors, factor
23 that into the decision and come to what they feel is the
24 best judgment for the customers, consumers in this state.

25 Q Thank you, Mr. Fetter.

1 MS. COYLE: And, Commissioner Johnson, I think
2 you know, I'm not an attorney. I just get to play
3 one down here at the Public Service Commission. And
4 I will give you a high-level answer to your question
5 and then provide more information when we get to the
6 brief phase of this little party.

7 Yes, I think that the Commission should not
8 grant the company's request to increase their return
9 on equity. I think 10.5 is still too generous. I
10 recommend lowering the ROE to 10. And I think it
11 might be interesting to consider, if the earnings
12 band is lowered from 12 to 11 -- and maybe the
13 earnings band is 9 to 11 with the ROE at 10 -- and
14 then you look at the incentive, that sharing
15 mechanism that was talked about so much yesterday,
16 and maybe that's not an 80/20. Maybe you really
17 incentivize the company by making it a 60/40 with the
18 ratepayer getting back 60 percent and the company
19 getting 40 percent, if they are able to earn above
20 11 percent.

21 Thank you for the opportunity to comment on
22 that.

23 COMMISSIONER JOHNSON: Thank you, Ms. Coyle.

24 MS. COYLE: Thank you.

25 MADAM CHAIR PRIDEMORE: Ms. Coyle makes a good

1 point in an example to this, Commissioner Johnson. I
2 tend to believe that if I ask an intervenor a
3 question and they fail to answer it, why should I
4 keep in mind their witness's opinion or their cross.
5 If they won't answer my question, why should I care
6 about what the rest they have to say.

7 COMMISSIONER JOHNSON: Well, Madam Chair, for
8 me, it lends to the credibility of the witness or
9 the --

10 MS. COYLE: Or the fake attorney.

11 COMMISSIONER JOHNSON: -- intervenor. You
12 know, if they can't tell me, or at least give me --
13 get me close -- or give me an idea, like Ms. Coyle
14 just did, why are you here? That's -- for me, that's
15 why I am listening to you.

16 MS. COYLE: And that's why I'm here. So thank
17 you very much.

18 Thank you, Madam Chair.

19 MADAM CHAIR PRIDEMORE: Thank you. Looks like
20 Mr. Fetter's testimony -- he's got 19 pages of
21 testimony, and there seems to be some collusion
22 across some of these intervenors where they are
23 locking in into the quality of the Commission. It's
24 a -- I counted. It's line 16 through -- sorry --
25 lines -- on page 16, lines 6 through 21 -- that's

1 about the Commission. He's got 17 other pages of
2 glorious testimony, of which people could ask
3 questions about, but instead, they want to make it
4 about the five of us, which is weird because we are
5 the five people that make the decisions.

6 Okay. That sounded a little bit like you.

7 Interstate Gas Supply.

8 (No Response.)

9 MADAM CHAIR PRIDEMORE: Interstate Gas Supply.

10 (No Response.)

11 MADAM CHAIR PRIDEMORE: Okay. The Kroger
12 Company.

13 MR. BOEHM: No questions. Thank you.

14 MADAM CHAIR PRIDEMORE: MARTA?

15 MS. STURM: No questions for this witness.
16 Thank you.

17 MADAM CHAIR PRIDEMORE: Resource Supply
18 Management.

19 MR. CLARKSON: No questions.

20 MADAM CHAIR PRIDEMORE: Sierra Club.

21 MS. ARIZA: No questions.

22 MADAM CHAIR PRIDEMORE: Southern Alliance for
23 Clean Energy and Southface Energy Institute.

24 MR. STEVEN JONES: No questions.

25 MADAM CHAIR PRIDEMORE: And Ms. Medlyn. She's

1 my third page. Department of Defense.

2 MS. MEDLYN: No questions.

3 MADAM CHAIR PRIDEMORE: All right. Redirect.

4 MR. MARZO: Just very little.

5 MADAM CHAIR PRIDEMORE: Are you going to talk
6 about page 16, lines 6 through 21?

7 MR. MARZO: No, Madam Chair.

8 MADAM CHAIR PRIDEMORE: I didn't think so.

9 MR. MARZO: I was going to try to take a proxy
10 from the rest of the room and say that I could give
11 an ROE for you to consider, Commissioner Johnson.

12 I would -- and just for the record, and I think
13 you mentioned this, Commissioner Johnson, but I would
14 assume for those who did give opinions that we would
15 have a chance to cross-examine them on their opinions
16 in the next round here of hearings and they will give
17 us that opportunity?

18 COMMISSIONER JOHNSON: Sure.

19 MR. MARZO: Thank you.

20 REDIRECT EXAMINATION

21 BY MR. MARZO:

22 Q Mr. Fetter, just a few questions for you.

23 Now, you were asked several questions by
24 Mr. Thomas, I believe, regarding whether you evaluated the
25 cost of credit rating versus the cost of debt. And I think

1 what he was implying was that there's cost-benefit that
2 could be done and a lower credit rating could equal out to a
3 less expensive option than a cost of debt.

4 Do you remember those questions?

5 A I remember those questions.

6 Q Now, do lower credit ratings typically
7 translate into higher cost of debt?

8 A The lower the credit rating usually the higher
9 cost of debt.

10 Q And am I correct that the higher cost of debt
11 can result in higher rates for customers?

12 A The higher cost of debt goes into rates -- the
13 rate-making process and raises rates.

14 Q Now, if the Commission is determined not to be
15 a constructive regulatory environment or viewed badly by
16 rating agencies, can that lead to negative impacts for rates
17 for customers?

18 A If it is a low -- if it leads to lower credit
19 ratings, then rates will go up. I gave the example to
20 Ms. Coyle that I think in the absence of constructive
21 regulation, if Vogtle had had to have been abandoned, I
22 think that would have been a major negative for not only the
23 utility and its investors, but also the commercial and
24 residential sectors within the state.

25 Q In this one area that you can't really do or --

1 let me ask this question. Can you really do a cost-benefit
2 analysis if at the end of the day a credit rating prevents a
3 company from being able to access capital?

4 A If you don't -- if you don't factor in the
5 qualitative factors, I don't think you can do any realistic
6 comparison.

7 Q Okay.

8 MR. MARZO: Thank you, Mr. Fetter.

9 That's all the questions I have, Madam Chair.

10 MADAM CHAIR PRIDEMORE: Okay.

11 MR. MARZO: I would also ask that Mr. Fetter be
12 excused.

13 MADAM CHAIR PRIDEMORE: Thank you, Mr. Fetter.
14 You are excused.

15 MR. FETTER: Thank you very much.

16 MADAM CHAIR PRIDEMORE: We are going to go on
17 break until 3:30.

18 (A recess was taken.)

19 MADAM CHAIR PRIDEMORE: All right. We are
20 coming back. We are coming back with the last and
21 the best.

22 All right. Mr. Hewitson, go right ahead.

23 MR. HEWITSON: Thank you, Chair.

24 At this time, Georgia Power calls Mr. Larry
25 Legg and Mr. Lee Evans as the company's next

1 witnesses.

2 Gentlemen, would you please raise your right
3 hands.

4 Thereupon,

5 LARRY T. LEGG,
6 LEE EVANS,
7 having been duly sworn, testified as follows:

8 DIRECT EXAMINATION

9 BY MR. HEWITSON:

10 Q Mr. Evans, would you state your full name and
11 business address for the record, please.

12 A (Witness Evans) Lee Evans, 241 Ralph McGill
13 Boulevard.

14 Q And, Mr. Legg, would you do the same, please.

15 A (Witness Legg) Larry T. Legg, 241 Ralph McGill
16 Boulevard.

17 Q Thank you.

18 Mr. Evans, on June 24th of this year, did you
19 prefile or cause to be prefiled 22 pages of direct testimony
20 in question-and-answer format in this docket?

21 A (Witness Evans) Yes.

22 Q Did you also at that time prefile eight
23 exhibits identified as LPE-1 through LPE-8?

24 A (Witness Evans) Yes.

25 Q Were those exhibits prepared under your
supervision and direction?

1 A (Witness Evans) Yes.

2 Q Mr. Evans, are there any corrections which you
3 need to make to your prefiled testimony or exhibits?

4 A (Witness Evans) Yes. This morning the company
5 filed an errata letter highlighting miscalculations in the
6 FPA revenue. While total revenue is unchanged for retail,
7 this correction to the inputs did result in changes to the
8 ROI results for PLM and FPA in the cost of service study.

9 Q And as you said, you filed that letter this
10 morning.

11 MR. HEWITSON: So I will have copies of the
12 letter if anyone needs it up here. One has been
13 provided to staff.

14 BY MR. HEWITSON:

15 Q With those corrections in mind, Mr. Evans, if I
16 asked you the same questions today under oath, would your
17 answers be the same as in your prefiled direct testimony?

18 A (Witness Evans) Yes.

19 MR. HEWITSON: Madam Chair, the court reporter
20 has been provided a copy of the prefiled direct
21 testimony of Mr. Evans, and I now ask that the
22 testimony of Mr. Evans be copied into the record as
23 if given here today.

24 MADAM CHAIR PRIDEMORE: So moved, so marked.

25 //

1 (Whereupon, the prefiled direct testimony
2 of Mr. Lee Evans follows:)

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**DIRECT TESTIMONY OF
LEE EVANS
ON BEHALF OF
GEORGIA POWER COMPANY**

DOCKET NO. 44280

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. My name is Lee Evans. I am the Director of Demand Planning & Analysis for Southern
3 Company Services, Inc. (“SCS”). My business address is 241 Ralph McGill Boulevard
4 N.E., Atlanta, Georgia 30308.

5 **Q. MR. EVANS, PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND**
6 **AND PROFESSIONAL EXPERIENCE.**

7 A. I received a Bachelor of Science degree in Financial Management from Clemson
8 University in 2006 and a Master of Science degree in Finance from Georgia State
9 University in 2013. I have also served as an Adjunct Instructor of Finance for the
10 University of West Florida. I am a licensed Certified Public Accountant and a member
11 of the American Institute of Certified Public Accountants. Additionally, I am a member
12 and past chair of the Southeastern Electric Exchange’s Rates and Regulations committee
13 and a member of the National Economic Research Associates (“NERA”) Marginal Cost
14 working group and the Edison Electric Institute Rates and Regulatory Affairs committee.

15 I began my career as an intern with SCS in 2006 and worked in various roles within the
16 Accounting and Corporate Finance organizations. In 2011, I joined Gulf Power
17 Company (“Gulf Power”) in Revenue Accounting and later joined the Gulf Power
18 Regulatory and Cost Recovery organization, where I focused on rate design and tracking

1 for cost recovery clauses and the coordination of regulatory filings. In 2015, I became
2 the Pricing, Costing & Load Research Supervisor, where I oversaw the planning,
3 implementation, and evaluation of retail electric prices. I also supervised the planning
4 and production of cost studies that serve as an input toward pricing and the load research
5 function. Then, in 2018, I worked as a Project Manager in Georgia Power Company's
6 ("Georgia Power" or the "Company") Pricing & Rates organization, where I was
7 responsible for leading various costing and pricing initiatives.

8 In 2019, I assumed roles of increasing responsibility at SCS, each of which oversaw
9 developing and supporting system marginal costing tools and regulated cost-of-service
10 studies. In 2022, I was promoted to Director of Demand Planning & Analysis of SCS.
11 My current responsibilities, in addition to the costing function, include developing
12 strategies and overseeing analyses that influence end-use customer demand and their
13 integration into the planning process.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

15 A. Yes, I testified before this Commission in Georgia Power's 2022 Integrated Resource
16 Plan ("IRP") in Docket No. 44160.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

18 A. The purpose of my testimony is to present and explain the cost-of-service studies filed
19 by the Company in this proceeding, which are contained in Exhibit__(LPE-1) through
20 Exhibit__(LPE-8).

21 **Q. WHAT IS A COST-OF-SERVICE STUDY AND WHAT IS ITS PURPOSE?**

22 A. A cost-of-service study separates a utility's total electric investments, revenues, and
23 expenses among the jurisdictions an electric utility serves – for example, retail and
24 wholesale – and then among the rate groups within each jurisdiction. The purpose of a
25 cost-of-service study is to identify what costs are incurred to provide service to certain
26 groups of customers. Such a study enables a regulatory commission to review a utility's

1 earnings and to evaluate the corresponding revenue and costs associated with rates
2 within the commission's jurisdiction. Like other electric utilities, Georgia Power
3 maintains its books and records in accordance with the Uniform System of Accounts as
4 directed by the Federal Energy Regulatory Commission ("FERC") and this Commission.
5 Although this system of accounting tracks company-wide information, it does not
6 separate the Company's investments or expenses by jurisdiction (i.e., wholesale or retail)
7 or by the rate groups within each jurisdiction. The cost-of-service study performed by
8 the Company in this proceeding accomplishes this objective of separating costs by
9 jurisdiction, rate groups, and rates. It does so using generally accepted methodologies
10 and practices that are consistent with the Company's prior filings.

11 **Q. PLEASE DESCRIBE THE CONTENTS OF THE EXHIBITS FILED IN**
12 **SUPPORT OF YOUR TESTIMONY.**

13 A. The contents of the exhibits filed in support of my testimony are as follows:

- 14 • Exhibits LPE-1 and LPE-2 are two separate projected Period II cost-of-service
15 studies for the 12-month period ending July 31, 2023. These studies use the
16 Company's recommended allocation methodologies, which are based upon
17 principles of cost-causation. In Exhibit LPE-1, the customer categories are rate
18 groupings; in Exhibit LPE-2, the customer categories are individual rates.
- 19 • Exhibits LPE-3 and LPE-4 are two separate historical Period I cost-of-service studies
20 for the 12-month period ending December 31, 2021. Like Exhibits LPE-1 and LPE-
21 2, these studies use the Company's recommended allocation methodologies, which
22 are based upon principles of cost-causation. In Exhibit LPE-3, the customer
23 categories are rate groupings; in Exhibit LPE-4, the customer categories are
24 individual rates.
- 25 • Exhibits LPE-5 and LPE-6 are two separate Period II cost-of-service studies for the
26 period ending July 31, 2023. In contrast to the cost-of-service studies set forth in
27 Exhibits LPE-1 and LPE-2, the studies set forth in Exhibits LPE-5 and LPE-6 utilize

1 an alternative 4-Coincident Peak (“4-CP”) Production function allocation
2 methodology, as advocated by some customer groups in previous cases before this
3 Commission.

- 4 • Exhibits LPE-7 and LPE-8 are two separate Period I cost-of-service studies for the
5 period ending December 31, 2021. As with Exhibits LPE-5 and LPE-6, the studies
6 set forth in Exhibits LPE-7 and LPE-8 use an alternative 4-CP Production function
7 allocation methodology, as advocated by some customer groups in previous cases
8 before this Commission.

9 Notably, Exhibits LPE-5 through LPE-8 (all of which utilize the 4-CP Production
10 function allocation) are filed for informational purposes only and are not recommended
11 by the Company. Additionally, Exhibits LPE-1 through LPE-8 each have 13 schedules,
12 which set forth the results of the specific cost-of-service study included in the respective
13 exhibits, along with the supporting analyses.

14 Due to the voluminous size of the eight exhibits, I have provided hard copies of the
15 exhibits’ summary pages and full copies of the exhibits in .pdf format have been made
16 available electronically. Those files are designated as Exhibit LPE-1.pdf through Exhibit
17 LPE-8.pdf.

18 **Q. WHO PREPARED THE COST-OF-SERVICE STUDIES THAT YOU ARE**
19 **SPONSORING IN THIS FILING?**

20 A. The cost-of-service studies presented in this filing were prepared under my direction at
21 the request of Georgia Power.

1 **Q. DO YOU BELIEVE THAT THE RECOMMENDED ALLOCATION**
2 **METHODOLOGIES ARE THE MOST APPROPRIATE METHODOLOGIES**
3 **TO BE USED BY THIS COMMISSION IN THIS CASE?**

4 A. Yes, I do. The methodologies recommended in this filing are consistent with those filed
5 by the Company and accepted by this Commission in previous cases. These
6 methodologies have influenced the Company's current rate designs and the parity
7 adjustments previously determined by the Commission. These methodologies
8 appropriately reflect cost causation principles that are objective and fair to different
9 customer groups and provide accurate and reliable results.

10 **II. COST OF SERVICE EXPLANATION AND USE**

11 **Q. IN PREPARING A COST-OF-SERVICE STUDY, WHAT IS THE OVERALL**
12 **GUIDING PRINCIPLE OR CONCEPT THAT SHOULD BE FOLLOWED?**

13 A. The overall objective of a cost-of-service study is to assign or allocate costs fairly and
14 equitably to all customers. This objective is met when the cost-of-service study reflects
15 “cost causation” by allocating costs to those customers who caused the costs to be
16 incurred by the Company in providing them service.

17 When certain costs are readily identified with a specific customer group, the direct
18 assignment of those costs to that group clearly reflects cost causation and is fair and
19 equitable to all customers. However, most parts of an electric system are planned,
20 designed, constructed, operated, and maintained to jointly serve all customers.
21 Accordingly, most of Georgia Power's costs have been incurred to serve *all* customers,
22 and these costs are referred to as “joint” or “common” costs. Rather than be assigned to
23 a specific customer group, joint or common costs must be allocated to customer groups
24 based on the nature of the costs and the aggregate requirements and service
25 characteristics of the customers that caused the costs to be incurred. By adhering to this
26 fundamental principle of cost causation, the results of the cost-of-service study will be
27 fair and equitable to all customers.

1 **Q. HOW ARE COST-OF-SERVICE STUDIES USED IN THE REGULATORY**
2 **PROCESS?**

3 A. A cost-of-service study is typically used to determine earnings and examine how costs
4 are being recovered from each regulatory jurisdiction, as well as from the customers or
5 customer groups within each jurisdiction. The respective regulatory body can use these
6 jurisdictional cost-of-service results to ascertain the utility’s overall revenue requirement
7 as well as judge the adequacy of rates within that jurisdiction. The National Association
8 of Regulatory Utility Commissioners (“NARUC”) recognizes the cost-of-service study
9 among the basic tools of ratemaking.

10 **Q. HOW DID GEORGIA POWER USE THE COST-OF SERVICE STUDIES IN**
11 **THIS RATE FILING?**

12 A. The Company used the jurisdictional separation of rate base and net operating income
13 developed in the various schedules of Exhibit LPE-1 to help determine the jurisdictional
14 revenue increase needed to achieve the requested rate of return. These jurisdictional
15 separations were calculated according to accepted cost-of-service principles and
16 methodologies previously filed with this Commission. The Company also considered
17 information from the proposed cost-of-service study in the design of proposed rates for
18 the retail customers in this docket as described in Mr. Legg’s testimony.

19 **Q. WHERE DID YOU GET THE FINANCIAL DATA USED IN THE COST-OF-**
20 **SERVICE STUDIES?**

21 A. The Company provided the financial information for the cost-of-service studies filed in
22 this proceeding. The Company’s investment, revenue, and expense items were then (i)
23 directly assigned to a specific jurisdiction and rate group where costs were explicitly
24 known to be caused by a specific rate group, and (ii) allocated to jurisdiction and rate

1 groups and specific rates where costs were determined to be jointly caused by the
2 different groups of customers.

3 **Q. HOW WERE WHOLESALE CUSTOMERS TREATED FOR COST-OF-**
4 **SERVICE PURPOSES?**

5 A. To ensure that retail jurisdictional allocations were appropriately made, the investment,
6 revenues, and expenses associated with wholesale customers were identified and then
7 removed from the Company's Total Electric System (as depicted in the cost-of-service
8 studies) before most allocations were made. The remaining investment, revenue, and
9 expense items were then assigned or allocated to the retail rate groups within the retail
10 jurisdiction. This method is consistent with the methodology filed by the Company and
11 accepted by this Commission in previous cases.

12 **Q. WHAT ARE THE MAJOR DRIVERS THAT CAUSE COSTS TO BE**
13 **INCURRED BY THE UTILITY?**

14 Utility costs typically possess three primary characteristics or drivers that identify the
15 link between customer and company (i.e., cost causation). These costs can be
16 categorized as: (1) demand related, which are costs that are incurred to serve peak needs
17 for electricity; (2) energy related, which pertain to costs that vary with energy
18 consumption; and (3) customer related, which vary with the number of customers or the
19 fact that each customer must have the ability to receive electric service. Each of these
20 three drivers has its own separate and appropriate allocators to spread respective costs
21 to the appropriate jurisdiction and to rate groups within that jurisdiction. It is important
22 to properly classify costs to ensure that they are appropriately allocated and yield
23 accurate results. Otherwise, conclusions drawn from the study would be misleading and
24 potentially harmful, for instance, if they influenced subsequent rate design or rate parity
25 adjustments.

1 **Q. PLEASE PROVIDE FURTHER EXPLANATION REGARDING HOW A COST-**
2 **OF-SERVICE STUDY IS PERFORMED.**

3 A. The Company's financial data is analyzed to determine how each group of customers
4 influenced the incurrence of costs by the utility. This review discloses certain direct costs
5 that should be assigned to the specific rate groups for which these costs were directly
6 incurred. For instance, distribution FERC account 373 contains financial costs related
7 only to street lighting; therefore, this account is directly assigned to the street lighting
8 rate class. However, as previously mentioned, the majority of the Company's costs are
9 incurred to perform a common function within the electric system for various customer
10 groups and must therefore be allocated as opposed to directly assigned to a specific
11 group. To accurately allocate these common costs, which are often aggregated at a high
12 level, such costs must first be identified by the functional service they provide and then
13 by their voltage level of service. The next task is to sub-divide the costs into the
14 appropriate cost-causative classification (i.e., demand, energy, and customer related
15 classification resulting in financial data of sufficient detail to select an appropriate
16 allocator). An example of this is the determination of the cost-causative relationship of
17 FERC account 312-Boiler Plant Equipment. Since boiler plant equipment is typically
18 sized for maximum demand requirements, it would be included in the demand category
19 and referred to as within the demand component. An allocator based upon demands can
20 then apportion FERC account 312 among the appropriate rate categories.

21 **Q. PLEASE SUMMARIZE THE STEPS CONDUCTED IN PERFORMING A**
22 **COST-OF-SERVICE STUDY.**

23 A. Typically, there are five major steps required in preparing a cost-of-service study: (1)
24 *functionalization* of the financial accounting data; (2) *levelization* of the data; (3) cost-
25 causative *classification* of the financial costs; (4) *assignment* of certain costs and
26 revenues; and (5) *allocation* of the common costs. Step (5) requires the development of

1 allocators, which I will explain later in my testimony. After these steps are completed,
2 one can observe how well customer groupings cover their cost to serve.

3 **Q. PLEASE EXPLAIN THESE FIVE STEPS IN MORE DETAIL.**

4 A. Step 1, *functionalization*, separates the investment and expenses of the Company into
5 specified functional categories based on the operations involved in providing electric
6 service. The Company follows the functional categories set forth by the FERC Uniform
7 System of Accounts, which are production, transmission, distribution, customer services
8 (customer accounting, customer assistance, sales), and administrative and general.

9 Step 2, *levelization*, further separates the functionalized investment and expenses into
10 voltage-based service levels of the system. Customers request electric service to be
11 provided at different voltages, which are referred to as service levels. Different voltages
12 result in different costs. The service level designations are a way of identifying and
13 associating investment and expenses with customers and their loads at established points
14 of electrical service. In general, the lower the voltage level of service required by the
15 customer, the greater the cost of providing service since additional equipment is
16 necessary to deliver lower voltage service. The following table describes each service
17 level of the electric system.

Voltage Level	Level Description
A	Generation
B-1	Step-up Substation
B-2	High Voltage Transmission Lines (>115 kV)
C-1	Substations Transforming from High Voltage Transmission Line (>115 kV) to Subtransmission Voltage (<69 kV)
D	Subtransmission Voltage Lines (<69 kV)
C-2	Substations Transforming from High Voltage Transmission Line (>115 kV) to Primary Distribution Voltage (<25 kV)
E	Substations Transforming from Subtransmission Voltage Lines (<69 kV) to Primary Distribution Lines (4-25 kV)
F	Primary Distribution Lines (4-25 kV)
G	Secondary Distribution (<1 kV)

1 Step 3, *classification*, differentiates the levelized functional investment and expenses
2 based on the three primary cost drivers: demand related, energy related, and customer
3 related. These are identified by the characteristics of the investment and expenses within
4 each function and level. Each of these three cost drivers has its own separate and
5 appropriate allocation methodology to apportion respective costs to the associated
6 jurisdiction, customer class, and rate group.

7 a) *Demand related*: Costs that are incurred to serve customers’ peak requirements
8 for electricity. This generally refers to costs incurred by the Company to provide
9 the capacity necessary to serve the customers’ peak kilowatt (“kW”) loads
10 (demands) throughout the year. Demand-related costs are classified at Levels A
11 through G.

12 b) *Energy related*: Costs that vary with the amount of energy utilized by the
13 customer. These costs are comprised primarily of production fuel and variable
14 operations and maintenance (“VO&M”) expenses, which vary with the kilowatt-
15 hours (“kWh”) consumed by the customers. Energy-related costs are classified
16 at Level A.

1 c) *Customer related*: Costs that are associated with establishing service to
2 customers but are independent of customers' kW and kWh consumption. This
3 generally refers to the costs incurred by the Company to attach a customer to the
4 distribution system and be ready to serve that customer, and for customer
5 metering, customer billing, and certain administrative costs. Some customer-
6 related costs may vary directly with the number of customers to be served, while
7 others are a fixed requirement necessary for a distribution system regardless of
8 the quantity of usage. Customer-related costs are classified at Levels F and G.

9 Step 4, *direct assignment*, associates specific costs and revenues with specific customers
10 or rate groups. Finally, step 5, *allocation*, apportions the common costs of service among
11 rate groups and requires the development of allocators.

12 III. COST CLASSIFICATION OF THE DISTRIBUTION SYSTEM

13 Q. PLEASE DESCRIBE WHAT IS MEANT BY A MINIMUM DISTRIBUTION
14 SYSTEM ("MDS").

15 A. MDS is based on the fact that in order to simply connect a customer to the power system,
16 a minimum amount of facilities and equipment are necessary. These minimum
17 distribution facilities, along with meters and service drops, make up the plant investment
18 portion of customer-related costs. The distribution facilities in excess of the minimum
19 are classified as demand-related costs because they relate to capacity.

20 The MDS represents the Company's readiness to serve a customer as opposed to the
21 capacity needed to meet a customer's peak demand requirements. The costs associated
22 with the readiness to serve are independent of how much electricity a customer
23 consumes; thus, MDS costs are classified as customer-related cost components. The
24 MDS does not represent the costs of capacity necessary to meet a customer's peak load
25 requirements. The portion of the total costs of these facilities that provide capacity to
26 meet customers' peak load requirements is classified as a demand-related cost
27 component.

1 **Q. HOW DID THE COMPANY DEVELOP THE COST ALLOCATORS IN THIS**
2 **CASE?**

3 A. Development began with the collection and analysis of load research data. The Company
4 collected and then analyzed data regarding the number of customers and their respective
5 demand and energy sales by voltage level of service, as well as territorial supply and
6 system energy and demand losses. These demands by rate group occurred at the times
7 of the Company's monthly coincident peaks ("CP") and non-coincident peaks ("NCP").
8 System power flows were modeled through the various voltage levels of the system.
9 This analysis produced the "12-CP," "4-CP," and "NCP" demand allocators, the kWh
10 "energy" allocators, and the "number of customers" allocator.

11 **Q. PLEASE ELABORATE ON HOW THE COMPANY DEVELOPED ENERGY**
12 **AND DEMAND ALLOCATORS FOR THE VARIOUS VOLTAGE LEVELS OF**
13 **SERVICE.**

14 A. Balanced system power flows for demand and energy were developed through a model
15 that computes total system losses for each voltage level, which the Company refers to as
16 the power flow process. The power flow process took the total energy sales at secondary
17 distribution, Level G, multiplied them by the loss percentage at Level G, and then
18 combined the calculated losses and sales. The resulting amount was then added to the
19 sales at primary distribution, Level F, and this new total was in turn multiplied by the
20 loss percentage at Level F. This power flow calculation process was further applied at
21 each level up through the transmission system to generation, Level A. The cumulative
22 level sales and losses were then compared to the actual generation output. To the extent
23 there was a difference between the total loss adjusted sales and generation output, the
24 model adjusted the loss percentages at each level and repeated the process outlined above
25 until the sum of the losses at each level matched the total system losses and a balanced
26 power flow was achieved.

27 These total system loss percentages were then applied separately to the energy sales of
28 each rate group to compute each rate group's loss adjusted sales at each voltage level.

1 The aggregation of each group's energy sales and losses up through the system to Level
2 A provided the basis for developing the energy allocator for VO&M costs. Since VO&M
3 costs occur at the generation (territorial input) level, basing the energy allocator on the
4 rate groups' loss adjusted sales at Level A results in a fair and equitable allocation of the
5 energy-related costs.

6 The Company used a similar process to calculate the 12-CP and 4-CP demand allocators.
7 By contrast, the NCP demand allocators for Levels F and G were developed using the
8 loss percentages calculated by the monthly CP demand flow since there is no territorial
9 input for NCP with which to balance.

10 **Q. PLEASE EXPAND ON THE 12-CP AND NCP ALLOCATOR CONCEPTS.**

11 A. The demand of customers can be described in many ways. A 12-CP demand is used as
12 an allocator in the cost-of-service study where capacity is built to support the common
13 or coincident load of customers in every month of the year. A 12-CP demand is defined
14 as the sum of the highest kW load for the Company in each month of the 12-month
15 period divided by twelve. At the jurisdictional, class or rate group level, 12-CP is the
16 respective coincident demands at the time of the monthly system peaks. Using this
17 allocator ensures that the coincident load burden placed on the system by a jurisdiction,
18 class or rate group is allocated an appropriate share of the costs of the system. The use
19 of this concept has been strengthened by the fact that the Company is now planning for
20 both summer and winter reliability constraints. The summer and winter reliability
21 planning of the Company further underscores that no one month or season is adequate
22 at representing the coincident impact of customers on system capacity.

23 The NCP demand is the highest demand occurring for each rate group during the year.
24 The NCP allocators more accurately reflect the characteristics of customer loads at the
25 primary and secondary distribution levels and more closely approximate how the
26 Company plans and operates these functional areas of the distribution system. This
27 method was used to allocate distribution demand costs at Level F (primary distribution)
28 and Level G (line transformers and secondary distribution).

1 **Q. HAS THE 12-CP METHOD BEEN USED IN PREVIOUS PROCEEDINGS**
2 **BEFORE THIS COMMISSION OR BEFORE FERC?**

3 A. Yes. The 12-CP allocation methodology was first used by the Company in Docket No.
4 3840 (filed in April 1989), where it was accepted by the Commission and reflected in its
5 order. Since 1989, the 12-CP allocation methodology has been used in all subsequent
6 cost of service studies filed by the Company with this Commission. In addition, 12-CP
7 has been one of FERC's preferred allocation techniques for determining wholesale
8 jurisdictional obligations, and it has been used by the Company in its filings before
9 FERC. It has proven to be a common and popular allocation technique employed in
10 numerous retail filings before many state commissions throughout the United States. It
11 is a straight-forward methodology, has a strong cost causative relationship, and has a
12 history of providing stable and sound results.

13 **Q. WHERE IS THE 12-CP ALLOCATOR APPLIED IN THE COST-OF-SERVICE**
14 **STUDIES?**

15 A. A major application of 12-CP is to allocate production capital cost. It is also used for a
16 portion of transmission capital cost (e.g., step-up substations) allocation.

17 **Q. PLEASE DESCRIBE HOW PRODUCTION-RELATED OPERATIONS AND**
18 **MAINTENANCE COSTS WERE ALLOCATED.**

19 A. Production-related operations and maintenance ("O&M") running costs (i.e., VO&M)
20 were allocated on the basis of the customer's annual energy consumption, adjusted for
21 losses. Fuel costs were directly identified on a rate basis and were directly offset by fuel
22 revenue since the costs and revenues associated with fuel are handled in proceedings
23 outside of a base rate case proceeding. Production-related O&M demand costs were
24 allocated using the 12-CP methodology.

1 **Q. PLEASE EXPLAIN HOW TRANSMISSION-RELATED CAPITAL COSTS**
2 **WERE ALLOCATED.**

3 A. Like production-related and other costs, transmission-related capital costs were
4 allocated in the manner in which they are incurred. With the exception of step-up
5 substations (otherwise known as generation step-up transformers or “GSUs”), which are
6 linked to and allocated in the same manner as production-related costs, transmission
7 costs are incurred based upon the need for transmission capacity. Transmission capacity
8 requirements are a function of system load requirements along with a consideration of
9 ambient temperatures, and the bulk power flow needs.

10 **Q. HOW DO AMBIENT TEMPERATURES AFFECT TRANSMISSION**
11 **CAPACITY?**

12 A. The load carrying capability of the transmission system is inversely related to ambient
13 temperatures. Thus, the higher the temperature, the lower the load carrying capability of
14 a given line conductor, substation breaker, etc. The converse is also true, i.e., the lower
15 the temperature, the higher the load carrying capability. Temperatures across Georgia
16 Power’s transmission system are distinctly seasonal. Given sufficient transmission
17 capacity during the hot summer months, the transmission system will effectively realize
18 a significantly greater transmission capability during the colder winter months.
19 Furthermore, load growth during the summer period will have a greater influence on the
20 need for additional transmission capacity than would a comparable load growth in the
21 winter months. Consequently, to reflect the seasonal nature of transmission costs, some
22 form of a summer peak period allocator is appropriate. In this study, as in prior cost-of
23 service studies filed with the Commission, the summer peak period allocator is based on

1 an average of the coincident peak loads for the four summer months of June, July,
2 August, and September. This is referred to as the 4-CP allocation method.

3 **Q. DO ALL TRANSMISSION-RELATED COSTS HAVE THIS TEMPERATURE**
4 **SENSITIVITY THEREBY JUSTIFYING A SOLE USE OF THE 4-CP**
5 **CONCEPT?**

6 A. No, not all transmission costs are this temperature sensitive. The 4-CP method is not
7 applicable to step-up substation facilities, and the 4-CP method is only partially
8 applicable to bulk power transmission-related capital costs.

9 **Q. WHY IS THE 4-CP METHOD NOT APPLICABLE TO STEP-UP**
10 **SUBSTATIONS?**

11 A. Power is generated at low voltage and high current, but it is transmitted most efficiently
12 at a higher voltage and lower current. The step-up substations provide this voltage
13 transformation function (i.e., they prepare the generated power for efficient higher
14 voltage transmission) but they do not provide for the transfer of power from one
15 geographical area to another. The last point is further evidenced by the fact that step-up
16 substations exist only at generating plant sites and all generating plants have step-up
17 substations. Consequently, it is appropriate to allocate the capital costs associated with
18 step-up substations in the same manner as the capital costs associated with the generating
19 plants, which these substations directly support. Thus, the Company utilizes the 12-CP
20 allocation method for allocating the cost of step-up substations.

21 **Q. WHY IS THE 4-CP METHOD ONLY PARTIALLY APPLICABLE FOR THE**
22 **ALLOCATION OF BULK POWER TRANSMISSION-RELATED CAPITAL**
23 **COSTS?**

24 A. To exclusively use the 4-CP method to allocate these costs would not give appropriate
25 consideration to the planning and operating interrelationship that exists between the bulk
26 power transmission system and the generating plants. In general, the bulk power
27 transmission system carries the generated power to the load centers through a network

1 system. To this end, production plant generation helps support bulk power flows,
2 provides voltage support and frequency maintenance, and imparts a certain inertial
3 stability to the power flows across the transmission system. The transmission system
4 helps support generation by tying generating units together for reliability and stability
5 purposes and provides a dynamic medium for the delivery of power across the system
6 through a grid connected to many alternate power sources and paths. While peak loads
7 may have the greater impact on transmission planning, it is also important to recognize
8 this very real relationship between generation and bulk power transmission facilities.
9 Consistent with prior cost-of-service studies that the Company has filed with the
10 Commission, the bulk power transmission system costs have been allocated using a 20
11 percent / 80 percent weighted average of the 12-CP / 4-CP allocators. Lower voltage
12 service levels of the transmission function are allocated upon the 4-CP or NCP allocators
13 depending upon specific voltage service level.

14 **Q. HOW WERE THE DISTRIBUTION-RELATED CAPITAL COSTS**
15 **ALLOCATED WITHIN THE COST-OF-SERVICE STUDY?**

16 A. Distribution-related costs were first segregated between costs that are directly related to
17 the requirements of setting up a customer for service (customer costs), and those costs
18 that are directly related to the customers' load requirements (demand costs), as
19 previously discussed. As in prior proceedings before this Commission, customer-related
20 costs were allocated based on the average number of customers. Depending upon the
21 voltage level of service, distribution demand-related capital costs were either allocated
22 on the 4-CP methodology or the rate group's NCP demands.

23 **Q. WHY IS THE NCP METHOD APPROPRIATE TO ALLOCATE**
24 **DISTRIBUTION COSTS AT LOWER DISTRIBUTION LEVELS?**

25 A. The NCP method is based on determining cost responsibility for each rate group on the
26 basis of the rate groups' maximum NCP demands rather than their contribution to the
27 system peak. This allocator is particularly appropriate at the lower service levels of
28 distribution service, which is comprised of primary lines, line transformers, and

1 secondary lines, since the capital costs at these levels are essentially designed to serve
2 the rate group's maximum NCP loads.

3 **Q. HAS THIS NCP ALLOCATION METHOD BEEN USED PREVIOUSLY?**

4 A. Yes, it has been used in the Company's filings since the 1990's and is still appropriate
5 for this filing.

6 **Q. IN THIS COST-OF-SERVICE STUDY, HOW HAVE YOU ALLOCATED**
7 **COSTS FOR GEORGIA POWER'S REAL-TIME PRICING ("RTP")**
8 **CUSTOMERS AND LOAD?**

9 A. RTP rates differ from other electric service rates in that RTP rates consist of an
10 embedded rate portion (which is priced under a standard rate schedule), plus a marginal
11 or incremental portion (which is priced based upon hourly marginal costs). With regard
12 to developing RTP load allocators, the Company's approach has been consistent for
13 every GPC rate case since 2004. The Customer Baseline Load ("CBL"), which is priced
14 using embedded rates, was included in the load allocators. The revenues and expenses
15 associated with incremental RTP sales were directly assigned to the RTP customers.

16 Allocating and assigning all appropriate embedded and marginal costs and revenues to
17 the RTP rates are necessary to ensure a clear measure of the rate of return on investment.
18 We have done this by allocating embedded production and transmission costs to the RTP
19 customers based on their CBL load. We also allocated embedded distribution costs on
20 their total load, consistent with our approach for all embedded firm service load. We
21 then assigned total RTP revenue as well as the marginal costs of production and
22 transmission to the RTP customers. These marginal costs include system lambda costs,
23 marginal reliability costs, marginal transmission costs, and marginal cost of system
24 losses. Assigning marginal cost to RTP customers results in a commensurate reduction
25 in embedded cost to serve non-RTP rates. This produces an accurate accounting for the
26 costs associated with serving RTP customers and the revenue collected from serving that
27 load.

1 **Q. DO YOU BELIEVE THIS IS THE CORRECT COST TREATMENT FOR RTP?**

2 A. Yes. Because incremental RTP prices are based on marginal cost and not embedded cost,
3 it would not be appropriate to allocate embedded production and transmission costs to
4 incremental RTP load. To do so by possibly including incremental RTP load in the
5 embedded production and transmission cost allocation would violate the premise of
6 marginal costing upon which incremental RTP prices are based (i.e., RTP prices would
7 no longer be based upon marginal costing).

8 **V. COST-OF-SERVICE STUDY OUTLINE**

9 **Q. PLEASE EXPLAIN THE GENERAL MAKE-UP OF EACH COST-OF-**
10 **SERVICE STUDY.**

11 A. Page (i), the index, provides a listing of schedules that designate the three major sections
12 of the cost-of-service study. Section 1 presents the summary of the results of the cost-
13 of-service study by the rate groups. Section 2 presents the detailed allocation of
14 investment, revenues, and expenses to the two jurisdictions (retail and wholesale) and to
15 the rate groups within the retail jurisdiction. Section 3 shows the Company's power flow
16 diagram and the service level designations used throughout the study.

17 **Q. PLEASE ELABORATE ON THE INFORMATION PRESENTED IN SECTION**
18 **1 OF THE COST-OF-SERVICE STUDY.**

19 A. Section 1 presents, in summary form, the results of the cost-of-service study for Georgia
20 Power for the designated period. Schedule 1.00, also known as the Summary Page,
21 shows the Company's total rate base, revenues, expenses, and net income separated
22 between regulatory jurisdictions, and then within the retail jurisdiction, between the rate
23 groups. Schedule 1.00 presents the Company's earnings position based on present rates,

1 Schedule 1.02 shows the allocation of cash working capital, and Schedule 1.05 develops
2 the allocation of income taxes.

3 **Q. WHICH SECTION OF THIS STUDY DESCRIBES THE INVESTMENT**
4 **ALLOCATION?**

5 A. In Section 2, Schedules 2.00 through 2.03 present the investment allocations. On
6 Schedules 2.00 and 2.01, gross plant investment and accumulated provision for
7 depreciation are analyzed and allocated to the respective rate groups identified in the
8 heading at the top of the page. Schedules 2.02 and 2.03 set forth other items that must
9 be considered in developing the Company's total rate base. These items are analyzed
10 and allocated to the various rates and rate groups as indicated by the notes contained
11 within each schedule.

12 **Q. WHICH SCHEDULES IN THIS STUDY PRESENT THE ANALYSIS OF**
13 **REVENUES AND THE ALLOCATION OF EXPENSES?**

14 A. Schedule 2.10 presents the analysis of revenues from sales and other operating revenues.
15 Schedules 2.20 through 2.40 contain the expense allocations and are presented in a
16 format similar to the schedules describing the investment allocation. Schedule 2.60
17 presents a listing of the allocators used in and referenced throughout the cost-of-service
18 study.

19 **Q. WHAT IS SHOWN IN SECTION 3 OF THE COST-OF-SERVICE STUDY?**

20 A. Section 3 is a power flow diagram that shows the designation of electric service levels.
21 The power flow diagram illustrates the various paths on which electricity flows through
22 the Georgia Power system. These paths are indicated on the chart by vertical lines. The
23 horizontal lines represent various points within the system established for the purpose
24 of classifying investment and expenses and for identifying the various types of facilities
25 used in providing electric service. The letter designations of service levels on the left
26 side of the diagram are a means of identifying the investment and expenses with
27 customers and customers' loads at these established points. These levels are referred to

1 in the study on numerous occasions. Through the use of these service levels, one can
2 identify a customer's service location and their relative use of the Georgia Power system.
3 This, in turn, allows for the proper identification and association of system cost
4 responsibility with customer service requirements at the respective service levels.

5 **VI. CONCLUSION**

6 **Q. ARE THE ALLOCATED COST-OF-SERVICE STUDIES FILED IN THIS**
7 **PROCEEDING APPROPRIATE FOR USE BY THIS COMMISSION?**

8 A. Yes. The studies accurately reflect the Company's embedded cost to serve and can be
9 used to assess the cost to serve the retail jurisdiction, evaluate the adequacy of rate
10 groups in covering their costs, and provide costs by rate group that can be used to design
11 cost-based proposed rates. In addition, these studies are similar to and consistent with
12 the allocated cost-of-service studies the Company has previously filed with this
13 Commission.

14 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

15 A. Yes, it does.

1 MR. HEWITSON: And also for the record, Madam
2 Chair, I would identify Mr. Evans' prefiled exhibits
3 as Georgia Power Company's Exhibits GPC-27 through
4 GPC-34. I think I got that right.

5 MADAM CHAIR PRIDEMORE: So moved, so marked.

6 (The documents referred to were marked for
7 identification as GPC Numbers 27 through 34.)

8 BY MR. HEWITSON:

9 Q Mr. Legg, on June 24th of this year, did you
10 prefile or cause to be prefiled 18 pages of direct testimony
11 in question-and-answer format?

12 A (Witness Legg) Yes.

13 Q Mr. Legg, you did not file any exhibits; is
14 that correct?

15 A (Witness Legg) That's correct.

16 Q Are there any corrections that you need to make
17 to your prefiled testimony?

18 A (Witness Legg) Just -- just what Mr. Evans
19 mentioned; and there would be some resulting very, very,
20 very small changes to some of the numbers and NFRs, the
21 recovery riders, but again, no impact -- no change to the
22 revenues we filed, no significant impact to any of those
23 minimum filing retirement documents.

24 Q Okay. With that in mind, if I were to ask you
25 the same questions today under oath, would your answers be

1 the same as set forth in that prefiled testimony?

2 A (Witness Legg) Yes.

3 MR. HEWITSON: Madam Chair, the court reporter
4 has been given a copy of Mr. Legg's testimony, and I
5 now ask the testimony of Mr. Legg be copied into the
6 record as if given here today.

7 MADAM CHAIR PRIDEMORE: So moved, so marked.

8 (Whereupon, the prefiled direct testimony
9 of Mr. Larry T. Legg follows:)

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**DIRECT TESTIMONY OF
LARRY T. LEGG
ON BEHALF OF
GEORGIA POWER COMPANY**

DOCKET NO. 44280

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS**

2 A. Larry T. Legg, Director of Pricing and Rates for Georgia Power Company (“Georgia
3 Power” or the “Company”), 241 Ralph McGill Boulevard, Atlanta, Georgia 30308.

4 **Q. MR. LEGG, PLEASE SUMMARIZE YOUR EDUCATION AND**
5 **PROFESSIONAL EXPERIENCE.**

6 A. I graduated from Mercer University in 1988 with a bachelor’s degree. I joined Georgia
7 Power in 1990 in the Customer Service organization. From 1990 to 2018, I held various
8 staff and managerial positions in Customer Service, Sales, Software Development,
9 Revenue Accounting, Pricing and Rates, and Market Planning. During this period, I
10 attended Georgia State University and earned a Master of Business Administration
11 degree in 1997.

12 I was named Rate Design Manager for Georgia Power in 2003 where I led the
13 development of Rate Design for the Company’s 2004 base rate case. In 2006, I was
14 named Manager of Market Planning for Georgia Power, where my responsibilities
15 included leading the preparation of the Company’s load, energy and revenue forecast,
16 as well as economic evaluation of Demand Side Management (“DSM”) and marketing
17 programs.

1 In February 2018, I was named to my current position of Director, Pricing and Rates
2 for Georgia Power. In this role, my responsibilities include administering the
3 Company's Rates, Rules, and Regulations as well as overseeing the billing operations
4 for our largest Commercial and Industrial customers. I am also responsible for
5 administering the Georgia Territorial Electric Service Act of 1973, as it applies to
6 Georgia Power. Additionally, I direct the Company's development and implementation
7 of new tariffs to meet our customers' current and evolving energy needs. Finally, I am
8 responsible for the development of the prices and tariff designs that the Company
9 proposes in rate case filings.

10 **Q. MR. LEGG, HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE**
11 **COMMISSION?**

12 A. Yes. I previously testified regarding rate design in the Company's 2019 base rate case
13 in Docket No. 42516. Additionally, while serving as the Manager of Market Planning,
14 I testified before the Georgia Public Service Commission ("Commission") in Docket
15 Nos. 24505, 27800, 31081, 31082, 34218, 36498, 36499, 40161, and 40162.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. The purpose of my testimony is to describe the Company's proposed rate design
18 changes and why they are an appropriate allocation of the increase requested in this
19 filing, while also outlining how the proposed rate design benefits customers and helps
20 meet their evolving needs.

21 **Q. PLEASE DESCRIBE GEORGIA POWER'S CURRENT TARIFF PORTFOLIO**
22 **AND HOW IT MEETS CUSTOMERS' EVOLVING NEEDS.**

23 A. Georgia Power takes pride in being an industry leader that offers an innovative and
24 robust portfolio of rate options that meet our customers' evolving energy needs. Indeed,
25 to help meet the needs of all our 2.7 million customers, the Company currently offers
26 a diverse portfolio of approximately 40 individual electric service base rate options,

1 with multiple options available for customers of differing sizes and classes. These
2 options include a variety of rates that encourage customers to shift load, which helps
3 optimize system operations and reduce costs for the benefit of all customers, as well as
4 programs that incentivize customers to curtail load to help maintain and enhance
5 system reliability.

6 The Company's ability to offer this diverse portfolio of rate options to meet customers'
7 needs is directly based on Georgia's constructive regulatory environment and the
8 forward-thinking policies of the Commission. Through these rates, Georgia Power
9 continues to provide customers with electricity at prices that are well below the national
10 average. The Company's ability to provide customers with low prices, coupled with a
11 wide variety of rate offerings, is also a key factor in the Company's success in
12 consistently achieving high levels of customer satisfaction, which in turn helps the state
13 of Georgia continue to be one of the most attractive places in which to live and do
14 business.

15 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

16 A. My testimony addresses five subject areas and is organized as follows:

- 17 • Section II (pages 4 to 8) discusses the application of the proposed rate increase;
- 18 • Section III (pages 8 to 13) discusses the proposed changes to existing pricing
19 programs and tariffs;
- 20 • Section IV (pages 13 to 14) discusses the proposed wording changes to the Rules
21 and Regulations, tariffs and riders;
- 22 • Section V (pages 15 to 16) discusses proposed tariffs to close or eliminate; and
- 23 • Section VI (pages 16 to 18) discusses proposed new tariffs and pricing options.

1 **II. APPLICATION OF THE PROPOSED INCREASE**

2 **Q. HOW IS THE COMPANY PRESENTING ITS PROPOSED TARIFF**
3 **CHANGES IN THIS CASE?**

4 A. Consistent with prior cases, the Company has filed its proposed tariffs in three ways –
5 the current tariffs, the current tariffs with the proposed changes shown in track changes,
6 and clean copies of the proposed tariffs. Copies of the new and revised tariffs are
7 contained in Minimum Filing Requirement (“MFR”) F–1, which can be found in
8 Appendix Volume 1, Exhibit 1 of this filing.

9 **Q. WHAT IS THE TEST PERIOD FOR THE COMPANY’S FILING?**

10 A. The Company filed all MFRs on a split test year basis. Specifically, the test year covers
11 the period beginning August 1, 2022, and ending July 31, 2023.

12 **Q. IS THE COMPANY PROPOSING TO CONTINUE THE EXISTING**
13 **ALTERNATE RATE PLAN IN THIS PROCEEDING?**

14 A. Yes. As discussed in the panel testimony of Mr. Abramovitz, Ms. Adams, Mr. Houston,
15 and Mr. Robinson, the Company is seeking to continue the Alternate Rate Plan
16 (“ARP”) with certain modifications. Specifically, the Company proposes changing
17 base rate tariffs for traditional base revenue items by initiating a one-time, levelized
18 increase of \$739 million for the three-year rate order. The Company also proposes an
19 increase of \$63 million through the Environmental Compliance Cost Recovery
20 (“ECCR”) tariff. Additionally, the Company is proposing a \$30 million increase
21 through the Demand Side Management (“DSM”) tariffs consistent with the amount
22 requested in the DSM Certification Docket No. 44161. These increases, along with a
23 higher percentage of revenues collected from service within municipalities, result in an
24 additional \$20 million collected through the Municipal Franchise Fee (“MFF”) tariff.
25 Through these changes, the Company is proposing a total increase of \$852 million
26 effective January 1, 2023.

1 All customer impacts discussed in my testimony are based on the Company's ARP
2 proposal. These impacts include proposed adjustments to base tariffs as well as to the
3 ECCR and DSM tariffs. They also include the effect of rate increases on the MFF tariff.

4 **Q. WHAT PROCESS DID THE COMPANY USE TO APPLY THE PROPOSED**
5 **\$739 MILLION INCREASE TO TRADITIONAL BASE RATE TARIFFS?**

6 A. The Company applied the proposed increase to each traditional base rate on an equal
7 percentage basis. The requested increase in this filing has been applied so that
8 generally, the energy, demand, and basic service charge components of the base rates
9 have all been adjusted equally. However, the Company did not apply any increase to
10 the basic service charges for the tariffs that had this component adjusted to the full
11 amount of the customer-related costs in the 2019 base rate case. The Company made
12 minor changes to some rate steps in order to balance to the requested base rate increase.
13 In addition, the Company made an adjustment to account for revenue erosion resulting
14 from the Renewable and Non-renewable ("RNR") tariff monthly netting pilot and, as
15 ordered in the 2019 base rate case, the allowance of customers previously not qualified
16 for the Time of Use Food and Drink ("TOU-FD") tariff onto the program.

17 **Q. PLEASE DESCRIBE THE CHANGES TO THE ECCR TARIFF AS PART OF**
18 **THE ARP.**

19 A. As stated above, the Company is proposing to update the ECCR tariff. The ECCR tariff
20 recovers capital and operations & maintenance ("O&M") expenses associated with
21 government-mandated environmental costs, including the recovery of Asset
22 Retirement Obligations ("ARO") costs associated with Coal Combustion Residuals
23 ("CCR") compliance activities. Under the ARP, the ECCR tariff will be modified with
24 an increase of \$63 million effective January 1, 2023. Following this initial increase,
25 additional incremental increases of \$78 million and \$47 million will be applied to the
26 ECCR tariff to become effective January 1, 2024, and January 1, 2025, respectively.
27 These subsequent increases to the ECCR tariff are solely for the collection of projected

1 CCR ARO costs in 2024 and 2025, which is consistent with the methodology approved
2 by the Commission in the 2019 base rate case. Under the ARP, the Company will file
3 its update to the ECCR tariff on the first day of October in 2023 and 2024, to be
4 effective January 1 of 2024 and 2025, respectively. Consistent with how it is applied
5 today, the ECCR tariff will continue to apply on an equal percentage basis to all
6 standard base tariffs. It will also continue to apply to the Customer Base Line (“CBL”)
7 portion of Real Time Pricing (“RTP”) bills and 65% of Fixed Pricing Alternative
8 (“FPA”) and Electric Arc Furnace (“EAF”) base bill calculations.

9 **Q. IS THE COMPANY PROPOSING TO CONTINUE THE DSM TARIFFS AS**
10 **PART OF ITS ARP?**

11 A. Yes. The proposed DSM tariffs reflect the DSM-related costs that the Company
12 proposed in its 2022 DSM certification proceeding in Docket No. 44161, as well as the
13 true-up of DSM revenues required for variances in DSM costs and revenues in 2021.
14 In the Company’s ARP, the DSM tariffs are designed to collect an additional \$30
15 million in 2023. The appropriate DSM tariff (Residential or Commercial) will continue
16 to apply on an equal percentage basis to all standard base tariffs for Residential and
17 Commercial customer bills. In keeping with how the tariff works today, it will continue
18 to apply to the CBL portion of RTP bills and 65% of FPA bills for Commercial
19 customers on those tariffs. Under the ARP, the Company will update this tariff each
20 October 1, to be effective January 1 of the following year.

21 **Q. WILL THE COMPANY UPDATE THE MFF TARIFF ANNUALLY IN THE**
22 **ARP?**

23 A. Yes, if an update is needed, the Company will update the MFF tariff annually. The
24 Company may update the MFF tariff with the proportionate share of revenues collected
25 within municipalities with whom we have franchise agreements. This will be done in
26 conjunction with the Company’s annual compliance filing for the ECCR and DSM
27 tariffs as referenced in previous questions. The updated MFF tariff will take effect

1 January 1 of the following year. The update will reflect the split between revenues
2 collected from inside city limits, on the one hand, and outside city limits, on the other,
3 based on the most recent twelve months of actual data. As proposed, the MFF tariff
4 will collect an additional \$20 million in 2023 and will continue to apply as a percentage
5 of total revenues, including the revenues generated from all tariffs incorporated into the
6 standard base tariffs (which include, without limitation, the DSM, FCR, ECCR, and
7 NCCR tariffs). The percentage that is ultimately applied to total revenues will depend
8 upon customer location (i.e., whether the customer is located inside or outside the limits
9 of a city with which the Company has a franchise agreement).

10 **Q. WHAT IS THE IMPACT OF THE COMPANY'S PROPOSED RATE**
11 **INCREASE ON EACH OF THE EIGHT RATE GROUPS?**

12 A. As proposed in the Company's ARP, the average increase on an after-fuel basis across
13 all rate groups is approximately 10.2% in 2023 (including ECCR, DSM and MFF). The
14 bill impact for a typical residential customer using an average of 1,000 kilowatt hours
15 per month is \$14.32. The impact to each of the Company's eight rate groups on an
16 after-fuel basis is as follows:

Rate Group	2023 Bill Impact*
Domestic	11.4%
Small Business	12.0%
Medium Business	10.9%
Large Business	9.8%
Agriculture	10.5%
Government / Institution	9.9%
Outdoor Lighting	12.3%
Marginally Priced	6.3%

17 *All impact percentages include the effects of base rate increases and updated ECCR, DSM and MFF tariffs.

1 The variation in percentage increases is due, in part, to the differences in the ratio of
2 fuel costs to the total bill for each group. Moreover, consistent with existing practice,
3 the base rate increase is not applied to incremental RTP usage.

4 For years 2024 and 2025, the projected average increases for the adjustments to rates
5 for CCR ARO compliance costs, DSM, and MFF (as discussed above) are
6 approximately 1.2% and 0.5% respectively, with estimated monthly bill impacts for a
7 typical residential customer of \$1.35 and \$0.62.

8 **III. PROPOSED CHANGES TO EXISTING PRICING PROGRAMS**
9 **AND TARIFFS**

10 **Q. IS GEORGIA POWER PROPOSING ANY CHANGE TO EXISTING PRICING**
11 **PROGRAMS AND TARIFFS?**

12 A. Yes. The Company is proposing changes to the following programs and tariffs:
13 Residential Service (“R”), FlatBill (“FLAT”), FlatBill General Service (“FLAT-GS”),
14 Income-Qualified Senior Citizen Discount program, Roadway Lighting Governmental
15 (“RLG”), Demand Plus Energy Credit (“DPEC”), RNR, Community Solar (“CS”), and
16 Simple Solar (“SS”).

17 **Q. PLEASE EXPLAIN THE COMPANY’S PROPOSED CHANGES TO THE R**
18 **TARIFF.**

19 A. The Company proposes to modify the R tariff to make the rate unavailable to newly
20 constructed residential premises that are established on Georgia Power’s system after
21 December 31, 2022. This proposal is the logical next step in the Company’s ongoing
22 efforts to encourage residential customers to move toward more modern rate structures.
23 As initially discussed in the Company’s 2019 base rate case, utilities across the country
24 are proactively moving away from more antiquated volumetric rate designs (such as
25 the R tariff) and toward more modern rate designs that send price signals that more
26 appropriately reflect the cost of service.

1 Since the beginning of 2020, Georgia Power has proactively promoted its wide variety
2 of residential rate options to help and encourage customers to choose the rate that best
3 meets their needs when establishing service. As a result, customer adoption of
4 alternative residential rate options such as Smart Usage (“TOU-RD”), Plug-in Electric
5 Vehicle (“TOU-PEV”), Pay by Day (“PBD”) and FlatBill has increased significantly.
6 Indeed, the number of residential customers who have chosen to participate in a time-
7 of-use rate has increased by more than 250%. Many customers have demonstrated both
8 a demand and preference for these rate plans. By closing the R tariff to new premises,
9 the Company will continue to transition new residential accounts onto other rates
10 within the Domestic Group that better align with the cost to serve customers. Again,
11 the R tariff will remain available to existing residential premises on Georgia Power’s
12 system that established service prior to January 2023.

13 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED CHANGES TO THE**
14 **FLAT AND FLAT-GS TARIFFS.**

15 A. The Company proposes to increase the minimum monthly offer for new FlatBill
16 customers on both the FLAT and FLAT-GS tariffs from \$25 to \$50. The \$25 minimum
17 monthly offer has not been revised since the FlatBill program was introduced in 2001.
18 The new minimum monthly offer of \$50 is generally equivalent to the original
19 minimum (i.e., \$25 in 2001) after adjusting for historical changes to the Company’s
20 rates. As such, the increase to \$50 would put the minimum monthly offer amount on
21 par with the original minimum reflected in today’s dollars.

22 The updated minimum offer would only apply to new participants signing up for the
23 FlatBill programs. Existing FlatBill customers, whose current monthly bill or renewal
24 amount is less than the \$50 minimum, would be grandfathered and allowed to remain
25 in the program.

1 **Q. PLEASE EXPLAIN THE COMPANY’S PROPOSED CHANGES TO THE**
2 **INCOME-QUALIFIED SENIOR CITIZEN DISCOUNT PROGRAM.**

3 A. In support of Georgia Power’s long-standing commitment to maintain affordability for
4 senior citizens who are financially challenged, in this ARP, the Company is proposing
5 to continue its Income-Qualified Senior Citizen Discount program and increase the
6 credit provided under the program by an amount equal to the proposed increase to the
7 R tariff monthly basic service charge. This will offset the proposed increase to the fixed
8 residential monthly basic service charge for qualifying customers. Consistent with how
9 costs are allocated today, the Company will continue to allocate the cost of the Income-
10 Qualified Senior Citizen Discount program among the rates of the Domestic Rate
11 Group.

12 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED UPDATES TO THE**
13 **DPEC RIDER.**

14 A. The Company proposes to modify the DPEC rider by updating the energy credits and
15 demand values in Part I of the rider to reflect updated costs. DPEC is a voluntary
16 program for large customers who are willing to provide at least 200 kilowatts (kW) of
17 demand reduction during extreme supply and demand conditions on the Company’s
18 system. The credit values in the DPEC rider are not updated in the same manner as
19 traditional base tariffs because the DPEC credits are not based upon the Company’s
20 revenue requirement. Rather, the demand credit is calculated based on a projection of
21 generation capacity costs over the next three-year period, and the energy credit is
22 derived from the three-year forecasted average of the top 100 hours’ marginal cost of
23 energy less the 2021 average industrial price.

24 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED CHANGES TO THE**
25 **RLG TARIFF.**

26 A. The Company is proposing several changes to the RLG tariff to (1) clarify the existing
27 fixture options, (2) expand and clarify the available pole options, and (3) close one

1 fixture to future customer enrollments. These changes will enable the Company to
2 continue offering an array of LED options for roadway lighting requirements that serve
3 the needs of governmental customers.

4 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED CHANGES TO THE**
5 **RNR TARIFF.**

6 A. The Company proposes to make two modifications to the RNR tariff that will clarify
7 the participation qualifications of the monthly netting pilot and revisions to the
8 Additional Costs section for new RNR applicants. Currently, the RNR-Monthly
9 Netting pilot includes limitations that exclude participation if customers are enrolled
10 on certain tariffs or in other renewable programs. The Company is adding language to
11 clarify that, consistent with current practice, these limited exclusions also prohibit
12 customers on the RTP tariffs from participating in the monthly netting portion of RNR.
13 Customers on RTP can continue to participate in the RNR-Instantaneous Netting
14 program, but the monthly netting program is not a feasible option for RTP customers
15 due to the dynamic, hourly pricing of energy purchases. Additionally, the Company
16 proposes to eliminate the Witness Testing cost of \$5/kW AC and to include a one-time
17 Interconnection Fee for new RNR applicants. The Company proposes this fee in order
18 to cover the costs of interconnection review, meter installation and programming,
19 witness testing for generators under 250 kilowatts, and the costs associated with
20 processing interconnection applications.

21 **Q. IS THE COMPANY PROPOSING TO EXPAND THE AVAILABILITY OF**
22 **THE MONTHLY NETTING PILOT WITHIN THE RNR TARIFF?**

23 A. No, as previously communicated during the Company’s 2022 Integrated Resource Plan
24 (“IRP”) proceeding, the Company does not propose to expand the monthly netting pilot
25 beyond the existing 5,000-customer program. As identified earlier in my testimony, the
26 Company has made an adjustment of approximately \$1.4 million to account for the
27 base revenue erosion associated with the monthly netting cost shift. In addition, the

1 Company has expressed several other concerns, including (1) operational concerns
2 with an increase in unplanned variable energy resources, (2) the infiltration of
3 aggressive and uninformed solar marketers misinforming customers, and
4 (3) noncompliance with the Company's rules, regulations, and program requirements
5 for interconnection of behind the meter generation. The Company will continue to
6 evaluate the impacts of the monthly netting pilot and provide updates to the
7 Commission and Commission Staff.

8 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED CHANGES TO THE CS**
9 **RIDER.**

10 A. In the 2022 IRP, the Company proposed two changes to the existing Community Solar
11 program that are included in the updated CS tariff with this filing. First, the Company
12 proposed to update the pricing for the existing Community Solar Charge from \$24.99
13 to \$27.99 per 1 kilowatt block in order to ensure that participants are not subsidized by
14 non-participants. Second, the Company has requested to expand the opportunity to
15 participate in Community Solar to customers on the General Service ("GS") tariff,
16 which provides opportunities for an additional 170,000 residential, commercial, and
17 industrial customers to support solar energy in Georgia. Pricing for the new GS
18 Community Solar participants will be set at \$29.99 per 1 kilowatt block.

19 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED UPDATES TO THE SS**
20 **RIDER.**

21 A. The Company proposed multiple changes to the Simple Solar program in the 2022 IRP
22 that are reflected in the updated tariff with this filing. These changes include an
23 adjustment to the pricing to reflect updated market prices and the elimination of the
24 Large Volume Purchase Option. Any existing customers who enter into a Large
25 Volume Purchase Option before the end of 2022 will be grandfathered, and their
26 agreements will be honored. Going forward, the Company has proposed an alternative

1 program for large volume purchases in the 2022 IRP that would replace this option
2 within the SS rider and will take effect in 2023 if approved.

3 **IV. PROPOSED CHANGES TO THE RULES AND REGULATIONS,**
4 **TARIFFS AND RIDERS**

5 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO ITS RULES AND**
6 **REGULATIONS, TARIFFS AND RIDERS?**

7 A. Yes. The Company is proposing changes in the Rules and Regulations, as well as
8 various tariffs and riders to help improve readability, consistency, and clarity. These
9 changes are all set forth in the redline versions of the Rules and Regulations, tariffs and
10 riders included in MFR F-1 of this filing.

11 **Q. PLEASE PROVIDE EXAMPLES OF THE PROPOSED CHANGES TO THE**
12 **RULES AND REGULATIONS, TARIFFS AND RIDERS.**

13 A. Many of the updates to the Rules and Regulations, tariffs and riders are wording
14 changes to help improve consistency and provide clarity for the reader. Other changes
15 include:

- 16 • Updating the applicability sections of certain tariffs,
- 17 • Modifying section F of the Rules and Regulations to clarify certain policies,
- 18 • Updating section G of the Rules & Regulations in order to clarify requirements
19 for behind-the-meter generators, and
- 20 • Updating certain customer charges to better align with costs.

21 **Q. WHY IS THE COMPANY MODIFYING ITS POLICIES IN SECTION F OF**
22 **THE RULES AND REGULATIONS?**

23 A. The Company is modifying its payment and service policies in section F to help make
24 those policies more transparent to customers. These additions are meant to help protect

1 all customers from higher costs that could result from legal claims against the
2 Company.

3 **Q. PLEASE EXPLAIN THE CHANGES TO THE CUSTOMER GENERATION**
4 **SECTION OF THE RULES AND REGULATIONS.**

5 A. The Company has proposed new language to clarify when a customer-owned generator
6 is required to undergo witness testing and would be responsible for the appropriate fees
7 associated with this testing. The anticipated impact of this change is to reduce the
8 number of instances that require witness testing going forward. The Company is also
9 proposing to introduce a one-time \$200 interconnection fee that will be required for all
10 customers proposing to interconnect a customer generating facility to the Georgia
11 Power system. This fee is designed to recover costs associated with supporting the safe
12 and reliable interconnection of a customer-generator to the system and helps ensure
13 that such costs are not borne by all other customers.

14 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED CHANGES TO**
15 **CERTAIN CUSTOMER CHARGES.**

16 A. To more closely align with the actual expense, the Company is proposing to increase
17 the charge for underground residential distribution service found in section C10 of the
18 Rules and Regulations. Currently, the Company obtains a one-time payment of \$1,000
19 for each underground service point connection. This amount does not adequately cover
20 the cost differential to install underground service; therefore, the Company proposes to
21 increase the charge to \$1,200. In order to mitigate the impacts to home builders in the
22 state, the Company proposes to implement this increase with a one-year delay, with the
23 new price becoming effective January 1, 2024.

1 **V. PROPOSED TARIFFS TO CLOSE OR ELIMINATE**

2 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED CHANGES TO THE**
3 **POWER & LIGHT HIGH LOAD FACTOR (“PLH”) TARIFF.**

4 A. The Company proposes to eliminate the PLH tariff as there are currently no customers
5 on the tariff. The PLH tariff has a very narrow applicability and previously had only
6 one customer taking service on this rate. As a result, no current customers will be
7 impacted by the elimination of this tariff and the Company will continue to offer a
8 variety of pricing options to large business customers.

9 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED CHANGES TO THE**
10 **TIME OF USE – RESIDENTIAL ENERGY (“TOU-REO”) TARIFF.**

11 A. The Company proposes to close the TOU-REO tariff to new customers beginning
12 January 1, 2023, to help streamline the Company’s tariff portfolio and avoid customer
13 confusion. The TOU-REO tariff, which was established in 1994, was the Company’s
14 initial time of use pricing option for residential customers. Since that time, however,
15 the Company has introduced two additional residential time of use rates from which
16 customers can choose. The first is the Plug-in Electric Vehicle rate, which promotes
17 load shifting to off-peak and overnight hours. This benefits all customers by smoothing
18 the Company’s load shape and improves the economics of electric vehicle (“EV”)
19 ownership. The second is the Smart Usage rate, which combines time-of-use energy
20 with a demand charge, thereby giving customers the most accurate price signals while
21 providing three opportunities to save (shifting usage out of on-peak times, staggering
22 appliance use to reduce demand, and simply using less energy). Therefore, by closing
23 the TOU-REO tariff, customers will avoid the confusion that could arise from having
24 three competing time of use tariff options.

1 **Q. WILL CUSTOMERS ON TOU-REO BE NEGATIVELY IMPACTED BY THE**
2 **CLOSING OF THE TARIFF?**

3 A. No. The Company is proposing to grandfather all existing TOU-REO customers and
4 allow them to remain on the rate as long as they maintain electric service at their current
5 residence. As such, current TOU-REO customers will not be negatively impacted by
6 the closing of the tariff.

7 **Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED CHANGES TO THE**
8 **SOLAR PURCHASE (“SP”) TARIFF.**

9 A. The Company is proposing to eliminate the SP tariff. The Commission approved the
10 closure of the SP tariff in 2016 and, since then, the Company has replaced the tariff
11 with more current renewable options. All customers who participated in the SP tariff
12 have transitioned off the program, and as such, no customers will be impacted by its
13 elimination.

14 **VI. PROPOSED NEW RIDERS AND PRICING OPTIONS**

15 **Q. IS GEORGIA POWER PROPOSING ANY NEW RIDERS OR PRICING**
16 **OPTIONS?**

17 A. Yes, the Company is proposing to introduce one new rider (Charge It – Electric Vehicle
18 (“CIEV”)), as well as a new pricing option within an existing tariff (Time of Use –
19 Supplier Choice (“TOU-SC”)). The Charge It rider will support public commercial EV
20 charging. The new option within the Supplier Choice tariff is designed for new
21 customers who qualify for a choice of electric supplier based upon the large load
22 exception in the Territorial Act.

23 **Q. PLEASE DESCRIBE THE NEW CHARGE IT RIDER.**

24 A. Through Charge It, Georgia Power is supporting the rapidly expanding EV market with
25 a program that is tailored to provide affordably priced electric service and to encourage

1 the growth of EVs in our state. The Charge It rider will modify how the Power & Light
2 tariffs price commercial EV charging loads. Specifically, the new Charge It rider will
3 modify the monthly billing demands by using Billing Demand Adjustment Factors as
4 specified in the tariff. Charge It is a temporary rider that will expire either at the end of
5 48 months or when the rolling 12-month load factor for the account reaches 15% or
6 greater – whichever comes first. Participation in Charge It is available to new,
7 separately metered charging loads that are served on Georgia Power’s system after
8 January 1, 2023.

9 **Q. PLEASE DESCRIBE THE NEW PRICING OPTION WITHIN THE TIME OF**
10 **USE – SUPPLIER CHOICE TARIFF.**

11 A. The Company is proposing an additional pricing option for new customers who qualify
12 for the choice of electric supplier based on the large load exception in the Territorial
13 Act. This new Supplier Choice option establishes a monthly charge called the Monthly
14 Access Charge (“MAC”). This customer-specific component of the tariff will be
15 calculated by the Company based on the cost to serve the customer’s load and location
16 and shall meet the Company’s financial requirements. Once established, this charge
17 will be subject to future base rate modifications as ordered by the Commission – similar
18 to other traditional base tariff pricing components. In addition to the MAC, customers
19 who elect to take service under this pricing option will purchase 100% of their energy
20 at Real Time Pricing-Day Ahead prices.

21 **Q. PLEASE EXPLAIN WHY THE COMPANY IS NOT PROPOSING NEW**
22 **TARIFFS AS PART OF THIS CASE FOR THE PROGRAMS PROPOSED IN**
23 **THE COMPANY’S 2022 IRP.**

24 A. The Company has proposed a variety of customer programs in the 2022 IRP that may
25 require tariffs to support the implementation. However, the final structure and design
26 of these programs could be modified through the IRP process; therefore, it would be

1 premature to propose tariffs at this time. The Company will file the appropriate tariffs
2 based upon the approved programs at a later date.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 **A. Yes.**

1 MADAM CHAIR PRIDEMORE: Before we have them
2 read their -- their synopsis of their testimony, I
3 made a mistake and started without taking up a
4 housekeeping matter.

5 Commissioner McDonald, we have got something
6 that we need to address.

7 COMMISSIONER MCDONALD: Thank you, Madam Chair.
8 Just the fact that as we move into the evening, let's
9 remember Lieutenant Governor Jeff Duncan and his
10 family. His mother's funeral is this evening at 6:00
11 in Cumming, Georgia. Thank you.

12 MADAM CHAIR PRIDEMORE: Thank you, Commissioner
13 McDonald. Absolutely.

14 MR. HEWITSON: Well, and with that, may I have
15 the witnesses summarize their testimony, Madam Chair?

16 MADAM CHAIR PRIDEMORE: Please go forward.

17 MR. HEWITSON: Mr. Evans.

18 MR. EVANS: Good afternoon, Madam Chair and
19 commissioners. I appreciate the opportunity to be
20 here today.

21 I am appearing on behalf of Georgia Power as
22 its cost-of-service witness to present and explain
23 the cost-of-service studies filed by the company in
24 this proceeding.

25 The cost-of-service study is a key element of

1 the ratemaking process and serves as a bridge between
2 the test period accounting data and the design of
3 customer rates. An accurate cost-of-service study
4 will determine the cost of providing electricity to
5 certain groups of customers and do so based on sound
6 cost-causation principles.

7 With this information, the Commission can
8 review an earnings -- a utility's earnings and
9 evaluate the corresponding revenue and the costs
10 associated with rates within the Commission's
11 jurisdiction.

12 The overall objective of a cost-of-service
13 study is to assign or allocate costs fairly and
14 equitably to all customers. This objective is met
15 when the cost-of-service study reflects principles of
16 cost causation by allocating costs to those customers
17 who caused the cost to be incurred.

18 The methodologies employed and recommended in
19 the company's cost-of-service study are based upon
20 sound, accepted principles evidenced by the fact that
21 they are recognized in NARUC's Cost Allocation Manual
22 and they are some of the most widely-accepted cost
23 allocation procedures in retail jurisdictions.

24 For many years, Georgia Power's filed
25 cost-of-service studies have included demand-related

1 allocations based on the reasonable spectrum of
2 coincident peak and non-coincident peak methods.
3 These methodologies mirror how the company must plan
4 and construct equipment to serve the growing demands
5 from our customers. Georgia Power must be prepared
6 to handle the healthy growth of the state of Georgia
7 and satisfy subsequent peak load requirements
8 throughout the year.

9 Our allocators are founded on this continual
10 requirement to serve, as exemplified by the
11 allocation of generation costs upon an average of the
12 12 monthly coincident peaks, or 12-CP.

13 Since 1989, the 12-CP allocation methodology
14 has been used in cost-of-service studies filed by the
15 company with this Commission to allocate generation
16 costs. In addition, the 12-CP has been one of FERC's
17 commonly-accepted allocation techniques for
18 determining wholesale jurisdictional obligations.
19 And it has been used by the company in its filings
20 before the FERC.

21 In conclusion, Georgia Power cost-of-service
22 methodologies used in the studies filed in this
23 proceeding are objective, sound, and appropriate for
24 the characteristics of electric services the company
25 provides to its various customer groups. They are

1 objective, not favoring any one particular group.
2 These methodologies have been consistently applied
3 and approved in numerous filings before this
4 Commission. They remain as correct and relevant
5 today as they did in prior cases because they
6 continue to reflect how Georgia Power constructs its
7 highly reliable system.

8 These studies provide a complete and accurate
9 cost of providing service based upon sound
10 cost-causation principles. I recommend that they be
11 accepted by this Commission.

12 Thank you for your time and consideration.

13 MR. LEGG: Good afternoon, Madam Chair and
14 commissioners. Thank you for the opportunity to be
15 here today. The purpose of my testimony is to
16 describe the company's proposed rate design changes
17 and explain why they are an appropriate allocation of
18 the increase requested in this filing. I also
19 outline how the proposed rate design benefits our
20 customers and meets their evolving energy needs.

21 Georgia Power takes pride in being an industry
22 leader that offers an innovative and robust portfolio
23 of rate options to help meet our customers' energy
24 needs.

25 To help meet the needs of all 2.7 million of

1 our customers, the company provides approximately 40
2 individual electric service base rates with multiple
3 options available for customers of differing sizes
4 and customer classes.

5 These options include a variety of rates that
6 encourage customers to shift load, which helps
7 optimize system operations and reduce costs for the
8 benefit of all customers, as well as programs that
9 incentivize customers to curtail load to help
10 maintain and enhance system reliability.

11 These options also provide customers with the
12 opportunity to lower their electric bill. This
13 Commission's constructive approach to regulation and
14 forward-thinking policies enable the company to offer
15 its customers this diverse portfolio of rate options.

16 Through these rate offerings, Georgia Power's
17 customers enjoy electricity prices that are below the
18 national average. These low prices, coupled with our
19 wide variety of rate offerings, yield high levels of
20 customer satisfaction that, in turn, support
21 Georgia's ranking as one of the most attractive
22 places in the country to live and do business.

23 As the energy needs of our customers evolve,
24 the company continues to modernize its rate offerings
25 to ensure our rates are cost reflective and account

1 for changes in the way customers use energy,
2 including their use of technology.

3 Modern rate designs that send more appropriate
4 price signals will help customers make the most
5 economical decisions, while also ensuring that those
6 choices don't unduly impact other customers.

7 This rate request will also ensure that the
8 company is able to collect the revenues needed to
9 maintain the high level of customer service,
10 satisfaction, and reliability our customers deserve
11 and expect.

12 To help send the correct price signals, the
13 company is proposing to continue to modify its rates
14 to increase fixed cost recovery to levels more in
15 line with the cost to serve our customers. My
16 prefiled testimony further addresses these changes.

17 As the panel of Mr. Abramovitz, Ms. Adams,
18 Mr. Houston, and Mr. Robinson testified, the company
19 is seeking to continue the alternate rate plan with
20 certain modifications. Specifically, Georgia Power
21 requests an increase to base rates on a levelized
22 basis of \$889 in 2023 with additional step increases
23 of 107 million in '24 and 45 million in '25.

24 The company applied the proposed increase to
25 each traditional base rate on an equal percentage

1 basis so that generally the energy, demand, and basic
2 service charge components of the base rates have all
3 been adjusted equally.

4 However, the company is not proposing an
5 increase to the basic service charge for tariffs to
6 have this component adjusted to the full amount of
7 the customer-related cost in the 2019 base rate case.
8 The company also proposes minor changes to some rate
9 steps to balance to the requested rate increase.

10 Finally, the company made an adjustment to
11 account for cost shifting resulting from the
12 renewable and nonrenewable tariff monthly netting
13 pilot and, as ordered in the 2019 base rate case, the
14 allowance of customers previously not qualified for
15 the Time of Use Food and Drink tariff onto the
16 program.

17 The company is also proposing changes to
18 several tariffs. For example, to further the goal of
19 moving to a more modern rate design, the company is
20 proposing to make the residential service tariff
21 unavailable to newly constructed residential
22 premises.

23 As initially discussed in the company's 2019
24 rate case, this is the logical next step in the
25 company's ongoing efforts to encourage residential

1 customers to move toward more modern rate structures
2 that align with the company's fixed and variable
3 costs to serve with the fixed and variable components
4 of our customer rates.

5 In addition, the company proposes to increase
6 the minimum monthly offer for FlatBill customers on
7 both FlatBill tariffs from \$25 to \$50, which is
8 generally equivalent to the original minimum
9 established in 2001 after adjusting for the
10 historical changes to the company's rates since then.

11 The company also proposes to increase the
12 credit provided in the Income-Qualified Senior
13 Discount program by an amount equal to the proposed
14 increase in the residential tariff monthly basic
15 service charge.

16 With respect to its renewable development
17 programs, the company's proposed changes to the RNR
18 tariff to clarify participation qualifications of the
19 monthly netting program and to replace the \$5 per kW
20 witness testing fee with a one-time interconnection
21 fee for new customer generators up to 250 kW.

22 As the company presented in the 2022 IRP, we
23 are proposing to increase the existing community
24 solar charge from 24.99 to 27.99 per 1 kW block to
25 ensure that nonparticipants are not subsidizing

1 participants.

2 The company has also proposed to expand
3 participation in the community solar program to
4 customers on the General Service Tariff for a price
5 of 29.99 per 1 kW block.

6 Finally, the company is proposing to modify
7 Simple Solar pricing to reflect updated market prices
8 and eliminate the large volume purchase option, which
9 will now be incorporated in the company's new FlexREC
10 program that the Commission approved in the IRP.

11 Georgia Power has made a few other changes in
12 its rules and regulations, as well as in some tariffs
13 and riders, to improve readability, update the
14 applicability of certain tariffs, clarify certain
15 current policies, clarify behind-the-meter generator
16 requirements, and to revise certain customer charges
17 to better align with costs.

18 To streamline the company's tariff portfolio
19 and avoid customer confusion, the company proposes to
20 close the Time of Use-Residential Only rate, also
21 known as Nights and Weekends, to new customers
22 beginning January 1st, 2023. However, we will
23 continue to offer residential customers two other
24 Time of Use rate options, the Plug-In Electric
25 Vehicle Rate as well as the Smart Usage rate.

1 The company is also proposing to eliminate the
2 power and light high load factor tariff due to lack
3 of participation in the solar rate tariff because of
4 customer transition to newer rates.

5 The company is pleased to introduce the new
6 Charge It Electric Vehicle Rider, which will support
7 public commercial EV charging service providers and
8 encourage the growth of EVs in our state. The Charge
9 It rider will initially reduce monthly billing
10 demands by 80 percent for the first 12 months, then
11 the monthly demand charge reduction will step down in
12 years two, three, and four. Charge It is a temporary
13 rider that will expire after 48 months. It will be
14 available to new separately metered charging loads
15 that are served on Georgia Power's system after
16 January 1st, 2023.

17 Finally, the company will also be introducing
18 the Time of Use Supplier Choice Monthly Access Charge
19 option, which is designed for new customers who
20 qualify for a choice of electric supplier under the
21 large load exception of the Territorial Act.

22 Customers on this option will pay a fixed monthly
23 access charge based on cost to serve the customer's
24 load and location and will purchase 100 percent of
25 their energy at Real Time Pricing Day Ahead prices.

1 In summary, the changes Georgia Power has
2 proposed will allow the company to address the
3 evolving energy needs of our customers. The company
4 must continue to modernize its rate offerings to be
5 cost reflective, take advantage of new technology,
6 and adjust to changing customer behaviors. These
7 changes are key to providing excellent service to our
8 customers now and in the future.

9 The changes we propose to our rate designs will
10 allow us to continue offering a diverse portfolio of
11 rate options to meet the energy needs of our
12 customers and maintain our leadership in the
13 industry.

14 Thank you.

15 MR. HEWITSON: Madam Chair, Mr. Evans and
16 Mr. Legg are available for questions from the
17 Commission as well as cross-examination.

18 MADAM CHAIR PRIDEMORE: Thank you,
19 Mr. Hewitson.

20 Questions from commissioners?

21 (No Response.)

22 MADAM CHAIR PRIDEMORE: Okay. Georgia Public
23 Service Commission.

24 CROSS-EXAMINATION

25 BY MR. THOMAS:

1 Q Good afternoon, panel. Preston Thomas on
2 behalf of PIA staff.

3 A (Witness Legg) Good afternoon.

4 A (Witness Evans) Good afternoon.

5 Q Regarding the company's proposed changes to its
6 rules and regulation section G.3, the company proposes to
7 require that customer generation must also have a local
8 communications interface that supports information exchange
9 with and controlled by the company.

10 What operational parameters of on-site customer
11 generation, predominantly rooftop solar, would the company
12 have control over with this proposed modification?

13 A (Witness Legg) I don't -- I don't know that I
14 can answer that. When -- you said section G.3?

15 Q I believe it's section G.3. Is that the wrong
16 reference?

17 A (Witness Legg) No, that's the right one. I
18 see it here.

19 Q Okay.

20 A (Witness Legg) Yeah. And I think actually,
21 Mr. Robinson talked about this a little bit yesterday when
22 he was discussing how important it is for the company to
23 have visibility into all of the different distributed energy
24 resources that are going to be coming on the system in the
25 future. I think that's what this is a reference to. He is

1 the one who has much more expertise on operating the system
2 and an engineering background than I do. So...

3 Q Okay. So I understand you don't know exactly
4 how it would operate. Do you know if customers with
5 existing on-site generation installed prior to the adoption
6 of these rules and regulations would be required to meet
7 these new requirements?

8 A (Witness Legg) I do not.

9 Q Okay. I would like to move to the proposed
10 interconnection fee for Georgia Power customers wanting to
11 install solar facilities in their home or business behind
12 the meter. They typically signed up for the renewable and
13 nonrenewable -- the RNR tariff. Correct?

14 A (Witness Legg) Yes.

15 Q Okay. And Georgia Power's proposing to remove
16 the \$5 kilowatt hour charge for witness testing and instead
17 have a \$200 interconnection fee, and that's going to be in
18 the rules and regulations; correct?

19 A (Witness Legg) Right. The \$5 per kW fee was
20 in the RNR tariff, and we have actually moved the
21 interconnection fee to the rules and regs.

22 Q Okay. Am I correct to say that the average
23 amount that customers paid under the \$5 kilowatt hour was
24 around \$35 for witness testing?

25 A (Witness Legg) I don't know what the average

1 was. I assume 35 would assume about a 7 kW system on a
2 rooftop. So that may be the case.

3 What we are trying to do here, and actually in
4 section G.4 of the rules and regs -- looking at the redline
5 version -- it actually outlines what the \$200
6 interconnection fee would cover. The company has had a
7 witness test fee for a while, but we have had additional new
8 charges come along as the program has expanded
9 significantly.

10 We actually outline what the \$200 would cover
11 here. An interconnection feasibility review, identification
12 of potential impact to company lines or equipment,
13 applicable metering and metering programming. Internal
14 technology system, software and applications specifically
15 used in the process of interconnection. And then system
16 witness testing would also be included.

17 So it's really a fee that's going to cover not
18 only the witness testing that was occurring before, but also
19 additional costs that have come onto the system that aren't
20 recovered otherwise in rates anywhere else. So that's the
21 basis for the request.

22 Q And is the company proposing to move this to
23 the rules and regulations because it will apply to customers
24 other than those that just sign up for the RNR tariff?

25 A (Witness Legg) That's my understanding. As it

1 states here in the rules and regs, "All customers proposing
2 to interconnect customer generation facility shall pay
3 one-time interconnection fee." So, yes, it would apply to
4 anyone interconnecting to the system.

5 Q And regarding the company's Fixed Price
6 Alternative tariff, or the FPA tariff, did the company make
7 any new FPA offers to customers in 2021 or 2022?

8 A (Witness Legg) No, we have not. Like we have
9 done a few times in the past, that tariff actually states
10 that it will be offered periodically to customers on the
11 real time -- it's really an off-ramp for customers who are
12 on RTP, have been on RTP for a while, and for whatever
13 reason -- it may be volatility of pricing or some other
14 reason, they would like to move to another tariff. And so
15 the tariff actually states the company can offer that
16 periodically from time to time.

17 There have been a few times in the past we
18 haven't offered it; but like you stated, in '20 and '21,
19 because of some uncertainty around certain issues, we have
20 not offered it.

21 Q Okay. So I'm sorry, you may have stated this,
22 but just to make sure I understand, will it be offered to
23 customers again?

24 A (Witness Legg) I would imagine it would be
25 offered to customers again. Again, the tariff states

1 periodically, at the company's discretion, it's offered. So
2 we certainly plan to offer it again. We think it's a good
3 alternative for customers who are coming off of RTP.

4 Q Okay. I would like to ask a few questions
5 about the Charge It Electric Vehicle Rider.

6 A (Witness Legg) Yes.

7 Q The company's requesting approval for a new
8 rider called Charge It Electric Vehicle. According to the
9 company, the CIEV rider is meant to support public
10 commercial EV charging expansion by offering reduced billing
11 demand cost to new separately metered charging loads for up
12 to 48 months, and that the company filed a corrected version
13 of the tariff in their errata. And I just wanted to see if
14 you could explain to us the correction.

15 A (Witness Legg) Sure. We made a mistake in
16 actually printing the tariff. We inverted -- it's a -- it's
17 a reduction of the billing demand for new charging
18 locations, new load on charging that actually reduces the
19 billing demand by 80 percent in year one, 60 percent in
20 year two, 40 percent in year three, and then 20 percent in
21 year four.

22 We actually inverted those in the original
23 filing; and so in the corrected one, we corrected them to
24 get them in the right order. It read that we were giving
25 the 20 percent reduction in 40 -- like it was billed in our

1 time, but it's actually the planning over time as the EV
2 charger gets more use.

3 Q And would customers still be able to add EV
4 charger loads to existing tariffs, like RTP?

5 A (Witness Legg) Certainly. Certainly. This is
6 just a new option for new charging locations.

7 Q And why does the company expect this new rider
8 to be successful and why would customers choose this option
9 over existing options?

10 A (Witness Legg) Well, one of the -- one of the
11 things we've heard from charging companies or those
12 installing chargers as feedback is that, you know, as
13 this -- this is a niche market. It's really just
14 developing. We know that we all see EVs on the road, but
15 it's certainly a minority of the cars. It's a very small
16 percentage of the cars on the road these days. But that's
17 expected to change over time.

18 So what we expect is -- what we have heard from
19 charging companies is there is not a lot of public charging
20 going on right now, so it's kind of expensive because you
21 have to put in a sizable investment to put a charging
22 location in. And when not many customers use it, then the
23 price per kilowatt hour can be pretty expensive.

24 This tariff or this rider adjusts one of our --
25 our standard and commercial rates to kind of smooth that

1 glide path of pricing until the market is more mature and
2 more customers are plugging into the charge.

3 Q So has the company seen -- or basing this on
4 similar riders in the market to encourage EV charging loads,
5 have you seen this in other places?

6 A (Witness Legg) We have. We looked at a number
7 of different designs, but I am aware that this has been used
8 in a couple of different jurisdictions in similar type
9 design.

10 Q Have they seen success with that?

11 A (Witness Legg) To my knowledge, they may still
12 be either in the filing or in the pilot stage, so I don't
13 know that there is a final outcome on that yet.

14 Q Okay. So you may not yet, but has the company
15 done any kind of analysis or studies to determine what kind
16 of interest there is in this kind of rider?

17 A (Witness Legg) No specific analysis other
18 than, like I said, just feedback we have received from
19 customers about the concern that prices are high for
20 charging, while the market is still young. So we wanted to
21 try to address that.

22 And you mentioned earlier -- it's worth saying
23 again, I think -- there are a lot of charging stations in
24 our service territory that are on the real time pricing
25 rate, so that may not work for everybody, but we have seen

1 some chargers have success on RTP as well. So it's not the
2 only pricing option. It's just one more that we want to
3 offer as this market grows.

4 Q And will this rider shift costs to other
5 customers as a result of discounting the billing demand?

6 A (Witness Legg) It will not. As a matter of
7 fact -- well, as stated in the tariff, it's only for new
8 charging loads. So there are no existing revenues that
9 would be foregone with the reduction of the billing demand.

10 So there's no lost revenue, if you will, to
11 make up from other customers. So since it's only for new
12 customers, as we do with other rate designs, we run an
13 economic analysis on it to make sure it passes what we call
14 the ratepayer impact measure test. You're familiar with
15 that test, of course, from the IRP on our DSM programs. We
16 run the same type of test.

17 And the program actually, as designed, would
18 pass the ratepayer impact measure test, which really
19 indicates that new load coming onto this will put downward
20 pressure on everyone's rates over time.

21 Q And so shifting our focus to rate design, can
22 you tell me why the company didn't design your rates on what
23 the company is actually proposing in this case, a
24 \$739 million increase for year one?

25 A (Witness Legg) Are you talking about the

1 minimum filing requirements?

2 Q That's right.

3 A (Witness Legg) Yes. The minimum filing
4 requirement actually states that it has to be based on a
5 test period. I assume that's what you are asking about, the
6 test period filing.

7 Q That's right, the 312.

8 A (Witness Legg) Yeah. That's how the company
9 has always filed this, because the MFR specifically states
10 it has to be based on the test period. So that's what's
11 based here. We have answered some other data requests, I
12 believe, that shows some additional information based on
13 2023 rate design.

14 Q Okay. Can I get you to turn to page 7 of the
15 Legg testimony. And are the percentages increase by rate
16 group based on the company's \$739 million base rate increase
17 or your calculated rates, which are the \$312 million?

18 A (Witness Legg) Are you talking about the table
19 by rate group on line 16 and 17?

20 Q That's correct.

21 A (Witness Legg) Yes. These are actually based
22 on the -- these are based on the test period.

23 Q Okay.

24 A (Witness Legg) We have calculated updated
25 numbers as well. We know what the impacts are on them.

1 Q You do?

2 A (Witness Legg) Yes.

3 Q Have those been provided to staff?

4 A (Witness Legg) I don't know if they have or
5 not, but we certainly can.

6 MR. THOMAS: To the extent that they haven't, I
7 would request a hearing request on that.

8 MADAM CHAIR PRIDEMORE: It's granted.

9 MR. THOMAS: Thank you.

10 BY MR. THOMAS:

11 Q Am I correct that new premises that connect to
12 the company's system after January 1, 2023, will not be able
13 to be served under the traditional two-part residential rate
14 that is comprised of a customer charge and an energy charge?

15 A (Witness Legg) Yes. That's -- as I mentioned
16 in my summation, the company is requesting that for newly
17 constructed premises -- want to make that distinction.
18 We're not just talking about -- some customers might think,
19 oh, if I move from one home to another, that's a new home or
20 a new account. We are talking about new construction. So
21 newly-constructed homes or apartments. Anyone who moves to
22 one of those, that the Residential Service tariff would not
23 be an option for those customers.

24 Q All right. Turning to page 8 of your
25 testimony, starting around line 19. I would like to ask you

1 a question. You state that your proposal is a logical next
2 step and that utilities across the country are proactively
3 moving away from the more antiquated volumetric designs,
4 such as the R tariff.

5 Are you aware of any investor-owned utility
6 that has mandatory demand charges for residential customers?

7 A (Witness Legg) I believe there are some that
8 have mandatory demand charges. That's not what we are
9 asking for here. What we are saying is, the R tariff
10 wouldn't be available for new premises. That doesn't mean
11 they couldn't select another rate that's available to them.
12 So their only two choices aren't R or our Smart Usage rate,
13 which has the demand charge. There is also the Time of Use
14 Plug In electric vehicle rate. There is prepay.

15 So it's not that we are asking customers --
16 asking the Commission to mandate customers to move to a
17 demand rate. We are just saying we don't -- we don't think
18 the design of the residential rate that's been around since
19 the early 1970s is really a good rate to continue to put
20 people on, because the design's outdated, the world has
21 changed. Customers use technology and energy different
22 ways.

23 And so we think more modern rates are better
24 options for them, especially in a newly-constructed house
25 that would be -- or apartment, it would certainly be

1 constructed to current code, possibly with smart appliances
2 or other new technologies as well.

3 Q Okay. But the demand rate would be the
4 default?

5 A (Witness Legg) It would be the default if they
6 didn't select anything, and that's probably a good point to
7 make here. Beginning in -- I want to say early 2020 --
8 every time a customer calls our call center to set up
9 service, we ask them -- or we have a conversation with them
10 about the different rate options that are available to them.

11 So we've had a lot of success talking to
12 customers about what their rate options are, kind of
13 describing the rates to them, asking them which ones best
14 fit their needs or their lifestyle. And so if they -- if
15 through that conversation they just choose to not select one
16 and say, well, just put me on the default rate, then, yes,
17 that would be the default for these newly-constructed homes.

18 MR. THOMAS: That concludes my questions.

19 Thank you, panel.

20 MADAM CHAIR PRIDEMORE: Americans for
21 Affordable Clean Energy.

22 I want to remind everybody, too, that according
23 to the amended PSO filed August 5th, 2022, on
24 October 20th, Georgia Power will file supplemental
25 direct testimony in the RNR 10 tariff; November 18th,

1 PIA staff and intervenors will file direct testimony
2 on the RNR 10 tariff.

3 Please keep your RNR 10 tariff questions
4 related directly to testimony for these two
5 witnesses. You will have another bite at the apple
6 later.

7 MR. GALLOWAY: Madam Chair, if I could
8 approach. Following your direction yesterday on
9 exhibits, I have all of our exhibits in one file for
10 y'all.

11 MADAM CHAIR PRIDEMORE: Thank you.

12 MR. GALLOWAY: If I can approach everyone.

13 CROSS-EXAMINATION

14 BY MR. GALLOWAY:

15 Q Good afternoon, panel.

16 Mr. Evans, I have no questions for you.

17 A (Witness Evans) Okay.

18 Q Mr. Legg, the breadth of your knowledge and the
19 importance of your reputation precedes you. But I suspect
20 they have been overstated a tad, so I want to go over,
21 first, what you know and what you don't know. And then I
22 won't ask you questions about what you don't know.

23 COMMISSIONER MCDONALD: Be careful, Mr. Legg,
24 it's coming.

25 MR. LEGG: Thank you, Commissioner.

1 BY MR. GALLOWAY:

2 Q Let me introduce myself. I am Newton Galloway.
3 I represent the Americans for Affordable Clean Energy, which
4 is a trade association of fuel providers, consisting of
5 convenience stores, truck stops and others. And obviously
6 they are interested in EV charging. So my questions will be
7 limited to that. And also the CIEV tariff and its -- and
8 its progeny.

9 Mr. Legg, you have been the director of pricing
10 and rates for Georgia Power since 2018; correct?

11 A (Witness Legg) Yes, that's right.

12 Q And certainly before that, you held numerous
13 rate positions leading up to that, including rate design,
14 since 2003; correct?

15 A (Witness Legg) From 2003 to 2006. I actually
16 moved into a market planning role where I was more involved
17 in the IRP from '06 to '18, yes.

18 Q Okay.

19 A (Witness Legg) I was previously in rates and
20 regs.

21 Q And you identified that you are responsible for
22 administering the Territorial Act as applied to Georgia
23 Power; correct?

24 A (Witness Legg) Yes.

25 Q Okay. You have direct responsibility for the

1 development and implementation of any new tariffs that are
2 designed and added to the portfolio to meet customers'
3 evolving energy needs?

4 A (Witness Legg) That's right.

5 Q But you are not on Georgia Power's EV team;
6 correct?

7 A (Witness Legg) That's right.

8 Q All right. The EV team is headed by
9 Ms. Stephanie Gossman; is that correct?

10 A (Witness Legg) Yes.

11 Q All right. And Ms. Gossman's team is
12 responsible for the development, implementation, and
13 administration of Georgia Power's electric transportation
14 offerings?

15 A (Witness Legg) Right.

16 Q Okay. And her team also serves as the project
17 and account manager for third-party electric vehicle
18 charging providers who want to install fast-charging sites
19 in the state?

20 A (Witness Legg) Yes.

21 Q Okay. Now, you have to work directly with
22 Ms. Gossman's team, I would assume, but that would be
23 limited to the development of the tariffs?

24 A (Witness Legg) Well, limited to the
25 development of the tariffs for that portion of the filing.

1 Certainly I work with her from time to time on different
2 things, as anyone in the company would work with colleagues
3 on various projects.

4 Q Is it safe to say that you -- that your
5 position requires at least familiarity with the company's EV
6 policies and programs?

7 A (Witness Legg) General familiarity, yes.

8 Q Okay. But you were not involved with the
9 development of the Make Ready Program?

10 A (Witness Legg) No, I was not.

11 Q You have not been involved with the development
12 of terms and conditions under the Make Ready Program?

13 A (Witness Legg) No. I am familiar with them,
14 but I was not involved in developing them.

15 Q Okay. And you have not been involved with the
16 preparation of contracts for the Make Ready Program?

17 A (Witness Legg) That's correct.

18 Q Is the same applicable to -- all three
19 questions, are those -- would your answers be the same to
20 the Community Charging Program?

21 A (Witness Legg) Yes.

22 Q Okay.

23 A (Witness Legg) I do drive an electric vehicle.
24 I would say that.

25 Q Pardon me?

1 A (Witness Legg) I do drive an electric vehicle.

2 Q So you need charging?

3 A (Witness Legg) I do need charging.

4 Q All right. Is it Ms. Gossman's team that is
5 involved with the development of the Make Ready Program?

6 A (Witness Legg) That's right.

7 Q And is Ms. Gossman's team responsible for the
8 development of the Community Charge Program?

9 A (Witness Legg) Yes.

10 Q Okay. So between your testimony and the
11 testimony yesterday from the Abramovitz panel, we have not
12 had a witness presented by Georgia Power that has specific
13 ability to testify to Make Ready and Community Charging
14 programs?

15 A (Witness Legg) I think it depends on what the
16 question is. Certainly, while not involved in the
17 development, I think Mr. Houston answered some questions
18 yesterday about the programs and, of course, I can -- I am
19 happy to try to answer any I can from my involvement in
20 discussions and knowledge of how those programs work.

21 Q Well, after the experience yesterday, I am --
22 I'm going to let you go light today, Mr. Legg, and limited
23 to just stuff that you know.

24 The company is making a significant and huge
25 effort to participate in the deployment of EVs and EV

1 charging; correct?

2 A (Witness Legg) Yes.

3 Q And EVs represent a significant opportunity for
4 the company to increase its electric sales; correct?

5 A (Witness Legg) Certainly there would be an
6 increase in electric sales. What we are really responding
7 to is customer needs. You have heard Mr. Womack say that
8 the customer is at the center of everything we do. If
9 customers want to drive EVs, we want to be part of that
10 solution for them.

11 Q With regard to that, you are aware that the
12 company, at least in testimony yesterday and its responses
13 to staff DRs, has stated its intent to expand the Make Ready
14 Program with an amount of approximately \$90 million?

15 A (Witness Legg) That's right.

16 Q All right. But in terms of details of how that
17 would be done, in terms of requirements for that, in terms
18 of participation in that program, you are not prepared to
19 testify to that today?

20 A (Witness Legg) You are welcome to ask me
21 questions and I am happy to answer as much as I know and we
22 can defer otherwise.

23 Q Okay. Let's move forward from that. Do you
24 have general information about the prevalence of EVs and EV
25 charging in the state?

1 A (Witness Legg) I do. I'm aware that -- I
2 believe there are about 3,000 EV plugs in the state right
3 now, as far as the prevalence of charging. Georgia Power
4 currently has, I think, 59 EV charging locations. I've used
5 some of them in the past. I've used non-Georgia Power
6 charging locations as well. And I think those 59 locations
7 probably represent maybe in the neighborhood of 150 plugs
8 out of the 3,000 that I mentioned. So I am generally aware
9 of that.

10 Q Are you familiar with data from the Electric
11 Mobility Innovation Alliance, which is a division of the
12 Georgia Department of Economic Development?

13 A (Witness Legg) I am not.

14 Q Okay. Of the 3,000 -- when you say "plug-ins,"
15 there are usually two plugs to a charger; is that correct?

16 A (Witness Legg) Can be. Or there can -- yeah,
17 two plugs to a charger, and there can be multiple chargers
18 to a site or maybe just one charger to a site.

19 Q Of those -- of the 3,000, do you know the
20 division between Level 2 and fast chargers?

21 A (Witness Legg) I do not.

22 Q Okay.

23 A (Witness Legg) Not off the top of my head.

24 Q Okay. And, I'm sorry, how many did you say
25 were in Georgia Power territory?

1 A (Witness Legg) Well, not in Georgia Power
2 territory. Georgia Power's Community Charging, we have 59
3 locations. And so I'm guessing, averaging a little less
4 than three plugs per location, about 150 plugs out of the
5 3,000.

6 Q Okay. And are you aware that there are cell
7 phone applications to identify the location of charging
8 stations throughout the state?

9 A (Witness Legg) Yes.

10 Q And you're aware that those applications also
11 provide the consumer with the rates at the particular
12 chargers?

13 A (Witness Legg) Yes, I believe that some of
14 them do.

15 Q And those -- at least one that I have used,
16 called PlugShare, allows you to even post pictures of
17 yourself at the charger?

18 A (Witness Legg) I have used PlugShare and I
19 have used the pictures to see where the charger is at the
20 location. Hard to find in a parking deck sometimes.

21 Q Let's take a minute to divide electric -- EV
22 charging into segments. Certainly an owner of an EV can
23 make arrangements with Georgia Power -- assuming they're a
24 Georgia Power customer -- to provide for EV charging at
25 their home or residence; correct?

1 A (Witness Legg) You mean install an EV charger?

2 Q Uh-huh.

3 A (Witness Legg) Yes, I mean, customers don't
4 necessarily have to make the arrangements with Georgia
5 Power. They could just buy a charger on the open market and
6 install it in their garage. I have one in my garage.

7 Q They are available for sale on Amazon.

8 A (Witness Legg) They are. And on the Georgia
9 Power Marketplace. We make them available as well.

10 Q Does Georgia Power have any data estimating
11 where -- or what percentage of electric vehicle charging
12 will be done at home?

13 A (Witness Legg) That, I do not know.

14 Q Okay. Does the term -- does the figure
15 80 percent ring a bell?

16 A (Witness Legg) I couldn't say.

17 Q Okay. Georgia Power, to allow customers to
18 charge at home, has a TOU-PEV Tariff No. 10?

19 A (Witness Legg) Yes.

20 Q Okay. And that is a separate service from the
21 standard residential rate at the house?

22 A (Witness Legg) That's right. It's one of our
23 seven residential rate options.

24 Q And do you know how many people are on that
25 tariff?

1 A (Witness Legg) Somewhere between 6- and 7,000.

2 Q Okay.

3 MR. GALLOWAY: Madam Chair, the exhibits that I
4 provided you were anticipation, not knowing exactly
5 the scope of Mr. Legg's testimony. So I can ask
6 y'all to take AACE-6 and move it to the side.

7 BY MR. GALLOWAY:

8 Q And if you would pull out -- Mr. Legg, if you
9 would pull up AACE-7. I want to talk to you now about the
10 segment for public chargers. And there are two prevalent
11 types. The Level 2 charger and the fast charger; correct?

12 A (Witness Legg) Right.

13 Q Now, I'm showing you in AACE-7 a picture of two
14 chargers at one location; correct? And it doesn't matter
15 where the location is necessarily, because --

16 A (Witness Legg) These are both of the same --
17 both these pages are of the same location?

18 Q Yes. One has a view toward the road; one has a
19 view from the road.

20 A (Witness Legg) Right.

21 Q Okay. The charger on the right is a Level 2;
22 correct?

23 A (Witness Legg) Yes.

24 Q And the charger on the left is a fast charger?

25 A (Witness Legg) That's what it looks like, yes.

1 Q Okay. And this charger is located -- it didn't
2 necessarily -- it wasn't necessarily intended to be this
3 way, but these two chargers are located at 1088 Concord
4 Road, Southeast Smyrna, and that is a Georgia Power
5 property.

6 MR. HEWITSON: Are you asking him if he knows
7 if that's a Georgia Power property or are you just
8 providing the context for that?

9 MR. GALLOWAY: No. I am just telling him. It
10 could be anywhere, Steve.

11 MR. HEWITSON: Okay. I didn't know if that was
12 important to the --

13 MR. GALLOWAY: No. The location is not
14 important. Just a quirk. Just happened.

15 MADAM CHAIR PRIDEMORE: There's a sign in the
16 picture that shows it's a Georgia Power location.

17 MR. GALLOWAY: I don't think y'all --

18 MADAM CHAIR PRIDEMORE: Second page.

19 MR. HEWITSON: It was the property location I
20 was asking.

21 MADAM CHAIR PRIDEMORE: Sign says Georgia
22 Power.

23 MR. GALLOWAY: But the location is not that
24 important.

25

1 BY MR. GALLOWAY:

2 Q Mr. Legg, are you familiar with the charging
3 specs for Level 2 or fast chargers?

4 A (Witness Legg) I --

5 Q In other words, how long does --

6 A (Witness Legg) What do you mean by "charging
7 specs?"

8 Q How long does it take to charge, how -- and
9 then we'll talk about, are you familiar with how charging is
10 compensated to the property owner?

11 A (Witness Legg) Yes.

12 Q The charge on?

13 A (Witness Legg) Yes.

14 Q Okay. All right.

15 Can you confirm that the standard voltage for a
16 Level 2 charger is usually about 7.2 kilowatts?

17 A (Witness Legg) I have seen them from 6.6 to
18 7.2, but generally in that range.

19 Q And the time to charge for an EV to get to 60
20 to 70 kilowatts of charge is approximately nine hours?

21 A (Witness Legg) 60 to 70 kilowatt hours?

22 Q Yes.

23 A (Witness Legg) Just doing the math, if it's
24 7.2, then to get to -- sure --

25 Q It would be about nine hours.

1 A (Witness Legg) 72 would be 10 hours, yes, 63
2 would be -- 65 would be 9 hours. Well, and it may be a
3 little different than that. It's not linear. Obviously the
4 fuller your battery gets, the slower the charge gets, so...

5 Q And the Level 2 charger is best suited for
6 places where a student can go to class, somebody can go to
7 work and charge while they are occupied in meetings or in
8 classes?

9 A (Witness Legg) Right. Or a customer can have
10 a charger in their garage and be on the Plug In Electric
11 Vehicle rate and charge overnight.

12 Q And -- but I'm not talking about residential
13 or -- now.

14 A Sure.

15 Q I'm talking about the public chargers.

16 A (Witness Legg) Okay.

17 Q And as a general rule, the charge provider, the
18 electric charger owner is compensated on the basis of time
19 that the car sits there?

20 A (Witness Legg) Right.

21 Q And that's usually, for a Level 2, about a
22 dollar an hour?

23 A (Witness Legg) I have paid a dollar an hour in
24 the past, yes. It can vary.

25 Q And a Level 2's useful life -- Level 2 charger

1 useful life is about 10 years?

2 A (Witness Legg) That sounds about right.

3 Q Okay. Now, let's talk about the specs for the
4 fast charger. Are you familiar with those, just generally?

5 A (Witness Legg) Yes. And I would say anywhere
6 from -- I have seen them from anywhere 60, 65 kW up to, you
7 know, north of 300 kW now.

8 Q Well, I was going to give you a range of 50 kW
9 to 350.

10 A (Witness Legg) Yes.

11 Q If I refer to the term "NEVI" program from DOT,
12 are you familiar with that at all?

13 A (Witness Legg) I've heard the term. I'm not
14 familiar with it, no.

15 Q Do you know whether or not the NEVI program
16 requires that chargers have 150 kW as a minimum?

17 A (Witness Legg) I do not know.

18 Q Okay. The time to charge on a -- an EV on a
19 fast charger from, let's say, zero to 80 percent, is about
20 35 minutes; correct?

21 A (Witness Legg) It could be. It's going to
22 vary depending on how empty your battery is when you plug
23 in. I think I was charging one time for maybe 20 or 25
24 minutes and went from near zero close to 80 percent, just
25 because the battery was empty and charged really quickly for

1 a while. But generally maybe 20, 30, 35 minutes.

2 Q As a general rule, the EV charge owner is
3 compensated on a per-minute charge basis?

4 A (Witness Legg) That's my understanding, yes.

5 Q And usually that comes out to about 25 cents a
6 minute?

7 A (Witness Legg) It could. My car doesn't
8 have -- my car is eight years old. It doesn't have a
9 Level 3 plug.

10 Q Okay.

11 A (Witness Legg) So I only use Level 2.

12 Q And so if we are looking at a fast charger --
13 somebody pulls up to a fast charger and it takes 30 minutes
14 for them to charge, 30 to 35 minutes, they are looking at a
15 cost of about \$8.75 for the time they are in the parking
16 space at the charger?

17 A (Witness Legg) I haven't done the math.
18 Subject to check.

19 Q And the fast charger also has a useful life of
20 about ten years?

21 A (Witness Legg) I --

22 Q Or do you know?

23 A (Witness Legg) I'm not sure on the fast
24 charger.

25 Q Okay. However, as we move toward more

1 deployment of EVs, the reality is, everyone assumes there
2 will be a much greater demand going forward for fast
3 chargers, either the current fast charger or the next
4 succeeding generations?

5 A (Witness Legg) Yes, I would think that's the
6 general thought.

7 Q Okay. And we have particular issues still as
8 we plan for how electric vehicle charging will be done on
9 heavy commercial vehicles like tractor-trailers?

10 A (Witness Legg) Sure.

11 Q Okay. All right.

12 Are you familiar with Georgia Power's contract
13 with ChargePoint for the deployment of EV charging stations
14 at Georgia Power locations?

15 A (Witness Legg) Are you speaking of our
16 community charging locations like the ones in the picture?

17 Q If these are community charging locations -- do
18 you have a contract with ChargePoint for any deployment of
19 EV charging stations?

20 A (Witness Legg) I know we did at one point. I
21 am assuming that contract is still in force. I know that
22 some of the Georgia Power charging locations I've charged at
23 personally are ChargePoint chargers, so I would assume so.
24 That really falls under Ms. Gossman's purview.

25 Q If a Level 2 charger is deployed at, let's say

1 a college or university -- and I have specific data on
2 Georgia State chargers, but let's just use it generically --
3 those chargers, the Level 2 chargers are not separately
4 metered, are they?

5 A (Witness Legg) They could be separately
6 metered, but they may not be separately metered.

7 Q Let's assume for a minute they are not
8 separately metered.

9 A (Witness Legg) Okay.

10 Q Then those chargers, the cost for the
11 electricity to operate those chargers will be included in
12 the school's regular rates and their regular utility bill?

13 A (Witness Legg) Right. If it's behind the
14 meter that meters all the electric usage there, it would go
15 through the same rate.

16 Q All right. The CEIV tariff will not apply to
17 those chargers; correct? An existing charger at a school or
18 business?

19 A (Witness Legg) That's right. It's only for
20 new charging locations, new charging load and separately
21 metered.

22 Q All right. And if a charger is not part of a
23 Make Ready or Community Charge Program, Georgia Power would
24 not have paid for the infrastructure from the meter to the
25 charger?

1 A (Witness Legg) Could you say that again?

2 Q If the charger is not part of the Make Ready
3 Program or the Community Charge Program, Georgia Power would
4 not have paid for the infrastructure from the meter to the
5 charger?

6 A (Witness Legg) That's right. On the customer
7 side of the meter is what you are saying? Yes.

8 Q Behind the meter on the customer side.

9 A (Witness Legg) That's right.

10 Q All right. Now, let me ask you a question -- a
11 couple of questions, if you know, about Georgia Power's own
12 company on fast chargers, please, sir.

13 MR. GALLOWAY: And for those of you who have
14 the exhibit on the low-bar or a folder, you may turn
15 AACE-8 to the side, it will not be needed.

16 (The document referred to was marked for
17 identification as AACE Exhibit 9.)

18 BY MR. GALLOWAY:

19 Q And if you would, Mr. Legg, pull up AACE
20 Number 9. This is a document that the company filed in
21 response to data request in Docket 42516. That's the 2019
22 rate case. The data request is STF PIA 19-1.

23 A (Witness Legg) Yes.

24 MR. GALLOWAY: And if I could digress just a
25 minute, Madam Chair, the data request we were looking

1 at yesterday was 1-1?

2 MR. HEWITSON: 1-1-1.

3 MR. GALLOWAY: Yes. Thank you. Sorry.

4 BY MR. GALLOWAY:

5 Q All right. Now, the -- of course this has got
6 a little bit of age on it, but the question tendered to the
7 company was to provide the location, date of construction,
8 completion, and date placed in service for each of the 51 DC
9 fast chargers. At that time, I assume the staff was under
10 the belief that you had 51 chargers, and that could have
11 expanded by now. And then y'all provided the answer that is
12 shown in attachment STF PIA-19.

13 I am going to assume that you did not prepare
14 this answer.

15 A (Witness Legg) I did not.

16 Q Okay. But if you will look down about half --
17 about two-thirds of the way down, you will see that the
18 chargers on the Georgia Power property at 1088 Concord Road,
19 Smyrna, are identified; correct?

20 A (Witness Legg) Sure.

21 Q All right. All right.

22 Do you know what the terms mean -- obviously
23 "in service date, completion date," are self-explanatory.

24 Do you know what the term "balance as of in
25 service date" means? And to --

1 A (Witness Legg) I'm sorry?

2 Q No, go ahead. Do you know what that terms
3 means? What does the number signify that's in that column?

4 A (Witness Legg) Well, this actually, at the top
5 of the page, says "DC fast charger plant in service," which
6 is an accounting term. This probably would have been a good
7 question for the accounting panel yesterday. I'm not in
8 accounting.

9 Q Okay. So you don't -- you don't know what that
10 means?

11 A (Witness Legg) I'm not going to speculate.

12 Q All right. But now for each of these
13 chargers -- because these are public chargers; correct?
14 Each of these -- each of these 51 identified would be public
15 chargers that anyone can go up and use. They just happen to
16 be owned by Georgia Power.

17 A (Witness Legg) I don't know. The question
18 doesn't say "provide the location, date of construction,
19 completion, and date placed in service" for each of the 51
20 public chargers. It just says "each of the 51 DC fast
21 chargers." So...

22 Q So some portion of these would be public?

23 A (Witness Legg) I would assume.

24 Q Okay.

25 A (Witness Legg) The company certainly has had

1 some chargers on some of its company locations to charge
2 fleet, its own fleet vehicles, in the past that are not
3 available publicly.

4 Q Okay.

5 MADAM CHAIR PRIDEMORE: Mr. Legg, based upon
6 this exhibit, though, are these chargers part of the
7 Make Ready Program or the Community Charging Program
8 or neither, or is it a mix of that with some customer
9 chargers?

10 MR. LEGG: Yes. I -- I don't know that I could
11 say. I would guess, Madam Chair, that they are --
12 most of them are probably part of the Community
13 Charging -- Community Charging Program.

14 MADAM CHAIR PRIDEMORE: Okay.

15 MR. LEGG: I'm assuming the "plant in service"
16 refers to these being on Georgia Power's books, but I
17 couldn't say for sure.

18 MADAM CHAIR PRIDEMORE: Okay.

19 MR. GALLOWAY: Madam Chair, just to follow up
20 on that. Most of these are community chargers.
21 Community Charging Program. There is another data
22 request subsequently that I was going to use that
23 does provide some delineation. Not every one on here
24 is a community charger.

25 MADAM CHAIR PRIDEMORE: Okay.

1 MR. GALLOWAY: The majority of them will be.

2 And I didn't mean to testify, but just cut to
3 the chase, because we -- that's what the data showed
4 in the other DR.

5 BY MR. GALLOWAY:

6 Q Now, because these are company-owned locations,
7 these chargers will not be governed or have to comply with
8 the CIEV tariff?

9 A (Witness Legg) When you say "not be governed
10 or comply with," they won't be charged on the retail Georgia
11 Power tariff if they're owned by the company. That's
12 correct.

13 Q And even if they are new after the effective
14 date of CIEV, which is January 1st of '23, they would not
15 pay a tariff rate under CIEV?

16 A (Witness Legg) That's right.

17 Q Okay.

18 A (Witness Legg) The way that Georgia Power
19 pays, if you will, for the electricity -- we obviously
20 produce the electricity in our power plants -- and it's
21 called -- it is not station -- I am losing the term right
22 here, but it's basically -- if you think about all of our
23 facilities, the buildings around the state where we have
24 offices or we own property, we obviously use electricity
25 that we produce. So it's -- it's just part of the

1 accounting for that electricity.

2 Q Mr. Legg, how does the company account for the
3 cost of electricity to provide -- that is provided to the
4 company's own chargers?

5 A (Witness Legg) You probably need to talk to
6 the accountants about that.

7 Q Okay.

8 A (Witness Legg) But certainly we don't pay
9 ourselves a retail rate because we would just be paying
10 ourselves.

11 Q Would it be correct to say that CIEV, even with
12 the discounts, will be the demand adjustment factor? CIEV
13 will still have a higher cost than the cost you are charging
14 or accounting for to your station?

15 A (Witness Legg) Yes, it most likely will. What
16 I would point out, though, is our Community Charging -- and
17 I believe we have stated this in the past in various -- in
18 various forums. I don't know if we have stated it here.
19 But our Community Charging, the purpose of that is not to
20 compete with other EV charging companies out in the public.
21 We are just trying to -- you know, early on we were trying
22 to provide some public EV charging at all when we first
23 started Community Charging. I mentioned the 59 that we
24 have.

25 Of the dollars we've asked for in this case, of

1 the 90 million in capital, only 9 million of that is for
2 Community Charging. We only have plans to add about 33 more
3 locations over the next three years.

4 So if you think about that, we'll go from 59 to
5 92 or so, and there are 3,000 plugs in the state. There
6 will be thousands more, I would imagine, over the next three
7 years. We are not trying to compete with those. At this
8 point we're just trying to fill in -- I think the term we
9 used yesterday was charging deserts, trying to fill in where
10 there might not otherwise be chargers, but someone may need
11 to charge.

12 So that's the purpose of Community Charging.
13 It's not to compete with EV charging companies out in the
14 marketplace.

15 Q Mr. Legg, yesterday the Abramovitz panel
16 testified that the amount of money split between Make Ready
17 and Community Charging was about 90/10.

18 A (Witness Legg) Right. 81 million for Make
19 Ready and 9 million for Community Charging.

20 Q And let me follow up on that, another question
21 on Community Charging. Is there a -- is there a publicly
22 available criteria that the company uses to identify what
23 constitutes or what -- identify what constitutes an
24 appropriate location for a community charger?

25 A (Witness Legg) For a Georgia Power community

1 charger?

2 Q Yes.

3 A (Witness Legg) I don't know the answer to
4 that.

5 Q Okay.

6 A (Witness Legg) I know that we have a lot of
7 information on our website about our EV charging programs,
8 you know, quite a bit of information available out there
9 about various programs, including Make Ready and things like
10 that.

11 (The document referred to was marked for
12 identification as AACE Exhibit 10.)

13 MR. GALLOWAY:

14 Q Mr. Legg, if you would, pull up AACE 10, and
15 this is the revised CIEV tariff. And I couldn't figure out
16 how to do a fancy computer highlight, so you're stuck with
17 my highlighting.

18 In the applicability section, I want to ask you
19 a couple of questions because I don't know that I understand
20 completely.

21 But this is a rider to either the PLS, PLM, or
22 PLL tariffs; correct?

23 A (Witness Legg) That's right.

24 Q All right. And this would allow the third
25 party to deploy a charger and CIEV, which is essentially a

1 reduction in demand charge, depends upon the customer being
2 on the PLS, PLM or PLL tariff?

3 A (Witness Legg) That's right. Those are our
4 standard commercial and industrial tariffs.

5 Q And I would like to thank Mr. Legg and the
6 company because we set up a call to review the tariffs so we
7 would -- we would be able to know how it worked. I do have
8 a couple of questions on it.

9 Does the tariff require a separate meter for a
10 charger to be located on the premise? In other words, I've
11 got an existing store, and I want to put a charger on the
12 premise.

13 Do I have to have a separate meter for the
14 charger, separate from the meter that provides
15 electricity -- from which I get electricity to store?

16 A (Witness Legg) Yes. As the applicability
17 clause states, it's available to new premises dedicated to
18 electric vehicle charging served behind a dedicated meter
19 starting service on or after January 1st, 2023. So it is
20 for separately metered --

21 Q Okay.

22 A (Witness Legg) -- electric vehicle charge --
23 and if I could finish that.

24 Q Okay. I'm sorry.

25 A (Witness Legg) So we're really just trying to

1 provide this demand reduction only to the EV charging
2 station. If there's already a building there, we wouldn't
3 want to provide the reduction and demand to a building
4 that's been there for 10 years just because they're adding
5 some -- some charging in the parking lot. They -- you know,
6 they're on the rate they're on. This is just for the
7 charging load.

8 We do have other rates. You'd mentioned
9 real-time -- or you'd mentioned situations where someone
10 added electric vehicle charging behind their existing meter.
11 We have a number of customers who have that situation, and
12 they could take advantage of the existing tariff that the
13 entire building is on certainly, which would not be a
14 four-year reduction that phases out like this rider. This
15 is just an additional option to complement what's already
16 available out there.

17 I mentioned that we have a lot of customers who
18 have added electric vehicle charging on the real-time
19 pricing rate, which can be very favorable for these -- for
20 these types of applications. Some of those are behind a
21 meter at an existing building. Some of them are metered
22 separately on real-time pricing as well. So this is just an
23 additional option to what's already available to customers.

24 Q All right. Mr. Legg, I got that, and I
25 appreciate it, but I'm still confused a little.

1 If I have an existing store that's on PLM --

2 A (Witness Legg) Yes.

3 Q -- and I want to deploy a charger in the
4 parking lot, do I have to put -- do I have to put that
5 charger on a separate meter?

6 A (Witness Legg) Yes, because it's going to
7 receive a different treatment through the rider -- through
8 the reduction of billing demand through this rider.

9 Q Can I still put the charger on the property but
10 not fall under CIEV?

11 A (Witness Legg) Certainly. That's what I was
12 just describing. Customers can do that with RTP behind
13 their meter. You could do it on PLM.

14 Q Okay. So the discount on the demand of -- the
15 demand adjustment factor, only applies to a separately
16 metered EV charger that's on site?

17 A (Witness Legg) That's right. To ensure that
18 that reduction only occurs for the newly added load. We're
19 trying to encourage new charging load to the State, new
20 charging facilities.

21 Q I understand.

22 A (Witness Legg) Yeah.

23 Q All right. Now, the next question I have is in
24 the second line under applicability, "This rider is
25 available to new premises." All right.

1 Premise is not defined in the tariff; correct?

2 A (Witness Legg) That's right. It may be
3 defined in our rules and regs. What that really refers to,
4 though, if you set a new meter, that would be considered a
5 new premises from an account standpoint.

6 Q So I could still have my existing convenience
7 store and deploy a charger?

8 A (Witness Legg) That's right.

9 Q And use this tariff, and under that scenario,
10 the charger alone is the new premise?

11 A (Witness Legg) The -- Right. Yep. It would
12 be set up on a separate account. Its own-metered account.

13 Q So I don't have to go out and build a new
14 convenience store?

15 A (Witness Legg) No.

16 (The document referred to was marked for
17 identification as AACE Exhibit 11.)

18 BY MR. GALLOWAY:

19 Q All right. Now, if you would, please, turn to
20 AACE 11, and what I want to do is -- this is the PLM tariff.
21 I picked PLM because it's midline, midline load.

22 The PL tariffs, though, all work the same,
23 essentially; correct? Would you agree with that?

24 A (Witness Legg) They have similar structure,
25 yes, hours and demand.

1 Q Okay. So under PLM, if I'm the customer, I'm
2 going to pay a basic charge of \$136; correct?

3 A (Witness Legg) Right.

4 Q And I'm going to pay an energy charge based
5 upon kilowatt hours used; correct?

6 A (Witness Legg) You'll pay an energy charge
7 based on kilowatt hours used as they fall into the buckets
8 as shown in the tariff, that's right.

9 Q But the more I use, the cheaper the power?

10 A (Witness Legg) The more you use relative to
11 your peak demand. It's an hours-used demand tariff, so the
12 more efficiently you use energy --

13 Q And the demand charge when we look at basic --
14 let's look at minimum monthly bill. PLM has a minimum
15 monthly bill of \$136 as a basic service charge, plus \$8.78
16 per kilowatt hour of billing demand in excess of 30 kW;
17 correct?

18 A (Witness Legg) Per kW, yes.

19 Q Okay. And then we flip to page 2, and page 2
20 tells us how to determine billing demand. So billing demand
21 is based upon -- it's based upon peak usage, as I'm reading
22 this, essentially, or a component of peak usage?

23 A (Witness Legg) Right, as outlined here in the
24 tariff.

25 Q And that's seasonally adjusted?

1 A (Witness Legg) There's a seasonal component to
2 determine what your billing demand is. There's a ratchet
3 effect on this. It looks at your current month's demand and
4 then your previous 11 months. It runs it through this
5 formula on the second page, and that's where you come up
6 with a billing demand. And then on the CIEV tariff, we
7 would take that billing demand, and that's what would be
8 adjusted by the 80, 60, 40, or 20, depending on --

9 Q Well, let's walk --

10 A (Witness Legg) -- where --

11 Q -- through some numbers briefly. If we look at
12 the basic charge paragraph on page 1, the basic charge would
13 be \$136 plus \$8.78. Let me back up a second. I'm sorry. I
14 got ahead of myself.

15 Let us assume we're dealing with 150 kW. Okay?
16 Which is a suitable amount in the tariff. I mean, falls
17 under the tariff. All right. So for a 150 kW, I get to
18 reduce that by 30 kW, so I get 120 kW. So my charge would
19 be \$136 plus \$8.78 times 120 kW. So that would be roughly
20 \$136 plus \$1,053 per month?

21 A (Witness Legg) No.

22 Q No? Okay.

23 A (Witness Legg) So the \$8.78 per kW that you're
24 referencing is in the minimum monthly bill section of the
25 tariff.

1 Q Okay.

2 A (Witness Legg) Most of our tariffs have a
3 minimum bill section. That's just saying if the calculation
4 in the monthly rate section is less than this, you'll be
5 charged at least the minimum bill amount.

6 Q Okay. So then what I've just quoted would be
7 my minimum bill amount?

8 A (Witness Legg) It could be.

9 Q Okay.

10 A (Witness Legg) For a customer with 150 kW.

11 Q Well, let's assume that is the minimum bill.
12 And then we apply the discount demand adjustment factor
13 that's in CIEV, and that's 80 percent for the first year,
14 and 80 percent off of that would give me a demand charge of
15 \$210.72.

16 A (Witness Legg) I haven't done that
17 calculation.

18 Q Subject to checking the math, 80 percent of a
19 thousand bucks is --

20 A (Witness Legg) Subject to check.

21 Q Okay. All right. So a convenience store would
22 have an option to add the charger and pay for electricity
23 consumed under their existing account, or option two would
24 be to add the charger and set a new meter and then fall
25 under PLM?

1 A (Witness Legg) Right.

2 Q Okay.

3 A (Witness Legg) You're talking about would the
4 charger rider apply?

5 Q That's correct.

6 A (Witness Legg) Or any other rate for which the
7 new meter location qualifies.

8 Q Okay.

9 A (Witness Legg) Again, they may choose RTP.

10 Q Does -- well, I was thinking CIEV didn't allow
11 RTP; did it?

12 A (Witness Legg) No, I mean, they can choose RTP
13 without CIEV.

14 Q Oh, I gotcha.

15 A (Witness Legg) Any other tariff that they
16 qualify for?

17 Q Okay.

18 A (Witness Legg) We have time-of-use rates they
19 can qualify for based on size.

20 Q I'm sorry?

21 A (Witness Legg) We have other time-of-use rates
22 they can qualify for based on size.

23 Q Okay. But to get the discount --

24 A (Witness Legg) Only applies to the PLM, PL
25 rates, right.

1 Q Okay. All right. Now, we -- can you give me a
2 definition of demand charge?

3 A (Witness Legg) In our tariffs, it's generally
4 whatever the stated dollar per kW charge is for peak demand
5 or billing demand, like in this PLM example. You know, you
6 walk through the calculation of the billing demand on
7 page 2, determination of billing demand. So it's some form
8 of a demand, a peak -- a charge related to the peak demand
9 that is set for a given month or for a period of time.

10 Q Let me restate the question.

11 What's the purpose of the demand charge?

12 A (Witness Legg) To recover demand-related costs
13 for serving that customers.

14 Q And demand-related costs means?

15 A (Witness Legg) Generally, there are costs
16 related more towards -- to the peak demand that a customer
17 puts on our system. Think of it as an instantaneous demand
18 or their highest hour or half-hour use in a given month or
19 in a given year.

20 We have costs that we've put -- that we've
21 expended, think generating plants, transmission system,
22 distribution system, that all have to be there to meet that
23 peak demand for the year regardless of whether the customer
24 uses any kilowatt hours in a given month or not. So,
25 generally, it's to recover those types of costs on the

1 system.

2 Q And it's tied to the assumption that you could
3 have a much larger load at a certain time, and you have to
4 have the necessary electricity to cover that larger load?

5 A (Witness Legg) Right. We have to be able to
6 cover our peak demand so the lights stay on during peak
7 periods of use.

8 Q And just to restate something, let's go back to
9 your -- let's go back to your charger, the charger located
10 on Georgia Power property at 1088 Concord Road.

11 Those charges are not on a PLS tariff?

12 A (Witness Legg) Are you talking about the
13 Georgia Power chargers?

14 Q Yes.

15 A (Witness Legg) Well, again, as we said, our
16 chargers are not on a retail rate because we don't pay
17 ourselves a retail rate for electricity that we produce.

18 (The document referred to was marked for
19 identification as AACE Exhibit 12.)

20 BY MR. GALLOWAY:

21 Q All right. If I could, Mr. Legg, if you would
22 pull up AACE 12. AACE 12 is the Alabama Power Business
23 Electric Vehicle Time of Use Tariff.

24 Are you familiar with this?

25 A (Witness Legg) I am generally familiar with

1 it, that they have -- that they have -- that the rate
2 exists, yes.

3 Q Okay. Bottom line is the Alabama tariff
4 provides for a volumetric charge based on kilowatt hours
5 used; correct?

6 A (Witness Legg) Yes, and it looks like it also
7 has a minimum bill component --

8 Q Correct.

9 A (Witness Legg) -- that is a demand-related
10 component on the second page.

11 Q All right. But it's basically a hundred dollar
12 monthly fee and usage based on-peak or off-peak usage, and
13 it's seasonally adjusted?

14 A (Witness Legg) I haven't studied Alabama's
15 power rates.

16 Q All right. I apologize for asking this again.
17 Did you tell me that you are or are not with
18 the national electric vehicle infrastructure?

19 A (Witness Legg) I am not familiar.

20 Q Okay. Are you familiar with the term
21 "alternative fuel corridors"?

22 A (Witness Legg) I'm sorry? Alternative fuel --

23 Q Fuel corridors? Do you know what that --
24 corridors.

25 A (Witness Legg) I've had the term before. I'm

1 not intimately familiar with it, no.

2 Q Okay. All right. Well, let me -- I don't want
3 to speculate about the bell curve, but I think this question
4 would be safe.

5 Would it surprise you to know that the Georgia
6 filing with federal DOT identified convenience stores and
7 gas stations as logical candidates for deployment of
8 electric vehicle charging because they're already providing
9 fuel services?

10 A (Witness Legg) No, that wouldn't surprise me.
11 I know that we've been in discussions with many of those
12 types of companies about assisting them in any way we can in
13 adding electric vehicle charging in the state.

14 Q Okay. All right. I want to move to another
15 line of the questions based upon your experience with the
16 Territorial Act.

17 Are you familiar with Docket 43899, which is a
18 case involving the Territorial Act with EV chargers between
19 Sawnee EMC and Georgia Power?

20 MR. HEWITSON: Madam Chair, I would object. I
21 have no idea what this has to do with Mr. Legg's
22 testimony. Maybe Mr. Galloway can point us to his
23 testimony, why it's relevant.

24 MADAM CHAIR PRIDEMORE: I would appreciate it
25 if you did point to the testimony. This case is

1 currently in court and under appeal.

2 MR. GALLOWAY: I was going to support the
3 Commission's decision.

4 MR. HEWITSON: Well, then --

5 MADAM CHAIR PRIDEMORE: Regardless, though, I
6 would say --

7 MR. HEWITSON: You can put that on record, but
8 I still it's irrelevant to the --

9 MADAM CHAIR PRIDEMORE: Mr. Hewitson might like
10 it, but --

11 MR. HEWITSON: I appreciate that. Thank you.

12 MADAM CHAIR PRIDEMORE: -- for purposes of this
13 Commission, if it's not in Mr. Legg's testimony, you
14 shouldn't --

15 BY MR. GALLOWAY:

16 Q All right. Well, let's move that case out of
17 the way.

18 But you acknowledge -- you do know that the
19 Commission has jurisdiction over issues arising from the
20 Territorial Act?

21 A (Witness Legg) I can barely hear you. I'm
22 sorry.

23 Q You do know that the -- you would agree that
24 the Commission has jurisdiction over issues arising under
25 the Territorial Act?

1 A (Witness Legg) Absolutely.

2 MADAM CHAIR PRIDEMORE: Mr. Galloway, pull the
3 base of the mic down. There you go.

4 MR. GALLOWAY: Thank you.

5 MADAM CHAIR PRIDEMORE: Thank you.

6 (The document referred to was marked for
7 identification as AACE Exhibit 13.)

8 BY MR. GALLOWAY:

9 Q All right. If you would, please, pull up
10 Exhibit AACE 13.

11 We know -- we know that the electric charge
12 provider is Georgia Power's customer as an electric
13 supplier; correct? Are you familiar with that?

14 A (Witness Legg) I'm sorry. Say that again.

15 Q The electric charger owner is the customer of
16 Georgia Power as the electric supplier?

17 A (Witness Legg) Right.

18 Q Okay. And we have not defined what the service
19 is from charger to EV; correct?

20 MR. HEWITSON: Madam Chair, at the risk of
21 cutting off Mr. Galloway before he supports us again,
22 I really don't know what this has to do with
23 Ms. Legg's testimony.

24 MR. GALLOWAY: Mr. Hewitson, he identified his
25 position as being the person at Georgia Power who is

1 responsible for the Territorial Act, and its -- and
2 Georgia Power's positions on the Territorial Act.

3 MR. HEWITSON: Right.

4 MR. GALLOWAY: Now, there are issues dealing
5 with EV charging that relate to applications of the
6 Territorial Act. So we should be able to cross
7 Mr. Legg appropriately. And I understand the issue
8 about the Sawnee case.

9 But we should be able to cross Mr. Legg
10 appropriately on his view of the applications of the
11 Territorial Act to EV charging.

12 MR. HEWITSON: I would ask that it be limited
13 to Mr. Legg's testimony in this case, and Mr. Legg's
14 testimony doesn't cover the Territorial Act. There
15 are lots of responsibilities that lots of Georgia
16 Power employees have when they come before this
17 Commission to testify. That's not germane to their
18 testimony. And I don't think that the Territorial
19 Act is germane to the rate case filing as it stands
20 now.

21 If Mr. Galloway can show me where in the rate
22 case filing we have opened up these questions, I can
23 stand corrected, but I don't believe it's in there.

24 MR. GALLOWAY: Madam Chair, yesterday I had to
25 cross the Abramovitz panel regarding Make Ready which

1 was not in their testimony. Now, we can't have it
2 both ways. Testimony and cross-examination is not
3 limited to direct under evidentiary law.

4 Now, it's within your discretion within the
5 bounds of what is admissible, but we all know as we
6 sit here that there are issues arising under the
7 Territorial Act that impact electric vehicle
8 charging. It's fair game.

9 MADAM CHAIR PRIDEMORE: Mr. Galloway, this case
10 is not only about electric vehicle charging, and I
11 recognize that you were patient yesterday with the
12 panel and you delayed a lot of your questions to pose
13 to Mr. Legg today.

14 I'm going to overrule your objection for now.
15 I'm going to put some tight guardrails on you related
16 to these questions, though, because this case is not
17 about the Territorial Act. You can debate the
18 Territorial Act in the EV study committee coming up
19 in next Monday's meeting, which is going to be at KIA
20 Motors. And that's fine, but keep it to the EV
21 portion of Mr. Legg's testimony in the case.

22 BY MR. GALLOWAY:

23 Q Mr. Legg, if you would, AACE 13 is
24 O.C.G.A. 46-3-3.

25 And the Electric Territorial Service Act

1 applies to retail electric service; correct?

2 A (Witness Legg) Yes, that's my understanding.
3 I'll start all these answers by saying I'm not an attorney,
4 and even though I have a responsibility for the Territorial
5 Act, I consult with attorneys a lot --

6 Q I understand.

7 A (Witness Legg) -- when discussing the
8 Territorial Act.

9 Q I understand. I've been in Territorial Act
10 cases that were brutal.

11 A (Witness Legg) Yes.

12 Q I understand.

13 If you would turn to the definition at
14 O.C.G.A. 46-3-3 subpart 9.

15 The Electric Territorial Service Act, according
16 to this provision, does not apply to wholesale service and
17 sales for resale; correct?

18 A (Witness Legg) Could you say that again? Are
19 you quoting?

20 Q I'm quoting the statute.

21 The territorial electric --

22 MADAM CHAIR PRIDEMORE: Do you have a question?

23 BY MR. GALLOWAY:

24 Q -- does not apply --

25 MR. GALLOWAY: I was asking him to confirm that

1 the Electric Territorial Service Act does not apply
2 to wholesale service and sales for resale.

3 MR. HEWITSON: Madam Chair, at best, Mr. Legg
4 would be able to confirm his understanding of it. He
5 can't confirm what the statute says. He's not an
6 attorney, and he's already said that.

7 MADAM CHAIR PRIDEMORE: Sustained.

8 BY MR. GALLOWAY:

9 Q All right. Then let me ask this way:
10 Mr. Legg, is the service from the charger to the EV a resold
11 service?

12 A (Witness Legg) Are you asking me in legal
13 terms is it a resale service?

14 Q I'm asking for your opinion based upon your
15 experience with the Territorial Act.

16 A (Witness Legg) I would not -- I would not
17 pretend that I could interpret that without consulting my
18 attorneys.

19 (The document referred to was marked for
20 identification as AACE Exhibit 14.)

21 BY MR. GALLOWAY:

22 Q Okay. If you would, then, pick up on AACE 14,
23 please, sir. Now, these are excerpts.

24 MR. HEWITSON: Wait. I don't have an AACE 14.

25 MR. GALLOWAY: I'm sorry.

1 MR. HEWITSON: It's all right.

2 BY MR. GALLOWAY:

3 Q If you would -- now, these are excerpts from
4 Georgia Power Company's rules and regulations.

5 Are you familiar with those?

6 A (Witness Legg) Yes, I'm familiar with our
7 rules and regulations.

8 Q All right. If you would, look at Section A.6.
9 It's page number 1-1.1 at the top of page.

10 A (Witness Legg) Yes.

11 Q In A.6, the company's rules and regulations
12 provide, "Electric service will not be supplied in
13 competition with the company's own service, either wholesale
14 or retail, or for distribution or supply or resale in any
15 territory occupied by the distribution system of the company
16 or proposed to be occupied by the distribution system of the
17 company."

18 Did I read that correctly?

19 A (Witness Legg) That's my reading of it, yes.

20 Q Okay. Now, according to this, Georgia Power's
21 rules prohibit resale for a service in competition with the
22 company; correct?

23 MR. HEWITSON: Madam Chair, I think that's a
24 legal conclusion that he just asked Mr. Legg for.

25 MADAM CHAIR PRIDEMORE: Sustained.

1 MR. GALLOWAY: All right. Well, let's ask --
2 let's ask it another way. All right.

3 May I perfect an objection on the record, Madam
4 Chair?

5 MADAM CHAIR PRIDEMORE: You may.

6 MR. GALLOWAY: Thank you.

7 We would object to the sustaining of
8 Mr. Hewitson's objection because these are rules and
9 regulations, and this is someone who is versed in the
10 Territorial Act as it -- within his employment with
11 Georgia Power, and he can give an opinion on that.

12 MADAM CHAIR PRIDEMORE: Mr. Galloway, you can
13 object all you want. Mr. Legg is not an attorney.
14 You're asking him legal --

15 MR. GALLOWAY: I understand.

16 MADAM CHAIR PRIDEMORE: You're asking him a
17 legal question, and I recognize that you're objecting
18 to his objection, and I object to your objection of
19 his objection.

20 MR. GALLOWAY: No, I was perfecting my
21 objection to your ruling.

22 MADAM CHAIR PRIDEMORE: I'm perfecting my
23 objection to your perfecting of the objection.

24 MR. GALLOWAY: Well, I feel perfect now.

25 MADAM CHAIR PRIDEMORE: Good.

1 MR. GALLOWAY: But we're all perfect.

2 COMMISSIONER MCDONALD: I'm being very quiet on
3 the Territorial Rates Act, but I'm listening.

4 BY MR. GALLOWAY:

5 Q All right. Let me ask you this: There are
6 approximately 500 Make Ready Georgia Power locations where
7 Georgia Power has supplied infrastructure to an electric
8 vehicle charging station, roughly?

9 A (Witness Legg) You're asking me if that's the
10 right number?

11 Q Is that a -- well, let me pull 500 out.
12 Georgia Power has -- under Make Ready has
13 provided the electric infrastructure to many electric
14 vehicle charging stations; correct?

15 A (Witness Legg) Yes, that's my understanding as
16 approved in the 2019 rate case.

17 Q And you are aware that that electric vehicle
18 charging station is providing service to people who come in
19 and plug in to charge; correct?

20 A (Witness Legg) Yes. I mean, vehicles plug in
21 to electric vehicle chargers to charge.

22 Q An electron has been sent from the meter --
23 through the meter to the charger; correct? And then the
24 charger has sent an electron to the EV; correct?

25 A (Witness Legg) I mean, you're asking me a

1 hypothetical. I mean, yeah, the way an EV charger works is
2 Georgia Power provides electricity -- generally, Georgia
3 Power provides electricity to an electric vehicle charger,
4 and then a customer comes with -- an EV owner comes and
5 plugs in and charges their car from the charger.

6 Q And Georgia Power is aware that's being done?

7 A (Witness Legg) Yes.

8 Q And Georgia Power also has chargers that are
9 out there providing the same service; correct?

10 A (Witness Legg) Community Charging, yes.

11 Q All right. Is the Make Ready charger providing
12 a service in competition with the company's own service?

13 MR. HEWITSON: Objection. Calls for a legal
14 conclusion.

15 MADAM CHAIR PRIDEMORE: Sustained.

16 MR. GALLOWAY: Same perfected objection.

17 (The document referred to was marked for
18 identification as AACE Exhibit 7.)

19 BY MR. GALLOWAY:

20 Q All right. Let's move to -- let's move to
21 number 7, AACE 7.

22 Now, Mr. Legg, if you would, I would ask you to
23 look in the middle of paragraph 7. "The customer shall not
24 supply electrical energy to anyone else or allow anyone to
25 take the same."

1 A (Witness Legg) I don't have an AACE -- oh, I'm
2 sorry.

3 Q It's the same one -- I'm sorry. It's
4 paragraph 7 on AACE 14. I'm sorry. Same exhibit. I'm
5 sorry. Infrastructure.

6 A (Witness Legg) Okay.

7 Q Okay. Middle of the paragraph in 7, "The
8 customer shall not supply electrical energy to anyone else
9 or allow anyone to take the same, nor shall he use or permit
10 the same to be used at any other premises or for any other
11 purpose (either directly or indirectly by transformation or
12 regeneration) than those designated in the application."

13 Did I read that correctly?

14 A (Witness Legg) That's how it reads, yes, on
15 this exhibit.

16 Q Okay. All right. Is the EV charging owner who
17 is your customer supplying electrical energy to anyone else?

18 A (Witness Legg) Are you asking that in
19 reference to this?

20 Q Just generally, just generally.

21 A (Witness Legg) I don't know what you mean by
22 "anyone else."

23 Q To the person who's got the EV car that's
24 charging.

25 A (Witness Legg) I don't -- if you're asking for

1 a legal opinion, again, I'm not an attorney. I can't answer
2 that.

3 Q All right. But Georgia Power knows that the
4 charging owner -- you know that the charging owner is
5 providing electricity to the EV, correct, from the charger;
6 correct?

7 MR. HEWITSON: I'm going to object because I
8 still think that calls for a legal conclusion as to
9 what the charger is providing. That is actually a
10 detail that's under review in the Sawnee case at the
11 Superior Court of Fulton County.

12 MADAM CHAIR PRIDEMORE: I'm going to sustain
13 your objection, Mr. Hewitson, and I'm going to object
14 to the fact that this is going on for too long. It's
15 obvious that Mr. Legg oversees tariffs at the Georgia
16 Power Company. He's testified in this case related
17 to tariffs.

18 I've told you, Mr. Galloway, you've got some
19 guardrails on this. I'm allowing you a little bit of
20 latitude because I, for whatever reason, appreciate
21 your chutzpah, even though it's 5:00. And it's
22 just --

23 MR. GALLOWAY: I'm almost finished.

24 MADAM CHAIR PRIDEMORE: Oh, okay.

25

1 BY MR. GALLOWAY:

2 Q There is no definition of resale in the
3 company's regulations, is there?

4 A (Witness Legg) I would have to read through
5 all of the regulations, and they're multiple pages long, so
6 I couldn't answer that off the top of my head.

7 Q Okay. Is it within the authority of this
8 Commission under the Territorial Act to define electric
9 vehicle charging as resale?

10 A (Witness Legg) I would consult my attorneys to
11 answer that question. And I don't mean to be difficult;
12 that's literally, I would consult my attorneys before
13 answering that question.

14 Q Final question. Has --

15 MADAM CHAIR PRIDEMORE: Anybody would,
16 Mr. Legg.

17 MR. LEGG: Thank you.

18 BY MR. GALLOWAY:

19 Q Has the company looked at any precedents and
20 authorities of this Commission in either telecommunications
21 utilities or natural gas utilities regarding resale to
22 determine its applicability or propriety for electric
23 vehicle charging?

24 MR. HEWITSON: Madam Chair, Mr. Legg is not
25 here to testify on behalf of the entire company at

1 what the entire company has looked at in terms of
2 legal research.

3 MADAM CHAIR PRIDEMORE: Objection sustained.

4 Mr. Legg doesn't know what's going on at AGL --

5 MR. GALLOWAY: Well, let ask one more --

6 MADAM CHAIR PRIDEMORE: -- or GNG or Southern
7 Linc.

8 BY MR. GALLOWAY:

9 Q Mr. Legg, have you looked at that? Have you
10 looked at the company -- I'm sorry.

11 Have you looked at any precedents or
12 authorities of this Commission in either telecom or natural
13 gas regarding the definition of resale?

14 A (Witness Legg) I have not, no.

15 Q Thank you.

16 MR. GALLOWAY: Thank you, Madam Chair.

17 MADAM CHAIR PRIDEMORE: Thank you,
18 Mr. Galloway.

19 Mr. Legg, I'm just -- I'm curious based upon
20 Mr. Galloway's line of the questioning. And so there
21 seems to be a national trend when I talk to
22 commissioners from other states and utilities from
23 other states that there's a belief, we'll call it,
24 amongst convenience stores and others that
25 utilities -- electric utilities are trying to

1 dominate the electric vehicle market. They're trying
2 to dominate charging above the ground, below the
3 ground, et cetera.

4 Georgia Power continues to go on the record
5 saying that they don't want to be in the charging
6 business. They're not trying to compete. Given
7 that, just yesterday, CNBC put out an article about
8 Hertz and British Petroleum and their network of EV
9 chargers, including Hertz rental cars and their
10 locations in the 25 busiest airport locations to
11 support 340,000 EVs planned for the Hertz fleet.
12 It's a nationwide effort that they're doing.

13 Two weeks ago, Pilot Flying J, the truck stop
14 folks, in cooperation with General Motors announced
15 their coast-to-coast network of 2,000 EV chargers at
16 500 Pilot Flying J truck stops. That's coast to
17 coast, so it's in Georgia. It's everywhere.

18 The CNBC article related to Hertz, that
19 includes Georgia. The GM/Pilot Flying J effort is in
20 cooperation with EVgo, who happens to be one of the
21 intervenors in this case. That's part of a
22 \$750 million GM investment.

23 When you see all of this investment and when I
24 hear all of this investment in the business press
25 that's going on in EV chargers, the argument that

1 electric utilities are trying to dominate electric
2 charging, it doesn't hold water with me.

3 How do you see that as the tariff authority at
4 Georgia Power?

5 MR. LEGG: Yeah, I certainly agree with you,
6 Madam Chair. I think -- certainly, I can't speak for
7 other utilities, but I see a lot of the same things,
8 a lot of investment going on by other parties. You
9 know, Georgia Power, as you said, we've stated it in
10 multiple forms. We've stated it here under oath at
11 the Commission. That's not our intent.

12 The other thing I would say, too, is we've
13 talked about what we've requested in this case,
14 \$90 million in capital spend. In terms of our
15 request, the revenue requirement for that is
16 \$7 million a year. That's not a -- that's not a tiny
17 number. It's certainly significant, but it's less
18 than 1 percent of what we've asked for in this case.
19 And so -- and only 10 percent of that less than
20 1 percent is for community charging.

21 So I would agree with your assessment there
22 that that is not Georgia Power's intent to compete
23 with all these investments in chargers. We're trying
24 to actually help them be successful in the EV
25 charging --

1 MADAM CHAIR PRIDEMORE: Seems like some
2 national -- I'm sorry. I didn't mean to talk over
3 you. Go ahead.

4 MR. LEGG: I was going to say, we're trying to
5 help them.

6 MADAM CHAIR PRIDEMORE: It seems like there's a
7 national talking point and a national effort from
8 these organizations.

9 I went through Mr. Galloway's list. I didn't
10 get all the way down. I only have six more to go,
11 which I'll do here in a second.

12 But this list of some community charging
13 stations, some charging stations that are owned by
14 customers and installed by Georgia Power -- three,
15 four, five, six, seven of them are at Georgia Power
16 offices, which, according to the exhibit that
17 Mr. Galloway put forward about the fact that Georgia
18 Power wouldn't compete against itself within your
19 rules of retail electric service.

20 How -- if I wanted to charge my car at a
21 Georgia Power office, how would I do that?

22 MR. LEGG: Most of the ones that are located in
23 our offices are outside the fence, if you will. For
24 instance, we have one at the North Shallowford
25 operating headquarters that is available to the

1 public.

2 We've got -- I used to work in the
3 Lawrenceville office years ago. There's one in the
4 parking lot there that customers can just pull in.
5 It's a charge point charger. You have a little
6 ChargePoint card, and you tap it. It charges your
7 credit card that's connected with the ChargePoint
8 card and just charge your car and then drive off when
9 you're done.

10 COMMISSIONER MCDONALD: Mr. Legg, do you agree
11 that Georgia Power has lived and thrived under the
12 laws of the Territorial Rates Act of 1973?

13 MR. LEGG: Yes, we strive to follow it closely.

14 COMMISSIONER MCDONALD: Do you think that -- do
15 you pursue the same rules and regulations as we plow
16 this particular course of how the electron is
17 delivered and sold?

18 MR. LEGG: That's our intent, Commissioner,
19 yes.

20 MADAM CHAIR PRIDEMORE: Okay. It's worth
21 noting, because it just came over my phone
22 officially, that Governor Kemp, in cooperation with
23 Commissioner Johnson and other state-wide elected
24 officials, announced today that Georgia is the number
25 one state for business for the ninth year in a row.

1 No small part to folks in this room.

2 Okay. Moving on.

3 The Commercial Group?

4 It's good to see you behind the lectern, Alan.

5 MR. JENKINS: Thank you. And you'll be happy
6 to note, I don't have a large book like Mr. Galloway
7 up here.

8 CROSS-EXAMINATION

9 BY MR. JENKINS:

10 Q Mr. Evans, Mr. Legg, Alan Jenkins for the
11 Commercial Group.

12 Mr. Evans, you're chomping at the bit to answer
13 some questions. Could you turn to page 5 of your testimony
14 and at line 4 --

15 A (Witness Evans) Yes.

16 Q -- you mentioned the class cost-of-service
17 methodologies you used are consistent with those previously
18 filed by the company and accepted by the Commission.

19 In fact, isn't it true these methodologies
20 include those used by Mr. O'Sheasy back at the start of the
21 century?

22 A (Witness Evans) That's correct. Many of them
23 date, as I mentioned in my summation, going back decades in
24 some cases.

25 Q Let's look at the results of your studies,

1 specifically Exhibit LPE-1, pages 3 and 4.

2 A (Witness Evans) Okay. What schedule? Are you
3 on schedule 1.00 at the top?

4 Q That's a good question. It is schedule 1.00.

5 A (Witness Evans) Okay. I'm with you.

6 Q This exhibit is your recommended cost of
7 service model for the future test period ending July 2023;
8 right?

9 A (Witness Evans) That's correct.

10 Q If we look at line 50, what does the term
11 "return on investment" or ROI mean?

12 A (Witness Evans) Well, that is the -- after
13 taking the revenue and backing out all associated expenses,
14 and taxes and things like that, that's what's left of the
15 return that then is the numerator in that equation, and the
16 denominator would be the investment that each one of these
17 different rates and rate groups has assigned to it.

18 Q So if we look at page 4 column 12 of line 50
19 under that column Total Retail Service, that shows the ROI
20 at 6.31 percent; right?

21 A (Witness Evans) That's correct. ROI for total
22 retail service, 6.31 percent.

23 Q What does it mean for a rate group to have an
24 ROI above 6.31 percent?

25 A (Witness Evans) Well, if it's above 6.31

1 percent, you might hear the term "above parity" to talk
2 about that specific rate group. That would mean that they
3 were -- that the revenues and the costs associated with that
4 rate group resulted in a return that was greater than the
5 overall retail average.

6 Q Okay. And then column 11 right next to that,
7 Marginal Rate Group, that rate group includes the RTP rate
8 schedules; right?

9 A (Witness Evans) That's correct.

10 Q And at line 50 of that column, it shows a
11 marginal rate group with an ROI slightly above 6.31 percent;
12 right?

13 A (Witness Evans) That's correct.

14 Q Of all the rate groups on pages 3 and 4 of that
15 exhibit, what rate group provides the highest ROI?

16 A (Witness Evans) It looks like medium business.

17 Q Yes, at 9.35 percent.

18 And that means medium business rates are
19 significantly above costs, according to your study; right?

20 A (Witness Evans) It suggests and shows that
21 medium business has a higher return compared to the overall
22 retail average and is above parity.

23 Q Okay. Now, you provided in your exhibits the
24 results of four different class cost-of-service
25 studies/scenarios with respect to rate groups LPE 1, 3, 5,

1 and 7. In every single study scenario, medium business
2 rates are shown to be significantly above parity; right?

3 A (Witness Evans) Subject to check, I believe
4 that.

5 Q Okay. Thanks.

6 That was pretty easy, wasn't it?

7 A (Witness Evans) Not too bad.

8 Q Mr. Legg, isn't it true that the great majority
9 of medium business load is PLM?

10 A (Witness Legg) That probably does constitute
11 the majority of the medium business group, yes. That's our
12 main medium-sized commercial or industrial rate.

13 Q So when you proposed rates for PLM in this
14 case, did you adjust those rates for the fact that medium
15 business and PLM rates are significantly above the cost or
16 rate parity?

17 A (Witness Legg) We did not. As we discussed
18 earlier, we applied the increase evenly across all base
19 tariffs. I am aware that in the past the Commission has
20 you, know, in settlement orders has approved movement
21 towards parity, and the company has supported that in the
22 past.

23 That's -- the company in past filings has
24 spread things evenly and then different things that resulted
25 from settlement agreements. So there has been some move

1 toward parity in the past, but we did not file it that way.

2 Q Okay. But Georgia Power could well agree to
3 such a move toward parity in this case; right?

4 A (Witness Legg) We have in the past, and
5 certainly that's a policy decision for this Commission to
6 make parity movements in its settlement orders, yes.

7 Q Thank you.

8 MR. JENKINS: Nothing further.

9 MADAM CHAIR PRIDEMORE: Thank you, Mr. Jenkins.
10 Concerned Ratepayers for Georgia?

11 Mr. Prenovitz, it is 5:10.

12 MR. PRENOVITZ: I know.

13 MADAM CHAIR PRIDEMORE: You've had a good day.
14 I expect you to continue along with that trend.

15 MR. PRENOVITZ: I'll make every effort to do
16 so.

17 CROSS-EXAMINATION

18 BY MR. PRENOVITZ:

19 Q Good afternoon, guys. Let me tell you two key
20 points I want to make, and this --

21 MADAM CHAIR PRIDEMORE: Wait. We're not going
22 to make points.

23 MR. PRENOVITZ: Oh, no, I mean, I'm just trying
24 to summarize.

25 MADAM CHAIR PRIDEMORE: We're -- don't

1 summarize. We're just going to ask questions.

2 BY MR. PRENOVITZ:

3 Q Okay. You mentioned on page 3, Georgia Power
4 continues to --

5 MR. HEWITSON: Wait. Can you tell whose
6 testimony you're talking about?

7 MR. PRENOVITZ: Oh, Mr. Legg's.

8 BY MR. PRENOVITZ:

9 Q This is easy. Basically, Georgia Power's rates
10 are below the national average.

11 Looking at a standard residential bill, my
12 question is this: Does that comment reflect only the base
13 rate, or is that the total power bill which would include,
14 like on my bill, the ECCR, the NCCR tariff, municipal
15 franchise fee, and the tax?

16 A (Witness Legg) Where were you pointing to in
17 my statement, in my testimony?

18 Q On page 3 you mention that in the standard
19 rate, Georgia Power's rates are below the national average.

20 A (Witness Legg) Okay.

21 Q So my question is this, if you'll -- and this
22 is -- like, in looking at my power bill, so you've got the
23 base rate, and then you've got the ECCR tariff, the NCCR,
24 the municipal franchise fee and the tax.

25 A (Witness Legg) Right.

1 Q And my question is: Does your statement apply
2 to the whole power bill or just the basic part of it, the
3 base rate part?

4 MR. HEWITSON: Madam Chair --

5 MADAM CHAIR PRIDEMORE: We covered this
6 yesterday, Mr. Prenovitz. We covered it in great --

7 MR. PRENOVITZ: But wasn't it referred to --
8 you said to follow up with Mr. Legg?

9 MADAM CHAIR PRIDEMORE: But you don't have to
10 ask Mr. Legg the same question. Ask him a new
11 question, because we covered this yesterday, that the
12 fact that Georgia Power has rates lower than the
13 national average includes the total bill, and it's
14 based upon EIA, the Energy Information
15 Administration.

16 And for information on those -- on how they do
17 their rankings, you can go to EIA.gov

18 MR. PRENOVITZ: Okay. I did that in 2019, and
19 basically, in that case, it did not include those
20 additional rates. Because at the time the NCCR part
21 was --

22 MR. HEWITSON: Madam Chair --

23 MADAM CHAIR PRIDEMORE: Let's ask a question.

24 BY MR. PRENOVITZ:

25 Q Okay. That's all. All right.

1 The second thing, and maybe you can answer this
2 and maybe not. The questions asked yesterday was, there was
3 a lot of inconsistencies on the amount of Georgia Power's
4 rate base, and the Abramovitz panel put it at \$1 billion,
5 which everybody agrees with. And then there are also --
6 Mr. Thomas cited examples where in some of his exhibits, he
7 came up with a number of \$3 billion. And this was referred
8 to you to kind of just resolve this.

9 So my question is this: On some of the other
10 items that were included but not in the \$1 billion was the
11 CCR ARO, coal combustion residential thing, and that was on
12 Abramovitz's testimony page 10 where they said it was not
13 included in that particular \$1 billion request; is that
14 right?

15 MADAM CHAIR PRIDEMORE: Mr. Prenovitz --

16 Mr. Prenovitz, they can't speak to Mr. Abramovitz's
17 testimony. They can speak -- Mr. Evans can speak to
18 his, and Mr. Legg can speak to his.

19 MR. PRENOVITZ: All right. Let me rephrase it.

20 MADAM CHAIR PRIDEMORE: You've got good
21 witnesses here to ask some good questions of.

22 BY MR. PRENOVITZ:

23 Q Let me rephrase, because I really am trying to
24 get the total impact of the rate increases, billing tariffs
25 over next three-year period.

1 Would you be the one to ask on that? Is that a
2 fair question for you? Like, on the -- you know, on the
3 ECCR tariff, you know, what the impact of that would be? Is
4 it fair to ask you on what the fuel -- well, we know the
5 fuel cost recovery is about a billion dollars. So what I'm
6 trying to get -- and a municipal franchise fee.

7 MADAM CHAIR PRIDEMORE: Mr. Prenovitz --
8 BY MR. PRENOVITZ:

9 Q So I would like to get a total of all of these
10 other charges and then put this into the -- you know, what's
11 the total impact for the customer?

12 MADAM CHAIR PRIDEMORE: Mr. Prenovitz, that's a
13 good question. It's a worthy pursuit.

14 MR. PRENOVITZ: Thank you.

15 MADAM CHAIR PRIDEMORE: Let me ask your
16 question for you. Okay?

17 MR. PRENOVITZ: Please.

18 MADAM CHAIR PRIDEMORE: All right. So the
19 total customer bill has tariffs on it. Describe the
20 ECCR tariff, the NCCR tariff, and any other tariffs
21 that are on the standard residential thousand-watt
22 customer bill.

23 MR. LEGG: Describe the charges?

24 MADAM CHAIR PRIDEMORE: Just what are they and
25 what's the average charge, if you know it, and if you

1 don't, that's fine.

2 MR. LEGG: So the traditional base tariff, an
3 example of that is the PLM tariff that we looked at
4 with Mr. Galloway. And then at the bottom of each of
5 those tariffs, it says, this will be increased by
6 ECCR for environmental compliance, NCCR, DSM if
7 applicable, which is for the residential and
8 commercial classes. And then municipal franchise
9 fees for all revenue, which includes fuel as well.

10 And so each -- I don't have the percentages off
11 top of my head in front of me, but generally that's
12 how a bill is calculated. Traditional base tariff
13 and then add ECCR, NCCR, DSM, if applicable, and
14 franchise fees and fuel.

15 MADAM CHAIR PRIDEMORE: And in this case, we
16 are not adjusting the rate of the ECCR; correct?

17 MR. LEGG: We are --

18 MADAM CHAIR PRIDEMORE: We are?

19 MR. LEGG: -- adjusting the rate of ECCR. Not
20 NCCR, though.

21 MADAM CHAIR PRIDEMORE: What are we adjusting
22 it? By how much?

23 MR. HEWITSON: I don't think they have the
24 Abramovitz panel testimony, but that is a table in
25 the Abramovitz panel testimony.

1 MR. LEGG: Yeah, I believe it is a table in
2 their testimony.

3 MADAM CHAIR PRIDEMORE: Okay. We'll make that
4 subject to check, because that's a number that we
5 should -- that you could have. And NCCR is not being
6 adjusted.

7 DSM, is it being adjusted?

8 MR. LEGG: It is being adjusted.

9 MADAM CHAIR PRIDEMORE: Because we made
10 decisions on that in the IRP.

11 MR. LEGG: Right.

12 MADAM CHAIR PRIDEMORE: All right. And so that
13 was subject to check as well. Fuel is not up right
14 now.

15 MR. LEGG: That's right.

16 MADAM CHAIR PRIDEMORE: So we're not going to
17 do full right now. All right.

18 And so then the other is just the base rate
19 charge, which the company is requesting a three-year
20 base rate increase of?

21 MR. LEGG: 762 million. I think I do have a
22 table that shows each of these here. This is after
23 the supplemental filing, the traditional base. The
24 levelized one-time increase is 762 million, and these
25 are 2023 numbers.

1 The ECCR traditional levelized is 5 million,
2 and the CCR ARO is another 64 million. DSM is 37
3 million, and franchise fees is 21 million.

4 MADAM CHAIR PRIDEMORE: Okay.

5 MR. LEGG: For a total for 889, which is in
6 Mr. Abramovitz's testimony.

7 MADAM CHAIR PRIDEMORE: 889, which is in
8 Mr. Abramovitz's.

9 All right. So here's what I'm going to help
10 you do, sir. I'm going to pull that out, and then
11 you'll be able to have that from his testimony.
12 That's going to answer your questions. This panel is
13 not going to answer that question. Although he
14 manages the tariffs, he's not the one that
15 understands the rate breakdown by the tariffs. Okay?

16 MR. PRENOVITZ: Let me try to ask this. And if
17 he can't it, though, that's fine.

18 BY MR. PRENOVITZ:

19 Q Adding up all of these charges over -- it's a
20 three-year period.

21 What would be the total increase of a
22 customer's power bill in those these years? I know we've
23 got the fuel bill for \$1 billion.

24 MADAM CHAIR PRIDEMORE: That's what we asked.
25 That's what we asked. He can't answer that.

1 MR. PRENOVITZ: He can't? Is that right? Can
2 we make that a hearing request?

3 MR. HEWITSON: No, Madam --

4 MADAM CHAIR PRIDEMORE: Mr. Prenovitz,
5 that's -- they can't answer that. That's in
6 Mr. Abramovitz's testimony, and what I'm going to do
7 is I'm going to let you ask the next question.
8 You've just got a couple more to go, and then we're
9 going to call time.

10 And I'm going to have my assistant -- she's
11 going to pull it out of Mr. Abramovitz's testimony so
12 you have an answer to that. Okay? We've already got
13 it. We've got it. We don't have to ask them.

14 MR. PRENOVITZ: Okay.

15 MADAM CHAIR PRIDEMORE: New question.

16 BY MR. PRENOVITZ:

17 Q All right. This I had written down, but since
18 you brought that up, you said there are basically 40 rate
19 plans, and some for residential.

20 What are some of the best ways that a
21 residential customer could save on their power bill from
22 some of the plans you offer them?

23 A (Witness Legg) Well, it depends on which
24 tariff they're on. Certainly on any tariff you could just
25 use less energy, just conserve energy. On our time-of-use

1 tariffs, you could take advantage of avoiding the on-peak
2 period when costs are more expensive and use more during the
3 off-peak period.

4 On our -- we've talked about our smart-usage
5 rate. That has a time-of-use energy component where you can
6 do that. Plus, you can also avoid stacking the use of large
7 appliances so that you have a lower demand charge for the
8 month as well.

9 Q So do you have, like, a -- like, I've got a
10 friend, for example, on Monday, I was over at his house. He
11 had something on his air conditioning unit where basically,
12 you know, peak thing it would kind of kick off or turn
13 off --

14 MADAM CHAIR PRIDEMORE: We need a question.

15 MR. PRENOVITZ: I'm getting --

16 BY MR. PRENOVITZ:

17 Q But it would run the thing.

18 Do you have something like that, where you
19 save, like, you know -- I think they're, like, 20, 15 bucks,
20 a month or something like that.

21 Is that something you're talking about?

22 Because I'm trying to understand what --

23 MR. HEWITSON: Is he asking if the company
24 offers it or if it's something on his house?

25

1 MR. PRENOVITZ: No, something like that, you
2 know, just the concept. This is easy. I'm just
3 trying to understand basically how a residential
4 customer --

5 MADAM CHAIR PRIDEMORE: You're asking,
6 Mr. Prenovitz, if Mr. Legg is aware of an energy
7 efficiency program that can assist your friend?

8 MR. PRENOVITZ: No, that can assist --

9 MADAM CHAIR PRIDEMORE: Or something that your
10 friend has, something like it?

11 MR. PRENOVITZ: Yeah, he's on the -- what is it
12 called -- Sawnee EMC, they offer that. So I was
13 wondering if Georgia Power had something like that.

14 MR. HEWITSON: Madam Chair, if Mr. Prenovitz
15 was interested in these things, he could have asked
16 that during the IRP where he did participate and we
17 had --

18 MR. PRENOVITZ: Wait, wait, wait. No, you
19 wouldn't let me ask any questions in the IRP because
20 I testified, and you objected.

21 MR. HEWITSON: Well, that was your choice,
22 Mr. Prenovitz.

23 MR. PRENOVITZ: No, no, it wasn't. And then we
24 came back to the --

25 MR. HEWITSON: He doesn't get to ask rate case

1 witnesses IRP questions.

2 MR. PRENOVITZ: Oh, please.

3 MR. HEWITSON: There is no DSM expert or energy
4 efficiency --

5 MADAM CHAIR PRIDEMORE: Sustained.

6 MR. PRENOVITZ: That's all I have.

7 MADAM CHAIR PRIDEMORE: Thank you,
8 Mr. Prenovitz.

9 MR. PRENOVITZ: We're done.

10 MADAM CHAIR PRIDEMORE: We're going to get an
11 answer to your question, and Ms. Hicks is going to
12 get it to you.

13 MR. PRENOVITZ: I'm sorry. Who will?

14 MADAM CHAIR PRIDEMORE: Ms. Hicks in my office.
15 She'll get it to you.

16 MR. PRENOVITZ: Okay. Can I call her tomorrow
17 or something to get it?

18 MADAM CHAIR PRIDEMORE: She'll get it for you.
19 I promise you that.

20 MR. PRENOVITZ: Thank you, all.

21 MADAM CHAIR PRIDEMORE: Thank you,
22 Mr. Prenovitz.

23 Georgia Association of Manufacturers?

24 MR. JONES: Thank you, Madam Chair.

25 CROSS-EXAMINATION

1 BY MR. JONES:

2 Q Panel, how are you this evening?

3 A (Witness Legg) Good.

4 A (Witness Evans) Good.

5 Again, I'm Clay Jones with Georgia Association
6 of Manufacturers. And, Mr. Legg, believe it or not, I don't
7 have any questions for you.

8 So, Mr. Evans, I would like to ask you a
9 question.

10 A (Witness Evans) Okay.

11 Q So the company earlier this morning filed a
12 letter that adjusted an error that was made in the projected
13 test revenues for the FPA rate; is that right?

14 A (Witness Evans) That's correct.

15 Q Okay. And let's talk a little bit about the
16 cost of the FPA rate, so I want to understand how you've
17 allocated costs to it.

18 A (Witness Evans) Okay.

19 Q Is it correct that you allocated production and
20 transmission costs to the FPA rate to a hundred percent of
21 the FPA load?

22 A (Witness Evans) Yes. I believe, subject to
23 check, that all the loads were allocated.

24 Q Okay. And so that FPA rate is in the marginal
25 rate group; correct?

1 A (Witness Evans) That's correct.

2 Q Okay. And so by doing so, in other words,
3 you're assuming no RTP usage; right?

4 A (Witness Legg) If you're allocating it to a
5 hundred percent production and transmission costs, that's
6 not -- you wouldn't do that to RTP load?

7 A (Witness Evans) We do not -- yeah, that's
8 correct. We do not treat RTP the same way since it is a
9 receipts and marginal --

10 Q And that's the same treatment in your cost
11 study as the cost allocations you've made to, say, the PLM
12 or the PLL rates, which are in the medium and large test
13 groups; is that right?

14 A (Witness Evans) That's correct.

15 Q Okay. But isn't -- isn't the electric arc
16 furnace rate, which is the EAF rate, isn't that in the FPA
17 class of rates?

18 A (Witness Evans) I believe that that only has
19 one customer on it, and we do include it underneath FPA.

20 Q Okay.

21 A (Witness Evans) As we've done for -- I believe
22 since the inception of that rate, for confidently reasons --

23 Q Sure.

24 A (Witness Evans) -- so the cost-of-service
25 study showed a great deal of load data and revenue data, and

1 to break it out and show a specific rate with one customer
2 on it would be to disclose that one customer's load patterns
3 and revenue.

4 Q Okay. Well, without disclosing any load
5 patterns, would you agree with me it's a pretty large
6 customer that's on the EAF rate? Do you know?

7 A (Witness Evans) I would believe so, but I'm
8 not -- I'm probably not the best person to ask that
9 question.

10 Q Okay. Well, the EAF rate has a CDL like RTP
11 and uses RTP during summer on-peak hours.

12 Would you agree with that?

13 A (Witness Legg) Actually, it does use the RTP
14 prices during the summer hours. There is no CDL. It's just
15 all energy during peak hours in the summer on RTP.

16 Q But so, in other words, if you allocated a
17 hundred percent of production and transmission costs to the
18 EPA rate, and the EAF rate is in that rate group, wouldn't
19 that be over allocating costs to the group because it's not
20 recognizing that RTP usage that's on the EAF rate during the
21 summer months?

22 A (Witness Legg) I'll let Mr. Evans answer that.
23 But to be clear, the peak hours -- I think the RTP prices
24 only apply from 2:00 to 7:00 p.m. on summer weekdays, so
25 it's only 400 hours out of 8,760 or so. About 5 percent of

1 the hours in a year.

2 Q Sure.

3 A (Witness Evans) And to speak at a high level,
4 we've treated all of the FPA load, including EAF
5 consistently. So no changes have been made to the treatment
6 of that load in that case, and I believe that rate was a
7 requirement of it -- and Mr. Legg can confirm this -- is
8 that those customers had to previously be on FPA; right?

9 A (Witness Legg) That's right.

10 A (Witness Evans) So it's customers that had
11 embedded load and, I believe, maybe were previously on RTP,
12 moved to embedded load, and now moved to an EAF rate that
13 has a marginal price signal on it. But because that load
14 has now shifted from marginal to embedded and now has a
15 piece of it as a marginal price signal, that load, from my
16 understanding and looking back at the previous studies, has
17 always received a full embedded cost allocation for it.

18 Q Okay. So that's based, you think, on the prior
19 cost-of-service study that you --

20 A (Witness Evans) I have reviewed the prior
21 cost-of-services studies, and FPA, the rate there, without
22 digging into the exact details underlying it, but the FPA
23 rate, I believe in the last cost-of-service study, did not
24 have any marginal load in it.

25 Q But you would agree with me that as a general

1 rate principle and the way Georgia Power has applied, you
2 would not allocate production and transmission costs to RTP
3 usage? Would you agree with that?

4 A (Witness Evans) I do agree with that. And
5 that is appropriate, given the structure of the RTP rate.
6 All of that load all throughout the year is treated as
7 marginal; right? That's one of the tenets of the rate.
8 And, as such, it's only allocated the marginal costs for
9 that recognized marginal load.

10 EAF is a very -- and Mr. Legg can speak to the
11 details much better than me. EAF is a very unique rate in
12 which the load itself, while it might have elements that are
13 comparable to RTP, I don't believe it's an apples-to-apples
14 comparison to say because RTP is treated one way, EAF should
15 also.

16 Q Not even for the portion that's essentially RTP
17 usage during the summertime?

18 A (Witness Evans) Well, so, it would -- yeah, I
19 don't think so, especially since that load was previously
20 marginal, went back to embedded, and then now had switched
21 back to marginal. That's been the consistent treatment of
22 that rate. Again, from our review of previous studies, it
23 looks like that's been the consistent treatment.

24 MR. JONES: Okay. Madam Chair, that's all I
25 have.

1 MADAM CHAIR PRIDEMORE: Georgia Coalition for
2 Local Government -- of Local Governments?

3 CROSS-EXAMINATION

4 BY MS. BROWN:

5 Q Good evening, panel. Alicia Brown for the
6 Georgia Coalition of Local Governments?

7 A (Witness Legg) Good evening.

8 Q Unfortunately, I'm going to be like most
9 everyone else and have most of my questions for Mr. Legg.

10 So it has already been established that the
11 company is requesting to close the R tariff to new
12 customers. Can you please tell us what options new
13 customers will have?

14 A (Witness Legg) Newly constructed premises,
15 currently they would have the options of the time-of-use
16 residential energy-only tariff; the time-of-use residential
17 demand Clay, which we also call Smart Usage, prepay, and the
18 time-of-use, plug-in electric vehicle tariff.

19 One caveat to that, the company has requested
20 to close the time-of-use, residential energy-only tariff.
21 It's one that was originally developed, our first
22 residential TOU rate back in the mid '90s. We have a couple
23 more recent designs in PEV and Smart Usage that we think are
24 better options. And, really, having three different
25 time-of-use options available when we discuss rates with

1 customers, it can get confusing.

2 Q So if the customer -- so if the company's
3 request is honored, it would be the Smart Usage rate, the
4 plug-in electric vehicle rate, or the prepay?

5 A (Witness Legg) That's right.

6 Q Okay.

7 A (Witness Legg) I should state -- I'm sorry to
8 interrupt. I should state you don't have to have an EV to
9 be on the plug-in electric vehicle rate. You can take
10 advantage of it, but it's not a requirement to be on the
11 rate.

12 Q That was actually one of my questions.

13 So the follow-up to that is: Is it possible
14 that calling it an electric vehicle rate and advertising it
15 on your website as such could be confusing for customers?

16 A (Witness Legg) It's possible that it could.
17 But, again, when we talk through rate options with
18 customers, we make it known that they are eligible for that.
19 They don't have to own an EV.

20 Q Would the company consider taking the current
21 nights-and-weekends designation for the time-of-use
22 energy-only rate and applying it to that rate since they're
23 functionally equivalent?

24 A (Witness Legg) When you say "functionally
25 equivalent," I don't know that I would agree with you. I

1 mean, what -- the PEV rate -- the time of use -- the nights
2 and weekends just has -- it's a two-period on-peak and
3 off-peak time-of-use rate. The plug-in electric vehicle is
4 a three-period time-of-use, as on peak, off peak, and super
5 off peak. The idea is that if you own an electric vehicle,
6 you can charge in the overnight hours from 11:00 p.m. to
7 7:00 a.m. So it is -- it does function differently from
8 REO.

9 Q But they are both energy-only?

10 A (Witness Legg) They are both energy-only, yes.

11 Q Okay. And so about the Smart Usage rate, I
12 understand that's a three-part rate with your customer
13 charge, your energy, and your demand charge.

14 A (Witness Legg) Yes.

15 Q Can you please explain how that demand charge
16 works.

17 A (Witness Legg) When you say how it works, how
18 we charge a customer?

19 Q Right.

20 How is a customer's demand determined, and how
21 are they billed for it?

22 A (Witness Legg) Sure. The demand is the peak
23 demand for any given month in any hour, and we take that
24 peak demand reading and multiply it by the charge -- the per
25 kW charge that's in the tariff.

1 Q And is that over an hour? 30 minutes? 15
2 minutes?

3 A (Witness Legg) One hour.

4 Q One hour?

5 A (Witness Legg) Yes.

6 Q So I'll be honest, I study engineering, I work
7 in this space, but I couldn't tell you the power that most
8 of my appliances draw. So I was going to see if you could
9 help me with that. I have an induction stove in an
10 all-electric apartment.

11 Can you give me an idea of what a large eye on
12 that stove would draw?

13 MR. HEWITSON: Madam Chair, if we could direct
14 this to Mr. Legg's testimony.

15 MADAM CHAIR PRIDEMORE: Are you objecting?

16 MR. HEWITSON: I should have said objection
17 first.

18 MADAM CHAIR PRIDEMORE: Sustained.

19 MS. BROWN: May I explain?

20 MADAM CHAIR PRIDEMORE: Sustained.

21 MS. BROWN: Okay.

22 MADAM CHAIR PRIDEMORE: If you need an engineer
23 to work on something in your apartment, the Internet
24 is available.

25 MS. BROWN: Madam Chair, the average customer

1 understands the demand that they're drawing --

2 MADAM CHAIR PRIDEMORE: The average customer
3 calls Georgia Power and gets consultation if they
4 need help, but they don't call Mr. Legg to help them
5 with their stove.

6 MS. BROWN: Okay.

7 MADAM CHAIR PRIDEMORE: I got a parking ticket
8 in Savannah once.

9 Should I have called you?

10 MS. BROWN: I can help you with that. I know
11 people who could help you with that, actually. I'm
12 good friends with the parking director.

13 MADAM CHAIR PRIDEMORE: Cool. That's good.
14 All right.

15 BY MS. BROWN:

16 Q Mr. Legg, in your experience, do customers have
17 a good understanding of their demand charge?

18 A (Witness Legg) I think it's something that we
19 work hard to make sure that customers who are interested in
20 that rate do understand the impact that the demand charge
21 can have on their bill and how they can save money on the
22 bill. That's why we started having these conversations with
23 customers back in 2020.

24 And I would say we do offer lots of
25 consultation and information on our website about

1 different -- and maybe in our energy-efficiency programs
2 about different appliances and how much they use.

3 We actually have a little video for Smart Usage
4 that's about a minute long on our website that actually
5 shows different types of appliances, and it lists the ones
6 that use more energy than others to kind of demonstrate how
7 a customer can save.

8 Certainly, we have customers who are much more
9 interested in engineering and saving and, you know, down to
10 the penny, and we have others that can understand the
11 general concept of, you know, if you're cooking dinner,
12 don't use your clothes dryer at the same time. Wait until
13 you've turned off the oven to use the clothes dryer, or, you
14 know, turn down your air conditioner during hot periods of
15 time, avoid 2:00 to 7:00 p.m. as the on-peak period, those
16 types of things.

17 (The document referred to was marked for
18 identification as CLG Exhibit 1.)

19 BY MS. BROWN:

20 Q If I could refer you to the exhibit that was
21 passed out. It's the data request STF-PIA-2-1.

22 A (Witness Legg) Yes.

23 Q The Public Service Commission staff asked what
24 the average demand has been for all residential customers
25 since January of 2021.

1 Can you please give me the numbers highlighted
2 in yellow?

3 A (Witness Legg) 7.421.

4 Q And the company is requesting that the demand
5 charge on that rate be raised to \$8.77 per kilowatt hour --
6 per kilowatt. Excuse me. Is that correct?

7 A (Witness Legg) Is that from a minimum filing
8 requirement?

9 Q That was from the appendices on your testimony.
10 I'll admit I didn't write down the number.

11 A (Witness Legg) 877. That's actually -- I
12 should clarify. The numbers in the MFRs, again, are based
13 on the test period. So the number that we're actually --
14 our alternate rate plan is actually a different number than
15 this for 2023, but it -- yeah, so it's a different number.

16 Q Could you please give us what that number is?

17 A (Witness Legg) I don't have it off the top of
18 my head. I don't have it here in my papers.

19 Q Do you have -- in sense of magnitude, is it
20 larger than 877? Is it lower?

21 A (Witness Legg) I would hate to say off the top
22 of my head.

23 MADAM CHAIR PRIDEMORE: It's speculative.

24 MR. LEGG: Yeah.

25 MS. BROWN: I would just assume he would be

1 familiar with his work. Is that an unreasonable
2 assumption?

3 MADAM CHAIR PRIDEMORE: Ms. Brown, it's
4 speculative. The Chair says it's speculative.

5 Next question.

6 BY MS. BROWN:

7 Q Okay. My understanding is that this rate is
8 being pursued to reduce peak demand on the system.

9 Has that been realized so far from existing
10 participants?

11 A (Witness Legg) Your understanding is -- I'm
12 sorry. That the rate is to reduce peak demand on the
13 system?

14 Q Yes.

15 A (Witness Legg) It can have that impact, but
16 the design of the rate is actually to assign costs and,
17 really, send a proper price signal to our residential
18 customers so that they can economically use electricity.

19 One of the benefits of that is certainly that
20 over time we can see demand reductions on the system, which
21 would really save money for all customers as the system is
22 used more efficiently.

23 Q But this is more about recovering costs than
24 actually reducing costs for customers?

25 A (Witness Legg) No, I wouldn't agree. I would

1 say that that's -- those are both benefits of the rate.

2 Actually, all of our tariffs are about reducing -- I mean,
3 about recovering costs. That's why we file a rate case.

4 Q Sure.

5 Would you generally agree that if customers use
6 less, they should pay less?

7 A (Witness Legg) It depends on what you mean by
8 "use less." I would say that customers should pay according
9 to the costs that they cause on the system. If they
10 don't -- and we've talked about this. We talked about it in
11 the 2019 rate case. We've talked about it in this filing.
12 On our residential service tariff, it's designed -- it's
13 what's called an inclining block rate or a declining block
14 rate.

15 In the four summer months, the more you use,
16 the more expensive it gets. In the non-summer months, the
17 more you use, it gets slightly cheaper. It's a standard
18 rate design that would -- that's been around for decades and
19 used across the country, lots of utilities. A lot of
20 utilities are moving away from it because it sends a poor
21 price signal.

22 So to the extent that you would have two
23 customers who use the exact amount -- same amount of energy,
24 but one of them peaks -- their peak demand for the month is
25 5 kW, and the other one is 10 kW, the one that's 10 kW is

1 causing more costs because we have to build more
2 infrastructure because they're causing a higher peak demand.

3 But on their R rate, if they use the same
4 energy and have different demands, they pay the exact same
5 amount. That's a bad price signal. On the TOU residential
6 demand rate, the Smart Usage rate, there's an energy charge
7 to account for the energy they use, and then a demand charge
8 to account for the demand costs that they're putting on to
9 the system. So I think it sends a better price signal.

10 So I think it's too simplistic to say if you
11 use less, you ought to pay less.

12 Q So throughout this proceeding, we've gone back
13 and forth about Georgia Power's rates and where they rank
14 compared to the overall bill, and there's been some
15 controversy around that. But during Mr. Womack's testimony,
16 Ms. Kysor asked a question about usage and about how
17 customers can control their bill, and Mr. Womack
18 specifically said that if customers want to control their
19 bill, they should use less.

20 Are you saying that's not the case for these
21 new customers?

22 A (Witness Legg) No. In fact, I said that
23 earlier too. A customer can always use less and save on
24 their bill. They can conserve.

25 On the time-of-use rate that we're talking

1 about, Smart Usage, there are two other ways they could save
2 money: They can -- so they could use less, but they could
3 also avoid stacking their large appliances and using them at
4 the same time. That'll lower their demand charge.

5 They could also use energy outside the on-peak
6 period, so they buy at off-peak prices, that saves on their
7 bill too. So on the residential service rate, certainly
8 there's only one way to save. That's use less. On the
9 Smart Usage rate, there are three different ways to save.

10 BY MS. BROWN:

11 Q If I could direct your attention to the other
12 exhibit that was passed out, the data request STF-PIA-641.

13 A (Witness Legg) Yes.

14 Q In that data request, the company provides
15 median bills and median usage for each of the -- I believe
16 it's seven residential tariffs that currently exist.

17 Does this look familiar?

18 A (Witness Legg) Yes.

19 Q Would you agree that this spreadsheet provides
20 enough information to estimate the average cost per kilowatt
21 hour for each rate?

22 A (Witness Legg) Yes. Are you talking about the
23 row down at the bottom?

24 Q I am. I'm just making sure that you agree with
25 the premise.

1 A (Witness Legg) For the customers that are on
2 these rates, yes.

3 Q For the customers on those rates, yes.

4 A (Witness Legg) Yes.

5 Q Do those numbers look reasonable to you? I
6 know you can't do the math on the stand, but is it in the
7 ball park?

8 A (Witness Legg) I'm assuming that this is the
9 company's response to this data request. So, yes, I would
10 say they look reasonable, assuming this is what we filed.

11 Q Yes. Okay. Could you read those rates in
12 order from lowest to highest, please, based on that average
13 price per kilowatt hour?

14 A (Witness Legg) Based on this, it looks like
15 the lowest is TOU PEV -- or you want me to read the number?

16 Q You can just do the rate.

17 A (Witness Legg) Okay. The next --

18 MADAM CHAIR PRIDEMORE: If this is filed as
19 part of what the company's filed in the staff data
20 request, go ahead and ask your question. Don't make
21 the witness read from something that the company has
22 already filed.

23 MS. BROWN: Well, the company filed the data,
24 but the price-per-kilowatt hour was my addition.

25 MADAM CHAIR PRIDEMORE: Yeah. Ask your

1 question. Ask your question.

2 What's your question?

3 BY MS. BROWN:

4 Q What's the highest rate on that list on a
5 price-per-kilowatt-hour basis?

6 A (Witness Legg) Well, I didn't realize --

7 MR. HEWITSON: Hold on. Hold on. I have to
8 object. You just said that this was not what we
9 filed, but you had added a line?

10 MS. BROWN: It was what they filed, and I asked
11 him if he could calculate the price per kilowatt
12 hour, and he said, yes, and I put that on the piece
13 of paper.

14 MR. HEWITSON: Okay. So this is not what we
15 filed?

16 MS. BROWN: It's what you filed with the caveat
17 that I provided, that he accepted.

18 MR. HEWITSON: Okay. If I looked -- if I
19 looked in the record and I pulled up our response to
20 6-41 attachment, would it look exactly like this?

21 MS. BROWN: It would not have the bottom row.

22 MR. HEWITSON: Okay. Then, obviously, subject
23 to check on the numbers.

24 MS. BROWN: Yes.

25 MR. HEWITSON: I'm going to assume that they

1 were calculated. But the numbers are what the
2 numbers are. I don't why Mr. Legg has to then list
3 them out.

4 MADAM CHAIR PRIDEMORE: He doesn't. Ask your
5 question.

6 BY MS. BROWN:

7 Q All right. Which rate has the highest
8 price-per-kilowatt hour?

9 A (Witness Legg) Well, I didn't realize when you
10 were saying that that you had added a row to the bottom of
11 what we had filed. I asked if this was what we filed, and
12 you said yes, so I took it as that. Given that, I haven't
13 checked these numbers so...

14 Q Is it reasonable analysis --

15 A (Witness Legg) I can tell you what the highest
16 number that you have is.

17 MADAM CHAIR PRIDEMORE: How do we know if
18 it's --

19 A (Witness Legg) I don't know. I haven't check
20 the numbers.

21 MADAM CHAIR PRIDEMORE: -- a reasonable
22 analysis? We don't have a calculator. This exhibit
23 needs to be struck.

24 MS. BROWN: I'm asking if it's an appropriate
25 question to ask.

1 MADAM CHAIR PRIDEMORE: I'm telling you the
2 exhibit is struck.

3 Move on to your next questions.

4 BY MS. BROWN:

5 Q Okay. Let's talk about Community Solar.

6 MADAM CHAIR PRIDEMORE: 6-4-1.

7 BY MS. BROWN:

8 Q I'm looking at page 12.

9 A (Witness Legg) Page 12 in my testimony?

10 Q Yes, line 10.

11 A (Witness Legg) Okay.

12 Q The company is proposing to increase the price
13 per kilowatt from 24.99 to 27.99; is that correct?

14 A (Witness Legg) Yes.

15 Q Okay. And on your website you estimate the
16 average production per kilowatt is 165 kilowatt hours.

17 Does that seem reasonable?

18 A (Witness Legg) I haven't looked at that on our
19 website. That's subject to check.

20 Q Are you willing to proceed with that number,
21 subject to check?

22 A (Witness Legg) I mean, I can't confirm it.

23 Q So if that number is correct, which is, again,
24 on your website, that price per kilowatt hour would be just
25 under 17 cents. How does that compare to your retail rate

1 for residents?

2 A (Witness Legg) Yeah, the purpose for the
3 charge for Community Solar, as it's been approved by this
4 Commission, is not to charge for the electricity that's
5 being produced. It's to account for the fact that if we
6 don't charge customers for the difference between the credit
7 that they're getting from Community Solar and the avoided
8 cost that actually the value of the solar coming from those,
9 then there would be a cost shift to other customers who
10 don't participate in Community Solar.

11 So this charge is and has always been set since
12 the beginning of the program to account for that difference
13 and keep there from being a cost shift from participating
14 customers to nonparticipating customers.

15 Q In the 2022 IRP, there was a shift from only
16 selecting renewable projects that put downward pressure on
17 rates or are below the long-term avoided costs to, like, the
18 best fit. But until that point when all of these farms were
19 built, the assumption was that nothing gets built unless it
20 is below the long-term avoided costs.

21 Does that sound familiar?

22 A (Witness Legg) Yes, that's right.

23 Q So if that's the case, if these farms were
24 built to produce energy below the company's long-term
25 avoided costs, by definition, aren't they putting downward

1 pressure on rates for all customers?

2 A (Witness Legg) No, I don't believe that's the
3 case. And, again, this is a program -- the charges for this
4 and the reason why they're charged has been approved along
5 with the program approval in the IRP. So that's -- that's
6 been discussed in that.

7 Q But if something is producing below the
8 company's avoided costs as whatever -- the marginal unit of
9 energy is going to cost this much. If this energy is
10 cheaper than that, isn't it creating savings for customers?

11 A (Witness Legg) Right. The actual assets would
12 put downward pressure on rates. They were put in at below
13 avoided costs. Where the cost shift comes in is the way
14 that Community Solar works is if there are, say -- you used
15 the number 165 kilowatt hours of production per 1 kW block,
16 we take that -- and this is for a customer who doesn't have
17 solar panels. They're on Community Solar.

18 We subtract those kilowatt hours from their
19 bill before we calculate their bill for the month. So
20 they're getting full retail credit for those kilowatt hours
21 from the Community Solar facility. But the value of those
22 kilowatt hours that are put on the system are avoided costs,
23 like you said, at or below avoided costs. That's the value
24 of them.

25 So they're getting a credit at, just making up

1 numbers, 10 cents a kilowatt hour for a kilowatt hour that
2 worth about 3 cents a kilowatt hour. So unless the company
3 charges this charge, that other 7 cents a kilowatt hour
4 that's a real cost that's still on our system to serve all
5 our customers, will have to be borne by participants who are
6 not -- by nonparticipants of the Community Solar Program.

7 MADAM CHAIR PRIDEMORE: So, Mr. Legg, what
8 you're saying is that, in your example, the 7 cents
9 is being socialized across the rest of the rate base?

10 MR. LEGG: That's right.

11 MADAM CHAIR PRIDEMORE: Okay.

12 BY MS. BROWN:

13 Q It was established in the IRP that the
14 Community Solar Program is a premium product. So,
15 essentially, participants are paying extra, not even break
16 even, they are paying extra for something that, again, puts
17 downward pressure on rates for other customers.

18 So is it not a cost shift in the other
19 direction?

20 A (Witness Legg) No, for the reason I just
21 explained.

22 Q Why would it not, if I'm paying a premium, but
23 yet there is a benefit to the whole rate base?

24 MADAM CHAIR PRIDEMORE: Sustained. The witness
25 has explained his answer.

1 BY MS. BROWN:

2 Q All right. If we can proceed to page 10 of
3 your testimony at the top where you talk about the discount
4 for seniors.

5 A (Witness Legg) Yes.

6 Q It's my understanding the company is
7 establishing an income-qualified Community Solar Program but
8 is making it dependent upon philanthropy. Yet here, we have
9 a discount that's socialized across all residential
10 customers.

11 And my question is: Why are some
12 income-qualified customers worthy of a cost shift and yet
13 others are not?

14 MADAM CHAIR PRIDEMORE: Don't answer that.

15 Is the Coalition for Local Governments really
16 trying to make the argument that senior citizens
17 should not get help, being that they're on fixed
18 incomes?

19 MS. BROWN: No --

20 MADAM CHAIR PRIDEMORE: Because that's your
21 question. That's your question. I mean, I know you
22 think this is cute, but, I mean, this is serious.
23 And what we're doing here is serious. It's not cute.

24 Are you actually asking that question, that
25 senior citizens on fixed incomes should not be given

1 support as they have been through this Commission and
2 through the Georgia Power Company as long as I can
3 remember and as long as my history of this process
4 upholds?

5 MS. BROWN: Madam Chair, I never criticized the
6 senior citizen discount. I was asking why that same
7 benefit is not afforded to other low-income
8 customers. I would like to see the senior citizen
9 discount increased.

10 MADAM CHAIR PRIDEMORE: Well, then, why didn't
11 you ask that question?

12 MS. BROWN: I asked why some low-income
13 customers would get a benefit and others would not.

14 MADAM CHAIR PRIDEMORE: Fixed-income senior
15 citizen customers. You realize that; right?

16 MS. BROWN: Yes, ma'am. I never opposed the
17 discount. You inferred that from my question. But
18 that's --

19 MADAM CHAIR PRIDEMORE: No, that's not the
20 question that you answered (sic). Don't argue with
21 the Chair, Ms. Brown.

22 MS. BROWN: Yes, ma'am.

23 BY MS. BROWN:

24 Q Let's switch to the fixed pricing alternative.

25 A (Witness Legg) Okay.

1 Q Okay. In one of the data requests, the staff
2 asked the company why this is only offered from time to time
3 at the company's discretion?

4 A (Witness Legg) Right.

5 Q And the response that you gave was basically
6 there's uncertainty in terms of environmental regulation and
7 fuel markets that can impact the forecasted prices used in
8 the development of offers.

9 Can you elaborate on what those uncertainties
10 might be?

11 MR. HEWITSON: Madam Chair, if we're referring
12 to a data request, can we get to that the witnesses
13 so that they can read through the explanation that
14 was given by the company prior to elaborating on
15 something?

16 MADAM CHAIR PRIDEMORE: Do you have a copy of
17 the data request response?

18 MS. BROWN: I did not print that response.

19 MADAM CHAIR PRIDEMORE: Sustained.

20 BY MS. BROWN:

21 Q Are you familiar with the fixed pricing
22 alternative and the fact that it's not offered to all
23 customers at all times?

24 A (Witness Legg) Yes. We talked about that
25 earlier.

1 Q Can you explain why it's not offered to all
2 customers at all times?

3 A (Witness Legg) Yes. It's related to
4 uncertainty. The fixed pricing alternative, as I said
5 earlier, is an offramp for customers who have been on
6 real-time pricing for a while. They want to come off RTP.
7 It affords them that opportunity. And it's -- the
8 calculation of the rate, there's a custom off-peak price for
9 each customer who comes off the rate. And so the
10 calculation of that price is based on a forecast of
11 real-time pricing hourly prices.

12 So in periods of great uncertainty around
13 things that would impact RTP prices, the company in the
14 past, a number of times and currently, has not made those
15 offers available. And, again, like I said, the
16 applicability of the clause actually states that it can be
17 offered periodically at the discretion of the company.

18 Q Why should that company -- discretion rest with
19 the company and not with the Commission?

20 A (Witness Legg) Well, I think it does rest with
21 the Commission in that they approved that tariff with the
22 applicability clause in it.

23 Q Okay. And then, you know, you were the
24 catchall for any questions that there wasn't a natural home
25 for, so I have asked about hourly usage data.

1 Is that something that you could speak to?

2 A (Witness Legg) Yes.

3 Q Okay. So in the 2019 rate case, there was a
4 settlement that was supposed to make that data available to
5 residential and commercial customers.

6 What's the status of that?

7 A (Witness Legg) Yeah, it's actually -- we
8 actually did that. We worked with the Commission staff and
9 with others to develop that. It's called My Power Usage.
10 We've added that functionality. It's now available to all
11 but just a few thousand of our 2.7 million customers.

12 You can go online. I've looked at mine online.
13 You can see your hourly usage. If you're on a time-of-use
14 rate -- I'm on the plug-in, electric vehicle rate at home --
15 you can see the, you know, the color coding for the
16 different time periods, on peak, off peak, super off peak,
17 and see when you're using hourly energy in those different
18 buckets of energy. So it's been online for some time now.

19 The ones that I mentioned where it's not
20 available, we have another tool called EnergyDirect.com that
21 makes that available. It's really for our very largest
22 accounts that are billed on interval data. They're on a
23 complex rate that requires interval data. They're in a
24 different system. And the My Power Usage function pulls
25 from our AMI data, which is separate from those -- I think

1 it's about 3,700 customers there that would need to go
2 through EnergyDirect to get the same information.

3 Q So most commercial users can get that
4 information for free through My Power Usage?

5 A (Witness Legg) The vast majority.

6 We have about 330,000 commercial customers, and
7 I would say there might be a couple thousand that would have
8 to go through EnergyDirect. And they are our very largest
9 customers.

10 Q And is EnergyDirect still charging for that
11 data? Because my experience has been that I've been asked
12 \$50 per meter per month for that information.

13 A (Witness Legg) There is a standard package
14 that is free. It doesn't provide hourly data. Overall,
15 EnergyDirect provides some functionality that -- it's been
16 around a lot longer than My Power Usage. It provides
17 functionally that's not available on My Power Usage.

18 So, yes, you would have -- those few customers
19 would have to pay a monthly charge to get their hourly data,
20 but they also have a lot of other additional functionality
21 in that package as well.

22 MADAM CHAIR PRIDEMORE: Commissioner Johnson?

23 COMMISSIONER JOHNSON: Are you working on
24 trying to move that over so that that final piece of
25 customers can have -- not be charged the \$50 fee?

1 MR. LEGG: Right. I would imagine we probably
2 are, Commissioner. It may be in conjunction with the
3 new customer information system Mr. Womack mentioned
4 that we'll be working on. Right now they're just not
5 physically in the same metering system.

6 We have all the AMI data that feeds My Power
7 Usage. We have a system called MV-90 that feeds
8 these real complex accounts. And so I would imagine
9 that's a future goal of ours, yes.

10 BY MS. BROWN:

11 Q And just to clarify, that will be automated?
12 Because I have been told that a truck has to roll for us to
13 get that data.

14 A (Witness Legg) To get which data?

15 Q So get hourly usage data.

16 A (Witness Legg) For?

17 Q By a company representative.

18 A (Witness Legg) For -- are you talking about in
19 EnergyDirect?

20 Q For the City of Savannah accounts, yes, or
21 outside of EnergyDirect.

22 A (Witness Legg) I don't -- that's not my
23 understanding. I don't work in metering, but I believe -- I
24 mean, our MV-90 data system actually -- the way they work or
25 have worked in the past, there's actually a cell phone at

1 each location, and each meter records. There's a data
2 recorder there that records half-hour interval, and they're
3 downloaded via cell, is my understanding, but that's subject
4 to check. I'm not a metering expert.

5 MS. BROWN: Okay. Thank you.

6 MR. HEWITSON: Madam Chair, before we move to
7 the next, may I ask if the witnesses might need a
8 break?

9 MADAM CHAIR PRIDEMORE: We can take a break.
10 Little housekeeping matter first.

11 Coalition for Local Governments, passed out two
12 exhibits for this panel. One of them is stricken
13 based upon them modifying a staff data request. So
14 the only one that is applicable is STF-PIA-2-1.

15 (CLG Exhibit 1 was admitted into evidence.)

16 MADAM CHAIR PRIDEMORE: Yes, we're going to
17 take a break, and we'll come back at -- it's going to
18 be quick. Come back at 6:00.

19 (Whereupon a break was taken.)

20 MADAM CHAIR PRIDEMORE: It's 6:00. We're back
21 in order.

22 Yes, Mr. Galloway?

23 MR. GALLOWAY: Madam Chair, we'd just ask for
24 the opportunity to tender exhibits, and I've worked
25 on this with Mr. Hewitson because some of our

1 exhibits yesterday could not be identified properly
2 and not identified by Mr. Legg today.

3 So we will tender AACE Exhibits 1, 2, 7, 9, 10,
4 11, 13, 14, and we will withdraw Exhibits 3, 4, 5 and
5 6, and 8, because they could not be identified
6 yesterday. Thank you.

7 MADAM CHAIR PRIDEMORE: Very good. Thank you,
8 Mr. Galloway. It's part of the record.

9 (AACE Exhibits 1, 2, 7, 9, 10, 11, 13 and 14
10 were admitted into evidence.)

11 Georgia Interfaith Power and Light?

12 CROSS-EXAMINATION

13 MS. KYSOR: Good evening. Madam Chair, is it
14 fine if I provide the witnesses with some data
15 responses that I don't plan on admitting as exhibits
16 but it just might make it more efficient if I have
17 them in front of --

18 MADAM CHAIR PRIDEMORE: Yes. Go ahead. Thank
19 you.

20 BY MS. KYSOR:

21 Q Good evening, Panel. I think I know Mr. Legg
22 well, but I'm Jill Kysor. I'm here representing Georgia
23 Interfaith Power & Light. I wanted to start by following up
24 on a couple of items from Mr. Thomas' cross-examination
25 earlier this evening.

1 First, Mr. Thomas made -- he was pointing to a
2 table on page 7 of your testimony showing bill impacts. Do
3 you recall that?

4 A (Witness Legg) Page 7?

5 Q I'm sorry. Yes, Mr. Legg's testimony.

6 And Mr. Legg, sorry, the bulk of my questions
7 are for you.

8 Mr. Evans, I only have a few for you at the
9 very end.

10 So Mr. Legg, page 7 of your testimony,
11 Mr. Thomas was asking you about the bill impact chart?

12 A (Witness Legg) Yes.

13 Q And he had made a hearing request and he framed
14 it to the extent it had not already been provided to staff,
15 he asked if he could have that updated table.

16 MS. KYSOR: Madam Chair, I would ask that it's
17 a more general hearing request that the updated table
18 be provided in the record, just in case it's already
19 been provided.

20 MADAM CHAIR PRIDEMORE: Hearing request
21 granted.

22 MS. KYSOR: Thank you.

23 BY MS. KYSOR:

24 Q And then Mr. Thomas also asked you, Mr. Legg,
25 whether you knew of any investor-owned utilities that had

1 implemented mandatory demand charges. Do you recall that?

2 A (Witness Legg) Yes.

3 Q And I believe you said that you did, and I was
4 wondering if you could name which investor-owned utilities
5 you were speaking about?

6 A (Witness Legg) Yeah, I don't know if I can
7 name any. I know generally in the past there's some that
8 have put some in place. I wouldn't want to speculate. I
9 know there are a lot that have put the rates into place. I
10 wouldn't want to speculate on which ones were mandatory or
11 not. I know I've read about some being mandatory in the
12 past. Just off the top of my head, I'm not sure which ones
13 were mandatory.

14 Q Do you recall if any of those mandatory demand
15 charge rates were residential demand charge?

16 A (Witness Legg) Yes, it was residential. And,
17 again, I mean, that's not our request here. It's certainly
18 not to move customers to a mandatory demand charge. They
19 have other options as well.

20 Q Thank you.

21 A quick clarifying question about the RNR
22 tariff change. So will the RNR tariff still be available to
23 customers that have already established service but aren't
24 currently on the residential rate?

25 And here, I'll give you a specific hypothetical

1 if it's helpful. If at my household, you know, I'm already
2 a current customer, say, I'm on the time of use EV rate, but
3 in February 2023, I wanted to switch to the basic R tariff.
4 I want to confirm it would still be available to those
5 customers?

6 A (Witness Legg) Yeah. If you're on a -- if
7 you're an existing premise, you could switch to the R rate,
8 yes.

9 Q Approximately what percentage of your
10 residential customers are on the basic, standard R tariff,
11 the residential tariff?

12 A (Witness Legg) I think it's somewhere between
13 1.7 and 1.8 million out of 2.3 million or so customers,
14 whatever that percentage is.

15 Q And about how many are on the time-of-use,
16 demand-charge tariff?

17 A (Witness Legg) I think we have around 70,000
18 customers on that rate now.

19 Q So a pretty small percentage of your customers?

20 A (Witness Legg) Relatively speaking, yes. The
21 vast minority of residential customers are still on the
22 residential service rate or flat bill, which has about
23 400,000 customers on it.

24 Q And I will not retread ground we've already
25 tread tonight, but you explained to Ms. Brown how the demand

1 charge works. And I just want to confirm the charge for the
2 highest peak hour, the customer's charged that regardless of
3 whether that peak coincides with the system peak or a high
4 system peak time?

5 A (Witness Legg) That's right. It's not just
6 during a peak period. It's whatever your peak demand is for
7 the month. And that's how it's been as designed since -- I
8 think this Commission first approved the tariff in either
9 the 2010 or 2013 rate case. I can't recall which one.

10 Q And referring now to page 9 of your testimony,
11 lines 6 and 7, you state that the number of residential
12 customers who have chosen to participate in the
13 time-of-use -- in time-of-use rates has increased more than
14 250 percent?

15 A (Witness Legg) Right.

16 Q Would you say the bulk of that increase has
17 been the time-of-use of the demand-charge tariff?

18 A (Witness Legg) I believe so. I think we
19 answered a data request on that that actually showed the
20 derivation of the 250 percent. And I think that's right to
21 say that the majority of the growth has come from the Smart
22 Usage rate -- although, we've seen significant increases on
23 the plug-in, electric-vehicle rate as well.

24 Q And do you know of the time-of-use
25 demand-charge rate, that growth that's happened, do you know

1 approximately how much of that growth can be attributed to
2 new premises that were defaulted to that rate?

3 A (Witness Legg) I don't know that number
4 exactly. I do know that in having conversations with
5 customers, as I've described when they call in for new
6 service, we do have a lot of customers who select the rate.
7 I don't know off the top of my head how many were defaulted
8 to it.

9 And, again, they're only defaulted to it if
10 after talking about all their different rate options they
11 don't choose a preference.

12 Q Is there a specific script that customer
13 service representatives use when they're talking customers
14 through rates?

15 A (Witness Legg) I'm sure that they have -- I'll
16 answer it -- I don't work in customer service. I'm sure
17 that from time to time they develop scripts from the
18 standpoint of learning about new products and services to
19 offer that we haven't before.

20 I know that once you've been a rep for a while,
21 and I know this because I started as a customer service rep
22 on the phones with the company, after a while once you learn
23 the products, you just automatically understand how to
24 explain things to customers.

25 But any script or anything that we would

1 develop, any discussion we would have with the customers to
2 really help them understand what their options are and help
3 them pick a rate that best fits their needs.

4 Q Do you know whether the company has talked with
5 the customer service department about a preferred tariff to
6 push customers toward?

7 A (Witness Legg) No. My understanding is in
8 working -- and we work directly with the customer service
9 organizations when we were developing this. My
10 understanding is they are just, again, trying to help the
11 customer pick the rate that best fits their needs.

12 Q And the standard contract term on the
13 time-of-use, demand-charge rate is one year; right?

14 A (Witness Legg) Yes, I believe that's the term
15 on all of our residential service -- residential rates.

16 Q Looking at the R tariff, I don't think that
17 that same one-year requirement is in place for that tariff.
18 Does that sound right to you? And I believe in the packet I
19 handed you there is the track changes R-25 tariff, if that's
20 helpful.

21 A (Witness Legg) I can find it quicker here in
22 my -- actually, I'm looking at Schedule R-26, which is
23 page 213 of 506 in our MFR-F1 on page 2 of 2, it says: Term
24 of contract, one year unless customer selects another
25 residential tariff for which they qualify.

1 Q And do you know -- well, unless that customer
2 selects another residential tariff, do you know if that same
3 language is present in the other tariffs, or if they're
4 required to stay on it for 12 months?

5 A (Witness Legg) Yes, there is wording in some
6 of the time-of-use tariffs, that says -- like, I'm looking
7 at time of use residential-energy only, one year. The idea
8 behind this is on a time-of-use tariff, you have -- you have
9 service that's on peak and off peak.

10 On peak is only during the four summer months,
11 so to keep -- so to guard against customers trying to -- who
12 may try to gain that, you wouldn't want them to stay on that
13 rate just during of the off-peak months, which are cheaper,
14 and then switch to a different rate during the on-peak
15 period.

16 So that's something that we generally try to
17 enforce if we see something gaining. If a customer calls
18 us, though, in practice and says this rate is just really
19 not working for me, we will allow them to move to another
20 rate.

21 Q And I think that answers my next question,
22 which if a customer, new customer, new construction is
23 defaulted to the time-of-use demand rate, because, you know,
24 they're moving and they're not really thinking about it, are
25 they able to get off of that rate before the 12-month period

1 expires?

2 A (Witness Legg) Yes. If they said this isn't
3 the rate for me.

4 And I would say that's also the case if they
5 were defaulted to the residential service tariff, because
6 existing premises if they don't choose one, they're
7 defaulted to R, but they could also call in and say I would
8 like to switch rates.

9 Q Has the company performed any specific analysis
10 of whether new customers that are being defaulted to the
11 time-of-use of the demand-charge rate have different usage
12 patterns than the broader residential customer base?

13 A (Witness Legg) We may have studied that before
14 my time back in pricing rates. Like I said, the tariff has
15 been around since the year 2010 or 2013. I can't remember.
16 I came back in 2018, so there may have been some study back
17 then, but I'm not aware of any studies we've done recently
18 on that.

19 Q Nothing since the 2019 rate case?

20 A (Witness Legg) Right. That's right.

21 Q And does the company believe that customers
22 that are defaulted onto the time-of-use of demand-charge
23 rate have a meaningfully different average cost of service
24 than the residential customers at large?

25 A (Witness Legg) I don't know that we

1 differentiate between cost of service. But, I mean, we can
2 certainly do the math on that, but I don't know that we have
3 done anything to look at it costs a different amount to
4 customers who default on that rate. You said default. I
5 don't know that I would expect someone who defaults on a
6 rate than someone who selected the rate initially.

7 Once someone goes on the rate, certainly if
8 they choose to, again, avoid the on-peak periods to save
9 money, if they had -- choose to not use big appliances at
10 the same time to save money, then they're low profile unless
11 their cost to serve would change over time.

12 And really that's the reason why it's such a
13 good rate. It accounts for the fact that if you change your
14 usage patterns, it costs Georgia Power less to serve you.
15 So we'll charge you less money for that. That's really what
16 we're trying to accomplish in sending a better price signal
17 with that tariff.

18 Q I think I asked by bad question, Mr. Legg, so
19 I'm going to try again.

20 Has the company studied whether customers on
21 the time-of-use, demand-charge tariff versus other tariffs,
22 say, for example, the R tariff have a cheaper cost of
23 service? Have you compared the cost of service of
24 residential customers on different rates?

25 A (Witness Legg) I have not.

1 A (Witness Evans) Well, both rates are reflected
2 in the cost-of-service study that was filed, as part of my
3 exhibits. We do have a breakdown by rate. Although we do
4 recommend that for parity considerations and rate
5 adjustments, that the rate grouping studies are used. And
6 the reason for that is, you know, some of the rates have low
7 customer usage or low loads, and the cost-of-service study
8 cannot be relied on for such thin slices of customers and
9 load.

10 So that's why for a very long time, and
11 whenever we've established the rate groupings, and in all
12 cases since then, we've recommended that the rate groups are
13 the more appropriate studies to use for rate adjustments.

14 A (Witness Legg) And I'll ask Mr. Evans to
15 correct me if I go off track here, but the reason he
16 produces that by rate is not to study whether customers on
17 the Smart Usage rate have a different cost to serve. It's
18 just what falls out from the cost to serve the customers
19 that are on that rate at the time he does the study.

20 A (Witness Evans) That's correct. And
21 especially with the Smart Usage rate has Mr. Legg has
22 mentioned. There's been some customer growth in that. So
23 you've got -- you don't have a stable usage pattern. You've
24 got a lot of customers coming on line in any period of time.
25 So for this study, in particular, whatever, you have to

1 consider the impacts to the study whenever you have a lot of
2 churn or a lot of movement with a customer.

3 Q And I apologize for throwing the
4 cost-of-service question in after I said I was going to
5 direct my questions to Mr. Legg.

6 Have you conducted -- and this I'll address to
7 the panel: Have you conducted any study of customers that
8 have been on the demand-charge tariff, residential
9 customers, for more than a year to see whether they've
10 changed their behavior?

11 A (Witness Legg) Again, not since I've been in
12 this role, not since 2019. That may have been done before I
13 was in this role, because the rate has been around for a
14 while.

15 Q Trying to cut on the fly.

16 Have you analyzed whether customers on the
17 time-of-use, demand-charge tariff have a meaningfully
18 different peak demand than residential customers at large?

19 A (Witness Legg) I haven't performed that
20 specific analysis, no.

21 Q Has the company?

22 A (Witness Legg) Not that I'm aware of.

23 Q Does -- has Georgia Power analyzed the
24 approximate per kilowatt hour revenue that customers pay on
25 each of the residential tariffs?

1 A (Witness Legg) Was there a data request to
2 that effect? I'm not sure.

3 Q There was a data request PIA-6-42 and 6-41 that
4 talk about median peak demand and median bills and median
5 usage, and then one is average and one is median. I didn't
6 know if you had calculated the --

7 A (Witness Legg) All right. Well, then,
8 whatever we provided in those, yes, would have -- I wouldn't
9 necessarily call that a study that the company did. I
10 would -- if it's something we provided, calculated at
11 staff's request, then in that context, yes.

12 Q Subject to check, would you believe that the
13 basic -- that the per kilowatt hour price for customers on
14 the R tariff is less than customers that are participating
15 in the time-of-use, demand-charge tariff?

16 A (Witness Legg) That's certainly possible. In
17 fact, I would imagine that it would be different, whether it
18 be higher or lower, I don't know. Certainly I would say
19 that there's a lot of customers on the R tariff that pay
20 more than customers on the Smart Usage tariff. And there
21 are probably a lot of customers on the Smart Usage tariff
22 that pay more than customers on the residential tariff.

23 So that's just kind of the nature of -- so it
24 really depends on how much the customer uses and the group
25 of customers who have chosen to be on that rate and how much

1 they use relative to the average.

2 Again, you're talking about a population on
3 Smart Usage of 70,000 or so. Like Mr. Evans said, many of
4 whom are new to the rate because we've just really seen a
5 lot of growth recently, versus a tariff that's been around
6 decades. There's 1.7, 1.8 million customers, so an average
7 for all of those customers that have probably been on the
8 tariff for a long time. It's a little bit of an apples and
9 oranges comparison.

10 Q Shifting gears a little, looking at the
11 R tariff, and you can either look at the R-26 you have in
12 front of you or the track changes R-25. And you alluded to
13 this in response to someone else, but Georgia Power has
14 declining block rate prices for the winter usage. Do you
15 see that?

16 A (Witness Legg) Yes.

17 Q Does this align with the company's concerns
18 about becoming a winter peaking utility and increased winter
19 reliability and cost concerns?

20 A (Witness Legg) Well, no, I wouldn't say it
21 aligns with that or doesn't align with it. Like I said
22 earlier, this tariff design has been around for decades.
23 That's why we're trying to move away from it. So from the
24 standpoint of sending a proper price signal, which is really
25 what you're getting at, I would say the residential service

1 tariff does not do a very good job of that.

2 So, you know, tariffs like Smart Usage, like
3 we've been talking about, or even the plug-in electric
4 vehicle rate, that sends on-peak and off-peak price signals
5 probably are better aligned with that.

6 Q So because about 1.8 million residential
7 customers will still have access to the R tariff, or maybe
8 more, do you think it makes sense to get rid of the
9 declining block rate in the winter and move towards an
10 inclining rate just to encourage conservation during times
11 when the company might have reliability or capacity
12 concerns?

13 A (Witness Legg) Well, I would say at this
14 point, no. I don't know that that makes sense. First of
15 all, the -- when we talk about declining block and inclining
16 block, I know the Commission can't see all the prices. They
17 don't necessarily have those in front of them. But the
18 incline in the summer is very steep.

19 So as you go through the three different
20 blocks, it goes from -- these are based on the test year,
21 but a little over 6 cents to over 10 cents, and then about
22 10.7 cents. So it's a very steep incline in the summertime.

23 In the wintertime, the decline is very -- is a
24 very shallow slope. It goes from 6.2 cents to 5.3 to 5.2
25 over the same three blocks. So it's not a steep decline.

1 The other thing I would say is, although we
2 have seen in the past -- I think we saw winter peak some
3 years ago back after the Polar Vortex, we still do forecast
4 to be a summer-peaking utility.

5 We plan our system on a weather normal basis,
6 and then plan for abnormal events. We still plan to be a --
7 and forecast to be a summer-peaking facility for the
8 foreseeable future. So generally if we see really high
9 winter peaks that are very short in duration, but a lot of
10 summers, most summers, in fact, you have long periods of
11 really hot weather, and that really is more reflective of
12 this price design in the summer differential versus a winter
13 differential.

14 A (Witness Evans) Yeah. And I would add to
15 that, I believe Mr. Legg was mainly speaking about
16 generation planning. The transmission system is very much
17 still planned based on summer peaking due to the
18 load-carrying capability differences of the transmission
19 system in cold versus hot conditions.

20 A (Witness Legg) Right.

21 Q Thank you.

22 I'm going to shift gears to the Community Solar
23 Program ask. So I'm looking at page 12 of your testimony at
24 lines 12 through 14, and there you're discussing the
25 proposal to increase the monthly program subscription price

1 to -- and here's where I will quote you: Ensure
2 participants aren't subsidized by nonparticipants.

3 Do you see that?

4 A (Witness Legg) Yes.

5 Q Do you also, in setting the price, ensure that
6 participants do not subsidize nonparticipants?

7 A (Witness Legg) I think that's the idea, and we
8 provided some analysis. My group didn't do the analysis,
9 but the company provided some analysis, I believe, in a data
10 request that backs up the 27.99 as the appropriate number.

11 We're certainly not trying to put more costs on
12 the customers participating in this. We're just trying to
13 avoid any cost shift to nonparticipants.

14 Q So do you land at a place where you ensure
15 there's no subsidy of the other direction too?

16 A (Witness Legg) I don't know that you can
17 land right on -- it's like -- I don't know that you can land
18 right on the penny, but, yes, we're trying to approximate
19 what that would cost, what that number would be to not have
20 any cost shifting, but we're not trying to -- again, we're
21 not trying to overshoot that by any stretch.

22 Q So it's tough to hit the nail exactly on the
23 head?

24 A (Witness Legg) It's hard to land a 747 on
25 aircraft carrier, is the way I put it.

1 Q I don't know planes.

2 MR. HEWITSON: It's a big one.

3 MADAM CHAIR PRIDEMORE: We're so desperate for
4 something to laugh at, Jill, we just laughed at that
5 joke.

6 MS. KYSOR: I've laughed at a lot of things I
7 might not normally laugh at this week.

8 MADAM CHAIR PRIDEMORE: Me too.

9 MS. KYSOR: I'll try to keep us moving.

10 BY MS. KYSOR:

11 Q I think the data response you might have been
12 referring to would have been STF-TAI-1-36, and there was an
13 attachment there where the company detailed, you know, your
14 support for raising the price?

15 A (Witness Legg) Yes, I think there was one,
16 yeah.

17 Q Well, would you agree that it's possible the
18 program could have been priced lower the last few years and
19 still covered all the alleged costs?

20 A (Witness Legg) Well, again, when you say cover
21 the costs, are you talking about the costs of running the
22 program?

23 Q I'm actually just looking at your spreadsheet.
24 It's the tall one in the stack, TAI-1-36. In there Georgia
25 Power did an analysis where it set out what the minimum

1 monthly price would need to be to cover, I believe, alleged
2 revenue erosion in Column C.

3 A Okay.

4 Q And so I guess I'm saying over the past few
5 years the program could have been priced cheaper, so there
6 may have been access revenue associated with the program
7 over the last few years; right?

8 A (Witness Legg) Are you basing that on the
9 numbers for '21 and -- for 2021 and 2022?

10 Q Yes, sir.

11 A (Witness Legg) Minimum price needed?

12 That's possible. I mean, I would think that
13 when we set the price three years ago, this is probably
14 updated maybe that analysis showed a different number. I
15 don't know.

16 Q In looking at the 2023 through 2024, it may not
17 be that the program price needs to be bumped up to \$28 a
18 month; right?

19 A (Witness Legg) Right. So what this says, and,
20 again, this is subject to check, I didn't run the analysis
21 on this. But if this is what the company filed, it states
22 that -- it shows 2023, '24, '25, the minimum price needed in
23 2025 is \$27.68, so I think 27.99 was the requested. And
24 since we file a case every three years, I'm assuming that's
25 why we chose to make sure that it was at least high enough

1 so that in any one year there wouldn't be any subsidy.

2 Q So it's a conservative number?

3 A (Witness Legg) I think it's conservative in
4 that it's conservative to make sure there is no cost
5 shifting to nonparticipants, yes.

6 Q But it doesn't necessarily ensure there's not a
7 cost shift the other direction; right?

8 A (Witness Legg) Again, it's hard to hit it
9 right on the nose.

10 Q In response to another one of the data requests
11 TAI-3-13, Georgia Power provided annual program
12 administrative costs for the Community Solar Program. Do
13 you recall that?

14 A (Witness Legg) Yes.

15 Q And I'm just curious, it looks like the annual
16 cost varied quite a bit, and I was hoping you could give me
17 sense of why.

18 A (Witness Legg) I don't administer this
19 program. It's administered in our renewal development team,
20 so I'm not -- I'm not involved in administering the program
21 at all.

22 Q And you may have the same answer for the next
23 one, but the income qualified carve-out has a pretty steep
24 price compared with the program as a whole, and I was going
25 to ask, you know, what's the basis for the very high pricing

1 for that program?

2 A (Witness Legg) Yes, I couldn't answer.

3 Q Okay.

4 A (Witness Legg) It's not a program I have
5 responsibility for.

6 Q Has the company done any analysis on what the
7 monthly subscription price would be for Community Solar if
8 it were based on the annual revenue requirement, based
9 capital costs and O&M?

10 A (Witness Legg) I don't know that. That's an
11 analysis, again, that would be performed by our renewable
12 team.

13 Q And so no one testifying in this stage of the
14 case can answer that?

15 A (Witness Legg) No. My understanding is the
16 program design -- that gets to the program design and what
17 the program is for, but the program as designed was approved
18 in the IRP, and we did have renewables in the IRP file.

19 Q Mr. Evans, turning to you for just a couple of
20 the questions. If I'm looking at page 5 of your testimony
21 in lines -- on line 15, you talk about one of the guiding
22 principles of cost-of-service studies being to reflect cost
23 causation; is that correct?

24 A (Witness Evans) Yes.

25 Q And meaning you want to identify what costs are

1 incurred to provide service to certain groups of customers?

2 Does that sound right?

3 A (Witness Evans) That's correct.

4 Q And it's fair to say that in both the
5 cost-of-service study and implementing those results through
6 tariffs, the company attempts to implement this?

7 A (Witness Legg) I'm sorry. Could you ask that
8 again?

9 Q In the cost-of-service study and then
10 implementing it through tariffs, you're attempting to
11 reflect cost causation?

12 A (Witness Legg) We are to the extent that, you
13 know, we can, we would like to do that. I mean, the idea
14 behind that being if we have three customers and one costs
15 \$100 to serve, one costs 150, and one costs 200, you
16 shouldn't charge them all 150. You should charge the one
17 that costs 100 to serve 100; the one that costs 150 to serve
18 150, and the one that costs 200 to serve 200.

19 Now, that can be tough to do over a base of
20 2.7 million customers. We only have 40 tariffs; right? So
21 sending proper price signals like we've discussed is one way
22 to do that, one way to accomplish it. Having good rate
23 design is one way to accomplish it.

24 Q Right. So you're not doing rate making based
25 on individual customer usage?

1 A (Witness Legg) Certainly not.

2 Q And customers have the freedom to change their
3 behavior, use less, weather changes, there's all sorts of
4 variables?

5 A (Witness Legg) There are, and there are
6 different rate options for customers who want to take
7 advantage of that as well. We've talked about the different
8 rate groupings. In the cost-of-service study, there are
9 actual multiple options for each of those groups for
10 customers to choose from.

11 MS. KYSOR: Thank you, Panel. That's all I
12 have.

13 MADAM CHAIR PRIDEMORE: Thank you, Ms. Kysor.

14 Okay. I'm going to do kind of a time count and
15 a head count, knowing that Georgia Interfaith Power &
16 Light is number 9 out of 19 present.

17 So, Mr. Thomasson, do you have questions?

18 MR. THOMASSON: Yes, ma'am, 10, 15 minutes
19 maybe.

20 MADAM CHAIR PRIDEMORE: Mr. Moreland, do you
21 have questions?

22 MR. MORELAND: About the same, yes.

23 MADAM CHAIR PRIDEMORE: Ms. Coyle, do you have
24 questions?

25 MS. COYLE: About the same.

1 MADAM CHAIR PRIDEMORE: Mr. Carver?

2 MR. CARVER: No questions.

3 MADAM CHAIR PRIDEMORE: No questions from

4 Mr. Carver.

5 Mr. Boehm? Am I say that correctly? From

6 Kroger?

7 MR. BOEHM: (Inaudible.)

8 MADAM CHAIR PRIDEMORE: Okay. Ms. Sturm?

9 MS. STURM: I may have a few.

10 MADAM CHAIR PRIDEMORE: So I'm at 40 minutes.

11 Mr. Clarkson?

12 MR. CLARKSON: About 20 minutes.

13 MADAM CHAIR PRIDEMORE: Somebody wants to go

14 home.

15 I'm at 60 minutes. Ms. Ariza? Mr. Jackson?

16 MS. ARIZA: Ten questions.

17 MADAM CHAIR PRIDEMORE: All right. I think

18 we're at the point with redirect -- let's have

19 dinner. Let's adjourn. Let's come back here

20 tomorrow, and we will finish up because that's

21 about -- from my adding, it's about an hour and a

22 half, not counting redirect.

23 MR. HEWITSON: I can make redirect short.

24 COMMISSIONER MCDONALD: Did you say dismissed?

25 COMMISSIONER SHAW: See y'all.

1 MADAM CHAIR PRIDEMORE: We're adjourned. See
2 you at 9:25 in the morning.

3 (Hearing adjourned at 6:30 p.m.)
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C E R T I F I C A T E

We, Kelley Nadotti, Debbie Eickhoff and Brenda P. Elwell, Certified Court Reporters, do hereby certify that the foregoing transcript is an accurate record to the best of our abilities of the proceedings in the above-entitled matter at the time and place therein set forth.



Kelley Marie Nadotti, RPR
CCR-6256-8388-8026-4192



Debbie A. Eickhoff, RPR
CCR-5090-9084-2699-3664



Brenda P. Elwell, RPR, CRR, B-2023

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BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION
STATE OF GEORGIA

In Re:)
)
Georgia Power Company's 2022)
Rate Case) Docket No. 44280
_____)

Hearing Room 110
Georgia Public Service Commission
244 Washington Street
Atlanta, Georgia
Thursday, September 29, 2022

The above-entitled matter came on for hearing
Pursuant to Notice at 9:30 a.m.

PRESENT WERE:
TRICIA PRIDEMORE, Madam Chair
TIM ECHOLS, Vice-Chairman (via Zoom)
FITZ JOHSON, Commissioner
LAUREN "BUBBA" MCDONALD, Commissioner
JASON SHAW, Commissioner

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1	I N D E X				
2	WITNESSES:	DIRECT	CROSS	REDIRECT	RECROSS
3	Larry Legg (Continued)				
4	Lee Evans (Continued)				
	By Mr. Hewitson	--	---	1180	--
5	By Mr. Thomasson	--	1086	----	--
	By Mr. Moreland	--	1098	----	--
6	By Ms. Coyle	--	1120	----	--
	By Mr. Clarkson	--	1146	----	--
7	By Ms. Ariza	--	1167	----	--
	By Ms. Medlyn	--	1169	----	--
8					
9					
10	EXHIBITS	FOR IDENTIFICATION		IN EVIDENCE	
11	GPC:				
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20					
21	GASEIA-SEIA-VOTE SOLAR				
22	1 - STF-TAI-1		198		----
23					
24					
25					

1 MADAM CHAIR PRIDEMORE: All right. We're going
2 to call to order our third day of hearings in Docket
3 No. 44280. Any housekeeping matters?

4 (No response.)

5 MADAM CHAIR PRIDEMORE: No? Okay. I believe
6 this is our last witness panel. I'll stall so
7 Mr. Legg can come to the box.

8 Okay. Let's call for appearances. Georgia
9 Public Service Commission?

10 MS. TANNER: Public witness?

11 MADAM CHAIR PRIDEMORE: Oh, I'm sorry. Yes, my
12 goodness. Public witness, we do have one.
13 Mr. Putnam?

14 Whereupon

15 MR. PUTNAM

16 appeared as a PUBLIC WITNESS herein and made the following
17 comments:

18 MR. PUTNAM: All right. Sorry for interrupting
19 last time.

20 MADAM CHAIR PRIDEMORE: No, you're fine.

21 MR. PUTNAM: I didn't understand the process,
22 but thank you for giving me the opportunity to speak.
23 I'm speaking on behalf of several student-run
24 sustainability organizations at different colleges.
25 We call it the Leaders of Tomorrow Environmental

1 Coalition. We lobbied with you-all during the IRP
2 process, and during this process as well. We want to
3 make sure that the same goals that we advocated for
4 before are kept in consideration as well, that we get
5 a greener, more sustainable and more affordable
6 energy plan.

7 In particular, we would like to see that
8 Georgia Power takes the steps to not only not punish
9 people for choosing to engage in the Community Solar
10 Program and ensuring that they get a fair rate for
11 the rooftop solar energy they sell back to the grid.

12 We also want to make sure that general people
13 can afford their bills. It is a basic necessity that
14 everybody needs to live, and many people do not have
15 the disposable income to make the necessary
16 investments to reduce their energy burden.

17 And we want to make sure that those same people
18 are able to afford everything they need to, given the
19 economic woes that we are all experiencing right now
20 in this economy. And we encourage strict scrutiny
21 over the proposed rate hikes that Georgia Power has
22 outlined since consumers do not have any other choice
23 of who they get their electricity from.

24 And they have little options. You-all are
25 the only ones -- and Georgia Power has no

1 competitors, you-all are the only ones that hold them
2 accountable and make sure that they cannot increase
3 rates without any justification. So we encourage
4 you-all to do that job, and thank you for everything
5 you do.

6 COMMISSIONER SHAW: Where are you in school?

7 MR. PUTNAM: Georgia Tech.

8 MADAM CHAIR PRIDEMORE: What's your major?

9 MR. PUTNAM: Biomedical engineering, but I like
10 doing this kind of work, so...

11 COMMISSIONER SHAW: Now, that's that tech
12 school on North Avenue; right?

13 MADAM CHAIR PRIDEMORE: Any other public
14 witnesses?

15 (No response.)

16 MADAM CHAIR PRIDEMORE: Any other public
17 witnesses?

18 (No response.)

19 MADAM CHAIR PRIDEMORE: Okay. Appearances.
20 Georgia Public Service Commission?

21 MR. THOMAS: Good morning, Commissioners.
22 Preston Thomas and Dan Walsh on behalf of PIA staff.

23 MADAM CHAIR PRIDEMORE: Georgia Power Company?

24 MR. HEWITSON: Good morning. Brandon Marzo,
25 Steve Hewitson, and Allison Pryor.

1 MADAM CHAIR PRIDEMORE: Americans for
2 Affordable Clean Energy?

3 MR. GALLOWAY: Good morning, Madam Chair.
4 Newton Galloway and Terri Lyndall on behalf of AACE.
5 Thank you.

6 MADAM CHAIR PRIDEMORE: Mr. Galloway, since
7 you've been my mic supervisor, will you straighten
8 the neck of that mic for me? Thank you. Appreciate
9 that.

10 Commercial Group?

11 MR. GALLOWAY: That's about the limit of my
12 technical capabilities, but I'm happy to help.

13 MADAM CHAIR PRIDEMORE: Okay. He was in
14 yesterday.

15 Concerned Ratepayers for Georgia was in
16 yesterday.

17 Georgia Association of Manufacturers was up
18 yesterday.

19 Georgia Coalition of Local Governments?

20 MS. BROWNE: Good morning, Madam Chair. Alicia
21 Brown and John R. Seydel for the Georgia Coalition of
22 Local Governments.

23 MADAM CHAIR PRIDEMORE: Georgia Conservation
24 Voters?

25 (No Response.)

1 MADAM CHAIR PRIDEMORE: Georgia Interfaith
2 Power & Light?

3 MS. KYSOR: Good morning, Commissioners. Jill
4 Kysor and Jennifer Whitfield.

5 MADAM CHAIR PRIDEMORE: Georgia Solar Energy
6 Industries Association, Solar Energy Industries
7 Association, and Vote Solar?

8 MR. THOMASSON: Good morning, Madam Chair.
9 Scott Thomasson for GSEI, SEIA, and Vote Solar.

10 MADAM CHAIR PRIDEMORE: You're up next,
11 Mr. Thomasson.

12 "GA SOLAR"?

13 MR. MORELAND: Good morning, Madam Chair. Don
14 Moreland for Georgia Solar Energy Association.

15 MADAM CHAIR PRIDEMORE: Good morning, Don.
16 Georgia Watch?

17 (No Response.)

18 MADAM CHAIR PRIDEMORE: Georgia Watch?

19 (No Response.)

20 MADAM CHAIR PRIDEMORE: Interstate Gas Supply?

21 (No Response.)

22 MADAM CHAIR PRIDEMORE: I saw him earlier.
23 The Kroger Company?

24 (No Response.)

25 MADAM CHAIR PRIDEMORE: MARTA?

1 MS. STURM: Good morning, Commissioners. Kasey
2 Sturm for MARTA.

3 MADAM CHAIR PRIDEMORE: Resource Supply
4 Management?

5 MR. CLARKSON: Jim Clarkson for Resource
6 Supply.

7 MADAM CHAIR PRIDEMORE: Sierra Club?

8 MS. ARIZA: Good morning, Madam Chair.
9 Isabella Ariza on behalf of the Sierra Club.

10 MADAM CHAIR PRIDEMORE: Georgia Watch?

11 MS. COYLE: Good morning, Commissioners. Liz
12 Coyle for Georgia Watch. Sorry I was a minute or two
13 late.

14 MADAM CHAIR PRIDEMORE: Southern Alliance for
15 Clean Energy and Southface?

16 MR. COLLIER: Good morning, Commissioners,
17 Madam Chair. Will Collier, Brad Jacob for SACE and
18 Southface.

19 MADAM CHAIR PRIDEMORE: DoD?

20 MS. MEDLYN: Morning, Commissioners. Emily
21 Medlyn.

22 MADAM CHAIR PRIDEMORE: Okay. Did I get
23 everybody?

24 (No Response.)

25 MADAM CHAIR PRIDEMORE: All right. Sounds

1 good.

2 All right. Georgia Solar Energy Industries
3 Association, Solar Energy Industries Association, and
4 Vote Solar, your witness.

5 Witnesses are still under oath.

6 MR. THOMASSON: Thank you, Madam Chair. And if
7 it's okay, I'm going to have Ms. Kysor hand out just
8 one exhibit that I have, which is a --

9 MADAM CHAIR PRIDEMORE: Please do.

10 MR. THOMASSON: -- debtor request response
11 regarding Mr. Legg's testimony, following up on some
12 questions he got yesterday.

13 Whereupon,

14 LARRY LEGG,
 LEE EVANS,
15 having been previously duly sworn, continued to testify as
16 follows:

17 CROSS-EXAMINATION

18 BY MR. THOMASSON:

19 Q Good morning, Mr. Legg.

20 A (Witness Legg) Good morning.

21 Q My name is Scott Thomasson. I represent the
22 National Solar Trade Association, SEIA, and their Georgia
23 chapter, as well as Vote Solar, which is a solar advocacy
24 organization. It's pretty much what it sounds like.

25 I want to follow up on some questions that

1 Mr. Thomas for PIA staff asked you yesterday about the new
2 interconnection fee you're proposing.

3 A (Witness Legg) Yes.

4 Q And that's on page 14, but I've also given you
5 the company's response to staff data request STF-TAI-1-40
6 which relates to your testimony on page 14 where it mentions
7 interconnection fees.

8 A (Witness Legg) Yes.

9 (The document referred to was marked for
10 identification as GASEIA-SEIA-VOTE SOLAR Exhibit 1.)

11 BY MR. THOMASSON:

12 Q Do you have that document?

13 A (Witness Legg) I do.

14 Q Okay. So Mr. Thomas asked you yesterday about
15 the company's plans for this new \$200 flat fee that's going
16 to replace the current fee that you have, which is a
17 five-dollar-per-kilowatt witness testing fee for new
18 customer-owned systems. Do you recall that?

19 A (Witness Legg) Yes. It's replacing that, as
20 well as charging for several other items that aren't
21 recovered elsewhere in rates.

22 Q Correct. That was going to be another
23 clarifying question, so --

24 A (Witness Legg) Yes.

25 Q And he had used the example of a typical

1 average-sized residential customer being around 7 kW and
2 that the fee for that customer would be about \$35. And you
3 though that sounded reasonable; correct?

4 A (Witness Legg) Yes. Seven times the 5 dollars
5 would be \$35.

6 Q And just to finish out that illustration, and
7 for a larger commercial system, say, 200 kilowatts, under
8 the current fee, that would be about \$1,000 for the witness
9 testing fee and that customer would be going down to 200; is
10 that right?

11 A (Witness Legg) Yes, That's right.

12 Q Okay. So both of those customers who now pay
13 \$35 and \$1,000 would both be paying the equal \$200 fee under
14 the new proposal; right?

15 A (Witness Legg) That's right. And again,
16 repeating a little bit of what I said yesterday, I don't run
17 the renewables department, but I'm familiar with generally
18 the cost being outlined here. From the standpoint of
19 witness testing, that is something that for under 250 kW
20 customers, my understanding is that they may not all be
21 witness tested in the future. The company will decide if
22 there is a need to witness test those, so it's -- so even
23 though the fee was being paid by everyone, every single
24 commercial may not be witness tested.

25 We thought it was a better way to recover these

1 costs, including the witness testing, that does need to take
2 place by an interconnection fee or through an
3 interconnection fee for all customers.

4 Q Well, let's use that witness testing since you
5 do mention in your testimony that you're -- the company
6 hopes to reduce the total amount of witness testing; right?

7 And that may have actually been --

8 A (Witness Legg) Yes. Yes. I said the
9 anticipated impact of this change is to reduce the number of
10 instances that require witness testing going forward.
11 That's right.

12 Q So obviously not every system is going to be
13 witness tested, but so what -- what's the justification for
14 charging everyone for witness testing if their system
15 doesn't require one?

16 A (Witness Legg) So, again, it's to cover when
17 witness testing does need to occur, but if you would -- as I
18 look at this data request, it outlines the things that are
19 included, current project application and interconnection
20 growth trends, known costs for PowerClerk, which is the
21 software that we use in setting customers up and taking
22 applications, labor costs for project review processing,
23 feasibility studies for all size projects, impact and other
24 technical studies for projects for less than 250 kW. And
25 then it does include witness testing for customers less than

1 250. And then special billing setup and maintenance for all
2 size projects.

3 If you think about what those -- what those
4 things all -- those costs entail, they're not based on the
5 size of the customer. So setting up, in your example, a
6 7 kW customer versus a 200 kW customer in the billing
7 system, or taking their application, or looking at a
8 feasibility study, doing project review, all of those types
9 of things are just based on the fact that they are
10 interconnecting with the system. They're not necessarily
11 driven by the size of the customer. So that's where we're
12 proposing -- that's why we're proposing to spread those
13 costs evenly across everyone who applies.

14 Q So I want to be clear about what you just said.
15 It's the company's position that larger systems are not
16 going to require more witness testing than smaller systems,
17 that those -- those witness testing fees aren't spread
18 differently across different system sizes?

19 A (Witness Legg) I don't know that larger or
20 smaller systems would require more or less witness testing.
21 I'm not familiar with the procedures for who needs a witness
22 test or not. That's really determined by our renewables
23 department.

24 Q And if you don't know the answer to this
25 question, it's also fine, but are you aware if other

1 utilities, including neighboring utilities in the South,
2 sort of waive these kind of fees for smaller systems because
3 testing and some technical studies aren't really needed for
4 systems, say, smaller than 10 kW or 20 kW?

5 A (Witness Legg) I'm not aware.

6 Q Okay. We'll get to that in our testimony.

7 So why does the company generally -- we'll get
8 to a couple of examples that you mentioned in the data
9 request, but generally, based on your statement, why does
10 the company believe that this flat-fee approach for systems
11 of such different sizes is better than one that's based on
12 system size?

13 A (Witness Legg) Well, again, as I just outlined
14 in all of the different components that are being charged to
15 this fee, all of those things cost money. If they weren't
16 recovered through this fee, then they'd be recovered from
17 other customers who aren't participating or who aren't
18 interconnecting with the system. And so we thought it best
19 to charge it to those that are causing the cost for these
20 different activities to take place.

21 Q So using another example from the list, the
22 impact and feasibility study section, it looks like, for
23 example, y'all are expecting well over a hundred studies in
24 2023 across all of these different project sizes. And
25 again, if you don't know the answer to this, it's fine, but

1 does the company not expect that larger systems may require
2 more studies and more costs associated with those studies
3 than smaller systems?

4 A (Witness Legg) That's possible, but I just --
5 I don't know because my group does not prepare those
6 studies.

7 Q Okay. So, I mean, I guess broadly, I'm not
8 going to drag it out going through each one of these, but is
9 there a concern that smaller systems don't actually impose
10 these costs for studies or for witness fees that these
11 smaller systems that we're paying, say, \$35 in our example
12 are going to be subsidizing, there's actually going to be a
13 cost shift, if I can use a trigger phrase here, between --
14 from the larger systems to the smaller systems, those
15 residential customers will be paying too much and the
16 commercial customers be paying too little.

17 MADAM CHAIR PRIDEMORE: Mr. Thomasson, is there
18 a question in this?

19 BY MR. THOMASSON:

20 Q Yeah. Is that a concern of the company's? Has
21 the company considered that in this rate design? It just
22 goes against the grain of what we see with other utilities
23 that do have system size-based fees.

24 A (Witness Legg) Well, as I look down through
25 the data request -- and again, I'm limited in knowledge,

1 that my department, like I said, doesn't run these different
2 types of tests or take the applications. But as I look
3 through this, you were pointing out the impact and
4 feasibility studies of the \$200. It looks like that's about
5 nine or ten of it. The software costs are in the \$34 range,
6 and, of course, that would apply to any customer on there.

7 Project review and generated agreement you can
8 see is broken out in less than 10 kW, 10 to 250, and greater
9 than 250, and the costs there are significant. Project
10 billing and tariff rider added, this is about a fourth of
11 the cost, and so that's the same regardless of size of the
12 customer.

13 And then you have the witness test fee broken
14 out. And actually, as I look at this, the witness test fee
15 and meter reprogramming is a much larger number for the less
16 than 10 kW category than it is for the 10 to 250 kW
17 category.

18 So I think the thought was, yeah, it's the --
19 these costs are spread across all of these different
20 customers. There may be some that vary by size of customer,
21 but generally these are costs that are being caused across,
22 regardless of size, across this group of customers and they
23 should be responsible for paying those costs.

24 Q As you went through these, I wonder if you
25 could help me understand what a couple of these costs are.

1 Specifically, the project review and generate agreement and
2 the project billing and tariff rider that you mentioned are
3 significant. I'm just not familiar with those terms and
4 they were not self-explanatory.

5 A (Witness Legg) Yeah, we're reaching -- again,
6 we're reaching the limits of my understanding of this, but,
7 you know, reviewing projects and generating an agreement for
8 the customer to sign. I would assume project billing and
9 tariff rider, these have to be set up in our billing system
10 and billed through -- through -- you know, it's more complex
11 billing than standard residential billing because you have
12 the pushback aspect. You have the netting aspect. So
13 there's more handling in the billing setup for these
14 customers as well.

15 Q Are these costs the company's incurring
16 currently on interconnection applications?

17 A (Witness Legg) When you're saying occurring
18 currently?

19 Q I mean, is this the first time you've proposed
20 cost recovery for this and an interconnection fee but
21 they've already been incurring this or are these new
22 components of the application process that --

23 A (Witness Legg) Yeah, these are -- these are
24 new costs. Certainly the company was incurring these types
25 of costs prior to this rate case. The last time we filed a

1 rate case, of course, was three years ago. In that order,
2 that's when we expanded and have seen great -- a great
3 number of growth in behind-the-meter customers. So the
4 program's a lot larger than it was three years ago when we
5 last filed rates before this Commission.

6 So we have incurred a lot of new costs, new
7 software costs, new billing, new project review. We've
8 added staff to the renewables department to be able to
9 handle the influx of the number of customers with
10 behind-the-meter systems. So, yes, these are the -- you
11 know, there are a lot of new costs related to this activity
12 since the last time we filed a rate case and set rates.

13 Q And PowerClerk would be one of those new costs
14 that you've added?

15 A (Witness Legg) That's my understanding, yes.

16 Q And again, you're not aware of whether
17 neighboring utilities use software like this to avoid the
18 other costs that are on the list, including project review?

19 A (Witness Legg) If they use software like this
20 to avoid the other costs?

21 Q Yes.

22 A (Witness Legg) I am not aware. I think each
23 of these has their own specific purpose.

24 Q All right. I won't belabor it.

25 Are any of the costs included in this list

1 related at all to the DER management system that -- that's
2 also being proposed?

3 A (Witness Legg) Not that I'm aware of.

4 Q Okay. And does the company anticipate to --
5 any linking of those at all for these -- these
6 interconnection fees?

7 A (Witness Legg) That, I don't know. I believe
8 the -- you're talking about the DERM system that --

9 Q Yes.

10 A (Witness Legg) -- Mr. Robinson talked about?

11 My understanding is that's still in the
12 development phase, so I don't know how that would interact
13 with this or if it would at all.

14 Q Okay. That's fine.

15 All right. Well, that's all I have on
16 interconnection.

17 I did want -- I have just a quick follow-up
18 question on -- Ms. Kysor asked you yesterday about the
19 replacements for the R tariff, or the proposals for tariffs
20 under -- for new premises. And I believe she asked you if
21 you were aware of other investor-owned utilities that had
22 mandatory demand charges for customers, and you couldn't --
23 you said you thought there were but you couldn't recall
24 which ones, if I'm...

25 A (Witness Legg) Right, yeah. I know I've been

1 to industry conferences and heard utilities talk about
2 these. Industry articles about this where I've read there
3 are some with mandatory, some with, you know, non-mandatory
4 demand rates. And so I'm familiar with them, I just
5 couldn't name which utilities have which.

6 Q And I assume you haven't gone online and
7 refreshed your memory since then about which ones, but I was
8 wondering if maybe we could -- I could make a hearing
9 request to get some examples of those utilities?

10 A (Witness Legg) Some example -- are you asking
11 for a list of other utilities that have --

12 Q That have the mandatory residential --

13 A (Witness Legg) Mandatory demand rates?

14 MR. HEWITSON: Madam Chair, I don't think
15 that's an appropriate hearing request. That's
16 information that any intervenor could go research on
17 their own.

18 MADAM CHAIR PRIDEMORE: Sustained.

19 A Yeah, and I would like to state again, this is
20 not a mandatory thing that Georgia Power is asking for. If
21 we close the residential service rate to newly constructed
22 premises as we've proposed, there will still be other rate
23 options other than the Smart Usage rate that has a demand
24 component. As we talked about yesterday, customers would
25 still have the option of other rates.

1 BY MR. THOMASSON:

2 Q I should have used default maybe instead of
3 mandatory.

4 A (Witness Legg) Yes. And again, as a default,
5 it only defaults on that rate, just like it currently
6 defaults on the residential rate for existing customers, if
7 they don't select another rate while we're talking to them
8 about their options. So customers get to choose which rate
9 they go on.

10 MR. THOMASSON: Madam Chair, that's all I have.

11 MADAM CHAIR PRIDEMORE: "GA SOLAR"?

12 CROSS-EXAMINATION

13 BY MR. MORELAND:

14 Q Hello, good morning.

15 A (Witness Legg) Morning.

16 A (Witness Evans) Morning.

17 Q Nice to meet you, gentlemen.

18 MR. MORELAND: Good morning, Commissioners.

19 BY MR. MORELAND:

20 Q My name is Don Moreland with the Georgia Solar
21 Energy Association. This is my first rate case proceeding,
22 so go easy on me, if you could, please.

23 In your -- most of these questions are going to
24 be for Mr. Legg.

25 Mr. Evans, there might and an opportunity for

1 you to chime in on a couple of things. I know you're
2 excited about that.

3 But Mr. Legg, in your testimony on page 5, line
4 14, and on page 11, lines 4 through 20, you discussed
5 alleged revenue erosion due to the RNR monthly netting.

6 As you know, this issue has been separated and
7 will be addressed in the next round, but will the Georgia
8 Power panel testifying in that next round be able to answer
9 questions related to your testimony on RNR monthly netting
10 pilot here?

11 A (Witness Legg) I'm sorry. Will be able to
12 answer questions about?

13 Q So we know RNR monthly netting is reserved for
14 the next round; correct?

15 A (Witness Legg) Right.

16 Q But will -- will we be able to ask questions
17 related to your testimony here on matters related to RNR
18 monthly netting?

19 A (Witness Legg) I don't know if I'm the person
20 to make that determination, but I suppose you could ask a
21 question and I can --

22 MADAM CHAIR PRIDEMORE: Mr. Moreland, ask
23 questions related to his testimony and then come back
24 and ask questions of the next panel on RNR-10.

25 MR. MORELAND: Well, the reason why I'm asking

1 is because he does mention RNR monthly netting in his
2 testimony. And I want to make sure that we'll be
3 able to ask questions about his testimony in the RNR
4 proceeding.

5 MADAM CHAIR PRIDEMORE: That's not how it
6 works. Ask questions of the witness related to their
7 testimony. So if he's got -- why don't we point to
8 the page and line of what you're speaking about, ask
9 a question, and see if it's something that he can
10 answer.

11 BY MR. MORELAND:

12 Q Okay. Page 11, line 4 through 20, there's an
13 alleged revenue erosion of \$1.4 million in your testimony
14 specifically -- I'm sorry -- that's on page 11, down on
15 line 26. And my question is: Will we be able to ask
16 questions about that at the next proceeding when we go over
17 RNR monthly netting?

18 MADAM CHAIR PRIDEMORE: I'm going to say no.
19 If you've got a question about his testimony, ask the
20 question, Mr. Moreland. I mean, it's in there.

21 "As identified earlier in my testimony, the
22 company has made an adjustment of approximately
23 1.4 million to account for the base revenue erosion
24 associated with monthly netting cost shift."
25

1 BY MR. MORELAND:

2 Q Where can I find the adjustments to this
3 alleged revenue erosion in your testimony?

4 A (Witness Legg) When you say "where can you
5 find it," you're asking where in my testimony it is?

6 Q Uh-huh.

7 A (Witness Legg) I mean, we just pointed out
8 line 26. Or are you asking is there somewhere else you can
9 find it? I don't understand.

10 Q Yeah. Any details about the revenue erosion?
11 In your testimony you say it's \$1.4 million, but do you
12 offer any details on where that number came from?

13 A (Witness Legg) There may have been a data
14 request that was filed that outlines where that came from.
15 I don't remember. As Ms. Adams said the day before
16 yesterday, we've got a couple of thousand data requests, but
17 it may be in that. Certainly it's in the company's modeling
18 that was provided to the Commission staff. And I don't
19 remember if there was a specific data request with the
20 details behind that.

21 Q Okay. All right. I do want to ask about some
22 of the rate plans and how it relates to solar energy and,
23 you know, how some of those rate plans are proposed to be
24 updated in this rate case.

25 Under the current residential tariff, when a

1 customer generates -- when a customer generator generates
2 more energy than they're using and that energy gets exported
3 to the grid, how much do they get compensated for that under
4 the current residential tariff?

5 A (Witness Legg) Well, it depends on -- it
6 depends on whether they're on net metering, monthly net
7 metering or instantaneous net metering. Are you referring
8 to --

9 Q Well, there is no -- there's a cap, as you
10 know, on monthly netting and that cap has already been
11 reached. So there is no monthly netting available right now
12 for -- I'm sorry -- I should have said maybe a new customer,
13 not on monthly netting, who is on the residential tariff,
14 how much do they get compensated for the energy that they
15 export back to the grid?

16 A (Witness Legg) Regardless of which tariff
17 they're on, if they are on instantaneous net metering, they
18 would get compensated at the solar-avoided cost.

19 Q And what is that?

20 A (Witness Legg) The number?

21 Q Correct.

22 A (Witness Legg) It's filed here. I think it's
23 a little under 3 cents right now.

24 Q A little under 3 cents?

25 MADAM CHAIR PRIDEMORE: Mr. Legg, any Georgia

1 Power customer can go on instantaneous monthly
2 netting right now, if they'd like; right?

3 MR. LEGG: That's my understanding, yes.

4 MADAM CHAIR PRIDEMORE: Uh-huh. It's
5 available.

6 MR. MORELAND: Sure.

7 BY MR. MORELAND:

8 Q What happens to that kilowatt-hour after it
9 gets exported to the grid, that electron, you know? So I'm
10 in a residential neighborhood and I'm generating more than
11 I'm using and I export that out to the grid. Where does
12 that electron go?

13 A (Witness Legg) I'm not an engineer, but it
14 goes wherever it goes. The path of least resistance is my
15 understanding of where electricity flows.

16 Q Could it possibly go to my neighbor?

17 A (Witness Legg) Certainly, it could.

18 Q Okay. And then would you -- you would sell
19 that electron to that neighbor?

20 A (Witness Legg) Well, we sell kilowatt-hours.
21 Again, we don't have specific kilowatt-hours we sell to
22 specific customers. We run our system as a whole and
23 wherever the kilowatt-hours flow, that's what gets sold to
24 each customer and --

25 Q If that neighbor is also on the residential

1 tariff, how much would the company sell that kilowatt-hour
2 to the neighbor for?

3 A (Witness Legg) We would sell it for the retail
4 rate.

5 Q And how much is that?

6 A (Witness Legg) It can vary depending on how
7 much energy the customer uses. But it might be in the 10-
8 to 12-cent range.

9 Q Okay. Did the company -- so going back to my
10 system, in that residential neighborhood, did the company
11 purchase that system for me? The solar system that's on my
12 house that's generating that energy, did the company have
13 anything to do with purchasing that?

14 A (Witness Legg) No. What the company did was
15 we set up a grid to serve all of our customers. We built
16 generating plants, transmission systems, distribution
17 systems to serve all of our customers. And when a customer
18 on instantaneous net metering exports energy to the grid,
19 whether it goes to their neighbor or a different customer,
20 they're using the grid that the company has built and its
21 customers have paid for to be able to put that back out onto
22 the system.

23 So, yes, the company built that distribution
24 system, the transmission system. Its customers paid for it.
25 And so that's actually the customer using the grid to export

1 to send it back out onto the system. And so the energy
2 value, what the instantaneous net metering, the avoided-cost
3 value represents is the value of just the energy piece.

4 As we've talked a few times already, that's not
5 the only component of running an electrical system. You
6 have power generators. You have a transmission system. You
7 have a distribution system. We have employees. We have
8 billing systems. We have customer call center. We have
9 representatives that help customers. We have all kinds of
10 capital and O&M costs to build our system.

11 Energy is only one cost component. So in
12 exporting that kilowatt-hour onto the grid, that's only a
13 piece of what the whole system costs. So we're trying to
14 make sure that we credit the appropriate amount for that
15 piece just like we would if we bought the energy off system
16 from the marketplace or from a purchase power agreement or
17 generated from the plants that we own and operate.

18 The energy component of that is only a piece of
19 the cost of the system, so we're trying to appropriately
20 value that with the avoided cost. And that's been filed
21 here before the Commission --

22 Q Okay. Great, thank you.

23 A -- on many occasions.

24 Q So --

25 MR. HEWITSON: Madam Chair, I would just ask

1 that Mr. Moreland --

2 MADAM CHAIR PRIDEMORE: Are you objecting?

3 MR. HEWITSON: Well, objection. Can we let the
4 witness finish his answer? I know Mr. Moreland just
5 wants to get to the next question, but Mr. Legg
6 wasn't finished answering the question.

7 MADAM CHAIR PRIDEMORE: She -- the court
8 reporter can't keep up when you talk over the
9 witness. It doesn't get reflected in the record.

10 MR. MORELAND: Yes, ma'am.

11 MADAM CHAIR PRIDEMORE: Okay.

12 BY MR. MORELAND:

13 Q Are you finished?

14 A (Witness Legg) I'm finished.

15 Q Okay. All right. So the company, didn't
16 purchase the system. Did they install the system on my
17 home, the solar energy system?

18 A (Witness Legg) That's a service we offer, but
19 I don't -- I don't know if we would have installed yours.

20 Q Did they finance the system?

21 A (Witness Legg) Not to my knowledge.

22 Q Do they do any operating and maintenance on the
23 system?

24 A (Witness Legg) Not to my knowledge.

25 Q So are they -- do they take any risk at all in

1 that system being placed in service?

2 A (Witness Legg) Are you talking about financial
3 risk for the system?

4 Q Well, I guess my point is that you just -- you
5 just agreed that the company didn't purchase, install,
6 finance, or they don't do any operating and maintenance on
7 the system on my house. They purchase an electron or a
8 kilowatt-hour from me for less than 3 cents and sell it to
9 my neighbor for 10 cents. Is that what -- is that your
10 testimony?

11 MR. HEWITSON: Actually, I will object because
12 it's not in Mr. Legg's testimony.

13 MADAM CHAIR PRIDEMORE: Sustained.

14 COMMISSIONER MCDONALD: One of the things that
15 you must understand, that the company did not require
16 you to put it on your house. You elected to do that.

17 MR. MORELAND: No, I just -- I'm pointing out
18 the amount of markup that they're able to --

19 COMMISSIONER MCDONALD: I know what -- I know
20 what you're pointing out. But remember that you're
21 building it as if the company has to guarantee all
22 these things. There's a -- there's a contract
23 that's -- whether I agree with it or you agree with
24 it, we may differ from what the company has.

25 But in their model right now, this is -- if you

1 want to put a unit on your house, these are the
2 conditions that you go through with to do that.
3 That's elected on your part. To sell it to your
4 neighbor, you can't do that. They're -- they're in
5 the retail business --

6 MR. MORELAND: Yes.

7 COMMISSIONER MCDONALD: -- under the
8 Territorial Rights Act.

9 MR. MORELAND: They sell it and make a huge --
10 a huge profit from it, yes.

11 COMMISSIONER MCDONALD: Well, they -- you
12 can -- if you -- you know, you can look at a profit
13 on any business, whether it's a 2-by-4 or a casket,
14 there are things that are different as far as what
15 that actual price is. And when you buy a tomato in
16 the grocery store, you're not just buying the tomato,
17 you're paying for the transportation --

18 MR. MORELAND: Sure.

19 COMMISSIONER MCDONALD: -- you're paying for it
20 getting there. There's a lot of -- a lot of things
21 that are involved to get it to that place.

22 MR. MORELAND: Sure. Thank you.

23 BY MR. MORELAND:

24 Q I would like to move on to the time of use rate
25 plan that is now kind of the default for new construction --

1 A (Witness Legg) Yes.

2 Q -- customers.

3 Can you just briefly for the Commission -- and
4 really, I'm kind of confused on it, and I'm not trying to
5 set you up or anything, I promise. How does that rate plan
6 work, for off-peak, on-peak, and the times and all that kind
7 of thing?

8 A (Witness Legg) Sure. So it's a three-part
9 rate. It has a customer charge, a basic service charge,
10 just like all of our residential rates. That's to cover the
11 customer-related costs. Think of our call center, billing,
12 things like that. And the meter, the service drop, minimum
13 distribution that Mr. Evans has filed testimony about. So
14 just the customer-related costs.

15 There's an energy charge to cover the
16 electrons, and that has an on-peak and an off-peak
17 component. So it's more expensive for the company to
18 produce during summer afternoons when system loads are high,
19 it's really hot, so those prices are higher. The rest of
20 the year the prices are lower, off-peak.

21 And then there's a demand-related charge to
22 cover the demand-related components that Commissioner
23 McDonald was just talking about, all the different pieces
24 and parts of the system that are there whether a customer
25 uses a kilowatt-hour or not.

1 Even if a customer doesn't use a kilowatt-hour,
2 we still have to build generators to meet their peak demand,
3 transmission system, distribution system, all those types of
4 things. So we have a customer charge, an energy charge, and
5 a demand-related charge, and those are the three basic cost
6 components.

7 Q Thank you for that.

8 Going back to me and my system, I'm generating
9 electricity using -- generating more than I'm using and I'm
10 on this time-of-use rate plan. In a off-peak hour I'm
11 exporting that energy back to the grid. How much do I get
12 compensated for that?

13 A (Witness Legg) Are you still talking about an
14 instantaneous customer?

15 Q Correct.

16 A (Witness Legg) Yeah, the -- the same, the
17 solar avoided cost number.

18 Q Okay. What about during an on-peak hour in an
19 instantaneous plan? How much am I getting compensated for
20 the energy export during a peak hour?

21 A (Witness Legg) I believe it's the same number.
22 And I should state that it brings up a good point that the
23 solar avoided costs, I believe, takes into account the
24 entire year. It's one number, but it takes into account the
25 shape for solar. That's why it's called solar avoided cost

1 as opposed to just avoided cost.

2 This is a number that's been litigated at the
3 Commission in that Integrated Resource Plan filings and been
4 discussed for years and years. But it takes into account
5 the shape and the value of the energy over the course of the
6 year for a solar provider.

7 Q But the -- during the peak demand hours -- and
8 what are those hours again, during peak demand for that
9 particular rate plan?

10 A (Witness Legg) For the tariff it's 2:00 to
11 7:00 p.m., Monday through Friday, in the four summer months,
12 June through September.

13 Q And how much is a kilowatt-hour during the peak
14 demand time?

15 A (Witness Legg) On that tariff it's in the range
16 of 10 cents, plus fuel, plus riders.

17 Q And how much is all that?

18 A (Witness Legg) Maybe around 15 cents.

19 Q About 15 cents?

20 A (Witness Legg) Or 20 cents, something like
21 that.

22 Q So you're charging me 15 cents during peak
23 demand, and for energy I export during peak demand, I'm
24 getting solar avoided costs at less than 3 cents a
25 kilowatt-hour?

1 A Well, again, like I said --

2 MR. HEWITSON: Objection. Asked and answered.

3 MADAM CHAIR PRIDEMORE: Asked and answered.

4 BY MR. MORELAND:

5 Q Okay. For new customers coming online in
6 the -- you know, and they're on this new rate plan, this
7 time of use rate plan, does the customer provide any
8 real-time consumption data to customers so they can track
9 their energy usage at any particular time?

10 MADAM CHAIR PRIDEMORE: Does the customer
11 supply --

12 BY MR. MORELAND

13 Q I'm sorry. Does the company? I'm sorry.
14 Does the company supply the customer real-time
15 usage data, consumption data, on the time-of-use rate plan
16 so the customer can track their usage during the different
17 times of the day?

18 A (Witness Legg) When you say "real-time," you
19 mean instantaneous?

20 Q Yes. I mean -- so when a customer, during a
21 peak time they turn on their dishwasher, you know, and their
22 air conditioner, they know how much energy they're using as
23 it relates to their demand charge so they can -- so they
24 can, you know, have visualization over what they're
25 consuming and how it relates to the different charges

1 associated with this rate plan.

2 A (Witness Legg) Yeah, we -- we don't. And like
3 we talked about yesterday, we do provide hourly data from
4 our My Power Usage tool online. I've looked at that.
5 It's -- there's about a 24- to 48-hour delay because we're
6 getting the data through our AMI system, automated metering
7 infrastructure system.

8 To provide instantaneous data to a couple of
9 million customers would be extremely expensive. I've looked
10 into that a little bit. There are devices that customers
11 can buy out on, say, Amazon or out on the web. I know
12 there's a device by a company called Sense that you can put
13 into your meter panel, you know, into your panel at home.
14 Costs about 300, \$350.

15 So to distribute those across our entire
16 customer base would be, we think, cost prohibitive and
17 probably not justified by the number of customers who would
18 want to track that. But certainly we do want to work with
19 our customers to help them understand their energy use, and
20 we're happy to help discuss that with them at any time.

21 Q Is it possible that could also be cost
22 prohibitive for lower-income families to be able to put that
23 Sense system in their home?

24 A (Witness Legg) I -- I don't -- I mean,
25 certainly it's an expensive device. I think it might be a

1 little more expensive than -- than most customers would want
2 to pay. Certainly low-income might be included in that as
3 well.

4 Q Okay. Is the cost of service the same for the
5 residential -- the current residential plan and the newly
6 proposed time of use plan? Is the customer -- is the cost
7 to serve the customer the same with both of those plans?

8 A (Witness Evans) Well, the cost of service for
9 the rate populations themselves are included in my exhibits.
10 Of course, those populations are very unique to those
11 customers on it. As we discussed yesterday, the TOU-RD rate
12 has seen a great deal of growth in the previous three years.
13 So there's been a lot of turnover, a lot of churn in that
14 population, including the years that we looked at.

15 And the cost-of-service study, whenever you get
16 down to some of their smaller rate groups, is not really
17 designed for that level of granularity. So that's why we've
18 always encouraged the evaluation of the rate groups instead
19 of the individual rates themselves. But, yes, that
20 information is filed in my exhibits.

21 A (Witness Legg) Yeah, and I would -- I would
22 add to that. So certainly it's going to cost different
23 amounts to serve different customers based on how they use
24 energy. From the standpoint of costing a different amount
25 from one rate to the other, when we designed the Smart Usage

1 Rate and originally filed it, it was designed to be revenue
2 neutral to the residential service rate for an average
3 customer.

4 As we talked about yesterday, we designed rates
5 for hundreds of thousands or millions of customers, not each
6 individual customer. So in designing Smart Usage, we did
7 set it revenue neutral to the existing residential service
8 tariff when we filed it for an average customer, which we
9 thought was appropriate from a revenue neutrality
10 standpoint.

11 Q I'm going to have trouble phrasing this
12 question so please bear with me. But is the cost to serve a
13 customer in the time-of-use rate plan reflected in those
14 rates more than it is the regular residential plan? In
15 other words, are the rates structured in a way that captures
16 the cost of service better in that rate plan than it does in
17 the regular residential plan?

18 A (Witness Legg) Yes. And that's why we've been
19 promoting this rate as a better option than the residential
20 service tariff, because it sends more accurate price
21 signals, giving customers better information to make
22 determinations about when to use energy and when to avoid
23 using energy so that our system overall can be used
24 efficiently and save all of our customers money.

25 Q Thank you for that.

1 So you send these price signals and it's
2 designed to help change customers' behavior. We're not
3 giving real-time data for that, but we're getting there.
4 But if a customer does not change their behavior when
5 they're on this new time of use rate plan, will they still
6 save money over their regular residential plan?

7 A (Witness Legg) Well, when you're comparing any
8 two tariffs that have a different design, some customers
9 would pay on one tariff and some would pay more on another
10 tariff. That's going to be the same versus any of the seven
11 different offerings that we make. Like I said, it was
12 designed to be revenue neutral to the residential service
13 tariff for an average customer. So for an average customer,
14 two customers on that rate would pay about the same amount.
15 But, again, we think it's -- you know, it's more
16 cost-reflective pricing, which gives better information to
17 customers.

18 And you talked about the access to
19 instantaneous information. It really -- we talk simpler --
20 you know, in simpler terms with customers when we discuss
21 this rate. Again, just avoiding the on-peak periods, you
22 can save money on your bill. Avoiding stacking major
23 appliances at the same time, you can save money on your
24 bill. So rather than looking at every hour of the day,
25 every month of the year, which most customers probably don't

1 want to do if they can follow those two simple concepts,
2 they can -- they can save on their bill.

3 Q So if it works and these price signals do
4 encourage folks to change their behavior and over time
5 customers respond to the price signals, is there a chance
6 that over a long period of time that the peak demand, the
7 time of the peak demand could change?

8 A (Witness Legg) Certainly it could. And, in
9 fact, you know, that will be propagated through the
10 company's forecast. That's why we come before this
11 Commission every three years to plan, because things do
12 change.

13 Customers use energy differently. Devices in
14 your home or in a business get more efficient, you know.
15 The load shapes change from time to time over long periods
16 of time, so that's what we bring before this Commission
17 every three years, and presenting a plan for the resource
18 mix and in designing rates for the Commission to approve.
19 So I would say, yes, that does make its way into our
20 planning process.

21 Q So it could change from currently 2:00 to
22 7:00 p.m. during the summertime to another time? Any idea,
23 based on forecasting or other utilities, or even from
24 time-of-use rate plans in commercial plans, what that peak
25 would look like?

1 MR. HEWITSON: Objection. That calls for
2 speculation. And Mr. Legg is not a forecaster.

3 MADAM CHAIR PRIDEMORE: Sustained.

4 Mr. Moreland, I want to remind you, you may get
5 some of the answers to your questions after they file
6 the RNR-10 tariff filing on October 20th, and then
7 staff and intervenors and you'll have an opportunity
8 to file on November 18th.

9 MR. MORELAND: Thank you for that. I
10 understand. We may or may not, depending on what the
11 company files, you know, kind of defines the scope of
12 that proceeding and what we're able to cross on, so
13 that's why I just -- I'm taking this opportunity to
14 ask Mr. Legg some questions about his testimony now.

15 MADAM CHAIR PRIDEMORE: Just reminding you
16 you've got options.

17 MR. MORELAND: Thank you.

18 BY MR. MORELAND:

19 Q With the newly proposed \$200 interconnection
20 fee, I think I remember -- I jotted down here you mentioned
21 in Section G-4 of the rules and regulations that outlines
22 more about what that fee covers. We don't have to get into
23 that right now, Mr. Legg. My question is, will customers
24 get a report from the company that it -- that shows the
25 results of all of the different items that G4 covers with

1 that interconnection fee?

2 A (Witness Legg) A report that shows --

3 Q That shows the feasibility study, the capacity
4 on that particular line. All the things that are mentioned
5 that that \$200 fee is meant to -- to be a cost recovery for,
6 if the customer is paying for it, then maybe -- do they get
7 a report that shows what the results of all those studies
8 are?

9 A (Witness Legg) They may. I don't know.
10 Again, my -- my department is not responsible for performing
11 those studies. I'm not sure exactly what information is
12 provided to the customer.

13 Q Does the company advise customer generators on
14 what rate plan is best for them?

15 A (Witness Legg) We'll advise any customer on
16 what rate is best for them. And for customer generators in
17 particular, we spend a great deal of time talking with them
18 if they call us to ask about it, you know. If they ask is a
19 solar system right for me, we'll take a look at an analysis
20 that says: Here's your home, here's your energy usage,
21 here's the -- you know, the way that your home is -- the
22 direction your home is pointed in. We use some end-rail
23 technology to talk about what type of solar -- success with
24 solar panels they may have, what size panels might fit on
25 their roof, things like that.

1 So we take hundreds of those types of calls,
2 actually, probably thousands of those calls a year now,
3 talking with customers. If they ask us what rate might
4 benefit them, certainly we would be happy to discuss our
5 rate options as well.

6 MR. MORELAND: Thank you, Mr. Legg. That's the
7 end of my questioning. Thank you.

8 MADAM CHAIR PRIDEMORE: Georgia Watch?

9 MS. COYLE: Good morning again, Commissioners.
10 Let me just try to do this right.

11 MADAM CHAIR PRIDEMORE: Good to see you,
12 Ms. Coyle.

13 MS. COYLE: Good to see you as well.

14 CROSS-EXAMINATION

15 BY MS. COYLE:

16 Q Good morning, gentlemen.

17 A (Witness Legg) Morning.

18 A (Witness Evans) Morning.

19 Q Mr. Evans, my questions are primarily going to
20 be directed Mr. Legg, but if you have -- certainly if
21 there's a part that you have to add, feel free to chime in.

22 MADAM CHAIR PRIDEMORE: I think at this point
23 Mr. Evans is used to it. He's not taking this
24 personally.

25 MS. COYLE: He won't take it personally. Good.

1 BY MS. COYLE:

2 Q So Mr. Legg, I'd like to begin by asking you
3 about your testimony on page 10, lines 4 through 11, about
4 the income-qualified seniors discount program.

5 A (Witness Legg) Yes.

6 Q And as I'm sure you know, I'm a big fan of the
7 income-qualified seniors discount program, and I'm just
8 looking for some clarifications specifically at lines 5
9 through 6.

10 You testified that there will be an increase in
11 the credit equal to the basic service. So I just -- in
12 plain English, does that mean that based on what the
13 Commission approves in this rate case in terms of an overall
14 rate increase, that the senior citizen discount,
15 income-qualified, will increase to completely offset that
16 rate increase?

17 A (Witness Legg) Yes, that's right. So we
18 proposed an increase to the residential basic service charge
19 of \$2.27, so we would propose an increase to the senior
20 discount that's currently 18 for the base portion to \$20.27
21 to offset that increase.

22 Q Okay. But they could still see a higher
23 charge, just not the basic service -- there would be an
24 increase of -- to cover the increase in the basic service
25 charge, but not the total potential rate increase?

1 A (Witness Legg) Right. It's not to cover the
2 increase related to the energy portion, the demand portion
3 of the bill, just the basic service charge portion.

4 Q Okay.

5 A (Witness Legg) The fixed fees on the basic
6 service charge.

7 Q Okay. So now I'm thinking about a lower income
8 senior who might move into a newly constructed apartment,
9 say, in an affordable housing community or in a market rate
10 community but with some affordable housing in it. Will they
11 be put on the time of use RD -- the TOU-RD rate plan with
12 the demand charge or can they stay on a standard residential
13 tariff if that's what they've been used to for decades?

14 A (Witness Legg) If -- again, if it's a newly
15 constructed premises, we're proposing that the residential
16 service tariff not be available to them, but they won't
17 necessarily be put on the time-of-use residential demand
18 rate. They have other rate options available to them.
19 Those other rate options are also getting the same
20 additional discount for the senior to offset the basic
21 service charge component.

22 Q Okay. So that -- you anticipated my question
23 because it referred to the R tariff. So I want to make sure
24 that that's -- that discount -- I'm sorry -- on line --
25 again, on line...

1 A (Witness Legg) Yeah, I think we -- I think,
2 yeah, on line 6 and 7, I think we actually use the wording
3 "an amount equal to the proposed increase to the R tariff
4 monthly basic service charge."

5 Q Right.

6 A (Witness Legg) Just to be specific to that,
7 but it applies to all residential --

8 Q It applies -- okay.

9 A (Witness Legg) -- yeah, tariffs.

10 Q Thank you for that clarification. That's --
11 that was exactly what was confusing me.

12 And I'll come back -- I'll have some more
13 questions on the demand charge plan Smart Usage in a minute,
14 but I wanted to next ask you some questions from your
15 testimony on page 8. Top of that page, lines 1 and 2. You
16 talk about the variation -- when referring -- this couple of
17 lines refers to the chart at the bottom of page 7 that shows
18 the 2023 bill impact by rate group.

19 A (Witness Legg) Yes.

20 Q And that shows that, in particular, small
21 business owners and the residential customers are going to
22 see a more -- a higher percentage impact on their bills than
23 other rate groups; is that correct?

24 A (Witness Legg) Yes. And I should state, I
25 think I misstated --

1 MADAM CHAIR PRIDEMORE: Actually, outdoor
2 lighting is the highest.

3 MR. LEGG: Yes, that's true. That's true,
4 Madam Chair. Outdoor lighting is the highest.

5 And I want to -- I want to correct something I
6 said yesterday. I think I got confused and said that
7 this was -- this chart represented the test period.
8 It does not. It represents our alternate rate plan.
9 What I was thinking was --

10 BY MS. COYLE:

11 Q That was my next question.

12 A (Witness Legg) There's the alternate rate plan
13 before the supplemental filing which changes it a hair, but
14 this is the alternate rate plan that the company is
15 proposing is what it's based on.

16 Q This is what the company proposes?

17 A (Witness Legg) Yes.

18 Q It's not current? This is that 739 million
19 base rate increase?

20 A (Witness Legg) That's right. It's the total
21 increase, that, plus the rider -- the ECCR DSM franchise
22 fees.

23 Q So that's a correction how you answered
24 Ms. Kysor's questions yesterday?

25 A (Witness Legg) Yes. I was -- yeah, I

1 misstated what this table represented. Yeah.

2 Q Okay. Well, then I'm glad I asked about it.

3 A (Witness Legg) Yes, I am too.

4 But to answer your other question, that's
5 right, the impact is higher to domestic and small business
6 and medium business than perhaps some of the other groups.
7 And really what this chart's indicating, you know, this is a
8 base rate case filing, but those aren't all the charges that
9 the company charges the customers for. We also have fuel
10 case filings.

11 Generally, residential and smaller commercial
12 customers, especially who have a lower load factor, are more
13 impacted by a base rate case filing. Larger commercial and
14 industrial customers are more impacted by a fuel rate filing
15 as a percentage of their bill. So that's just an indication
16 of how customers use rates and the impact of the base rate
17 case filing here. It would likely look different if you did
18 the same thing in a fuel case filing.

19 And real-time pricing customers actually have
20 already been paying for the fuel increases we've seen in
21 real-time, if you will, for their incremental energy because
22 they're paying hour by hour what that cost recovery is.

23 Q You keep anticipating the questions --
24 clarifications that I want to ask. But let me go back to
25 the first question and then I'm going to follow up on what

1 you just said.

2 A (Witness Legg) Sure.

3 Q So in -- again, in your testimony on page 8,
4 lines -- line 1 you talk about: "The variation in
5 percentage increases is due in part to differences in the
6 ratio of fuel costs."

7 And you've just talked about how some of the
8 RTP customers are already paying the higher fuel costs in
9 that variation, but what are some other reasons? Could you
10 tell me more about the part that's not fuel cost related?

11 A (Witness Legg) Well, the other part that I was
12 talking about was the percentage for real-time pricing
13 customers, the percentage of standard traditional base
14 tariffs in their CDL versus their energy in real-time
15 pricing where they're already paying in real-time what the
16 fuel prices are.

17 The other piece of that, I think there's a
18 third piece of it. We've requested an increase in the DSM
19 tariffs in this case, but that doesn't apply to industrial
20 customers.

21 Q Okay.

22 A (Witness Legg) So to the extent that they
23 wouldn't be impacted by that, that's part of the math.

24 Q And, again, just for clarification, the RTP
25 usage customers are exclusively your manufacturing and

1 commercial customers; is that correct?

2 A (Witness Legg) They could be any large
3 commercial or industrial customer. The qualification is
4 250 kW and up. So think about the size of an elementary
5 school or a public shopping, you know, grocery store or
6 something like that and up.

7 Q Okay. Thank you.

8 And then continuing on page 8 but at the bottom
9 of page 8, the -- for clarification again, current customers
10 who moved into new construction premises since the last rate
11 case have been able to -- they were automatically put on
12 time of use RD but they were able, if not successful on that
13 plan, customers who since the last rate case went into
14 effect -- and this company policy went into effect, people
15 at that point could opt out of time-of-use RD and still --
16 and opt to go to a standard plan; is that -- your R tariff.
17 Is that correct?

18 A (Witness Legg) Well, slight clarification.
19 Customers weren't put on the time-of-use residential demand
20 tariff. They have a choice of any rate they want to be on
21 that they're eligible for. So even though they would have
22 moved to a newly constructed premises, when we had that
23 discussion I've been mentioning the last day or so with the
24 customer about the rate options, they can choose one of
25 those, but then if they say I understand all the options, I

1 don't care, just put me on whatever rate, then they would
2 default to the time-of-use residential demand tariff.

3 Then, to answer the other part of your
4 question, I think, if the customer has been on that tariff
5 and says this really is not working for me, the company will
6 work with them to move to a tariff that better suits their
7 needs.

8 Q Was it not the case that at least when you
9 initially introduced this approach, new residential
10 customers, the default rate they were put on when they moved
11 into that, when they called for service, was TOU-RD and not
12 standard?

13 A (Witness Legg) If they did not select a
14 different rate -- if they didn't select a rate that they
15 wanted to be on. For instance, I'm on the plug-in electric
16 vehicle rate. If they didn't select another rate like that,
17 or prepay, or the time-of-use, residential-energy-only rate,
18 then they -- and didn't state a preference, then they would
19 be defaulted to that, yes.

20 Q But if someone were just moving into a new home
21 but not newly constructed, in that -- and since this policy
22 went into effect, if they didn't choose a rate, the default
23 would be standard; is that correct?

24 A (Witness Legg) The default for existing
25 premises, yes --

1 Q Okay.

2 A (Witness Legg) -- would be this --

3 Q And that --

4 A (Witness Legg) -- residential service tariff.

5 Q And that continues now. So if I'm moving

6 into --

7 A (Witness Legg) That's right.

8 Q -- a new house that not newly constructed, if I

9 don't pick a plan, I'm default put on --

10 A (Witness Legg) Residential service.

11 Q -- residential -- residential service. Okay.

12 A (Witness Legg) Right.

13 Q Thank you.

14 But with this going forward, they will still

15 default if they're moving into brand-new construction, if

16 they don't pick a plan, default is TOU-RD?

17 A (Witness Legg) Right.

18 Q But unlike current people who've done that in

19 the last couple of years, who can then have the option of an

20 R tariff, going forward they won't even have the option of

21 the R tariff anymore; is that correct?

22 A (Witness Legg) That's right. They would have

23 other options available to them but we're proposing to close

24 the residential service tariff to those customers.

25 Q Okay. And so that's -- now I want to ask some

1 questions about these other options. So when they move into
2 this new construction, whether it's a single-family home or
3 a duplex or a townhome or an apartment, whatever it is --
4 and this is owning or renting; correct?

5 A (Witness Legg) Right. Right.

6 Q Right. Right.

7 They could -- if they move in and they're --
8 they haven't picked something and they've been defaulted
9 onto the time of use -- or the TOU-RD plan, and let's say
10 it's a family with a couple of kids under the age of five
11 and a stay-at-home dad, and that dad's got to do a lot of
12 laundry and he's got to warm up those bottles and he's got
13 to wash those bottles and all those things. And so he --
14 he -- and he hadn't had a lot of sleep because that baby is
15 just a few months old. So he might not be -- he might not
16 be aware that he's on this TOU-RD and that he's got to
17 follow these complicated rules about when he can do the
18 laundry and wash the dishes and all those things and run the
19 air conditioning; is that right?

20 MR. HEWITSON: I think that calls for a lot of
21 speculation, not just a little. Objection.

22 MADAM CHAIR PRIDEMORE: Okay. From Ms. Coyle
23 or from the baby? Where are we at now?

24 MR. HEWITSON: I think it's the father.

25 MADAM CHAIR PRIDEMORE: It was the father?

1 MR. HEWITSON: Yeah. He's not sure if he's
2 awake or not.

3 MADAM CHAIR PRIDEMORE: All right.

4 MS. COYLE: I have a --

5 MR. HEWITSON: But also for Mr. Legg.

6 MS. COYLE: I have a five-month-old
7 granddaughter now, so that's on my mind a lot.

8 Q So --

9 MS. COYLE: I was showing Mr. Legg pictures
10 yesterday.

11 MADAM CHAIR PRIDEMORE: His objection is
12 sustained. You don't have to answer that. Or the
13 baby.

14 BY MS. COYLE:

15 Q So if you're on that TOU-RD plan and it doesn't
16 work for you for whatever reason, how long do you have to
17 wait. If you've been defaulted onto that plan, do you have
18 to wait a full year to choose a different option or can you
19 choose a different option as soon as you realize your bill
20 is a lot more than you were used to paying in your old house
21 on the standard plan?

22 A (Witness Legg) Well, as I said yesterday,
23 we're not going to keep customers on a rate if they think
24 it's the wrong rate for them. If they call in and say: I
25 was defaulted to this rate, it's not working for me, I would

1 like to switch to another rate, we'll work with those
2 customers to make sure that they're on the rate that they
3 prefer and that meets their needs.

4 The other thing I would add is when we put
5 customers on these rates, and particularly on the time of
6 use rate -- I mentioned I'm on the plug-in, electric-vehicle
7 rate. The company does a great deal to communicate with
8 customers about how the rate works to help them be able to
9 save money if they'd like to try to do that.

10 So in an example like this, when we put
11 customers on the Smart Usage rate, we'll email them, or
12 maybe even send them a letter if we don't have an email
13 address that has, you know, information about how the rate
14 works. It talks to them where they can go -- tells them
15 where they can go on the website to get more information.
16 They can call us and talk about it.

17 It has a little pictorial on the letter or in
18 the e-mail that shows, you know, the concept of not using
19 appliances at the same time. It talks about not using
20 energy during the on-peak period, that 2:00 to 7:00 period
21 on summer afternoons if they want to save money on their
22 bill.

23 And I would state -- I don't know if I've said
24 it in discussing this, you know, there are 8,760 hours in a
25 year. The on-peak period for this rate and all of our other

1 time of use rates is 2:00 to 7:00, Monday through Friday, in
2 summer months. That's only 400 hours out of the 8,760 in
3 the year. So it's only 5 -- it's less than 5 percent of the
4 hours of the year that they would have to avoid if they
5 wanted to save money. So we do that.

6 At the beginning of the summer season, before
7 the on-peak period starts, we send postcards to customers on
8 these rates -- and I think we answered a data request about
9 this that reminds them: You're on the Smart Usage rate or
10 you're on the plug-in, electric-vehicle rate. Here are the
11 on-peak and off-peak periods. Here's how this works if
12 you'd like to try to save money.

13 So the company does try to make sure that
14 customers understand that. But again, to answer your
15 question, if they still understand -- don't -- you know, if
16 they, after receiving all that information, still don't want
17 to be on the rate, we'll work with them to go ahead and
18 switch them.

19 Q Okay. And so, but again, we're talking about
20 the people who have moved into new construction, so now
21 they'll have -- they call you, they say: This TOU-RD, my
22 bill, I don't understand, it's too high. They'll talk to
23 customer service, let's say, or they can go online and that
24 will show them some of the options. They won't be able to
25 choose a standard rate plan; they could choose one of the

1 other options, so let me just go over those with you.

2 They could choose prepay; is that correct?

3 MR. HEWITSON: I think he's answered this
4 multiple times, that they can choose multiple, up to
5 seven options.

6 MS. COYLE: Okay.

7 MR. HEWITSON: It's a very long, progressive
8 hypothetical that Mr. Legg has answered the
9 components of several times already times today, if
10 not yesterday. So I am going to object.

11 MS. COYLE: I have a different line of the
12 questioning, but I'll keep it shorter. How's that?
13 Thank you.

14 MADAM CHAIR PRIDEMORE: It's not the length of
15 the question, Ms. Coyle. It's the quality of the
16 question. I mean, Mr. Legg, he can get up there and
17 talk about every rate plan and customer service
18 strategy. And, I mean, fundamentally, though, we
19 don't have to ask him the same thing over and over
20 and over again. It's like basic, simple...

21 BY MS. COYLE:

22 Q What I'd like to ask about is of the other rate
23 plans that they now have available to them, how many are on
24 prepay currently? How many customers do you have on prepay
25 currently? How many customers do you have on Smart Usage

1 currently? And how many customers do you have a flat bill
2 currently?

3 A (Witness Legg) We currently have, I think,
4 around 70,000 Smart Usage customers, subject to check. All
5 these numbers are subject to check. I think about 70,000
6 customers on Smart Usage, maybe about 80,000 on prepay, and
7 about 400,000 on flat bill.

8 Some context there, a little bit of context on
9 a couple of things. One is, when we talk about newly
10 constructed premises, I've used that term a lot, I've been
11 remiss in not saying that's about 30,000 customers a year.
12 So out of 2.7 million customers, we're talking about 30,000
13 customers a year that wouldn't have the residential service
14 option available to them at a new premise -- newly
15 constructed premises. So that's just for context.

16 The other I would say is, as far as the number
17 of customers on those different rate options, as we know,
18 prepay and Smart Usage have only been around for, you know,
19 six, eight, ten years; they're newer rates. Flat bill has
20 been around for 20-plus years, so certainly there's been a
21 lot longer glide path for the number of customers signed up
22 on that rate versus the others.

23 Q So -- and you have 2.3 million residential
24 customers, roughly?

25 A (Witness Legg) Roughly, yes.

1 Q And do I recall that you said 1.7 million of
2 your customers are on the standard plan now?

3 A (Witness Legg) Between a million seven and a
4 million eight, I would say.

5 Q And so yesterday Mr. Echols asked you -- or not
6 you. I'm sorry. Excuse me. We have to go back to where we
7 started. Tuesday morning, Commissioner Echols asked
8 Mr. Womack about the prepay plan. Were you listening by any
9 chance?

10 A (Witness Legg) I was.

11 Q And he asked, and I think you -- Mr. Womack
12 said that there were roughly 75,000 customers. So you said
13 maybe 80, but that's close, prepay customers.

14 A That's right.

15 Q And Mr. Echols wondered why there weren't more
16 people on the prepay rate plan and encouraged more
17 marketing. So you've got these --

18 MR. HEWITSON: I thought that was the end of
19 the question and I was going to object that I don't
20 think Mr. Legg knows what Commissioner Echols was
21 thinking.

22 BY MS. COYLE

23 Q Well, Mr. Echols asked specifically if -- to
24 your CEO if he would encourage more marketing of the prepay
25 program?

1 A (Witness Legg) Yes.

2 Q And these other rate plans, these modern rate
3 plans, whether it's the prepay or the Smart Usage, how is
4 the marketing going if you've got customers who are opting
5 to have those other rate plans besides the standard that
6 most people are on?

7 A (Witness Legg) Well, I would say that we
8 certainly have had a great amount of growth over the last
9 three years since we've started having these conversations
10 with customers about all the different rate options.

11 In fact, that was part of my testimony. We
12 talked about the increase on our time-of-use-based rates of
13 over 250 percent in the last three years. In 2019 when we
14 filed our last rate case, the Smart Usage rate, I think, had
15 about 7,000 customers on it. It now has about 70,000
16 customers on it, so that's about a ten times growth in that
17 period.

18 The plug-in electric-vehicle rate, I think, has
19 grown by about 60 percent over the same time period as well.
20 Those numbers are subject to check, but I think they're
21 close. So I would say we've seen significant growth since
22 we started having conversations with customers about what
23 their preference is for rates.

24 The other thing I would say is one of the
25 reasons there are so many customers on the residential

1 service tariff is, it was the only tariff we had up until
2 just recently. Like I said, it was developed back in the
3 '70s. I started with the company in 1990.

4 Back then it was literally the only rate
5 options there was for customers, so everybody went on it.
6 So I would venture to say that probably a lot, if not the
7 majority of customers on the residential service tariff, may
8 not understand how it works, may not have ever thought about
9 what rate they're on. So to the extent that there's some
10 idea that it's a preference over other rates, I think that's
11 incorrect.

12 The other thing I would say is in this filing
13 we actually filed as part of a data request a rate
14 satisfaction survey that we performed this past spring
15 asking residential customers across the seven different rate
16 option which ones you prefer. Flat bill, as it always does,
17 is the most satis- -- customers are most satisfied on that.
18 The plug-in electric vehicle and Smart Usage had
19 significantly higher satisfaction ratings than the
20 residential service tariffs did.

21 Q Mr. Legg, when someone is on, again, let's say,
22 the prepay plan or a standard plan, there are certain things
23 they can sign up for that they get, behavioral help, there's
24 a term for it. But they get extra help modifying their
25 behavior to lower their power -- their energy use and lower

1 their power bills; is that correct?

2 A (Witness Legg) I'm not sure --

3 Q So for example --

4 A (Witness Legg) -- what you're referring to.

5 Q -- on prepay, if you've prepaid and you've got
6 \$40, is it still set up that if you're getting close to
7 running out of that \$40 and having your power cut off, that
8 you can get alerts on your cell phone to say you've only got
9 \$10 left and here's some behavioral things you can do, you
10 can adjust your thermostat. There's information that that
11 customer's getting to help them lower their energy use and
12 lower their power bill; is that --

13 A (Witness Legg) Right.

14 Q -- correct?

15 A (Witness Legg) That's right. And it -- I
16 wouldn't say it's to help them lower their power bill. It's
17 to -- first of all, the alert is to make sure that they
18 understand that if they don't pay -- they've prepaid a
19 certain amount, but if we're projecting that if they don't
20 pay again soon, their service will be disconnected. That's
21 one of the functions of prepay is you pay ahead of time as
22 opposed to post-pay on all the other rates you pay after you
23 use the energy and you get the bill. You -- in prepay you
24 pay before you use the electricity, so that notice is to say
25 you've got this much left, we think that equals this many

1 days.

2 You could set it up for different preferences,
3 I believe, but that would indicate to a customer either you
4 near to conserve energy if you're not ready to make a
5 payment, or you need to go make a payment so that that will
6 be extended.

7 Q And on the standard rate plan, can't you sign
8 up to get alerts as well so that even if you're not on
9 prepay, there's the My Power Usage and you can look online,
10 but you can also get -- proactively you can sign up to have
11 the company tell you, hey, you've spent a whole lot --
12 you've earned -- used a lot of energy this month, your bill
13 is going to be higher than usual?

14 A (Witness Legg) I believe that function is
15 available for any rate on My Power Usage, the alert
16 function.

17 Q And so it didn't used to be that My Power Usage
18 worked for Smart Usage, but I believe you-all have fixed
19 that; right?

20 A (Witness Legg) It does. It works for all
21 tariffs now, yes.

22 Q Okay. So someone who's on the TOU-RD plan can
23 sign up also to get an alert if one day they accidentally
24 use multiple appliances?

25 A (Witness Legg) I don't know if -- I'm not -- I

1 haven't signed -- I'm not on Smart Usage. I haven't tried
2 the alert function. I'm not sure exactly what that is, but
3 I know the alert function is available for customers on
4 different rates, yes.

5 Q Could I make that a hearing request, though,
6 specific to the Smart Usage plan? Because am I correct with
7 that plan that it's not based on regular daily use of
8 multiple appliances at the same time, but it's like one time
9 if you accidentally have the air conditioning going because
10 you're home and it's hot at 3:00 and you do some laundry and
11 you've got to bake some cookies, you're -- that -- it could
12 be that one time that you're charged that higher demand
13 charge; is that correct?

14 A (Witness Legg) It is based on the peak demand
15 that you set during the month; right.

16 Q Once per month?

17 A (Witness Legg) And you may be able to set that
18 alert to say let me know if I hit this demand level or not.
19 I just -- I don't know if that functionality is there.

20 Q But once you hit that demand level for that
21 month, you can't make adjustments like you could if you were
22 on, say, the standard plan or prepay and just do other
23 things like keep the lights off and don't use the
24 electricity -- I mean, the air conditioning?

25 A (Witness Legg) Well, I have explained many

1 times the way the rate works. I would say on the
2 residential service tariff, in the summertime, if you have
3 the air condition on because it's hot, I explain how that's
4 an inclining block rate and it goes from 5 or 6 cents up to
5 10 or 11 cents in the second block, third block.

6 Once you hit that block, you can't do anything
7 to get into a cheaper block either. So it's just a function
8 of the way that the rate works.

9 Q So -- but back to -- could -- on the Smart
10 Usage plans, since you said you don't know how the alert
11 works if you're on Smart Usage, could I make that a hearing
12 request?

13 MR. HEWITSON: Can I be sure I understand what
14 the hearing request is? Do you want information on
15 how the Smart Usage alerts are -- are set up?

16 MS. COYLE: Yes. He indicated that --

17 MR. HEWITSON: Okay. Since you --

18 MS. COYLE: -- with other rate plans, that
19 alerts, he knows how they work, he doesn't know how
20 the alert might work to alert someone that their bill
21 is going to be higher because they hit that peak.

22 MR. HEWITSON: How about this? To the extent
23 that the company has information or materials that
24 explain how the alerts work, we will produce -- we
25 will provide that to Ms. Coyle. Does that work?

1 MS. COYLE: Thank you.

2 MADAM CHAIR PRIDEMORE: Granted.

3 BY MS. COYLE:

4 Q Now, again, continuing to ask questions about
5 the kinds of behavioral help that people can get through
6 alerts and other things, if they're on the flat bill -- can
7 we just talk for a minute about the flat bill. Is -- and --
8 and for those that aren't completely familiar with that, and
9 I don't think we spent as much time talking about that
10 today, that's something where you work with the customers to
11 have predictability so that their bill is the same month to
12 month to month, whether it's summer or winter. Do I have
13 that correct?

14 A (Witness Legg) That's right. It's the same --
15 it's exactly the same amount for 12 months.

16 Q Okay. And are there -- is there the
17 possibility that if someone gets on one of those plans,
18 they're less motivated to do some things to overall lower
19 their electricity use and lower their bill?

20 A (Witness Legg) I don't know. I can't speak
21 for whether customers would be less motivated or more
22 motivated. I know that customers who are on the flat bill
23 tariff show the highest level of satisfaction, and it may
24 just be that rather than saving money on their power bill
25 like some customers are interested in, other customers may

1 be more interested in knowing exactly what to budget for
2 their power bill each month. And on flat bill you know
3 exactly to the penny what to budget for your power bill
4 every month for 12 months.

5 That certainty has a lot of value for some
6 customers. May not be valuable for other customers, but
7 that's the reason that that option exists is customers have
8 shown a -- a number of our customers have shown a strong
9 preference, and I think that's indicated in the growth in
10 the program.

11 The other thing I would say is, customers who
12 were on flat bill for multiple years certainly understand
13 that at the end of the year -- and we explain to them when
14 we talk to them about going on the rate -- every year we'll
15 reset based on your previous year's usage. So whatever they
16 do in a given year, that's going to factor in to whether
17 their offer next year is higher or lower or about the same.

18 MADAM CHAIR PRIDEMORE: It's got to be popular.
19 It's 20 percent of your customer base is on it,
20 roughly.

21 MR. LEGG: It's extremely popular.

22 BY MS. COYLE:

23 Q And -- and I appreciate that.

24 Are there -- are there certain price signals
25 that that particular customer is getting -- you talked a lot

1 about how you want customers to have price signals and that
2 that reflects that they understand their impact on cost --
3 the cost of service and the --

4 A (Witness Legg) Right.

5 Q -- impact on the grid.

6 So what kinds of price signals are your flat
7 bill customers getting? And this is actually -- that was my
8 last line of questioning, so...

9 A (Witness Legg) Yeah. No, I appreciate that.
10 So again, I just explained how it works. So the price
11 signal on this, if you will, is almost an annual price
12 signal. I know if I use -- if I conserve this year, my
13 offer next year will be less; if I use more, it will be
14 more. What I would say is we do want to send accurate price
15 signals.

16 We realize that not every customer on our
17 system is thinking about how much electricity they use every
18 day. This is a group of customers who obviously have much
19 more interest in knowing exactly what their bill is rather
20 than paying attention to price signals. So for a customer
21 who really wants to save on their bill and wants to be able
22 to use as little as possible, they could go on one of the
23 other rate options we've talked about and avoid on-peak
24 periods, don't stack the usage of appliances, any of those
25 types of things and save money on their bill. For customers

1 who don't want that, or don't want to worry about that, they
2 just want to know what their bill is, flat bill is a good
3 option for them.

4 Q But do those flat bill customers still get
5 information mailed to them or e-mailed to them that tell
6 them that there are some things they can do to make their
7 home more energy efficient and how they can lower their
8 power bills?

9 A (Witness Legg) Certainly. We communicate with
10 all of our customers about how to save energy and money. We
11 spend a lot of time in the integrated resource plan talking
12 about all the energy efficiency options that customers can
13 take advantage of. All of those things would apply to any
14 of our customers.

15 MS. COYLE: Thank you.

16 MR. LEGG: Thanks.

17 MADAM CHAIR PRIDEMORE: MARTA?

18 MS. STURM: No questions at this time.

19 MADAM CHAIR PRIDEMORE: Okay. Resource Supply
20 Management?

21 MR. CLARKSON: Yes, I have questions.

22 CROSS-EXAMINATION

23 BY MR. CLARKSON:

24 Q Good morning, panel.

25 A (Witness Legg) Good morning.

1 A (Witness Evans) Morning.

2 MADAM CHAIR PRIDEMORE: Mr. Clarkson, before I
3 let you start. Mr. Carver, I saw your head pop in
4 through the door. You were not here for roll call.
5 Do you have questions for this panel?

6 MR. CARVER: No, Madam Chair.

7 MADAM CHAIR PRIDEMORE: Okay. You may go
8 ahead, Mr. Clarkson.

9 BY MR. CLARKSON:

10 Q I'm Jim Clarkson with Resource Supply. We
11 assist customers with their energy management, conservation
12 and demand management, and also with procurement.

13 Before I get into these lines of the questions,
14 I did want to follow up on Commissioner McDonald's comments
15 earlier about a person with excess solar power can't sell it
16 to his neighbor. If a -- if our customer here puts in a
17 charger, can he let his neighbor use the charger when the
18 sun is shining rather than selling the power back to Georgia
19 Power for a very low price?

20 A (Witness Legg) When you say "a charger," you
21 mean like an electric vehicle charger?

22 Q Yes.

23 A (Witness Legg) Can he let his neighbor plug
24 into his electric vehicle charger?

25 Q Yes.

1 A (Witness Legg) I suppose he could.

2 Q Okay. You'd get a better price than selling it
3 back to Georgia Power then; correct?

4 A (Witness Legg) Maybe. Depends on how much he
5 likes his neighbor, I guess.

6 Q Mr. Evans, you mention several times in your
7 testimony how important it is that the cost-of-service study
8 follow cost causation principles and putting costs on the
9 cost causation, and it's important to get this very
10 accurate. Is this proper without me quoting you about five
11 times in here?

12 A (Witness Evans) More or less, yes.

13 Q Okay. Now, after all that careful work, how is
14 your cost of service study used by Mr. Legg? Did he counsel
15 that in designing his rates?

16 A (Witness Evans) Well, I think Mr. Legg can
17 speak better on how he used it.

18 Q Oh, okay.

19 A (Witness Evans) But me and Mr. Legg did have
20 several conversations along the development of the study and
21 did review the results of the study after it was finalized.

22 Q Well, Mr. Legg, did you use this
23 cost-of-service study to make some of the corrections that
24 we see in the great variations in rate of return between
25 customer groups? Did you move to get some of these things

1 to the proper causation as a result of having this study?

2 A (Witness Legg) You're talking about the parity
3 ratios between rates?

4 Q Yeah. Well, under -- well, I guess I'll have
5 to go into more detail. Under Mr. Evans' Exhibit 2, you do
6 the breakdown by all the different rates, and then come up
7 with a rate of return over the year, profitability, so to
8 speak, of the various customer groups, and there's a great
9 variation in there. Some are 2 percent, some are
10 10 percent, 12 percent, 11 percent, things like that.
11 Having found that, were steps made to move the customer
12 rates towards parity so that they would all approach the
13 average of the company rather than having this great
14 disparity between them?

15 A (Witness Legg) Well, no. As I discussed
16 yesterday, we didn't make any parity adjustments in our
17 initial rate filing. We applied effectively the same
18 increase percent across all of our base tariffs. That's
19 what the company has traditionally done.

20 In past filings here before the Commission
21 there has been movement towards parity as part of settlement
22 agreements and things like that. We really leave that as a
23 Commission policy decision to decide to move towards parity
24 because the company, first of all, would not necessarily
25 want to be picking and choosing winners and losers and

1 making judgments like that.

2 But second of all, if you made large movements
3 among groups or individual rates, it could result in
4 significant changes in rate amounts and some rate shock to
5 some groups of customers.

6 Q Well, it sounds like the cost-of-service study
7 wasn't used at all if we just did a common across the
8 board --

9 MR. HEWITSON: Objection. That
10 mischaracterizes his testimony.

11 MADAM CHAIR PRIDEMORE: Sustained.

12 Question, please, Mr. Clarkson.

13 BY MR. CLARKSON:

14 Q I'm correct, Mr. Legg, you said it -- the
15 cost-of-service study was not used?

16 A (Witness Legg) No, I didn't say it wasn't
17 used.

18 Q Okay.

19 A (Witness Legg) I said we didn't make parity
20 adjustments based on the cost-of-service study.

21 Q Further, Mr. Evans, you talked about the
22 importance of getting the various costs causation
23 characterized into such things as the demand-related,
24 injury-related, and customer-related. Once we found out the
25 correct demand-related, were any of these rates adjusted --

1 I guess this is Mr. Legg -- to represent that now that we
2 know what the, this study shows us where the demand costs
3 are, if any of the rates are currently out of line on their
4 demand charges, was this study used to correct any of these
5 out of the line demand charges?

6 A (Witness Legg) No. Again, as I stated, we
7 applied -- it states in my testimony we applied generally
8 the same increase to all of the rates and to all of the
9 components of the rates, customer energy and demand
10 components.

11 Q Mr. Evans, again, looking at your methodology
12 concerning the marginal cost customers, in the marginal cost
13 customer, we could have someone on the RTP rate that has
14 99 percent of their power under a standard rate and
15 1 percent in the RTP and that customer would be put in that
16 customer group; is that right?

17 A (Witness Evans) Yes. RTP customers are shown
18 in the RTP rate group --

19 Q Okay. And if one of these customers has
20 1 percent standard rate and 99 percent of its usage is at
21 the marginal rate, he would be put in that same group; is
22 that correct?

23 A (Witness Evans) I'm making sure I follow your
24 question. RTP customers are listed in the RTP rate.

25 Q Okay. Yes. But would you agree that there

1 could be a great variety of mixes in this -- this
2 customer -- all RTP customers are in there, but their ratio,
3 their amounts of power under standard rate and marginal
4 costs could be very different and still be in that same
5 group; is that correct?

6 A (Witness Evans) Yes. I think what you're
7 referring to is, I believe there are varying levels of CBLs,
8 customer baseline loads --

9 Q Yes.

10 A (Witness Evans) -- in the RTP rates.

11 Q As a result of that, is the results of your
12 study showing the rate of return for that group, would that
13 be misleading as a result of having that great difference
14 between the customers?

15 A (Witness Evans) Not at all.

16 Q Oh.

17 A (Witness Evans) The CBL or the embedded load
18 that is served through those, as your words, traditional
19 rates are received embedded costs allocated to them, and the
20 revenue from those rates is reflected for those customers.
21 The marginal portion of those customers' load, whatever it
22 may be, receive marginal rate -- or cost allocations for
23 that load. And recognize the marginal revenue associated
24 with it.

25 So it's very much a one-for-one reflection of

1 those customers. And regardless of what their CBL levels
2 are, the costs and revenues are appropriately reflected.

3 Q I see. And you've discussed that somewhere on
4 your page 19, where you're talking about that. And I'm not
5 going to quote it. But, in fact, I'm -- I might ask you
6 that, if you could paraphrase it. Because I'm not sure I
7 can follow it.

8 You said you're going to count the usage and
9 revenue of the marginal cost and that counts in the final
10 number of where you come up with the rate of return on that
11 group?

12 MR. HEWITSON: Are we referring to a specific
13 line item -- line on his testimony, Mr. Clarkson,
14 just to make sure --

15 MR. CLARKSON: Yes.

16 MR. HEWITSON: -- he's following along with you
17 since you're asking about his prefiled testimony.

18 MR. CLARKSON: Yes.

19 BY MR. CLARKSON:

20 Q This would -- this would be your page 19. And
21 in the last paragraph there, lines 16 through 27.

22 MR. EVANS: Sure.

23 MADAM CHAIR PRIDEMORE: What's your question,
24 Mr. Clarkson? We're not going to have the witness
25 read his testimony.

1 MR. CLARKSON: Well, no, I don't want --

2 MADAM CHAIR PRIDEMORE: What's your question?

3 MR. CLARKSON: -- him to read it.

4 BY MR. CLARKSON:

5 Q Would you explain how the -- how the
6 calculation works in simple terms? This is rather
7 complicated.

8 A (Witness Evans) Beyond what's listed on lines
9 16 through 27?

10 Q Well, how -- so that a country boy can
11 understand it. This is pretty convoluted language.

12 A (Witness Evans) I'll do my best.

13 Q Okay.

14 A (Witness Evans) To start with, the cost
15 allocation for RTP rates is consistent with what we've
16 been -- what we've done the past five years. We done new
17 here. It starts with recognizing, in your case, the portion
18 of the customer's or the rate's CBL load, which is served
19 through other, you know, non-marginal prices, and the
20 portion of marginal load.

21 That CBL load receives, just like it does for
22 the other PL tariffs, for instance, a fully embedded cost
23 allocation, for all of that load; right? For the marginal
24 load that those customers that -- for those customers on the
25 RTP rates, it receives primarily a marginal cost allocation.

1 So it is -- instead of receiving the fully
2 embedded costs, we are recognizing the marginal costs of
3 production -- generation costs, marginal transmission costs,
4 and the marginal energy costs associated with it. That
5 load, because it is RTP load, is priced on RTP and we
6 recognize the marginal revenue for the load; right?

7 So those customers pay a mix on their bill.
8 They pay the CBL portion through standard rates, and they
9 pay RTP load through RTP rates. All of that revenue is
10 recognized. And then the cost allocation appropriately
11 allocates embedded costs on the embedded load that pays
12 embedded rates and marginal costs on the marginal load which
13 pays marginal rates.

14 Q I see. So there's no embedded cost in the
15 marginal revenues that go into this?

16 A (Witness Evans) There is a small bit.

17 Q Okay.

18 A (Witness Evans) Because of RTP, and it's
19 outlined in my testimony. Because RTP is meant to cover the
20 marginal generation and transmission costs, that marginal
21 load gets a fully embedded cost allocation for the
22 distribution system only to the extent that those customers
23 utilize the distribution system.

24 We allocate those costs based on level of
25 service, so those costs are only allocated for the load that

1 actually utilizes the distribution system.

2 Q And the results of your cost of service study
3 is the rate of return on the capital component; is that
4 correct?

5 A (Witness Evans) It's the -- we list a return
6 on investment, yes.

7 Q Yes, return on investment and invested capital?

8 A (Witness Evans) Yes.

9 Q Yes. No fuel or anything in there, just
10 capital?

11 A (Witness Evans) No. That's correct.

12 Q All right. Well, moving on to Mr. Legg, first
13 of all, you've got a great rate where you do have cost
14 causation and that would be the -- the TOU fuel rate, fuel
15 cost, TOU fuel cost recovery rate, and I say I think that's
16 a great rate. Can that be expanded to other customers
17 beyond those that are on various TOU rates?

18 A (Witness Legg) We didn't -- I don't know that
19 we filed any fuel-related testimony in this -- in
20 this docket.

21 Q No, this isn't anything to do with the fuel.
22 This is about the equitability of that rate as being
23 available to certain customers already.

24 A (Witness Legg) I would have to reference that
25 tariff.

1 Q Okay. TOU-FCR-3, and it lists a number of TOU
2 rates that are available to customers, including residential
3 and plug-in and commercial customers. And my question is,
4 can we move it to other rates such as customers that are on
5 PL rates, but most of your commercial customers are, and
6 that way we would have time-sensitive fuel signals being
7 sent properly to customers by expanding the use of that
8 rate.

9 A (Witness Evans) So just to clarify, you're
10 talking about a fuel tariff --

11 Q Yes.

12 A (Witness Evans) -- right now?

13 Q Uh-huh.

14 A (Witness Legg) Yeah, I don't -- I mean, I can
15 read the applicability clause of how it currently applies
16 if --

17 Q It does. It says TOU rates.

18 A (Witness Legg) Yeah, I believe you. I just
19 don't --

20 Q Okay.

21 A (Witness Legg) I don't know that we're dealing
22 with fuel rates in the base rate case.

23 Q It's nothing to do with the rate. It's the
24 applicability and you are the --

25 A (Witness Legg) For a fuel rate; right?

1 MR. HEWITSON: And I'll object to the extent
2 that it has nothing to do with the prefiled
3 testimony.

4 MADAM CHAIR PRIDEMORE: Sustained.

5 BY MR. CLARKSON:

6 Q Well, you can confirm that rate was in the
7 minimum filing requirements; correct?

8 A (Witness Legg) Yes, we have a fuel tariff;
9 right?

10 Q Yes.

11 Let's go to your page 5 now.

12 MADAM CHAIR PRIDEMORE: Mr. Legg or Mr. Evans?

13 MR. CLARKSON: Mr. Legg.

14 BY MR. CLARKSON:

15 Q Down at line 13, 14 in there we talk about the
16 company having to make adjustments for revenue erosion as a
17 result of making some other changes. Now, in making an
18 adjustment for revenue erosion, is it true the company does
19 not usually designate which group is going to receive that
20 revenue adjustment that's necessary?

21 A (Witness Legg) You know, off the top of my
22 head, I'm not sure which group that was spread to. I would
23 have to check on that. You're talking about the --

24 Q Well, it would spread to a group? I had the
25 impression, the way you wrote it, that it would be a general

1 increase.

2 A (Witness Legg) Yeah, I -- yeah, and that's
3 what I'm saying. I'm not sure if it was spread to everyone
4 or just within the group. I know the -- there are two
5 adjustments made there, 1.4 million for the renewable and
6 nonrenewable. The other one's the time of use food and
7 drink for about a million dollars. That actually was
8 spread, my understanding, is back to that group as it were
9 the 2019 rate case, the revenue erosion went back to the
10 time -- the other customers on that rate.

11 Q Well, is it necessary, if a customer group asks
12 for some revisions to the rate to move it closer to parity
13 and there's revenue erosion, the customer must also name
14 which group should pay that? Is that necessary?

15 A (Witness Legg) You're asking me, if --

16 Q Yes.

17 A (Witness Legg) -- if someone asks for a
18 revision that would result in lower revenue, does the person
19 asking for that lower revenue have to say which rate it
20 should be spread to?

21 Q Yes.

22 A (Witness Legg) I suppose they could make that
23 suggestion. I would say that -- and certainly other parties
24 have and -- maybe in previous testimony. But, ultimately,
25 the decision's up to the Commission as to where any revenue

1 erosion would be spread. And if you -- I know you've been a
2 party to many stipulated agreements here. You've -- or been
3 familiar with them even if you haven't been a party to them,
4 and certainly that is usually the result of a case over here
5 where there is some revenue erosion that has to be collected
6 from, you know, cost shifting to other customers.
7 Generally, this Commission orders -- or approves a
8 settlement that specifies who's going to pay that
9 difference.

10 Q Just to touch on a little bit about your new --
11 the new rate for electric vehicles. That's CIEV. It's
12 being available only to new customers. Could we have a
13 situation when an older customer that's not allowed to use
14 that gets a new competitor across the street with a new rate
15 and, therefore, puts him at a competitive disadvantage for
16 the charging business and has to go out of business due to
17 not being able to get the same rate a new customer can get?

18 A (Witness Legg) Well, I don't know that we -- I
19 don't know that I could speculate on whether it would put
20 someone out of business. We did discuss the scenario
21 yesterday where an existing customer could have a new meter
22 set which would count as the new premises and put that new
23 load, that new charging load under that meter and would
24 qualify for the tariff.

25 We also talked about a scenario where the

1 customer could add the load, the charging load behind their
2 existing meter, which they may find has favorable or more
3 favorable than -- than being on the Charge It rider with the
4 power and light rates, depending on which tariff that
5 customer is on.

6 Q Well, would you agree the situation could occur
7 with an older customer to establish now before the --

8 MADAM CHAIR PRIDEMORE: You can sit down,
9 Mr. Hewitson. This is speculative.

10 Ask a question, Mr. Clarkson. Come on. Come
11 on.

12 MR. CLARKSON: Well, I'm trying to address the
13 applicability only to new customers. I was hoping
14 the Commission could see that's a problem. But
15 having failed to do so, I'll move on.

16 MADAM CHAIR PRIDEMORE: I think you just told
17 us to address it but I appreciate your tactic.

18 MR. CLARKSON: Oh.

19 BY MR. CLARKSON:

20 Q Concerning the DPEC, the demand plus energy
21 charge.

22 A (Witness Legg) Yes.

23 Q That's discussed on your page 10. But the
24 question is, while you're saying it's not updated except
25 during rate cases, actually, the market and your costs do

1 change a great deal during those periods. Wouldn't it be
2 better to have this rate more flexible and be able to adjust
3 it instead of every three years?

4 A (Witness Legg) No, I wouldn't necessarily
5 think that. I think probably customers who plan to be on
6 the demand plus energy credit, this is for large commercial
7 and industrial customers who can supply at least 200 kW of
8 flexible loads that -- to interrupt during times of high
9 system demand and even emergency conditions. So I would
10 imagine that probably there's a longer planning horizon that
11 customers have to take into account if they're going to sign
12 a contract to say that they're going to be able to interrupt
13 that amount.

14 So I think it's appropriate every three years.
15 And we actually, in setting this rate, we look at a
16 projection of three years out into the future in setting
17 what the rate is, so I think it's appropriately priced.

18 Q In your new customer charge rate, describe
19 briefly on it on your page 16, are you moving to this rate
20 because the company is having a hard time competing for new
21 customers that have a charge between suppliers?

22 A (Witness Legg) No. We're not actually moving
23 to this rate, we're offering it as an additional option.
24 We'll still have the options available that we use now in
25 the competitive arena. In fact, this is the third part of

1 that time-of-use supplier choice tariff. Parts 1 and part 2
2 will still be eligible. Customers will be still eligible
3 for those. We still have real-time pricing which we've been
4 very successful with in competing with new loads and
5 attracting new large economic development projects to the
6 state. So it's not a movement away from anything. It's
7 just adding an option for these customers who show interest
8 in bringing large loads to the state.

9 Q You just mentioned that you're having success
10 bringing new customers. In competitive situations, are
11 you -- how is your percentage of prevailing against the
12 other suppliers, the other 89 suppliers in the state of
13 Georgia? Does Georgia Power compete very well for new
14 customers versus these other suppliers?

15 MR. HEWITSON: I'm going to object that it's
16 outside the scope of Mr. Legg's testimony. That's
17 not what he said. He wasn't providing a percentage.
18 He wasn't providing any indication of how we're
19 competing. He just said as customers are growing.

20 MR. CLARKSON: He said successfully, and that's
21 what I'm trying to find out, how -- what is success?
22 100 percent or 50 percent?

23 MADAM CHAIR PRIDEMORE: Overruled. I'm going
24 to allow it. But keep in mind, success -- my
25 definition of success could be different than your

1 definition of success --

2 MR. CLARKSON: Yes, it's subjective.

3 MADAM CHAIR PRIDEMORE: -- Mr. Clarkson.

4 MR. CLARKSON: That's why I was seeking a
5 little more firmness in that, if the witness knows.

6 MR. LEGG: I would say a two-part answer to
7 that. One is, I don't know the number right now. I
8 don't know the current success rate, you know, win
9 and loss.

10 The second part is I would call it a success
11 any time the company attracts new load to the state,
12 wins a job. We make sure that those pass the RIM
13 test that we've talked about, they put downward
14 pressure on all of our customers' rates over time, so
15 I would call that a success any time that we're able
16 to accomplish that.

17 MADAM CHAIR PRIDEMORE: I'm going to add to
18 your answer. I call it a success because not just
19 Georgia Power, but the entire customer choice system
20 for the state of Georgia is one of the most powerful
21 tools that the State has for economic development.

22 MR. CLARKSON: Yeah.

23 MADAM CHAIR PRIDEMORE: It's how we're
24 continuously -- I believe yesterday Governor Kemp
25 said for the ninth year, we're the number one state

1 to do business.

2 MR. CLARKSON: Yes. And I assist these
3 customers in choosing their utilities and Georgia
4 Power loses the bid many times, in my experience, but
5 Mr. Legg --

6 MADAM CHAIR PRIDEMORE: Sometimes they win,
7 sometimes they lose. Regardless, Georgia wins.

8 BY MR. CLARKSON:

9 Q One more thing on your electric vehicle
10 program. You have a program for school buses. How about
11 other buses? Is there a program for them or we've got to
12 paint them all yellow to get on that program?

13 A (Witness Legg) Yeah, I'm not -- I'm not
14 familiar with the --

15 Q School bus --

16 A (Witness Legg) -- school bus EV program or --

17 Q I see.

18 A (Witness Legg) -- the bus program.

19 Q On the last page of your testimony you said you
20 would deal with other rates that were talked about in the
21 IRP and is that -- when is that? Is that the October
22 filing?

23 A (Witness Legg) You're referring to the bottom
24 of page 17, top of 18?

25 Q Yes. Where you say other rates will be dealt

1 with later.

2 A (Witness Legg) Yeah, we actually -- these are
3 tariffs that were approved in the IRP. We actually filed as
4 part of the supplemental filing an updated Community Solar
5 tariff, an updated retail REC retirement tariff, and
6 updated an economic development version of that, and then
7 the flexion REC tariff.

8 We also -- tariffs that are still being --
9 under development, I believe, are tariffs like CARE, the
10 CARES tariff, and the DER tariff as well. That's part of
11 the order we're -- I think DER, there's -- the company is
12 working with various parties to develop that tariff and
13 those will be filed at the appropriate time.

14 Q I see. We've had a lot of questions in this
15 proceeding about EV policy, Make Ready policies, and
16 sometimes we just didn't get the answers that the
17 intervenors were seeking. Will that be addressed also along
18 with that list that you described?

19 MR. HEWITSON: I'm not sure what questions
20 Mr. Clarkson is asking about that the answers were
21 not provided, but it's speculation of whether those
22 questions will be reviewed in a further proceeding.

23 MADAM CHAIR PRIDEMORE: Sustained.

24 It's a little combative question, Mr. Clarkson.
25 Come on, now.

1 MR. CLARKSON: Really?

2 MADAM CHAIR PRIDEMORE: Yes, it was. It was
3 accusatory. You're better than this.

4 MR. CLARKSON: I'll just go away in shame.
5 No further questions.

6 MADAM CHAIR PRIDEMORE: Had a lot of
7 conversation about marginal load and I think that
8 that statement was just such.

9 Ms. Ariza? Sierra Club.

10 MS. ARIZA: Good morning, Commissioners.

11 CROSS-EXAMINATION

12 BY MS. ARIZA:

13 Q Good morning, Commissioners. Good morning,
14 Panel. Isabella Ariza on behalf of the Sierra Club. I just
15 have five questions for Mr. Legg.

16 So on page 17 of your testimony, lines 1
17 through 8 you describe the Charge It rider, and on page 9 of
18 your testimony, lines 4 and 5, you speak about the plug-in
19 electric vehicle residential rate option. If I could ask
20 you, are you currently using rate structures that
21 incentivize off-peak EV charging?

22 A (Witness Legg) Yes, that's what the plug-in
23 electric vehicle tariff does. Is that what you're asking,
24 about the PEV?

25 Q Yes.

1 A (Witness Legg) -- tariff?

2 Yes, it actually has off-peak and super
3 off-peak time periods.

4 Q Okay. Thank you. And have you considered
5 other rate structures like vehicle-to-grid structure where
6 vehicles like school buses are used as storage, for example?

7 A (Witness Legg) We have not at this point. I
8 would imagine that that's something that may be studied at
9 some point in the future, but the company hasn't proposed
10 anything yet on that.

11 Q Okay. And are you generally aware of the
12 federal funds that are flowing to Georgia to accommodate EV
13 load?

14 A (Witness Legg) At a very high level. Again, I
15 don't work in the EV space, but I'm generally familiar with
16 those.

17 Q Okay. And at a general level, are you aware
18 that those programs include public buses, meaning that
19 public transit will be receiving funds to electrify their
20 buses? No?

21 A (Witness Legg) Again, I'm not familiar with
22 the details.

23 Q And I'll ask you this and you might not have an
24 opinion, but if you do have an opinion, I would like to
25 know. Would you be supportive of a policy that allows

1 Georgia Power to cover grid costs that might be needed to
2 provide power to, for example, public transit that needs to
3 accommodate EV load?

4 A (Witness Legg) I'm not the person who would
5 make that policy decision for our company. It would be more
6 appropriate among the grid and the EV folks to talk about
7 that.

8 Q Okay. Thank you, Mr. Legg.

9 MS. ARIZA: Thank you, Commissioners.

10 MADAM CHAIR PRIDEMORE: Southern Alliance for
11 Clean Energy, Southface Energy Institute?

12 MR. COLLIER: No, questions, Madam Chair.

13 MADAM CHAIR PRIDEMORE: Okay. DoD and all
14 other Federal Executive Agencies? Ms. Medlyn, you
15 are my favorite, not because I show favoritism, but
16 because you're last.

17 MS. MEDLYN: Yes, I like that. And I will be
18 quick today.

19 MADAM CHAIR PRIDEMORE: You're fine.

20 MS. MEDLYN: I don't have very many questions.

21 MADAM CHAIR PRIDEMORE: Do your thing.

22 CROSS-EXAMINATION

23 BY MS. MEDLYN:

24 Q I have questions for both Mr. Legg and
25 Mr. Evans. Mr. Legg, I'll start with you.

1 On page 7, lines 12 through 13 of your
2 testimony, this is where you're stating that as proposed in
3 the company's ARP, that the average increase on an
4 after-fuel basis across all rate groups is approximately
5 10.2 percent, which -- for 2023, which includes the ECCR,
6 DSM, and MFF. My question is, do you know the percentage
7 increase on just the traditional base rate revenue?

8 A (Witness Legg) I don't have that number broken
9 out with me.

10 MS. MEDLYN: Is that something I could make a
11 hearing request to get that percentage number?

12 MADAM CHAIR PRIDEMORE: Granted.

13 MS. MEDLYN: Okay. Thank you.

14 BY MS. MEDLYN:

15 Q On page 8 of your testimony, lines 2 through 3,
16 you state, "Moreover, consistent with existing practice,
17 the base rate increase is not applied to incremental RTP
18 usage." Could you explain what that means?

19 A (Witness Legg) Yes. As we've talked about,
20 our real-time pricing rate is a two-part rate. The CBL or
21 customer baseline load is on a standard or -- traditional
22 base tariff. The -- any use above that is priced at the
23 hourly RTP price. And so what we're saying is, as a
24 marginal component of the pricing, those hourly prices don't
25 have the -- this traditional base increase applied to them.

1 They actually pay the marginal cost of
2 electricity each hour of the year. So the traditional base
3 embedded tariff increase request does not apply to those
4 kilowatt-hours. That's consistent with how we've done this
5 going back for decades.

6 Q I have a question now on your real-time pricing
7 tariffs. It's the same for both. On page 1 of those
8 tariffs, it's under the customer baseline header, it states
9 that the CBL represents a customer's normal operation for
10 billing under its conventional tariff. If you need to
11 resort to them, you may not -- but can you explain what
12 normal operation means?

13 A (Witness Legg) As -- I'll have to find the
14 tariff.

15 Q Yeah, which is, I think, 6.2 and 6.3, if that's
16 helpful.

17 A (Witness Legg) And could you point me to where
18 that was again?

19 Q So under -- on the first page of both those
20 real-time pricing tariffs, it's on -- it's under customer
21 baseline load on the first page.

22 A (Witness Legg) Yes.

23 Q And it's the first sentence which says, "The
24 CBL represents a customer's normal operation for billing
25 under its conventional tariff."

1 And my question is, is can you explain what is
2 considered a customer's normal operation?

3 A (Witness Legg) I think normal operation based
4 on historical energy use would be the general term there.
5 This entire section goes on to explain how a CBL is set.
6 And again, this is how we've done this for a long time on
7 the real-time pricing rate. But there are different methods
8 for setting a CBL based on whether you're an existing
9 customer, a new customer, things like that, and that's what
10 this section outlines.

11 Q Okay. So it's based on historic usage only
12 if -- if a customer would make any -- you know, put any, you
13 know, improvements or anything like that, how does that come
14 into play with normal operation? Because that may change,
15 obviously, from historic versus what may be going forward.

16 A (Witness Legg) Sure. For a customer who has
17 been on RTP and makes changes, if you turn over to page 4 of
18 5, there's an entire page, Section C, that says CBL
19 Revisions, and that section outlines all the criteria for
20 revising that CBL, whether it's revising it up or revising
21 it down. Based on, for instance, permanent removal of load
22 or certain types of efficiency upgrades that are made at the
23 facility, the customer can apply to the company to lower the
24 customer's CBL based on those types of activities as well.

25 Q Okay. And so permanent removal of load, can

1 you explain what that means?

2 A (Witness Legg) So if a manufacturer has three
3 lines of production and they decide to remove one of those
4 lines and permanently physically remove the equipment from
5 that manufacturing facility, we would consider that
6 permanently removing the load because there's no equipment
7 to use energy there anymore, so it's no longer part of their
8 facility.

9 Q If they upgrade that equipment maybe to make it
10 more energy efficient, would that change?

11 A (Witness Legg) Certain types of upgrades can
12 apply, yes. We look at it on a case-by-case basis, but
13 certainly efficiency upgrades, which are outlined in here
14 which types apply, those can qualify as well.

15 Q And can you give me an example of one that
16 would not, you know, apply?

17 A (Witness Legg) I think it's actually
18 enumerated, if I can find it here.

19 In the fourth paragraph of that section it
20 states, "Equipment modifications that do not result in a
21 fixed reduction are not considered permanent load removal.
22 For example, occupancy sensors, variable frequency drives,
23 et cetera."

24 From an efficiency standpoint, I believe it
25 would be the same type thing. If it's permanent or if it

1 could result in the load coming back, then it may not
2 qualify. And again, we look at that on a case-by-case basis
3 because there are a myriad number of different options that
4 customers have to improve efficiency, depending on what type
5 of operation it is, how old the building is, things like
6 that.

7 Q Okay. And you said the load coming back, is
8 that what you just said?

9 A (Witness Legg) Right. I mean, there's certain
10 efficiency improvements that can -- that could be made that
11 could be undone later and then the load would just reappear,
12 so that wouldn't be considered permanent load removal or a
13 permanent efficiency change.

14 Q Okay. Now I would like to talk to you about
15 your backup service schedule PE13, which is 12.20.

16 A (Witness Legg) Okay.

17 Q And based on your understanding of the
18 applicability section, is this schedule available to
19 real-time pricing customers?

20 A It says, "Applicable to modification of rate
21 schedules for power and light and full-use governmental
22 institutions," so I would say that, no, I don't -- I don't
23 know that we've ever had a real-time pricing customer ask
24 for backup. I think in the rules and regs -- I'd have to
25 check -- but subject to check, there is a clause that states

1 customers who install their own generation -- because that's
2 what the backup service schedule is for, for customers that
3 have their own generation that operates at least 6,000 hours
4 a year. Generally, those customers who are on RTP choose to
5 stay on RTP rather than move to backup because it's a more
6 economical option for them.

7 So it's usually either/or. They would be on
8 RTP or they would go to backup if they're not on RTP.

9 Q Okay. So if a real-time pricing customer with
10 the CBL wanted to have access to the backup service tariff,
11 they would need to go off the real-time pricing; is that
12 correct?

13 A (Witness Legg) If they wanted to have access
14 to the backup service?

15 Q If they -- yes, correct.

16 A (Witness Legg) You know, off the top of my
17 head, I don't know. We'd have to discuss the specifics of
18 the account. And, like I say, these are -- these are for
19 very large, really, you know, high energy users that have
20 generation, we'd have to look at the specifics of that
21 individual situation.

22 Q Okay.

23 A (Witness Legg) And we actually have a team in
24 my department called pricing application that looks at how
25 our tariffs are applied to make sure that we're treating

1 customers, you know, similarly situated customers fairly and
2 the same. So we would apply whatever precedent we might
3 have and whatever judgment we've used in the past to that
4 decision.

5 Q Okay. Thank you, Mr. Legg.

6 Mr. Evans, my next set of questions are for
7 you. The panel on Tuesday said that Georgia Power does
8 receive, I believe, you know, revenues from customers
9 through special charges that were associated with dedicated
10 facilities. And my question to you is, can you identify
11 where these special, you know, other operating revenues
12 appear in your class cost of service -- class
13 cost-of-service study?

14 A (Witness Evans) Yes, and it's actually in your
15 question. They appear under other operating revenue.

16 Q Okay.

17 A (Witness Evans) So to the extent that those
18 have been paid by rates or rate groups, they show up under
19 the other operating revenue in the cost-of-service study.

20 Q Okay. And where is that in your class
21 cost-of-service study?

22 A (Witness Evans) So if you go to -- I'm looking
23 at LPE-1.

24 Q Okay.

25 A (Witness Evans) And Schedule 1.00, line 34 is

1 other operating revenues and that breaks it down in this
2 schedule by rate. But on Schedule 1.00 for any of my
3 exhibits, you should see other operating revenue listed
4 there.

5 Q Okay. Are the dedicated customer facility
6 plant and related O&M expenses in your class cost-of-service
7 study?

8 A (Witness Evans) My class cost-of-service study
9 reflects the books and records of the company, so to the
10 extent we have that recorded as property in the O&M expenses
11 or both, that will show up in my cost-of-service study.

12 Q Have you allocated any dedicated customer's
13 facilities and related O&M expenses in your class
14 cost-of-service studies?

15 A (Witness Evans) Can you repeat the question?

16 Q Have you made any -- have you allocated any
17 dedicated customer facilities and related O&M expenses in
18 your class cost-of-service study?

19 A (Witness Evans) I can't speak definitively
20 around how those -- the actual equipment in the -- in the
21 plan accounts are booked. Again, we reflect the books and
22 records of the company. As far as how the individual
23 accounting of those circumstances in each one of those, I
24 can't speak to those details right now.

25 Q Okay. Is there any consideration that's given

1 to the fact that some customers are paying special facility
2 charges related to those dedicated facilities?

3 A (Witness Evans) Can you clarify your question
4 a little bit?

5 Q If a customer is paying -- say they have a -- a
6 customer has a special -- a dedicated facility and they're
7 paying what's considered a special facility charge, did you
8 give any consideration to the fact that that customer's
9 already paying this charge through this dedicated facility
10 charge?

11 A (Witness Evans) Well, again, the revenue's
12 reflected in the study; right? So to the extent that
13 there's plant -- that that revenue is meant to recover and
14 cover, both the revenue and the plant are listed there;
15 right? So we've got a matching of the cost and the revenue
16 that's coming in to reflect it.

17 Q Okay. So how are the revenues from those
18 special charges allocated, then, within your cost- --

19 A (Witness Evans) Sure.

20 Q -- of-service study?

21 A (Witness Evans) Because that equipment is
22 booked to a distribution account, the revenue that comes
23 in -- and it's a specific amount in other operating revenue,
24 is then also allocated based on the distribution plant. So,
25 essentially, like I said, the investment, the cost is

1 allocated through distribution plant, and then the revenue
2 coming in is also allocated based on those costs.

3 Q Okay. Earlier this morning you stated that
4 embedded distribution costs are allocated to real-time
5 pricing customers; is that correct?

6 A (Witness Evans) That is correct to the extent
7 those customers are served via the distribution system.

8 Q Okay.

9 A (Witness Evans) As you might -- as you might
10 expect, some -- you know, we have very large RTP customers
11 that are served at transmission level --

12 Q Okay.

13 A (Witness Evans) -- that don't utilize that
14 system.

15 Q That was going to be my follow-up question.

16 So then those customers, those real-time
17 pricing customers that are taking service at the
18 transmission level, then those embedded distribution costs
19 are not allocated to those RTP customers at transmission
20 level?

21 A (Witness Evans) That's correct. So one of the
22 key steps in cost allocation is levelization where we look
23 at all the costs on the system and what costs are incurred
24 by each level of service. So to the extent that the load,
25 the marginal load for RTP customers, a portion of it is only

1 being served via transmission-level customers. They
2 won't -- that load won't receive a distribution allocation
3 to it because it's not -- that load is not utilizing the
4 distribution system. We only allocate costs to the load --
5 based on -- we allocate costs based on the cost of the load
6 incurs.

7 Q Okay. Thank you.

8 MS. MEDLYN: That's all I have.

9 MADAM CHAIR PRIDEMORE: Redirect?

10 MR. HEWITSON: Thank you, Madam Chair. Very
11 briefly.

12 REDIRECT EXAMINATION

13 BY MR. HEWITSON:

14 Q Taking you back to yesterday, Mr. Legg,
15 Mr. Galloway asked you a number of questions about the
16 proposed Charge It demand reduction and he referred to it
17 multiple times as a discount. Do you consider it a
18 discount?

19 A (Witness Legg) No. Because as we've talked
20 about, it's a new rate for a new load so there's no existing
21 revenue to be discounted. It's just a reduction for the
22 demand over that period for a new load that's coming to the
23 system. So there's no existing load to be discounted.

24 Q Okay. Thank you.

25 This morning Mr. Thomasson asked questions

1 regarding the interconnection fee. And just so that the
2 Commissioners and the record are clear on what we're
3 covering here, what company is covering here, the costs that
4 are being recovered by the interconnection fee are not new
5 costs, are they? They are costs that the company has always
6 incurred with these interconnections?

7 A (Witness Legg) They are costs the company has
8 incurred. We've actually made new investment and spent more
9 money as a result of the expansion of these programs over
10 the last three years such that they have -- they have not --
11 they're new to the -- in the -- from the standpoint that
12 they're the same types of activities but we've expanded so
13 the number is bigger now.

14 Q Okay. And it's that the company is proposing
15 to collect these costs through one interconnection fee; is
16 that right?

17 A (Witness Legg) Yes.

18 Q And that fee is \$200?

19 A (Witness Legg) That's right.

20 Q And am I correct that a 7-kilowatt system
21 probably costs about 20- to \$30,000 to install?

22 A (Witness Legg) Subject to check, sure.

23 Q Thank you, panel.

24 MR. HEWITSON: Madam Chair, that's all the
25 redirect I have. I was hoping you would be pleased

1 with the brevity of it.

2 I would ask that the exhibits for Mr. Legg and
3 Mr. -- well, for Mr. Evans be moved into evidence and
4 that the witnesses be excused?

5 MADAM CHAIR PRIDEMORE: So moved, so marked.
6 You're excused. Thank you.

7 (GPC Exhibits 27 through 34 were admitted into
8 evidence.)

9 MR. HEWITSON: And just in case, can I move all
10 of our exhibits, just in case we forgot after one of
11 the witnesses?

12 MADAM CHAIR PRIDEMORE: So moved, so marked.
13 You're excused.

14 MR. HEWITSON: Thank you.

15 MADAM CHAIR PRIDEMORE: Okay. We will -- other
16 than our usual admins and committees and other
17 hearings, we will be back here for staff and
18 intervenor testimony, I believe, on October 17th, if
19 that's correct.

20 MR. HEWITSON: No. No.

21 MADAM CHAIR PRIDEMORE: No? Oh, my gosh, the
22 moans. That is November 8th we'll see you-all back.

23 I have to thank IT. Matt Stroev, you guys have
24 done a great job these three days. As well as Sallie
25 Tanner, Quawanda Boyer, the folks in Executive

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Secretary's office, thank you so much.

Also want to thank our support from the Georgia
State Patrol and capitol police. You guys have a
great day. We're adjourned.

(Hearing ended at 12:02 p.m.)

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C E R T I F I C A T E

We, Kelley Nadotti, Debbie Eickhoff and Brenda P. Elwell, Certified Court Reporters, do hereby certify that the foregoing transcript is an accurate record to the best of our abilities of the proceedings in the above-entitled matter at the time and place therein set forth.



Kelley Marie Nadotti, RPR
CCR-6256-8388-8026-4192



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