

# Georgia Electric Utility Rate Case Overview

## RATE CASE BACKGROUND

Georgia law gives the Georgia Public Service Commission (PSC) supervisory authority over electric utilities in Georgia, including the exclusive power to determine just and reasonable rates and charges for investor-owned electric and natural gas utilities in Georgia.<sup>1</sup> With the merger of the Georgia Power Company (Georgia Power or GPC) and Savannah Electric in 2005, Georgia Power is the only investor-owned electric utility in the state.

Neither Georgia law nor regulation prescribes the frequency for Georgia Power rate cases. It has become practice for rate cases to follow on the heels of the triennial Integrated Resource Plan proceeding and for the PSC to approve three-year “accounting orders” at the close of each rate case. The filing date for each rate case is specified in the final order of the preceding rate case. The timing of the 2019 rate case was slightly unusual. In December 2015, the parent company of Georgia Power, Southern Company, initiated proceedings at the PSC for approval of a merger between Southern Company and Atlanta Gas Light Resources.<sup>2</sup> The PSC approved the merger in May 2016. As part of the settlement agreement in that case, parties agreed that the 2013 rate case accounting order would be extended to the end of 2019 and that Georgia Power would file its next retail rate case on July 1, 2019, for rates effective January 1, 2020.<sup>3</sup> Table 1 provides a summary of recent rate cases.

*Table 1. Overview of Recent Georgia Power Rate Cases*

Year	Docket	Filing Date	Date of Final Decision	Effective Dates
2007	25060	Jul 1, 2007	Dec 20, 2017	Jan 2008 – Dec 2010
2010	31958	Jul 1, 2010	Dec 21, 2010	Jan 2011 – Dec 2013
2013	36989	Jun 28, 2013	Dec 17, 2013	Jan 2014 – Dec 2016 (extended to Dec 2019)
2019	42516	Jul 1, 2019	Dec 17, 2019	Jan 2020 – Dec 2022
2022	44280	Jun 24, 2022	Dec 20, 2022	Jan 2023 – Dec 2025

## WHAT IS ADDRESSED IN A RATE CASE?

Rate cases are formal, quasi-judicial proceedings to determine what the regulated utility is permitted to charge customers for service. A rate case is a complex and comprehensive filing, covering detailed financial operations of the utility, cost of capital for the utility, in-service assets, taxes and rates. Rate cases typically address several key questions:

1. **What is the utility’s revenue requirement?** This broad question encompasses several narrower ones:
  - a. Are the proposed operating costs of the utility reasonable? Answering this question involves detailed review of all utility costs, such as transmission and distribution costs, fossil fuel operations and maintenance, environmental compliance costs, nuclear unit costs (including decommissioning) depreciation expense and taxes. Given utility operations in the southeast, this also involves a careful examination of affiliate transactions.

<sup>1</sup> O.C.G.A. § 46-2-20 and 21 and 23(a)

<sup>2</sup> AGLR is the parent company of the Atlanta Gas Light Company, the regulated gas distribution company in the deregulated natural gas service territory in Georgia.

<sup>3</sup> Georgia Public Service Commission’s Order Adopting Settlement Agreement, Dkts. 39971 and 9574, at 13 (PDF pagination) (May 9, 2016), available at <http://www.psc.state.ga.us/factsv2/Document.aspx?documentNumber=163623>.

- b. What is the value of the utility’s assets used to serve customers (the rate base)?
- c. What is the appropriate return on equity (ROE) the utility should earn on equity invested in rate base assets?

**2. Are costs allocated appropriately to the customer classes?**

**3. Are the rates fair and reasonable and do they appropriately recover the revenue requirements?**

- a. Since rate setting implicitly involves an estimation of future electricity sales, evaluating cost allocation and revenue recovery also touches on utility load forecasting.

**THE RATE CASE PROCESS**

Review and approval of Georgia Power’s application to amend rates is a six-month proceeding before the Georgia PSC, which kicks off with Georgia Power’s filing of its application. The rate case process includes:

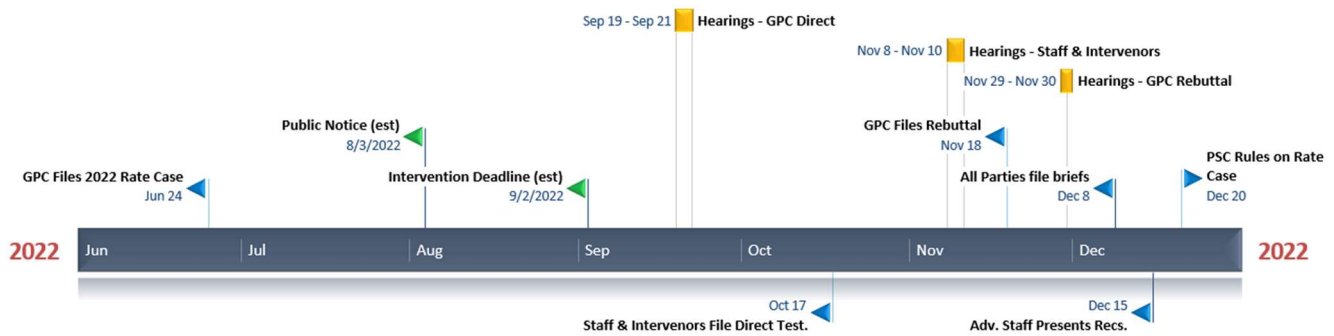
- **Initial Filing:** Georgia Power files its application to amend rates and all expert direct testimony.
- **Three Rounds of Hearings:** The proceedings involve three sets of hearings (note: all witnesses pre-file testimony prior to their respective hearing):
  - **GPC Direct Case:** Georgia Power seats witnesses that present the utility’s direct case. After the utility’s witnesses present, the PSC Public Interest Advocacy (Advocacy) Staff<sup>4</sup> and any intervenor that so chooses conduct cross-examination of GPC’s witnesses.
  - **PSC Staff & Intervenors’ Cases:** PSC Advocacy Staff and any intervenor that chooses to sponsor witnesses present their cases. Georgia Power, the PSC Staff (not for their own witnesses), and any intervenor that so wishes conduct cross-examination of these witnesses.
  - **Company Rebuttal:** Georgia Power witnesses present rebuttal testimony. Just like round one, after the witnesses present their rebuttal testimony, the PSC Advocacy Staff and any intervenor that so chooses conduct cross-examination of the company’s witnesses.
- **Final Briefs:** After hearings are done, all intervenors can submit a final brief.
- **Stipulation Negotiations:** Typically, Georgia Power, PSC Advocacy Staff and one or more intervenors enter stipulation negotiations to reach a negotiated settlement proposal for the Commission’s consideration. This process can start at any point during the proceeding, but often begins in earnest after the second round of hearings.
- **PSC Staff Recommendation:** At a regularly scheduled Energy Committee meeting, PSC Advisory Staff presents its recommendation to the Commissioners.
- **Final Order:** At a specially called Administrative Session, the PSC issues its final order.

**Table 2. Georgia Power 2022 Rate Case Filing Dates<sup>5</sup>**

<b>Filing / Hearing</b>	<b>Date</b>
GPC files its application and all direct testimony	Jun 24, 2022
Hearings – GPC Direct Case	Sep 19 – 21
Staff & Intervenors File Direct Testimony	Oct 17
Hearings – Staff & Intervenors Direct Cases	Nov 8 – 10
GPC Files Rebuttal Testimony	Nov 18
Hearings – GPC Rebuttal Case	Nov 29 – 30
All Parties File Briefs	Dec 8
PSC Advisory Staff Presents Recommendations	Dec 15
PSC Renders Final Decision	Dec 20

<sup>4</sup> The role of PSC Staff, and the distinction between PSC Advocacy Staff vs. PSC Advisory Staff, is discussed further on page 4.

<sup>5</sup> Dates from Procedural & Scheduling Order approved by Georgia PSC in April 2022.



### GEORGIA POWER'S DIRECT CASE

Georgia Power's approach to presenting rate cases has remained consistent in recent years. Table 3 provides an overview of the expert witnesses that have appeared on behalf of the utility in the last four rate cases.

**Table 3. Georgia Power Expert Witnesses in Recent Rate Cases**

Year (Dkt.)	Witness	Job/Role	Focus of Testimony
2019 (42516)	Paul Bowers	GPC CEO	Overview of the Rate Case Filing
	David Poroch; Sarah Adams; and Michael Robinson	GPC EVP, CFO, Treasurer, and Comptroller; Assis. Comptroller; and Power Delivery Operations General Manager (respectively)	Support Filing (including revenue requirements, alternative rate plan, CCR ARO, ECCR, DSM, MFF, test-year projections, T&D investments, IRP adjustments, wholesale sales, and working capital requirements)
	James Vander Weide	Consultant (Financial Strategy Associates)	Cost of Equity
	Steven Fetter	Consultant (Regulation UnFettered)	Importance of credit ratings for regulated utilities
	Lawrence Vogt	Consultant (Vogtage Engineering)	Cost of Service Study
	Ahmad Faruqui	Consultant (Brattle Group)	Rate design concepts and trends in the utility industry - address merits of proposed 3-part rates and plan to recover the fixed customer-related costs through monthly service charge
	Larry Legg	GPC Director of Pricing and Rates	Rate Design, discuss changes in portfolio of retail tariffs
2013 (36989)	Ron Hinson	GPC CFO and Comptroller	Overview of the Rate Case Filing
	Laura Patterson and Elliot Spencer	GPC Assistant Comptrollers	Summary of Filing (including explanation of the Company's financial position and need for a change in base rates and presentation of minimum filing requirements)
	Greg Roberts	GPC VP of Pricing and Planning	Rate Design
	James Vander Weide	Consultant	Cost of Equity
	Steven Fetter	Consultant	Credit Quality Evaluation
	Michael O'Sheasy	Consultant	Cost of Service
2010 (31958)	Mike Garrett	GPC CEO	Overview of the Rate Case Filing
	Ann Daiss and Robert Morris	CFO / Comptroller and Assistant Comptroller	Summary of Filing (including explanation of the Company's financial position and need for a change in base rates and presentation of minimum filing requirements). Also, overview of proposed Alternate Rate Plan.
	Greg Roberts	GPC Director of Pricing and Rates	Rate Design
	James Vander Weide	Consultant	Cost of Equity
	Michael O'Sheasy	Consultant	Cost of Service
2007 (25060)	Mike Garrett	GPC CEO	Overview of the Rate Case Filing
	Ann Daiss	GPC VP / Comptroller	Summary of Filing (including explanation of the Company's financial position and need for a change in base rates and presentation of minimum filing requirements)
	Jon Kubler	GPC Director of Pricing and Rates	Rate Design
	Charles Huling and John Huggins	GPC VP Environmental Affairs and SoCo Env. Manager	Environmental Requirements (regulations, equipment and compliance costs)
	James Vander Weide	Consultant	Cost of Equity
	Michael O'Sheasy	Consultant	Cost of Service

## PSC STAFF AND INTERVENOR CASES

The case presented by the PSC Advocacy Staff typically addresses a broad range of topics, touching on many of the issues contained in Georgia Power's filing. Some other intervenors also address a broad range of topics, while others target issues specific to their interests. **Table 4** in **Appendix A** provides a summary of expert witnesses sponsored by PSC Advocacy Staff and other intervenors in the 2010 and 2013 rate cases.

## THE ROLE OF THE PSC STAFF

For the rate case (as for other complex cases before the Commission), the PSC Staff divides itself into two groups: The Public Interest Advocacy Staff and the Commissioner Advisory Staff (Advisory Staff). The Advocacy Staff is party to the case, the Advisory Staff is not.

More specifically, the Advocacy Staff is responsible for performing an independent evaluation of the filed case from the standpoint of promoting the public interest and just and reasonable rates. The Advocacy Staff presents witnesses, conducts cross-examination, and may negotiate settlements with other parties. The Advisory Staff acts as a technical advisor to the Commissioners and makes its recommendation to the Commission based exclusively on its independent evaluation of the facts contained in the record.

## WHO IS INVOLVED?

The Georgia Power Company and the PSC Advocacy Staff are automatically parties to the case. All other parties must file an application for leave to intervene within 30 days following the first published notice of the proceeding. Within its application, the intervenor must describe its unique interest in the case and describe its intent with respect to filing direct testimony (by when and on what subject). Once an application has been accepted by the Commission, that intervenor is considered a party to the case and will receive all documents filed under the docket.

The list of parties in recent rate cases include the following organizations:

- PSC Advocacy Staff
- Georgia Power Company
- AARP
- Association for Fairness in Rate Making
- Cable Television Association of Georgia
- Commercial Group
- Consumer Utility Counsel (now defunct)
- Federated Department Stores
- Georgia Association of Manufacturers
- Georgia Electric Membership Corporation
- Georgia Environmental Finance Authority
- Georgia Industrial Group
- Georgia Municipal Association
- Georgia Solar Energy Industries Association
- Georgia Watch
- KGen Power Management
- Kroger Company
- MARTA
- Resource Supply Management
- Sierra Club
- Southern Alliance for Clean Energy
- US Department of Defense (and other affected federal agencies)

## WHAT DOES IT TAKE TO INTERVENE?

Different intervenors undertake different levels of effort. The bullets below describe a low, medium, and high level of intervention effort.

- **Low:** intervene in the proceeding to receive and track filings, elect whether to attend hearings.
- **Medium:** intervene in the proceeding, actively review all expert witness testimony, attend all hearings, cross-examine witnesses, file necessary briefs, and participate in any settlement negotiations.
- **High:** enlist expert witness(es), file expert testimony, put expert witness(es) up for cross-examination, and conduct all activities outlined in Medium scenario.

**Table 4. PSC Staff and Intervenor Expert Witnesses – 2013 and 2010 Rate Cases**

Dkt.	On Behalf Of	Witness	Employer / Prof. Affiliation	Focus of Testimony
2013 (36989)	PSC Staff	Sheree Kernizan	GA PSC	Introduce PIA Staff team and provide overview of testimony
		Charles King	Snavelly King	Support depreciation adjustment proposed by staff witnesses; recommend revised depreciation rates; critique GPC depreciation study
		David Parcell	Technical Associates	Evaluate the cost of common equity for GA Power (ROE)
		Tom Newsome	GA PSC	GPC cost of long-term debt
		Michael McGarry	Blue Ridge Consulting Services	Non-fossil fuel O&M, ECCR rider, T&D O&M
		Glenn Watkins & Jamie Barber	Technical Associates & GA PSC	Evaluate COSS and other tariff issues
		Ralph Smith	Larkin & Associates	Staff's position on revenue requirements, proposed alternate rate plan and the ECCR.
	Association for Fairness in Rate Making	Russell Klepper	Energy Services Group, LLC	Structure of TOU-MB rate; parity among classes / rates; structure of existing rates
	Commercial Group	Steve Chriss	Walmart	Requested ROE too high and causes rate impact to customers
		Bill Lyon	Macy's	Make more RTP available to commercial customers
	GA Solar Energy Industries Association	Karl Rabago	Rabago Energy	? (IRP testimony – not rate case – filed in online docket)
	GAM & GIG	Roger Tutterow	Mercer University	Describe importance of manufacturing to GA; address impact of energy costs on manufacturing, etc.
	GA Watch	Liz Coyle	GA Watch	How to moderate the impact of the proposed rate increase on residential and small commercial customers
	GAM & GIG	Jeffry Pollock	J. Pollock, Inc.	Alternate Rate Plan; Depreciation Expense: ROE (too high); Cost-of-Service Study; Class Revenue Allocation; and Rate Design
	Kroger	Kevin Higgins	Energy Strategies, LLC	GPC requested ROE too high; revise ratemaking treatment of wholesale; more RTP for medium businesses to defray rate increases
MARTA	David Springstead	MARTA	ET rate not adjusted until at parity; no Franchise Fee on MARTA accounts; marginal pricing for 40% of load	
US DOD & Fed Agencies	Jeff Hoppe	C. H. Guernsey & Company	Impact of proposed rate increase on DOD installations and alternate rate class increase proposal	

Dkt	On Behalf Of	Witness	Employer / Prof. Affiliation	Focus of Testimony
2010 (31958)	PSC Staff	Sheree Kernizan	GA PSC	Introduce PIA Staff team and provide overview of testimony
		Robert Henkes	Henkes Consulting	Staff's position on revenue requirements and the proposed alternate rate plan
		John Hutts	GDS Associates	Evaluate GPC Budget 2010 Load and Energy Forecast
		Charles King	Snavelly King	Support depreciation adjustment proposed by staff witnesses; recommend revised depreciation rates; critique GPC depreciation study
		Jatinder Kumar	Economic and Technical Consultants	Address transmission plant and associated operating expenses
		David Parcell	Technical Associates	Evaluate the cost of capital for GPC
		Ralph Smith	Larkin & Associates	Address affiliate, income tax, and incentive compensation costs included in revenue requirements
		Glenn Watkins	Technical Associates	Evaluate COSS and other tariff issues
	AARP, Commercial Group, Georgia Watch, Marta, and Resource Supply Management	James T. Selecky	Brubaker & Associates	Requested revenue increase, proposed Adjustable Cost Recovery tariff, and ROE.
	Association for Fairness in Rate Making	Russell L. Klepper	Energy Services Group	Proposed Adjustable Cost Recovery tariff, allocation of costs to marginally priced rates, and modification to TOU-MB
	Commercial Group	Steve W. Chriss	Wal-Mart	DSM-C tariff should include an opt out provision
		James T. Selecky	Brubaker & Associates	COSS & revenue allocation, RTP capacity available to commercial customers
		John Heavener	GA Retail Association	Describe impact of economic slowdown on commercial retail operations in Georgia
	Georgia Watch	George Evans	Slater Consulting	Revenue requirement reduction benefits of retiring specific coal units
	GTMA & GIG	Roger Tutterow	Mercer University	Describe importance of manufacturing to GA; address impact of energy costs on manufacturing, etc.
		Jeffry Pollock	J. Pollock, Inc.	Alternate Rate Plan, ROE, cost recovery riders, COSS, class revenue allocation and discounts for distressed industrial customers
	Kroger	Kevin C. Higgins	Energy Strategies, LLC	ROE, proposed Adjustable Cost Recovery Tariff, ratemaking treatment of certain costs, DSM-C tariff, and parity among customers / tariffs
	MARTA	David M. Springstead	MARTA	Electric Transportation (ET) Tariff
	US DOD & Fed Agencies	Thomas J. Prisco	US Army (Judge Advocate General)	Mitigating the proposed base rate increase on DOD