GEORGIA PUBLIC SERVICE COMMISSION

2002 Annual Report

Chairman David L. Burgess
Vice-Chairman Lauren "Bubba" McDonald, Jr.
Commissioner Robert B. Baker
Commissioner Earleen W. Sizemore
Commissioner Stan Wise
Commissioner Bob Durden

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LETTER TO THE GOVERNOR

January 1, 2003

The Honorable Sonny Perdue
Governor of Georgia
Office of the Governor
State Capitol
Atlanta, Georgia 30334

Dear Governor Perdue:

It is a pleasure to present to you the 2002 Annual Report of the Georgia Public Service Commission (also referred to herein as "PSC" and "Commission"). This annual report contains an overview of the history and structure of the Commission and identifies its major achievements with respect to the state's utility industries during the past calendar year.

This past year at the Commission has been marked by both change and sadness. On May 2, 2002, longtime Commissioner Bob Durden passed away following his lengthy and valiant fight against cancer. Governor Roy E. Barnes appointed Earleen Sizemore to replace him in June 2002. There will be two new Commissioners taking office on January 1, 2003 following the November 2002 elections.

For over 122 years, decisions made by the Commission have contributed to the state's economic growth and technological development. We look forward to serving Georgia's citizens in the 21st century.

Respectfully submitted,

David L. Burgess, Chairman
Lauren "Bubba" McDonald, Jr., Vice Chairman
Robert B, Baker, Jr., Commissioner
Earleen W. Sizemore, Commissioner
Stan Wise, Commissioner

HISTORY AND MISSION OF THE COMMISSION

HISTORY

On October 14, 1879, Georgia became one of the first states to establish a regulatory body to resolve complications resulting from increased railroad expansion and competition. Known at that time as the “Railroad Commission of Georgia,” the members of this body originally were appointed by the governor for the purpose of regulating railway freight and passenger rates. In 1906, the Legislature allowed the voters to elect the Commission.

In 1891, telegraph and express companies came under the Commission’s jurisdiction. Sixteen years later, the Legislature gave the Commission authority over docks and wharves, as well as telephone, natural gas and electric companies, and increased the number of Commissioners from three to five. The Legislature further expanded the Commission’s jurisdiction in 1931 when it authorized the Commission to regulate the trucking industry. Cognizant of the changing role of this regulatory body, the General Assembly changed the name of the Railroad Commission of Georgia in 1922 to the Georgia Public Service Commission. In 2001, the Commission handed over trucking regulation to the newly created Department of Motor Vehicle Safety.

MISSION

The PSC is a quasi-legislative, quasi-judicial agency comprised of five Commissioners elected on a statewide basis. The Commission’s mission is to ensure that consumers receive the best possible value for the telecommunications, electric and natural gas services they receive and have natural gas pipeline services that are safe and reliable. The regulatory side of the Commission's activities is most prevalent in relation to investor-owned natural gas and electric power utilities. The Commission has the authority to set rates, require long-range energy plans and projections, and provide for the safety of natural gas pipeline distribution systems.

Over the past decade, expansion and competition have significantly changed the Commission's purpose. With the onset of competition in these industries, the Commission’s role is slowly being transformed from that of a traditional regulator to a body that is empowered to facilitate competition and arbitrate complaints among competitors. This is a trend that is expected to continue as these industries—and possibly one day the electric industry—move closer to being fully competitive.

PUBLIC SERVICE COMMISSIONER PROFILES

David L. Burgess

Commissioner Since: April 8, 1999

Elected: November 2000

Chair: January 1, 2002–December 31, 2002

Serves Through: December 31, 2006

Democrat, DeKalb County

Chairman, Georgia Public Service Commission

Governor Roy E. Barnes appointed David Burgess to fill a vacant Commission seat on April 8, 1999. His appointment to the Commission is one of several "firsts." Burgess is the first African-American person to serve on the vital utility board; the first former PSC staff member to hold a Commission seat and according to the PSC Historian, the first Georgia Tech graduate on the Commission. He was elected to a full six-year term in November 2000.

Burgess graduated from Georgia Tech in 1981 with a Bachelor of Science Degree in Electrical Engineering. He served as a member of the PSC staff for 17 years. Burgess began as public utilities engineer, rose through the ranks in six years to become the PSC's Director of Rates and Tariffs; and served as the Director of the PSC's Telecommunications Unit for two years prior to his appointment. He has effectively resolved various electric, gas and telecommunications issues during his tenure at the commission. Burgess continues to lead the Commission's efforts to implement the requirements of the 1996 Federal Telecommunications Act. Burgess currently serves as the Chairman of the Commission's Telecommunications Committee, a member of the Georgia Utilities Facility Protection Act Advisory Committee and the Advisory Board of the Georgia Center for Advanced Telecommunications Technology (GCATT).

An Atlanta native, Burgess and his wife Phyllis have two daughters, Crystal, 7 and Christina, 4. Burgess is the Superintendent of Sunday School and Vice-Chairman of the Steward Board at Turner Monumental A.M.E. Church.

Lauren "Bubba" McDonald, Jr.

Commissioner Since: June 10, 1998

Elected: 1998

Serves Through: December 31, 2002

Nonpartisan, Forsyth County

Vice-Chairman, Georgia Public Service Commission

Governor Zell Miller appointed Lauren "Bubba" McDonald, Jr. to fill a vacant Commission seat on June 10, 1998. At a special election held later that year, McDonald was elected by an overwhelming majority of voters to serve as Commissioner. He served as Commission Chairman in 2001. Commissioner McDonald is serving on two Committees of the National Association of Regulatory Utilities Commissions: the Committee on Electricity and the Nuclear Electric Insurance Limited Committee. Under Electricity he serves on two subcommittees (Subcommittee on Nuclear Issues Waste Disposal and the Subcommittee of Strategic Issues).

A graduate of the University of Georgia with a BBA in Business, McDonald brings to the Commission twenty years experience in the Georgia House of Representatives, where he chaired the Industry Committee for five years and the Appropriations Committee for eight years. McDonald is a former member of the Jackson County Board of Commissioners and the Board of Managers of the Association of County Commissioners of Georgia. He has also served as a member of the Board of Governors of Mercer Medical College, a director of the Small Business Development Center at the University of Georgia and as a member of the Board of the Advanced Technology Center at the Georgia Institute of Technology.

A Commerce native, McDonald is a partner in L.W. McDonald & Son Funeral Home with his son, Lauren III, in Cumming, Georgia. McDonald is married to Sunny McDonald (Nivens), formerly of Gainesville. He is an elder in the Presbyterian Church, a private pilot and an avid golfer.

Stan Wise

Commissioner Since: January 1, 1995

Elected: 1994; Re-Elected: 2000

Serves Through: December 31, 2006

Republican, Cobb County

Commissioner, Georgia Public Service Commission

Stan Wise won re-election to his second six-year term on the Commission in November 2000. He served as Commission Chairman in 1997 and 1999. He was first elected to public office as a Cobb County Commissioner in 1990 and had previously served that county as a member of the Cobb County Planning Commission and the Board of Zoning Appeals. Wise was a Board Member of the ten-county Atlanta Regional Commission from 1992-1994.

Wise is currently First Vice-President of the National Association of Regulatory Utility Commissioners (NARUC). He is a past President of the Southeastern Association of Regulatory Utility Commissioners (SEARUC) and serves on the Gas Committee of NARUC. He also serves on the U.S. Department of Energy's State Energy Advisory Board. He has also served on the Board of Directors of the Cobb YMCA, the Boys Club of Cobb County and the Advisory Board of the North Georgia Law Enforcement Academy.

Wise was awarded his B.S. in Business Management from the Charleston Southern University in 1974. He owned and operated an insurance agency in Cobb County for over twenty years. He and his wife, Denise, have two children: a daughter Lindsay, who attends Georgia Southern University and a son Adam, who attends Georgia Perimeter College on a baseball scholarship.

Robert B. Baker

Commissioner Since: January 1, 1993

Elected: 1992; Re-Elected: 1998

Serves Through: December 31, 2004

Republican, DeKalb County

Commissioner, Georgia Public Service Commission

Bobby Baker was the first Republican elected to a statewide office since Reconstruction, and was re-elected in 1998. Bobby Baker grew up in DeKalb County and graduated from Oglethorpe University with honors. He received his law degree from the University of Georgia.

After graduating from law school, Commissioner Baker joined the Southeastern Legal Foundation, a regional conservative public interest law firm, and later entered private practice.

In 1994 Bobby Baker became the first Republican to serve as Chairman of the Public Service Commission. In 1998 he served his second term as chairman. During his tenure on the PSC he has worked aggressively to develop competitive markets for utility services, reduce regulation and expand toll free calling in Georgia.

In 1995, 1998 and 1999 he was selected as one of Georgia Trend's 100 most influential people in Georgia, and was honored to be the 1998 recipient of the Oglethorpe University Talmadge Award. Commissioner Baker served on the board of directors for the Georgia Center for Advanced Telecommunications Technology (GCATT) from 1994 to 1998, and served as Vice-Chairman of the Gwinnett County Planning Commission from 1991 to 1995. He is a member and director of the Peachtree-Atlanta Kiwanis Club. He and his wife, Joselyn, are members of Christ the King Church.

Earleen W. Sizemore

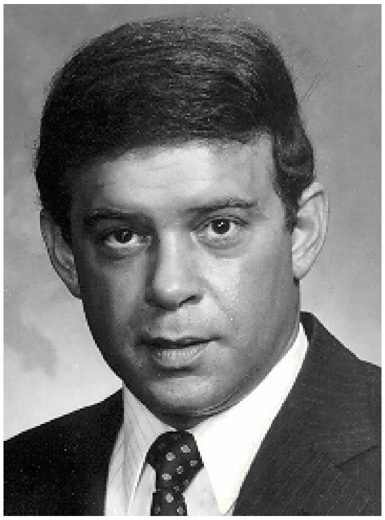
Appointed: June 18, 2002

Serves Through: December 31, 2002

Democrat, Sylvester

Commissioner, Georgia Public Service Commission

Earleen Wilkerson Sizemore made Commission history as the first woman to serve on the five-person panel when Governor Roy Barnes appointed her on June 18, 2002 following the death of Commissioner Bob Durden. A native of Sylvester, Sizemore brings 14 years experience in the Georgia House of Representatives to the Commission where she chaired the Interstate Commerce Committee and was Vice-Chairman of the Ways and Means Committee. She has also had a distinguished career as an educator both in the classroom and as an administrator. While serving as Superintendent of Worth County Schools from 1989 to 1993, she raised test scores, lowered property taxes and initiated a five-year building program. She has also been a Business Education Instructor, Coordinator of Federal Programs and Chairman of the Business Education Department for Worth County Schools. She graduated from Georgia Southern College with a Bachelor of Science Degree in Business Education. She holds a Master's Degree in Business Education from the Woman's College of Georgia, A Specialist Degree in Business Education from the University of Georgia and has received her Six-Year Certification in School Administration. She is recognized in Who's Who in Georgia and America, and was named an Outstanding Young Woman of Georgia and is an alumna of Leadership Georgia. She has two daughters and three grandchildren. She is a member of Sylvester First Baptist Church and in her spare time enjoys working on the family farm and genealogical research.



Bob Durden

Commissioner Since: January 1, 1991

Elected: 1990; Re-Elected: 1996

Served through: May 2, 2002

Republican, DeKalb County

Commissioner, Georgia Public Service Commission

Bob Durden died at age 54 on May 2, 2002 in his 12th year of service on the Commission following a long battle with cancer. At the time of his death he was the longest serving member of the Commission. Bob Durden was well respected by his colleagues and will be missed by all who had an opportunity to know him and work with him. Those who watched him fight his “battle with the enemy” will forever view cancer differently, because of the defiant and open way he faced his illness. Born on November 2, 1947 in Statesboro, Georgia, Durden graduated from Statesboro High and earned a B.A. (History), an M.A. (Political Science) and J.D. (Law) degrees from Emory University. Following military service in the Marine Corps, Bob taught courses in Economics, International Relations and American Government at Emory and was honored for his contribution to education as a recipient of Emory’s "Spokesman Award." Prior to his election, Bob was a trial attorney in private practice.

Bob was selected for membership in MENSA and has been named to "Who's Who in the South and Southwest," "Who's Who in American Law," *Georgia Trend's* "100 Most Influential Georgians," and "Who's Who in America." His plan to expand toll-free calling in Atlanta and 300 other Georgia communities and his successful fight to return $1.34 billion to Georgia ratepayers are hallmarks of his service.

Bob served as Chairman of the Commission in 1991, 1992, 1995 and 2000.

PUBLIC SERVICE COMMISSION
MANAGERIAL PERSONNEL
DECEMBER 31, 2002

Commissioners
David L. Burgess, Chairman
Lauren “Bubba” McDonald, Vice Chairman
Stan Wise, Commissioner
Robert "Bobby" Baker, Jr., Commissioner
Earleen W. Sizemore, Commissioner (June 2002-December 2002)
Bob Durden (January 2002-May 2002)

Administration Division
Deborah Flannagan, Executive Director
Reece McAlister, Executive Secretary
Bill Edge, Public Information Officer/Legislative Liaison
Glenda Knowles, Fiscal and Budget Officer
Jackie Thomas, Human Resources Officer
Lamar Pearce, Director of Information Technology

Utilities Division
Tom Bond, Utilities Division Director
Ken Ellison, Assistant Utilities Division Director
Leon Bowles, Director of the Telecommunications Unit
Sheree Kernizan, Director of the Electric Unit
Nancy Tyer, Director of the Natural Gas Unit
Cynthia Johnson, Director of Consumer Affairs Unit

UTILITIES DIVISION

Historically, the Georgia Public Service Commission has been responsible for setting the rates charged by telecommunications, natural gas and electric companies through economic regulation and for establishing and enforcing quality of service and customer service standards. The telecommunications, natural gas, and electric industries previously were characterized as natural monopolies. Now a number of these industries is evolving from a monopoly market structure where a single provider serves customers to a competitive market that allows customers to choose among multiple providers for certain services. Other services will continue to be monopoly services regulated by the Commission.

The pace at which competition is being implemented varies among these industries. In the telecommunications industry, long distance service has been competitive since the mid-1980's. In 1995 and 1996, local telephone service was opened to competition by state and federal legislation, respectively. In 1998, Georgia opened the natural gas industry to competition. Restructuring of the electric utility industry has taken place in a number of states, with varying results, but there has been no action in Georgia. It appears unlikely that electric utility restructuring will take place in the state in the near future.

In spite of these changes in the regulatory environment, the Commission has continued to be active in differing roles to ensure that consumers receive the best possible value in telecommunications, electric and natural gas services and to improve natural gas pipeline safety and to protect utility infrastructure from damage. An overview of the roles that the Commission has played in each of these utility industries over the past year, as well as key decisions of this agency, are set forth in the following sections.

Electric

Electricity is an energy form that is vital to the economy of the state and to the quality of life of Georgia's citizens. Of the three utility industries, the electric industry is the most universally utilized and perhaps the most essential. Like the natural gas and telecommunications industries, the electric industry is in a state of change on a national level. The Georgia Public Service Commission had expected that the electric industry in Georgia would possibly be restructured at some point in the future. However, due to the recent failures of electric restructuring experienced in other states and the unprecedented increase in natural gas prices, this view has changed. It now appears, absent federal legislative action, the electric industry in Georgia will remain traditionally regulated in its present form. The industry has provided benefits to Georgia's citizens and industries. The two investor-owned electric utilities, Georgia Power Company and Savannah Electric and Power Company, are fully regulated by the Commission. Together, these companies serve approximately 2 million consumers. The Commission has limited regulatory authority over the 42 electric membership corporations (EMCs) and 52 municipally owned electric systems in the state.

SIGNIFICANT MATTERS IN THE ELECTRIC UTILITY INDUSTRY IN 2002

Commission Certifies New Resources and Participates in Green Power Initiative

Pursuant to O.C.G.A §46-3A-1 et seq., the Integrated Resource Planning Act, the Commission is responsible for evaluating and approving integrated resource plans (IRP) filed by the investor-owned utilities on a three-year cycle and for certifying applications for supply and demand side resources as indicated in the approved IRP. During 2002, the Commission certified: a seven-year Purchase Power Agreement (PPA) for approximately 620 megawatts ("MW") between Georgia Power and Duke Energy Southeast Marketing, LLC (the "Murray PPA"); a fifteen-year PPA between Georgia Power and Southern Power Company ("Southern Power") to purchase approximately 1040 MW from two combined cycle units at Plant McIntosh; and a similar fifteen-year PPA between Savannah Electric and Southern Power for approximately 200 MW.

The Commission also decertified Plant Atkinson Units 2-4, Plant Arkwright Units 1-4 & CTs 1-2, Plant Mitchell Units 1-2 and Plant Riverside Units 4 – 8.

The ability to buy "Green" power comes closer to reality with accreditation of Georgia's Green Pricing Initiative received from the Center for Resource Solutions this year. In 2001, the General Assembly passed Senate Bill 93, which provided for the sale and purchase of "green" or renewable power in Georgia once these resources have been accredited. The Green Pricing Program would allow customers the option of receiving some of their electricity from renewable resources (solar, wind, landfill gas, etc.). The electric utilities in the state have been actively developing their programs. The Commission Staff has worked with Georgia Power and Savannah Electric with the details of their programs that they will file during the first quarter of 2003.

The Commission also approved Georgia Power's voluntary Power Credit program, a program that allows the Company to reduce customers' air conditioning usage during peak periods and provides monetary compensation for each occurrence to reduce the need to purchase higher cost generation during these times.

The Commission also oversees territorial assignments for all electricity suppliers pursuant to the Georgia Territorial Electric Service Act, O.C.G.A. §46-3-1 et seq., by reviewing and authorizing requests for transfers of retail electric service, resolving disputes over territories and customer choice and maintaining the electric supplier territorial maps for each of the 159 counties in the state. The Commission also approves the financing applications of electric membership corporations.

The Commission Continues Investigations for a Potentially Restructured Electric Industry

The Georgia Public Service Commission is active with its regional organization, the Southeastern Association of Regulatory Utility Commissioners (SEARUC) as well as with its national organization, the National Association of Regulatory Utility Commissioners (NARUC), to ensure that any federal restructuring legislation will be beneficial to Georgia ratepayers. Commissioners and Staff serve on the committees of several national and local groups including NARUC, SEARUC, Southeast Electric Reliability Council (SERC), SeTrans Regional Transmission Organization (RTO), Georgia Green Pricing Accreditation Group, Georgia Energy and Environment Group, Governor's Energy Task Force and the Southern States Energy Board. During this past year, the Staff hosted the National Conference of Regulatory Utility Commission Engineers (NCRUCE) conference that was held in Jekyll Island, Georgia, during June 2002.

The Federal Energy Regulatory Commission (FERC) required electric utilities to file a plan to implement a RTO by October 2000. The FERC ordered utilities in the country to file plans to join one of four super RTOs. As a result, the FERC also ordered the utilities in the southeast to mediation in order to develop a Southeast RTO. Plans were filed and resulted in two different models – the GridFlorida/GridSouth model and the SeTrans model, which Southern Company along with other utilities formed. The SeTrans sponsors continue to develop components of their plan to file with FERC. The Commission has been active in FERC's Standard Market Design (SMD) Proposed Rulemaking to ensure that Georgia's regulated consumers are not harmed by higher transmission rates.

The Commission has established reporting requirements in its investigation into the performance of the regulated utilities' generating plants to ensure that they are being operated in an efficient manner.

Commission Approves Rate Reductions and Supports Economic Development

The Commission reduced Savannah Electric and Power Company's (SEPCO) fuel rates by $13.50 per month for the average residential customer and denied the Company's request for a $24 million revenue increase. Instead, the PSC granted $7.8 million in additional revenue and lowered the allowed return on equity (ROE) to 12% from 15%, the ROE set in 1985 during the Company's last rate case. As a result, average residential customers will pay an estimated $5.50 more each month for basic service. The Commission continues to monitor the earnings and operations of the regulated utilities.

The Commission also approved a hedging program for Georgia Power Company to mitigate the potential for high natural gas fuel costs and continues to monitor SEPCO's hedging program. The Commission Staff continued its investigation into the fuel procurement practices used by both Georgia Power Company and Savannah Electric and Power Company to determine the cause(s) of rising fuel costs.

The Commission also approved a Flat Billing tariff for Georgia Power's residential and commercial consumers. This optional program provides stability for customers during fluctuating market conditions. The Commission approved Savannah Electric's Economic Development Incentive Rider to encourage large businesses to locate in the Savannah area. This offering, along with other incentives, was instrumental in attracting the Daimler-Chrysler plant to the area**.**

PSC Seeks To Protect Ratepayer Interests In Environmental Policy Decisions

The Commission continued to monitor the progress of Georgia's Environmental Protection Division (of the state Department of Natural Resources), as well as the federal Environmental Protection Agency rulemaking proceedings, to improve Georgia's air quality. The Georgia Department of Natural Resources approved a plan that requires Georgia Power Company to install new emission controls on seven of its generating plants. Georgia Power Company estimates these requirements will cost approximately $800 million. The Commission staff continues to monitor developments in the federal Environmental Protection Agency's lawsuits against Georgia Power Company and Savannah Electric and Power Company for violations of the New Source Performance Standards. In May 1999, the Commission provided comments to the Environmental Protection Division of the Georgia Department of Natural Resources in response to proposed rules regarding nitrogen oxide compliance and that agency's plans for stricter controls on utility coal burning plants. In doing so, the Commission expressed a desire to support metropolitan Atlanta's clean air initiatives in a manner that would not adversely affect customers' utility rates.

Although President Bush approved Yucca Mountain as the repository for nuclear waste, which the Commission applauds, the Commission continues to take a strong stance against the Department of Energy for its failure to comply with laws that require the Department to remove spent nuclear fuel from nuclear plants in Georgia beginning in January 1998. The Department of Energy's inaction has resulted in the need for Georgia Power Company to construct, at ratepayers' expense, additional on-site storage facilities to handle the accumulation of spent nuclear fuel and to engage in activities to construct an interim storage site. The Commission has addressed the Department of Energy's position on this matter at formal hearings and in written documents to emphasize the severity of this situation. The Commission continues to work on a national level to ensure that any proposed federal legislation that seeks to address this problem provides an appropriate solution.

Natural Gas

Natural gas is vital to the development and economic well being of Georgia. Over 1,500,000 customers use natural gas that is delivered by the state's two investor-owned natural gas systems, Atlanta Gas Light Company (AGLC) and Atmos Energy (United Cities Gas). In early 1997, the Georgia Legislature passed the "Natural Gas Competition and Deregulation Act" (the Act), O.C.G.A. §46-5-150 et seq., which gave both of these companies the option of electing to be governed under a new regulatory framework. More specifically, the Act provides for a transition of the natural gas commodity market from a regulated monopoly to a competitive marketplace. The Commission's role under the Act would be to facilitate this transition.

Although Atmos Energy has not elected to be governed under the Act, AGLC filed notification of its intent to be subject to the new regulatory model in November 1997. In managing the transition to competition in what traditionally were AGLC's service areas, the Commission's main objectives have been to implement the Act in a manner that allows a majority of end users to realize the benefits of competition, which include a greater choice among gas providers and better customer service.

In 2002, the Legislature passed the Natural Gas Consumers' Relief Act (House Bill 1568). House Bill 1568, among other things, required the PSC to: provide for additional consumer protection; designate a Regulated Provider; promulgate rules that will allow Electric Membership Corporations (EMCs) to apply for a Certificate of Authority; establish Service Quality Standards for the Electing Distribution Company, the certified marketers, and the Regulated Provider; approve each marketers' terms and conditions of service and disclosure statements; modify the Universal Service Fund (USF) Rules to allow for different uses for the fund; allocate the cost of the lost and unaccounted-for natural gas to both firm and interruptible users on the system; and establish a surcharge on those customers receiving interruptible service over AGLC's natural gas distribution system.

The Commission has carried out all of the requirements of House Bill 1568, in addition to creating additional protection for natural gas consumers and continuing to implement and administer other provisions of Senate Bill 215, The Natural Gas Deregulation and Competition Act of 1997. The PSC decisions in 2002 will have consequences that will affect Georgia's natural gas industry for years to come.

Important events in the Georgia natural gas industry that occurred during calendar year 2002 are set forth in the following section.

SIGNIFICANT MATTERS IN THE NATURAL GAS INDUSTRY IN 2002

Certificated Natural Gas Marketers

Currently there are ten active certificated natural gas marketers operating in Georgia, an increase from eight (8) in 2001.

On March 5, 2002, the Commission granted GasKey permission to resume marketing in Georgia with specified conditions after GasKey demonstrated to the Commission that it is financially capable of accepting more customers. The Commission previously limited the number of customers that GasKey could accept.

On March 19, 2002, the Commission approved the cancellation of Reliant Energy's Certificate of Service. This was a result of Reliant voluntarily leaving Georgia in 2001.

On June 12, 2002, Southern Company Gas LLC filed an application for a Natural Gas Certificate of Service. The Commission approved this application on July 19, 2002.

On July 16, 2002, Walton EMC Natural Gas filed an application for a Natural Gas Certificate of Service. The Commission approved this application on October 1, 2002, making Walton the first EMC gas affiliate under the newly passed legislation.

On September 13, 2002, EMC Natural Gas, Inc. d/b/a Coweta-Fayette EMC filed an application for a Natural Gas Certificate of Service. The Commission approved this application on November 26, 2002.

Regulated Provider

On June 20, 2002 the Commission designated SCANA Energy as the Regulated Provider for a two-year term. This action was a result of House Bill 1568, which requires that a Regulated Provider offer natural gas service to low-income customers according to federal income guidelines established by the Georgia Department of Human Resources (DHR) for the federal Low-Income Housing Energy Assistance Program (LIHEAP) (Group 1) and customers who are unable to obtain natural gas service as a result of poor credit (Group 2). The Commission was required to select the Regulated Provider from a competitive bid process among certificated marketers. As of January 2003, the Regulated Provider had approximately 10,700 Group 1 customers and 2,400 Group 2 customers. As a result of the Commission's selection, the low-income Group 1 customers are receiving natural gas at rates significantly less than the market average.

The Commission Adopts Several Rulemakings

During 2002, the Commission adopted several rulemakings in order to meet the statutory requirements of House Bill 1568. This new legislation required numerous amendments to the existing rules.

On February 19, 2002, the Commission adopted amendments to the Residential Natural Gas Service Disconnection Rules. These amendments were necessary in order to protect consumers from being disconnected during periods of extremely cold temperatures. The primary purpose of amending the Rules was to modify the timeframe for the current seasonal restriction from a seventy-two hour period to a forty-eight hour period. The Disconnection Rules were modified again on August 27, 2002, in order to meet the new requirements of HB 1568. The Rules were modified by increasing the time period between the date of notice of proposed disconnection and actual disconnection; modifying the terms of disconnection; expanding the information that must be included in any notice of disconnection; creating a self-executing mechanism to resolve disputes for wrongful disconnections; and clarifying the obligations of the EDC, marketers, and the regulated provider. The rules also provide separate provisions for the local distribution company, as they are not affected by many of the new requirements.

On August 6, 2002, the Commission adopted a new rule for Marketers' Terms of Service. The purpose of this rulemaking was to ensure that marketers' terms and conditions of service comply with the numerous requirements of House Bill 1568. The law requires that marketers offer certain terms and conditions of service to all natural gas customers. As part of this rule, all marketers are required to provide copies of the current terms and conditions of service and a disclosure statement to all current and new customers. The Commission promulgated rules for the terms and conditions of service as well as rules for the requirements of the disclosure statement.

On August 20, 2002, the Commission adopted amendments to the Customer Enrollment Procedures Rule. Some of the key changes to the existing rules were to: address the concept of the regulated provider; establish self-executing mechanisms to resolve consumer disputes with marketers and to enforce Commission Rules; require that certain disclosures are to be made to consumers upon enrollment for service from a marketer; and restrict the reporting of involuntarily switched customers to credit agencies.

On August 20, 2002, the Commission adopted amendments to the Marketers' Certificates of Authority Rules. Some key components of these amendments are that the rules now: authorize affiliates of EMC's to obtain certificates under appropriate guidelines to ensure fair competition; acknowledge that a regulated provider may sell or offer to sell natural gas to any person who primarily receives firm service in any delivery group in Georgia; acknowledge the right of marketers (and EMC gas affiliates) to refuse to serve customers addressed in newly amended O.C.G.A.§ 46-4-160(c); expands the scope of all applicable rules to include an EMC gas affiliate in the requirements set forth for marketers in seeking and obtaining Commission certification; identifies grounds under which an EMC gas affiliate may have its certificate of authority revoked, modified, or suspended; makes it a continuing requirement for all persons holding a certificate of authority to market natural gas to maintain technical and financial capability in order to remain certified.

On August 27, 2002, the Commission adopted amendments to the Billing Practices for Natural Gas Marketers Rule. These amendments created new definitions; required enhanced standards for the content and accuracy of various components of natural gas bills; prohibited the practice of cramming; placed limits on when and how much of a late fee can be charged; limited the use of estimates from the electing distribution company regarding meter reads for billing purposes; required the use of the marketer's published price at the inception of a customer's billing cycle for assessing consumption, interstate capacity and customer service charges; and created a self-executing complaint mechanism where by marketers are required to participate to resolve complaints.

On August 27, 2002, the Commission adopted two new rules regarding service quality standards for the electing distribution company, certificated marketers, and the regulated provider. The purpose of these rulemakings was to establish rules that require the EDC and marketers meet certain standards with the goal of improving overall customer service and experiences with natural gas deregulation. The Commission is in the process of conducting hearings to determine benchmarks and to establish penalties for non-compliance for the EDC, certificated marketers, and the regulated provider.

On September 3, 2002, the Commission adopted amendments to the Universal Service Fund (USF) rules. Legislative revisions to the Natural Gas Deregulation Act required the Commission to amend its existing rules regarding the USF, specifically to remove the rules that allow marketers to file an application to receive USF funds. In addition, the purpose of the fund was changed to provide for the regulated provider to seek reimbursement for bad debt of any Group 1 customers. The amendments also created new funding sources for the USF, including an interruptible surcharge.

Bankruptcy Filings Monitored by the Commission

The NewPower Company filed for bankruptcy on June 11, 2002. NewPower filed a petition to cancel its Certificate of Service on August 8, 2002. The Commission voted on September 3, 2002 to suspend their certificate, which will automatically cancel on February 28, 2003. The Commission approved the assignment of all of New Power's customers to Southern Company Gas, thus ensuring that customers would encounter no service interruptions as a result of the bankruptcy.

Interim Pooler Designated

On July 11, 2002 the Commission issued an order designating Infinite Energy, Inc. as the Interim Pooler for the period July 1, 2002 through June 30, 2003. This designation was the result of an annual Request for Proposal (RFP) process in which all marketers have the option to apply to be the Interim Pooler. The Commission's decision was based on overall rates, terms and conditions most favorable to the consumer.

Capacity Issues

As part of the Commission's on-going effort to promote the concept of a marketer having more control over its assets, the Commission is in the process of working with Atlanta Gas Light Company and the marketers to develop a feasible solution for interstate capacity assets. In addition, House Bill 1568 requires that by July 1, 2003, the Commission conduct a hearing regarding interstate capacity assets. The Commission may develop a plan for interstate capacity asset assignment to the marketers following this hearing.

Service Quality Standards

House Bill 1568 required that the Commission develop a service quality standard for, among other items, the amount of lost and unaccounted-for natural gas (L&U) on AGLC's distribution system. In addition, O.C.G.A. § 46-4-156(c)(4) requires that the Commission allocate the costs for the lost gas to both firm and interruptible users on the system. In September 2002, the Commission adopted a service quality benchmark for the L&U gas requiring that AGLC's 16-year rolling average of lost and unaccounted-for natural gas not exceed 1.6% with a tolerance band of +/- 0.20%. If AGLC's annual L&U exceeds this amount, then it will be accessed a penalty based on the approved penalty structure. The amount of L&U allocated to the interruptible customers on an annual basis will be 0.8% of their gas volumes to the system on a daily basis. The remainder shall be allocated to firm customers.

Interruptible Surcharge

House Bill 1568 directed the Commission to establish a surcharge on those customers receiving interruptible service over Atlanta Gas Light Company's natural gas distribution system. As contemplated by the statute, this surcharge was to be set at a level that is sufficient to ensure that interruptible customers would pay an equitable share of the cost of the distribution system over which they receive service. The Commission also was given the authority to direct AGLC or the marketers to collect the surcharge directly from the interruptible customers and to deposit the money into the Universal Service Fund. On October 31, 2002 the Commission adopted a stipulation with the Commission Staff, SCANA Energy, and the industrial customers, which requires that industrial customers pay a surcharge only to the extent that a surcharge is necessary to allow the USF to meet its requirements. Under the stipulation the initial Interruptible Surcharge amount was set at $0.00. The initial amount shall be increased by an additional surcharge amount if payments to the Regulated Provider plus the payments from the fund for AGLC pipeline extensions exceed the payments to the fund for the year. If this occurs, then the surcharge amount will be increased by the amount of the difference between the payments to and the disbursements from the fund provided that the increase in the surcharge shall not exceed the amount of the additional payments to the Regulated Provider.

Universal Service Fund Audit

O.C.G.A. § 46-4-161(a) directed the Commission to create a USF for each electing natural gas distribution company. On July 31, 1998, the Commission adopted rules for the creation and maintenance of the USF. In the fall of 2001, the Commission initiated an audit of the USF. The purpose of the audit was to evaluate its operation and compliance with the Act, Commission Rules and subsequent Commission Orders related to the fund.

As a result of the audit, the Commission required AGLC to credit $4.7 million to the Universal Service Fund. Of this amount, approximately $3.9 million was the result of the Commission ordering AGLC to comply with O.C.G.A. § 46-2-23.1(i)(1)(C), which requires that fifty percent of off-system sales revenue for the interstate capacity assets be credited to the USF. This docket resolved many issues, including accounting procedures, bankruptcies, and off-system sales, as well as established procedures for future matters concerning the maintenance and administration of the USF.

AGLC's Affiliated Transactions Audit and Earnings Review

As a result of the Deregulation Act, AGLC elected to become a "pipes-only" company. As such, AGLC was only required to maintain a safe and reliable distribution system and not required to bring natural gas into its distribution system. AGLC's rates for distribution service were established at the beginning of the deregulation process, and remained in effect until the Commission Staff initiated a proceeding in 2001 and requested the Commission reduce AGLC's rates by $42.089 million. AGLC filed a cost of service study and supporting testimony stating that it was entitled to a rate increase of approximately $50.3 million. The Commission issued an order in this matter in April 2002 that immediately reduced AGLC's rates by $10 million per year and provided the potential for further rate decreases by placing AGLC under alternative regulation by way of a Performance Based Rate Plan (PBR) for a three-year period with an earnings range of 10.0% to 12.0% return on equity (ROE). The PBR requires the company to return 75.0% of all earnings above 12.0% to ratepayers. AGLC is allowed to retain the remaining 25.0% as an incentive to improve efficiency.

The new rates took effect on May 1, 2002. The Staff will be reviewing AGLC's monthly reports to ensure compliance with the final order and to monitor AGLC's earnings. If the Company earns below the ROE band floor of 10%, then it would be allowed to file for a base rate increase. In the last year of the PBR Plan, the Commission Staff and the Company will review the operation of the plan and the Company's revenue requirement to determine whether base rates should be reset upon the initial plan's expiration. The Commission shall then determine whether to continue, modify or discontinue the PBR Plan beyond April 30, 2005.

Determination If Prices Are Constrained by Market Forces

As part of implementing the Natural Gas Consumers' Relief Act, O.C.G.A. § 46-4-150 as amended, the Commission was required to promulgate rules establishing standards for determining whether or not prices are constrained by market forces and for determining, in a case when prices are unconstrained, if those prices are significantly higher than they would be if they were constrained.

The Commission began the process of creating the standards for determining if prices are constrained by market forces by issuing a Notice of Inquiry and holding two technical workshops. The Staff received comments through these forums and drafted a Notice of Proposed Rulemaking. The Commission approved the release of this Notice of Proposed Rulemaking and held a third technical workshop. Staff reviewed the responses from the Notice of Proposed Rulemaking and the comments provided at the technical workshop. As a result of this, a second Notice of Proposed Rulemaking was issued on December 3, 2002 with comments due on January 10, 2003. The intent of the rule proposed in the NOPR is to establish that in cases when a marketer or group of marketers take actions that raise the price consumers pay for natural gas to levels significantly above the level of competitive prices, the Commission can intervene to protect consumers from those elevated prices.

Telecommunications

The telecommunications industry is indispensable to the economy of the state. Georgia's Telecommunications and Competition Development Act of 1995 and the federal Telecommunications Act of 1996 have had a great impact on the Commission's role in this vital industry. The primary goal of both of these statutes was to replace traditional regulated monopoly service with a competitive market. By the end of 2002, the Commission certificated a total of 318 competitive local exchange providers, 851 resellers, 216 alternative operator service providers, 114 inter-exchange carriers and 855 payphone service providers since competition was first introduced in 1995. The Commission also heard four arbitration cases and approved 108 interconnection agreements.

SIGNIFICANT MATTERS IN THE TELECOMMUNICATIONS INDUSTRY IN 2002

Emergency 911 Service

The Commission took an active role in the Governor's Georgia 911 Task Force, coordinated through the Georgia Emergency Management Agency to comprehensively address the need for E 911 services in all Georgia counties and for improvement in 911 services.

Telecommunications Relay Service (TRS)

The present Georgia TRS service provider contract with AT&T will expire on March 31, 2003. On October 1, 2002 the Commission approved a new three-year contract with AT&T to begin providing the Georgia Telecommunications Relay Service on April 1, 2003. The 711 Abbreviated Dialing Code has been implemented for statewide application for dialing access to the Georgia Telecommunications Relay Service Center 24 hours a day, seven days a week, for deaf, hard of hearing or speech disabled subscribers.

Telecommunications Equipment Distribution Program (TEDP)

In accordance with the provisions of HB 1003, approved by the 2002 General Assembly, the Commission is in the process of establishing a Telecommunications Equipment Distribution Program for "citizens of this state who, because of physical impairments, particularly hearing and speech impairments, cannot otherwise communicate over the telephone." This program is available, pursuant to HB 1003, to Georgia residents clinically certified as hearing and/or speech impaired with income less than 200 percent of the federal poverty level.

Information and Referral Service

The Commission approved preemption of the abbreviated dialing code N11-211 to be used for Information and Referral Service. The Commission also approved formation of the Georgia 211 Steering Committee, consisting of the United Way of Georgia and the Georgia Alliance for Information and Referral Systems, to coordinate implementation throughout the state.

Number Conservation and Area Code Relief

The Commission ordered 912 Area Code Relief in South Georgia and approved a three way split providing for 912 in the Savannah LATA; 229 in the Albany LATA; and 478 in the Macon LATA and the 912 portion of the Augusta LATA. After a 12-month trial the split was effective August 1, 2001 and the Commission further ordered carriers to observe certain number conservation measures. It is projected that with this relief and other number conservation measures, these area codes will not exhaust for over two decades.

The Commission ordered 678 Area Code Relief in the Atlanta Metropolitan Local Calling Area and approved an Overlay of the existing 404/770/678 NPAs with the new 470 NPA. This relief was effective September 2, 2001. With number conservation, rate center consolidation and reclamation of unused numbers for reassignment it has not been necessary to open the new NPA 470 in 2002. The projected exhaust is not expected until the 2nd Quarter 2015.

The Commission did not implement 706 Area Code Relief in the balance of central and north Georgia. Instead, the Commission ordered carriers to observe numbering conservation measures. The present exhaust projection is the 2nd Quarter 2005, however with the 1000 block pooling to be implemented effective May 13, 2003, the exhaust of the 706 Area Code should be delayed for several more years.

Rate Center Consolidation

After a year of working with the telecommunications industry and coordinating with the GEMA PSAP 911 Administrators in workshops and conference calls, Rate Center Consolidation was implemented effective July 28, 2001. This reduced the present number of Rate Centers in the Atlanta Metropolitan Local Calling Area from 63 to 40. In other areas of the state the Commission approved Rate Center Consolidation for the Richmond Hill and Keller Rate Centers in Coastal Telecommunications Exchanges effective July 15, 2002. This will conserve the use of NXX Codes and extend the life of NPA Area Codes.

1000 Block Number Pooling

The Commission established number conservation measures so that carriers could optimize numbering resources and begin to lay the groundwork to facilitate the transition to 1000 block number pooling.

The Commission filed a 1000 block number pooling petition with the Federal Communications Commission (FCC) for the Atlanta Metropolitan Local Statistical Area (MSA) to be included in the first MSAs for which 1000 block number pooling will be implemented. This was approved effective April 15, 2002. Also, the Commission filed a supplement to the petition with the FCC for authority to conduct 1000 block trial pools in other areas of the state. The first implementation meeting for 1000 block number pooling for the Georgia Area Code 706 is scheduled for January 23, 2003 with a start-up date of May 13, 2003.

Reclamation of NXX Codes

The Commission established a Monthly Reclamation Process for statewide application consisting of 11 steps in which the Commission can reclaim unused NXX Codes. Since beginning this procedure in April 2001, the Commission has caused 1,200,000 telephone numbers to be turned back in to the system to be available for reassignment. This has aided in extending the exhaust of area codes.

Institutional Telephone Service

In November 2001, the GPSC initiated an investigation into the fairness of the rates charged for Institutional Telecommunication Services. Interested parties filed testimony and hearings on the testimony took place before the Commission on January 16, 2002. As a result of these proceedings, rates were capped at $2.70 for local collect intraLATA/interLATA, per call; $2.20 surcharge plus $.24 (day) and $.192 (evening/night/weekend) for intraLATA call per minute; and $2.20 surcharge plus $.35 per minute for interLATA calls.

BellSouth Telecommunications, Inc.'s Application for In-Region InterLATA Relief

On October 2, 2001, BellSouth filed an Application with the FCC to provide In-Region InterLATA Services to Georgia consumers. The Georgia Public Service Commission filed both direct and reply comments with the FCC in support of BellSouth offering long distance service. On December 20, 2001, BellSouth withdrew the application for InterLATA service in Georgia and refiled on February 14, 2002. Again, in support of BellSouth's application, the Commission filed reply comments on March 28, 2002. The

FCC approved BellSouth's application in May 2002, paving the way for Georgia citizens to have another choice for bundled services that include long distance, local, and internet services.

Performance Measurements Review

On January 16, 2001 in Docket 7892-U, the Commission approved a well-defined, effective and meaningful set of performance measurements to provide the Commission with the information necessary to assess BellSouth's service to Competitive Local Exchange Carriers (CLECs). This included comparative measurements that monitor all areas of support, i.e., pre-ordering, ordering, provisioning, collocation, maintenance and repair, operator services, directory assistance, E911, trunk group performance, and billing. Additionally, the Commission approved a self-effecting remedies plan to provide further incentive for BellSouth to allow nondiscriminatory access to its network and to offer customers at least the same level of service that they would receive from BellSouth. The Commission Order provided for a six-month review of the service quality measurements ("SQMs"). The Staff conducted a review of the SQMs, facilitated workshops involving interested parties and reviewed written comments from the parties. On September 18, 2002 the Commission approved a more extensive set of SQMs. Between the months of January and November 2002, BellSouth paid nearly $8 million to competitors and $6 million to the State of Georgia Treasury for failure to meet Commission-set performance measures.

CONSUMER AFFAIRS

The Consumer Affairs Unit answers consumer inquiries, mediates resolutions to utility complaints, investigates probable violations of state laws and Commission rules, and educates consumers about their rights under the law and the utility industries the Commission regulates. During calendar year 2002, Consumer Affairs responded to 66,968 calls, letters, faxes, emails and walk-ins, of which 11,612 were recorded as complaints and inquiries requiring action on the part of the Commission or the utility company (collectively referred to as contacts). Of this total, 6,220 (53.6%) were issues related to natural gas; 4,564 (39.3%) regarded telephone; and 843 (7.3%) regarded electric.

Natural Gas Contacts

Of the 6,220 natural gas contacts, roughly one-third, 2,033 (32.7%) involved billing charges. This category included contacts about various components of gas bills, including late fees, base charges, seasonal reconnection fees, and estimated consumption charges. Gas shutoff-related contacts comprised the second highest category, with the Commission receiving 1,289 (20.7%) contacts involving confusing or misleading disconnection notices, failure to receive notices, failure to apply payments in a timely manner, and failure to honor payment arrangements. Consumers filed more contacts about deposits and bill due dates in 2002 than in 2001, resulting in a 76.3% increase in deposit-related contacts (from 38 to 67) and an increase of 93.8% (from 16 to 31) in contacts related to bill due dates.

Telecommunications Contacts

While there was a slight decrease (4.4%) in the number of telephone contacts related to charges (from 1,494 to 1,429), this continues to be the top-ranking category, comprising nearly one-third (31.3%) of the total. Most of these contacts involved questions about the amount of charges, charges for collect calls from correctional institutions, and charges for unknown services. The upsurge in the number of telecommunications companies offering bundled services, including Internet and long distance, is having a similar effect on the number of contacts about charges and contractual matters. Approximately 30%, well over 400 contacts, were related to long distance charges or long distance plans. The category of contractual matters increased dramatically by 137% in 2002, from 27 to 64 contacts. The number of contacts regarding switching concerns, annoyance calls, and unsolicited faxes increased in 2002 at the rates of 14.7%, 63.6% and 63.4%, respectively.

Electric Contacts

The total number of electric contacts increased by 26.4%, from 667 in year 2001 to 843 contacts in year 2002. Approximately one-fourth (24.7%) of electric contacts were related to charges (208). The number of consumers who were dissatisfied with pay arrangements increased by 42.2% to 128 (15.2%). The category of deposits showed the most dramatic increase (305.0%), from 20 to 81 contacts (9.6%).

Natural Gas Issues

The implementation of the billing rule approved by the Commission in January 2001, the enactment of Senate Bill 217 in April 2001, and a milder winter contributed to the continued decline in natural gas contacts in 2002. House Bill 1568, the Natural Gas Consumers' Relief Act, passed on April 25, 2002, contains a Consumers' Bill of Rights and other consumer protection provisions, including the establishment of a minimum penalty payable to the consumer when a marketer fails to resolve a dispute without recourse to the Commission. The Act also establishes requirements for performance standards for the Electing Distribution Company and gas marketers, defines standards for terms of service and disclosure statements, provides for the entry of electric membership corporations as service providers in the natural gas market, and establishes a Regulated Provider for natural gas.

The year began with eight certificated marketers: ACN Energy, Inc., Energy America, GasKey, Georgia Natural Gas Services, Infinite Energy, Inc., NewPower Company, SCANA Energy Marketing and Shell Energy Services. Walton EMC and Coweta EMC became the first two electric membership corporations to become certificated as gas marketers. NewPower Company declared bankruptcy, and Southern Company Gas entered the natural gas market by purchasing NewPower's accounts.

Six marketers experienced a significant decline in the number of contacts filed with the Commission. Energy America showed the most improvement with a reduction of 76.0%. GasKey was close behind with 75.4% fewer contacts. Contacts for Shell Energy declined by 68.34%; SCANA Energy by 66.0%; and Georgia Natural Gas by 63.86%. Contacts regarding NewPower increased by 19.1% and Infinite Energy by 160.2%. Both NewPower and Infinite Energy showed dramatic increases in contacts related to charges and disconnections in error.

In 2002, HB 1568 became a major driver of the activities of Consumer Affairs staff. Consumer Affairs staff partnered with staff from the Natural Gas Unit in reviewing marketers' terms and conditions of service for compliance with the new law. Consumer Affairs staff also participated in reviewing marketer certification applications from two EMCs and the promulgation of rules affected by HB1568. Consumer Affairs developed courses and training materials to educate Information and Referral Specialists, and others that typically respond to inquiries and complaints, regarding the new rules.

Consumer Affairs also redesigned its complaint investigation processes to support enforcement activities.

HB 1568 also provided impetus for new consumer education initiatives. Consumer Affairs sponsored a series of Regulated Provider workshops to educate community social service organizations about the qualification criteria for low-income and credit-challenged consumers. Staff attended community meetings sponsored by Decatur Family Resource Center, Atlanta Housing and Neighborhood Developers (AHAND), the Concerned Black Clergy, WAOK Radio, and Senator Regina Thomas of Savannah. Staff also participated in several radio interviews at WAOK Radio.

Telecommunications Issues

Despite the overall decline in the number of telephone contacts, troublesome upward trends began to emerge in the category of switching concerns. As a result, Consumer Affairs requested and received training from BellSouth and the Commission's Telecommunications Unit to better understand the factors that contribute to delays in switching and that prevent number porting.

Consumer Affairs also noticed a troublesome trend in the responsiveness of telecommunications companies to referrals from the Commission. The 7 companies with the largest number of recorded contacts took an average of 16.51 days to respond to non-urgent contacts and 13.39 days to respond to urgent contacts. The Commission's goals for responsiveness are 5 days for non-urgent contacts and 1 day for urgent contacts. Talk America took an average of 7.95 days to respond to non-urgent contacts. BellSouth averaged 10.61 days; Mpower, 13.20 days; AT&T Communications, 14.17 days; MCI WorldCom, 19.50 days; AT&T Broadband, 36.01 days; and Network Plus, 59.63 days. TalkAmerica took an average of 2.83 days to respond to urgent contacts. Mpower was second with 8.19 days. BellSouth came in third at 10.31 days. AT&T Communications responded to urgent contacts on the average in 11.65 days; MCI WorldCom in 16.89 days; AT&T Broadband in 25.06 days; and Network Plus in 50.86 days. The remaining 141 telephone companies responded to urgent contacts on the average in 23.80 days and non-urgent contacts in 26.53 days.

The Commission completed a proceeding which reviewed the rates charged by telecommunications carriers for collect calls made by inmates in correctional institutions and ordered a reduction in rates effective March 2002. Consumers filed 92 complaints related to calls from correctional institutions in 2002, a decrease of 60.5% from 2001.

Electric Issues

The overall increase in electric contacts was due to the 37% increase in inquiries and complaints filed by Georgia Power Company customers, with the most significant occurring in the categories of deposits and budget billing. In addition, there were 14 contacts regarding billing due dates, a category that did not exist in 2001. These increases were primarily attributable to consumer concerns regarding newly imposed late fees and confusion over budget billing plans versus the flat rate plan. In April 2002, Georgia Power Company began assessing late fees on balances of $100 or more, and consumers began filing complaints about having less than 2 weeks to pay their bills. Investigations revealed that there was an unpublished grace period of approximately 7 days built into the Company's billing process. Savannah Electric and Power Company had also obtained approval to assess a late fee with a planned implementation date of September 2002. After the Commission brought this matter to the companies' attention, both Georgia Power Company and Savannah Electric and Power Company agreed to add a statement to their bills notifying consumers that late fees would apply 7 days after the due date printed on the bill. Savannah Electric and Power Company implemented this change shortly after implementation of the late fee assessment, and the Commission received far fewer complaints as a result. Savannah Electric closed out the year with a total of 34 inquiries and complaints, a 12.8% reduction from 2001.

The Commission staff also met with Georgia Power Company representatives on several occasions regarding its policy of holding all adult occupants residing in a customer's premises liable for unpaid electric service at that address. The company retracted its request for a rule change to implement this "third party liability" policy but requested that the Commission study the issue further.

Facilities Protection

PIPELINE SAFETY

Calendar Year 2002 marked the 34th year of certification for the Pipeline Safety Section of the Georgia Public Service Commission with the Research and Special Programs Administration of the Federal Department of Transportation. In 2002 this office continued regulating all pipeline safety matters involving private and municipally-owned natural gas distribution systems, including liquefied natural gas facilities, master-meter operators, direct sales customers and propane facilities that operate in the state of Georgia.

2002 Presented Additional Challenges and Responsibilities

The responsibilities of the Pipeline Safety Section include monitoring and inspecting natural gas operators for compliance with the Pipeline Safety Regulations. During 2002, the Pipeline Safety Section conducted the following activities:

- 1,314 person days were expended in performing 637 inspections.
- Oversight of more than 700 miles of transmission pipelines and 38,000 miles of distribution lines, transporting natural gas to over 2 million Georgia Customers was conducted.

These activities include comprehensive, specialized and construction inspections, along with follow-up inspections that monitor operators for violations of the law. Despite the move away from monopoly regulation of the sale of natural gas, the Georgia Public Service Commission retains responsibility for ensuring that all natural gas operators meet federal safety requirements.

Enforcement

The Commission's Pipeline Safety Section enforces those regulations contained in Parts 191, 192, 193, 199 and Part 40 of the Code of Federal Regulations, as well as applicable state regulations. The Commission also has the authority, if the need arises, to adopt additional regulations. Under Part 192, a new section (800) was added that requires qualification of operator personnel. Due to numerous accidents attributed to personnel error, Section 800 now requires facility operators to qualify their employees to perform various functions on their pipeline systems. Beginning October 28, 2002, operators must have completed the qualification of individuals performing covered tasks.

Training

The Pipeline Safety Section continues to be extensively involved in training. With the enforcement requirements, the Commission's Pipeline Safety Section continues to offer training throughout Georgia to assist private, municipal and master-meter operators to comply with both state and federal laws. To assist operators in achieving compliance, the Pipeline Safety Section provided 137 person days of training to over 350 attendees. Additionally, operator personnel learn cost saving techniques through this training. With additional regulations adopted each year, it is the Section's responsibility to keep operators apprised of all changes to ensure compliance.

In conjunction with the University of Georgia, the Pipeline Safety Section's qualified instructors:

- Graduated 150 students—completing 46 courses each.
- Provided instruction to 305 attendees participating in our annual seminar.
- Awarded 25 certificates for Drug/Alcohol training.

Training has had a positive effect through improved communication within the industry. Training in Operator Qualification, Best Practices and the Facility Protection Act is the most effective method of achieving compliance.

GUFPA

Calendar year 2002 was the first complete year for enforcement of the Georgia Utility Facility Protection Act (GUFPA). Although the Commission's Pipeline Safety Section is charged with investigating damages to natural gas facilities, GUFPA has the added responsibility for investigating damages to all underground facilities, including telephone, electric, water and sewer.

The GUFPA Section made much progress during the year to fulfill these new obligations. A change in Commission Rules in February 2002 allowed the Commission Staff to take over the responsibility of investigating reports of probable violations from the GUFPA Advisory Committee. Calendar year 2002 also brought the initial development of the SQL Server Database that would, among other things, allow the reporting of damages through the internet as well as providing Staff a tool to better manage the volume of reports of probable violations (which will only continue to increase as more facility owner/operators begin reporting alleged violators). This project is scheduled for completion in June 2003.

The Commission staff also began educating both excavators and facility owner/operators during Calendar year 2002. Education concerning GUFPA became an important part of Staff's commitment, due in part to a noticeable lack of training and understanding of the Act by affected parties. This was accomplished in large part through the development of educational packets sent to first-time violators explaining the Act and Commission Rules. Staff also accepted many invitations to speak to industry groups including the Pipe-Liners Association, the Industry Trade Show and the Contractors Association.

Case data for calendar year 2002:

Total Reports of Facility Damages	1,448
Consent Agreements Issued	273
Informational Packets Issued	221
Warning Letters Issued	67
Cases Closed	392
Fines Collected	$22,250.00

Total fines recommended to date:	$300,500.00
Total fines mitigated with Commission-approved training:	$285,500.00

ADMINISTRATION DIVISION

During 2002, the Commission continued to maintain the highest standards in performing those administrative functions that serve the public. By making the most prudent use of its resources, the Commission has been able to work within the constraints of its budget to hire and retain quality staff members committed to serving the public sector.

The five offices of the Commission's Administration Division responsible for the agency's ability to fulfill its mission include the Budget and Fiscal Office, Executive Secretary's Office, Human Resource Office, Public Information Office and the Information Technology Office. An overview of the responsibilities of each Office is set forth below.

BUDGET AND FISCAL OFFICE

Three employees staff the Fiscal Office of the Commission. Duties for the Unit include developing the agency budget, meeting fiscal responsibilities for the agency's state and federal funding, purchasing, asset management, mail distribution, and reporting to Federal, State and other agencies as required or requested.

The Commission uses QuickBooks for their Accounts Receivable, Payable and General Ledger. Purchase Orders are made using the GTA-administered PeopleSoft system. Asset Management for items costing over $1,000 is also accomplished using the PeopleSoft system. The agency budget, amendments and allotments are developed using Excel spreadsheets.

On November 1, 2001 the Transportation Division separated from the Public Service Commission for Financial, Purchasing, Budgeting, Asset Management and Reporting purposes. Financial reports showing revenue and expenses were forwarded to the Dept. of Motor Vehicle Services and the Dept. of Audits. A check for their cash on hand was also cut to complete the separation.

In the amended budget process for FY2002, the Commission received approval to consolidate the various budget units into one budget-reporting unit. This action, which changed the presentation of the budget, will decrease paperwork and allow a more efficient operation. FY2002 also saw the beginning of the state's economic slow down. The Governor's office, in a November 16, 2001 letter, asked the PSC to cut its budget by 2.5%. By the time the amended budget was passed the Public Service Commission's state funds (excluding Transportation) of $8,916,905 was reduced to

$8,529,128. This cut of $387,777 affected the Personal Services, Regular Operating Expense and the Per Diem and Fees budget categories.

These were the major challenges of FY2002 met by the Budget and Fiscal Office. We look forward to serving this agency in the coming year.

EXECUTIVE SECRETARY'S OFFICE

The Executive Secretary's Office is responsible for receiving all public documents filed at the Commission each day. In 2002, staff members in this Office opened 1,541 new case dockets and processed 8,122 documents that were filed at the Commission. In addition to handling filings made at the Commission, the Executive Secretary's Office is responsible for scheduling commission proceedings, assigning hearing officers, signing and certifying official orders, and preparing lists of interveners for docketed matters.

HUMAN RESOURCES OFFICE

The Human Resources Office remains committed to maintaining a high level of professionalism and development of the Commission staff. Professional development is critical to maintaining and enhancing the professional competence of the staff. Over the next three to five years several key employees at the Commission will be eligible for retirement. Efforts are underway to cross-train staff so that adverse effects of these anticipated retirements would be minimized.

One of the major accomplishments in the office in 2002 was the completion of a completely paperless recruitment and applicant records system. This development coincides with the Governor's strategic initiatives technology to provide better customer service to our stakeholders, applicants and hiring managers. The web address is http://www.psc.state.ga.us/jobopenings/index.htm.

PUBLIC INFORMATION OFFICE

The Public Information Office coordinates official Commission news releases and media relations, maintains the Commission's public information files and supervises the Commission's website content. The Public Information Officer also serves as the Commission's Legislative Liaison and coordinates the Commission's legislative agenda. During 2002, the office issued 33 news releases and 57 media advisories.

INFORMATION TECHNOLOGY OFFICE

The overall strategy of the Commission's Information Technology (IT) Office in 2002 has been to use information technology in order to make the agency more accessible to the public and to improve the internal operations of the agency. Two primary means for implementing this strategy have been to develop a wide area network and an on-premises web site. The agency has an advanced IT platform that connects internal users in a way that has improved communications, enabled data sharing, reduced paper records, promoted the redesign of work processes, enhanced data analysis and refined project management. Similarly, improvements made to the PSC's on-premises web site have increased electronic transfer of documents, improved public access to Commission orders, expanded consumer and public education and encouraged a greater number of external communications. Due in large part to these advancements, the public has even greater access to the tens of thousands of documents on file at the PSC.

AGENCY BUDGET

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Revenue			
General Assembly Appropriations	$9,847,341	$8,529,128	$9,179,494
Federal & Other Funds	$4,024,053	$429,802	$704,144
Total	$13,871,394	$8,958,930	$9,883,638
Budgeted Expenses			
Personal Services	$9,086,428	$6,176,963	$6,903,862
Regular Operating Expenses	$696,304	$345,819	$266,195
Travel	$266,077	$131,680	$136,225
Motor Vehicle Purchases	$207,184	$48,300	$66,640
Equipment	$72,967	$5,300	$20,300
Computer Charges	$456,655	$262,586	$252,586
Real Estate Rental	$439,157	$409,782	$412,531
Telecommunications	$276,193	$230,784	$143,360
Per Diem & Fees	$2,370,429	$1,047,716	$924,439
Contracts		$300,000	$757,500
Total	$13,871,394	$8,958,930	$9,883,638
Associated Revenue			
Regulatory Assessment Fees Paid Directly to Dept. of Revenue	$1,050,000	$1,050,000	$1,050,000
Regulatory Fees Collected & Remitted to State Treasury	$4,133,277	$19,875,926	$6,503,401
Total	$5,183,277	$20,925,926	$7,553,401

Footnotes:
FY2001 Budget Figures per Audit Report (includes Transportation)
FY2001 Deposits to Treasury (includes Transportation)
FY2002 Budget is per preliminary audit report
FY2002 Deposit to Treasury (Utilities $19,087,926, Ga. No Call $788,000)
FY2003 Per Amend. Budget Request # 4
FY2003 Deposit to Treasury through Jan 31, 2003 (Utilities $5,718,401, Ga. No Call $785,000)

ORGANIZATIONAL CHART