

GEORGIA PUBLIC SERVICE COMMISSION

2004 Annual Report



**Chairman H. Doug Everett
Vice Chairman Angela Elizabeth Speir
Commissioner Robert B. Baker, Jr.
Commissioner David L. Burgess
Commissioner Stan Wise**

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Table of Contents

Letter To The Governor	2
History and Mission of the Commission	3
Executive Summary	4
Public Service Commissioner Profiles	7
H. Doug Everett	7
Angela Elizabeth Speir	8
Robert B. Baker, Jr.	9
David L. Burgess	10
Stan Wise	11
Public Service Commission Managerial Personnel	12
Utilities Division	13
Electric	13
Natural Gas	17
Telecommunications	22
Consumer Affairs	26
Facilities Protection	40
Administration Division	45
Budget and Fiscal Office	45
Executive Secretary's Office	45
Human Resources Office	46
Public Information Office/Legislative Liaison	46
Information Technology Office	48
Agency Budget	49
Organizational Chart	50

LETTER TO THE GOVERNOR

January 1, 2005

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

Dear Governor Perdue:

The Georgia Public Service Commission is proud to present its 2004 Annual Report which highlights the agency's major achievements during the past year regarding the state's utility industries.

Despite an ever-changing regulatory environment and diminishing resources, the Commission continues to ensure that Georgia consumers receive the best possible value in utility services, while enforcing natural gas pipeline safety and protecting the utility infrastructure from damage.

The Georgia Public Service Commission looks forward to serving Georgia's citizens in 2005 and contributing to the state's economic growth and development.

Respectfully submitted,

H. Doug Everett, Chairman
Angela Elizabeth Speir, Vice Chairman
Robert B. Baker, Jr., Commissioner
David L. Burgess, 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 in 1922 changed the name of the Railroad Commission of Georgia to the Georgia Public Service Commission. In 2001, the Commission handed over trucking regulation to the legislatively created Department of Motor Vehicle Safety.

MISSION

The Commission is a quasi-legislative, quasi-judicial agency comprised of five Commissioners elected on a statewide basis. The Commission's mission is to exercise its authority and influence to ensure that consumers receive safe, reliable and reasonably priced telecommunications, electric and natural gas services from financially viable and technically competent companies. 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, provide for the safety of natural gas pipelines and protect underground utility systems from damage.

Over the past decade, growth, competition and technological advances have significantly changed the Commission's role. With the onset of competition in the telecommunications and natural gas industries, the Commission facilitates market development and arbitrates complaints among competitors. This trend is expected to continue.

EXECUTIVE SUMMARY

The Commission's major achievements during 2004 regarding utility regulation, pipeline safety and facilities protection are set forth below.

ELECTRIC

The Commission approved the Integrated Resource Plans filed by the Georgia Power Company and Savannah Electric on July 9, 2004. Along with adopting the utilities' plans, the Commission established an Independent Evaluator to review all bids for purchased power agreements, approved \$2.2 million in funding to educate consumers on energy efficiency, increased funding for the Low-Income Weatherization Program and set up a "working group" to study and recommend demand side measures (conservation, renewable energy technologies, load management) for the Commission's consideration.

The Commission also approved the utilities' request to purchase McIntosh Units 10 and 11 from the Southern Power Company, provided that the purchase followed affiliate transaction guidelines requiring that the purchase be recorded at the lower of original cost or the facilities' fair market value.

The Commission approved a new fuel cost recovery rate for Savannah Electric on October 25, 2004, allowing the Company to begin collecting a \$14 million shortfall in fuel costs beginning November 1, 2004.

After a review of Georgia Power Company's request for a \$328 million annual increase in base rates, the Commission approved a settlement resulting in a \$194 million increase (the first rate increase for the Company since 1991) as part of a three-year accounting order.

On November 30, 2004, Savannah Electric filed for a \$23.2 million increase in annual revenues and requested implementation of a three year rate plan. Based on the Company's proposed rate design, residential rates would increase an average of 8.5 percent. Hearings are scheduled for March 2005 with a decision in mid-May 2005.

NATURAL GAS

The Commission implemented an ongoing statewide natural gas safety and awareness campaign in April 2004 that will educate consumers on ways to protect themselves in the event of a natural gas leak. Over the past several years, the number of natural gas-related injuries in the state has risen, primarily because many Georgians are unaware of the proper steps to take when they smell natural gas. As part of this statewide effort, the Commission has established the www.safegas.org web site.

On June 17, 2004, the Commission approved the application of Vectren Source, LLC for a natural gas certificate of authority, bringing to ten the number of active marketers in the state.

The Commission also approved the disbursement of an additional \$6 million from the Universal Service Fund to the Georgia Department of Human Resources for low-income natural gas assistance, for a total of \$9 million this year to assist Georgia consumers.

The Atlanta Gas Light Company filed for a rate increase on October 15, 2004, requesting an additional \$146.9 million in rate increases over a three-year period. The first round of hearings is scheduled to begin in January 2005 and the Commission is expected to issue a decision in late April 2005.

Finally, on July 28, 2004, the Commission accepted the Phoenix Award from the Center for the Advancement of Energy Markets on behalf of the Georgia Natural Gas Market. The award acknowledges the accomplishments of all parties in overcoming the initial challenges of implementing deregulation and the establishment of one of the most effective markets for customer choice in the country.

TELECOMMUNICATIONS

The Commission decreased the monthly surcharge (from 15 cents/month to 10 cents/month) used to fund the Georgia Telecommunications Relay Service and the Telecommunications Equipment Distribution Program. This surcharge enables the Commission to meet its statutory obligation to provide access for hearing and speech impaired individuals to the public telecommunications network and specialized telecommunications equipment to hearing and speech impaired individuals, subject to medical and income eligibility requirements. During 2004, the Commission also established the www.GeorgiaRelay.org web site.

Hearings were held in December 2004 to examine Digital Subscriber Line (DSL) policies, as well as the unbundling practices of all telecommunication providers of DSL and other types of voice service.

CONSUMER AFFAIRS

In an effort to provide Georgia's citizens with the very best customer service and protection from potential utility abuse, the Commission is upgrading some of the tools available to the Consumer Affairs Unit. In 2004, the Commission replaced the automated call distribution system and began development of a web-based database to be implemented in 2005. The enhanced Consumer Response System will give consumers the ability to directly access company reports, enter complaints and ask questions. The improved design will reduce industry response times and increase staff productivity.

NATIONAL ACTIVITY

Commissioner Stan Wise served as President of the National Association of Regulatory Utility Commissioners (NARUC) for a one-year term. The Terry Business College of the University of Georgia honored Commissioner Wise as the 2004 James C. Bonbright Honoree in recognition of his role in shaping regulatory policy on the national level in the electric and natural gas industries.

PUBLIC SERVICE COMMISSIONER PROFILES



H. Doug Everett

Commissioner Since: January 1, 2003

Elected: November 5, 2002

Serves Through: December 31, 2008

Republican, Albany

Chairman, Georgia Public Service Commission

A native of Cordele, Georgia, Commissioner Doug Everett is the first Republican elected to the Commission from Southwest Georgia. In 1996, he was elected to the Georgia House from Albany and served three terms before his election to the Commission in 2002. As a State Representative, he served on the House Industry Committee and the Subcommittee on Utilities.

Commissioner Everett was born in Cordele, Georgia but moved to Sylvester where he graduated from high school. He entered Georgia Tech but later transferred to Georgia Teachers College (now Georgia Southern University) and majored in math.

After moving to Albany, Commissioner Everett first worked for Albany First Federal Savings and Loan before starting his own business in 1974, Southern Appraisal Company that specializes in appraising large commercial and industrial properties. In 1980, he received his MAI appraisal, the highest appraisal designation one can receive.

Prior to serving as a legislator, Everett served on the Albany Zoning and Planning Board of Appeals, the Board of Tax Assessors and three terms on the Albany City Commission, including two years as Mayor Pro Tem.

Everett is married to Janice Perry Johnson of Montezuma. The couple has three grown children, Mitch, Mike and Denice Delk, and four grandchildren. Everett is a former member of the Albany Rotary Club, the Sylvester JAYCEES and the Sylvester Kiwanis Club.



Angela Elizabeth Speir

Commissioner Since: January 1, 2003

Elected: November 5, 2002

Serves Through: December 31, 2008

Republican, Duluth

Vice-Chairman, Georgia Public Service Commission

Angela Elizabeth Speir is the first woman elected to the Public Service Commission and the second Republican woman elected to a statewide office.

A Georgia native, Commissioner Speir grew up in DeKalb County and graduated from Agnes Scott College with a B.A. in Biology. She is also a graduate of CEO International.

After graduation from Agnes Scott, Ms. Speir served as the Assistant Administrator of the medical complex at the United Methodist Children's Home providing medical aid and counseling to victims of child abuse. She first ran for public office in 1992 as a candidate for the Georgia State Senate. Ms. Speir's interest in helping others led her to a career in the employment industry. Through positive leadership and mentoring, Ms. Speir is recognized as a leader in the field.

She is a member of the Telecommunications Committee of the National Association of Regulatory Utility Commissioners.

Ms. Speir is a member of the Gwinnett County Chamber of Commerce and the CEO Executive Roundtable. Ms. Speir is a supporter of the Gwinnett County Children's Shelter, The United Methodist Children's Home, and Children's Healthcare of Atlanta.

Commissioner Speir and her husband reside in Gwinnett County.



Robert B. Baker, Jr.

Commissioner Since: January 1, 1993

Elected: 1992; Re-Elected: 1998, 2004

Serves Through: December 31, 2010

Republican, Clarke County

Commissioner, Georgia Public Service Commission

Robert B. Baker, Jr., won re-election to a third six-year term on the Commission in 2004. In 1992, he was the first Republican elected to a statewide office since Reconstruction. 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 Baker became the first Republican to serve as Chairman of the Public Service Commission. He also served as chairman in 1998 and 2003. 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 is married to the former Joselyn Butler.



David L. Burgess

Commissioner Since: April 8, 1999

Elected: 2000

Serves Through: December 31, 2006

Democrat, DeKalb County

Commissioner, 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 the first Georgia Tech graduate to serve on the Commission. He was elected to a full six-year term in November 2000. He served as Commission Chairman in 2002.

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 and Christina. Burgess is the Superintendent of Sunday School and Vice-Chairman of the Steward Board at Turner Monumental A.M.E. Church.



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 to 1994.

Wise is the immediate Past President of the National Association of Regulatory Utility Commissioners (NARUC) and a member of the NARUC Board of Directors. 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 and on the Cobb County Public Schools Educational Foundation, Inc. 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 grown children.

**PUBLIC SERVICE COMMISSION
MANAGERIAL PERSONNEL**

DECEMBER 31, 2004

Commissioners

H. Doug Everett, Chairman
Angela Elizabeth Speir, Vice Chairman
Robert B. Baker, Jr., Commissioner
David L. Burgess, Commissioner
Stan Wise, Commissioner

Administration Division

Deborah Flannagan, Executive Director
Reece McAlister, Executive Secretary
Bill Edge, Public Information Officer/Legislative Liaison
Greg Peacock, Fiscal and Budget Officer
Margie Conley, Human Resources Officer
Jada Brock-Soldavini, 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 and for establishing and enforcing quality of service standards. The telecommunications, natural gas, and electric industries previously were natural monopolies. Now a number of these industries are evolving to a competitive market that allows customers to choose among multiple providers for certain services. Other services continue to be fully regulated by the Commission.

The pace at which competition is being implemented varies among the regulated industries. In the telecommunications industry, long distance service has been competitive since the mid-1980s. 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; however, it appears unlikely that electric utility restructuring will take place in Georgia in the near future.

In spite of these changes in the regulatory environment, the Commission continues to ensure that consumers receive the best possible value in telecommunications, electric and natural gas services, to enforce natural gas pipeline safety and to protect utility infrastructure from damage. An overview of the role that the Commission has played in each of these utility industries over the past year, as well as key decisions of this agency, is 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 the electric industry in Georgia to be restructured at some point in the future. However, due to the 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, that 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 two 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 2004

Commission Approves Georgia Power Company Rate Increase and an Increase in Savannah Electric and Power Company's Fuel Rates

After analyzing Georgia Power Company's request for a \$328 million annual increase in base rates, the Commission approved a rate case settlement that resulted in a \$194 million rate increase, the first rate increase for the Company since 1991, as part of a multi year accounting order. In the same decision, the Commission reduced, by approximately 25%, the Company's proposed costs for the McIntosh Combined Cycle Plant in base rates.

In the fourth quarter of the year, Savannah Electric and Power Company filed its request for an increase in its base rates. The Commission will decide this case by the end of May 2005.

The Commission Staff continues to investigate and monitor the following aspects of the regulated utilities:

1. The hedging programs of Georgia Power Company and Savannah Electric for effectiveness in mitigating potentially high natural gas fuel costs;
2. Flat billing tariffs for residential and commercial customers (provides price stability during fluctuating market conditions); and
3. Performance and reliability of the utilities generating plants.

The Commission approved a new fuel cost recovery rate for Savannah Electric on October 25, 2004, allowing the Company to collect a \$14 million shortfall in fuel costs for the 12-month period beginning November 1, 2004. The increase is expected to cost \$13 per month, on average, for Savannah's customers.

Commission Support of 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 certifying applications for supply and demand side resources. During 2004, the Commission held hearings on the utilities' IRP filings. Significant issues were addressed, such as the implementation of new supply side bidding rules which incorporate the use of an Independent Evaluator (IE) to ensure an open and fair solicitation process for all bidders, independent power producers and affiliates of the Company.

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. Subsequently, the Commission approved both regulated utilities' Green Pricing

Programs that would allow customers the option of receiving some of their electricity from renewable resources (solar, wind, landfill gas, and other sources). The electric utilities in the state have been actively developing their programs, with input from the Commission's Electric Staff.

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 service territories and maintaining the electric supplier territorial maps for each of the 159 counties in Georgia. The Commission also approves the financing applications of electric membership corporations.

The Commission Continues Its Involvement In Federal Activities That Impact The Electric Utility Industry

The Georgia Public Service Commission is active in its regional association, the Southeastern Association of Regulatory Utility Commissioners (SEARUC), as well as its national organization, the National Association of Regulatory Utility Commissioners (NARUC), to ensure that any federal restructuring legislation will benefit 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.

The Federal Energy Regulatory Commission (FERC) required electric utilities to file a plan to implement an 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 into 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, formed by Southern Company and other utilities. The SeTrans sponsors decided not to file their proposal with FERC at this time. The Commission has been active in many of FERC's Rulemaking dockets to ensure that Georgia's regulated consumers are not unduly harmed by policies that could lead to an increase in electric rates.

PSC Seeks To Protect Ratepayer Interests In Environmental Policy Decisions

The Commission continued to monitor Georgia's Environmental Protection Division (of the Georgia Department of Natural Resources), and the Federal Environmental Protection Agency rulemaking proceedings. 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 Review 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, the Commission continues to oppose the Department of Energy delays to fully comply with laws that require the Department to remove spent nuclear fuel from nuclear plants in Georgia. 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 important to the development and economic prosperity of Georgia. Approximately 1,600,000 customers in Georgia use natural gas that is delivered by the state's two investor-owned natural gas systems, Atlanta Gas Light Company (AGLC) and Atmos Energy. 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 allowed these companies the option of electing to be governed under a new regulatory framework. More specifically, the Act provided for the transition of the natural gas commodity market from a regulated monopoly to a competitive marketplace. The Commission's role under the Act was to facilitate this transition.

Although Atmos Energy had 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 were to implement the Act in a manner that allowed 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). The Commission enforced the provisions of House Bill 1568 by ensuring compliance with all of the newly enacted Commission Rules and creating additional protections for natural gas consumers.

Important events in the Georgia natural gas industry that occurred during 2004 are set forth in the following sections:

SIGNIFICANT MATTERS IN THE NATURAL GAS INDUSTRY IN 2004

Certificated Natural Gas Marketers

Currently, there are ten active certificated natural gas marketers and one Regulated Provider operating in Georgia. During 2004, two companies expressed an interest in becoming a marketer. Vectren Retail, LLC dba Vectren Source was granted a certificate of authority on June 17, 2004. The other company, Usave Energy Services, Inc., withdrew its application August 17, 2004.

On December 19, 2003 Energy America, LLC, filed a petition with the Commission seeking approval to transfer all of its customers to SCANA Energy Marketing. This petition was approved January 29, 2004. Energy America, LLC's application for a certificate of authority was cancelled October 19, 2004.

Regulated Provider

On June 20, 2002, the Commission approved SCANA Energy as the Regulated Provider of natural gas. The initial term for SCANA was from September 1, 2002 to August 30, 2004. On March 2, 2004, the Commission approved an extension of one additional year to SCANA's two-year term to end August 30, 2005. As of December 2004, the Regulated Provider had a total of 55,591 customers with 20,309 designated as Group-1 and 35,282 as Group-2. The Department of Human Resources (DHR) uses the same guidelines to qualify Group-1 customers as those established for the federal Low-Income Housing Energy Assistance Program (LIHEAP). Group-2 customers are bad debt customers that cannot obtain service from other marketers due to poor credit. Since September 2002, the Commission has approved over \$5 million in disbursements to SCANA Energy to offset bad debts related to Group-1 customers. No such funds are available for Group-2 customers. Although the Regulated Provider program was developed to provide better pricing to low-income citizens, the overall pricing has been average to above average.

Rulemaking

During 2004 the Commission issued Notice of Proposed Rulemakings regarding the minimum past due balance on a customer's bill prior to a marketer applying a late fee. The proposed rule would require that a customer must have a past due balance of at least \$30 prior to a marketer assessing a late fee to the bill.

On December 22, 2004, The Commission issued a Notice of Proposed Rulemaking (NOPR) regarding Natural Gas Service Disconnection. This NOPR sought to make a number of changes to the rule in order to ensure that marketers are complying with the intent and spirit of the Natural Gas Consumers' Relief Act in their disconnection processes. The proposed changes are intended to clarify and further refine the requirements of the 15-day disconnection notice period, the definition of "immediate" as outlined in 515-3-3-.02(B)(a)(4), and the marketers' obligations regarding payment arrangements, including seasonal payment arrangements. The NOPR was revised and distributed for comments, which will be due March 3, 2005 and a decision expected on March 15, 2005.

Bankruptcy Filings Monitored By The Commission

There were no bankruptcy proceedings during 2004. The Commission Staff continually monitors the financial viability of all of the certificated marketers through monthly and quarterly reporting requirements and data interrogatives.

Interim Pooler

On July 3, 2004 the Commission issued an order designating Infinite Energy, Inc., as the Interim Pooler for the period July 1, 2004, through June 30, 2005. 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 (providing customers with service in the event a marketer files bankruptcy or otherwise leaves the natural gas market in Georgia). The Commission's decision was based on overall rates, terms and conditions most favorable to consumers.

Audits

Docket No. 8516-U: Atlanta Gas Light Company's Pipe Replacement Program (PRP):

The Commission issued a Rule Nisi against the Company on January 6, 1998 in Docket No. 8516-U in which the Commission Staff alleged that AGLC had committed numerous safety violations that were continuing to occur concerning the operation of the Company's pipeline system. The majority of the allegations related to the large number of known leaks on the Company's distribution system. Staff and the Company reached a stipulated agreement to facilitate solutions to the problems listed in the Rule Nisi. The stipulated agreement permitted the Company to recover, through a rider mechanism, costs incurred to replace portions of its pipeline system that were corroded and/or leaking. After a hearing on July 8, 1998, the Commission approved an order adopting the PRP stipulation on September 3, 1998. At that time, 2,312 miles of bare steel/cast iron had been identified for replacement within 10 years (1998 to 2008). This mileage was increased to 2,504 miles in 2003. The Commission Staff currently conducts quarterly audits to determine the prudence of the capital expenditures of the program. In 2004, the Commission Staff audited over \$62.3 million in expenditures related to the PRP.

Docket No. 4167: Atlanta Gas Light Company's Environmental Response Cost Recovery (ERC) or Manufactured Gas Plant (MGP):

In March of 1992, Atlanta Gas Light Company (AGLC) filed with the Commission an Environmental Response Cost Recovery Rider which set forth a proposed mechanism for recovering environmental response costs associated with manufactured gas plant (MGP) sites. On August 20, 1992, the Commission conducted a hearing at which several parties presented a settlement agreement to the Commission. On September 1, 1992, the Commission entered an Order adopting the settlement, subject to certain modifications. On a quarterly basis, the Staff conducts an audit of capital expenditures to verify the prudence of expenses related to the MGP cleanup. There are a total of fifteen MGP sites, of which three are in Florida, that AGLC used to manufacture natural gas from coal. The processes utilized created products that contaminated the soil and ground water. The ratepayers of Georgia are assessed a surcharge to assist in connection with this cleanup. In 2004, Commission Staff audited over \$29.1 million of expenditures related to the MGP cleanup.

Capacity Supply Plan

On July 1, 2004 Atlanta Gas Light Company filed its 2004-2007 Capacity Supply Plan. The purpose of this filing is to provide a plan for AGLC's capacity needs for the next three years. As required by O.C.G.A. §46-4-155(e)(3), AGLC must file a capacity supply plan at least every three years. This was AGLC's second complete capacity supply plan since the passage of this legislation. As part of this plan, AGLC included several proposed pipeline replacement issues and the Commission consolidated these various issues into one case. The Commission held hearings on this matter in September 2004. The Commission issued its Final Order accepting the Company's plan on November 24, 2004 but deferred taking action on the pipeline safety issues until the upcoming AGLC rate case.

Service Quality Standards Monitoring

House Bill 1568 required that the Commission develop a service quality standard for Atlanta Gas Light Company, the marketers and the regulated provider. During 2002, the Commission adopted rules that established the parameters for service quality standards; however, the specific standards themselves were established in 2003.

AGLC has complied with the Service Quality Standard established by the Commission in 2002. No fines or penalties have been imposed on AGLC or the Marketers.

Atlanta Gas Light Company's Affiliated Transactions Audit And Rate Case

In December 2003, Staff began the process of conducting an affiliate transactions audit of Atlanta Gas Light Company. The purpose of the audit was to review the affiliate costs incurred by AGL Services Company and allocated to Atlanta Gas Light Company. Staff completed the Affiliate Transactions Audit in 2004 and reached numerous conclusions as a result of the audit which were included in the "Atlanta Gas Light Company Review of Affiliate Transactions" Report issued in November 2004. Staff is currently reviewing the affiliate transactions process and allocated costs to Atlanta Gas Light Company through monthly filings.

The Atlanta Gas Light Company filed for an increase in its base rates on October 15, 2004, pursuant to the Commission's 2002 Order in Docket No. 14311-U. The Company requested an additional \$146.9 million in rate increases over a three-year period. The Commission will begin the first round of hearings on January 18, 2005 with the Company's direct testimony. The PSC Staff and other intervenors will present their testimony beginning March 14, 2005. Atlanta Gas Light Company will have an opportunity to present rebuttal testimony on April 11, 2005 and the Commission is expected to issue a decision on April 28, 2005.

Atmos Energy's Gas Supply Plan

On September 17, 2004, the Commission adopted a stipulation between Atmos Energy Corporation and Staff regarding Atmos' plan for supplying its 70,000 firm customers with natural gas. The plan approves the interstate storage and peaking assets needed to achieve the company's forecasted peak for its Gainesville and Columbus service areas. The Stipulation also directed the Staff and the Company to negotiate an asset management proposal for the upcoming year. The asset management proposal involves the sharing of revenues generated from the use of excess capacity.

Commission Accepts Award for Natural Gas Market

On July 28, 2004, the Commission accepted the Phoenix Award from the Center for the Advancement of Energy Markets on behalf of the Georgia Natural Gas Market. The award acknowledges the accomplishments of all parties in the natural gas market in overcoming the initial deregulation implementation challenges and the establishment of one of the most effective markets for customer choice in the country.

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 these statutes was to replace traditional regulated monopoly service with a competitive market. By the end of 2004, the Commission had certificated 1,002 resellers, 246 alternative operator service providers, 284 competitive local exchange providers, 127 interexchange service providers and 927 payphone service providers. The Commission also heard one arbitration proceeding and approved 80 interconnection agreements.

SIGNIFICANT MATTERS IN THE TELECOMMUNICATIONS INDUSTRY IN 2004

Digital Subscriber Line (DSL) Service

The Commission initiated Docket No. 19393-U to investigate whether Local Exchange Carriers should be allowed to deny a customer Digital Subscriber Line (DSL) service if that customer desires voice service from another provider or no voice service at all. The Commission previously found, in an arbitration proceeding and an interconnection complaint proceeding, that BellSouth Telecommunications, Inc. ("BellSouth") was in violation of State Law for its anticompetitive policy of tying its voice service to its DSL product. However, the decisions in those proceedings only benefited the voice customers of ITC^DeltaCom Communications, Inc. (Docket No. 16583-U) and MCI, Inc. (Docket No. 11901-U). The Commission determined that a generic proceeding, in which it could investigate the policies of all local exchange carriers (not just BellSouth), would offer the best potential benefit for Georgia consumers. The Commission could, at its discretion, establish a statewide policy. Hearings were planned for a period of three days in January and February, 2005.

BellSouth Wholesale Interconnection Rates

On June 24, 2003, the Commission issued an Order establishing Cost Based rates for Interconnection and Unbundling of BellSouth Telecommunications, Inc.'s Services. BellSouth filed a Complaint with the United States District Court for the Northern District of Georgia for declaratory relief on the Commission's determinations concerning the cost of capital and the methodologies and line counts used to generate the growth factor. In its April 6, 2004 Order, the District Court remanded this matter to the Commission to establish a cost of capital for BellSouth consistent with the proper federal law cost of capital standard, to determine costs associated with line growth at new locations, and to consider the admissibility under Commission Rules and the Administrative Procedure Act of one of BellSouth's affidavits. In December 2004 the Commission held hearings to take evidence

on the issues that were remanded by the District Court Staff is currently reviewing briefs filed by interested parties.

Performance Measurement Review

The Commission's Service Quality Measures (SQMs) include comparative measures that monitor all areas of support (pre-ordering, ordering, provisioning, collocation, maintenance and repair, operator services, directory assistance, E911, trunk group performance and billing) to assess BellSouth's service to Competitive Local Exchange Carriers (CLECs). During 2004, BellSouth paid over \$1.5 million to the State Treasury for failure to meet these performance measures.

Institutional Telecommunication Services

During 2003, the Commission considered the petition of McNeil Stokes for a proposed rule related to institutional telecommunication service (ITS), specifically regarding collect calling arrangements in prisons and other detention facilities. The Commission voted to reject the proposed rule and opened a new docket to examine the rates charged for ITS. The Commission held an evidentiary hearing on July 20, 2004 and rendered a decision in November 2004; the rates for ITS will remain at their existing level through the end of fiscal year 2005 then will be modified as follows:

At the beginning of each fiscal year 2006 through 2009, the rates for intraLATA and interLATA ITS calls will be reduced by one quarter of the difference between the following existing rates: \$2.20 surcharge plus \$.24 (day) and \$.192 (evening/night/weekend) for intraLATA calls; \$2.20 surcharge plus \$.35 per minute per call for interLATA calls and the rate proposed by the Commission Staff; a blended rate of \$2.19 (\$2.00 surcharge and a \$0.19 per minute).

No change was made in the rate for local ITS calls. In a separate proceeding the Commission will examine alternatives to reduce the costs incurred by ITS providers related to bad debt and unbillables.

Telecommunications Relay Service (TRS)

A new three-year Georgia TRS service provider service agreement with AT&T began on April 1, 2003. As a part of this service agreement, AT&T is funding an enhanced TRS advertising and outreach effort which is being provided by Devaney and Associates, a Maryland advertising firm with extensive experience in TRS advertising. The Georgia Relay is now providing both Internet Relay and Video Relay. The use of the 711 dialing access code to Georgia Relay continues to grow in popularity with relay users.

Telecommunications Equipment Distribution Program (TEDP)

In accordance with the provisions of HB 1003, passed by the 2002 General Assembly, the Commission established the Georgia TEDP, which became operational on March 31, 2003. This program provides specialized telecommunications equipment to Georgians who, because of physical impairments, particularly hearing and speech impairments, cannot otherwise communicate over the telephone. Receipt of telecommunications equipment under this program is subject to medical and financial eligibility requirements. To date, over 500 hearing/speech impaired applicants have received 981 equipment items (some recipients require multiple items).

Universal Access Fund (UAF)

The Telecommunications Act of 1995 approved by the Georgia General Assembly mandated a Universal Access Fund (UAF) for the State of Georgia and required the Commission to hold hearings (which were held in the spring of 1996). The Commission issued its full Order in Docket No. 5828-U to establish and administer the UAF on August 30, 1996.

Initially, the Commission required the submission of affidavits by wire telecommunications companies in Georgia stating each company's annual gross revenues from sales to end users of telecommunications services pursuant to O.C.G.A. §46-5-167(b). These affidavits were used by the Commission to estimate each potential participant's revenue relationship to the total revenues of the telecommunications companies providing service in Georgia and to estimate the subsequent factor to be applied to the revenues in order to determine their contributions to the UAF.

Hearings were held to give Local Exchange Companies an opportunity to make application for and demonstrate eligibility for disbursements from the UAF under O.C.G.A. §46-5-167. It was also designed to give parties an opportunity to address the issue of what standards should be utilized to determine whether and how contributions and disbursements should be made. At the conclusion of these hearings, the Commission remained unconvinced that there was a need for an explicit subsidy and subsequent disbursements in the near term. Accordingly, the Commission deferred any final decision on this until a later date.

The Commission also held hearings on the proper interpretation of O.C.G.A. §46-5-166(f) (2). This Section gave Tier 2 companies an opportunity to recover revenues lost through the concurrent reduction of intrastate switched access rates mandated in the above-cited legislation. The Commission found that any real loss of revenues by Tier 2 companies due to the lowering of access charges as mandated by the General Assembly could be recovered by either a change in rates or through a UAF disbursement. The Commission established the interim UAF for the specific purpose of addressing switched access revenue losses mandated by the legislation.

Assessment notices were sent to all wire providers of telecommunications service in the State to include Local Exchange Companies (LEC), Competitive Local Exchange Companies (CLEC), Interexchange Carriers (IXC), Resellers of telecommunications services and Coin Operated Customer Owned Telephones (COCOT). A lockbox account was established at SouthTrust Bank to receive contributions. Additionally, an account was established at the State Treasury with the Georgia Fund One Account to invest funds until disbursement. Deposits have been received and disbursements made on a quarterly basis.

Some Incumbent Local Exchange Companies (ILECs) recovered revenue losses through rate rebalancing allowed by the Act and approved by the Commission. Other ILECs recovered access parity related revenue losses by a combination of rate rebalancing and receipts from the UAF, as approved by the Commission. The Commission has mandated three \$1.00 per access line rate increases which have reduced the amount of UAF contributions otherwise needed. The Commission set the contribution factor at .5% to .7% initially and subsequently to 1.5%. This factor has been applied to the gross Georgia end-user revenues to determine the contribution amount for each contributor.

On December 15, 1998, the Commission decided that the term of the interim UAF as contemplated by O.C.G.A. §45-5-166 (f)(2) was five years, ending June 30, 2001, and that any claims for disbursement by Tier 2 LECs thereafter should be filed under O.C.G.A. §46-5-167 by demonstrating a need for disbursement. Subsequently, many of the smaller ILECs argued that filing under Section 167 (and a subsequent hearing) would not be an efficient use of their time or resources. The Commission agreed and determined that it was appropriate to create a procedure where any LEC intending to file a claim less than \$1.5 million annually may elect to bypass a formal hearing and proceed under a workshop process.

Disbursements have been made under O.C.G.A. §45-5-166(f) (2) on a quarterly basis under the interim UAF. The last disbursement under the Interim UAF was scheduled to take place in July 2001; however, the Commission chose to extend the life of the Interim fund for an additional three years, through June 30, 2004. Any Tier 2 LECs applying for funds from the UAF were ordered to file the necessary data to determine if there existed a need for continued support under O.C.G.A. §46-5-167. Subsequently, on January 25, 2004, the Commission voted to continue disbursements of funds to five Tier 2 LECs under Section 167. There will be an annual disbursement in aggregate of approximately \$2.9 million going forward under Section 167 and LECs desiring continued relief after June 30, 2005 must again apply to continue receiving funds. The Commission will consider requests for funds by other parties at a future date.

Consumer Affairs

The Consumer Affairs Unit is the primary entry point for consumers wishing to make their interests and issues known to the Commission in the form of complaints, inquiries, or opinions, collectively referred to as “contacts.” Consumers file contacts in person and via telephone, fax, regular mail, email, and Internet.

Consumer Affairs Staff regularly interact with representatives from the utility industries to mediate resolutions to consumer complaints, discuss complaint trends and possible courses of action to address problematic trends, and ensure mutual understanding of business processes and policies.

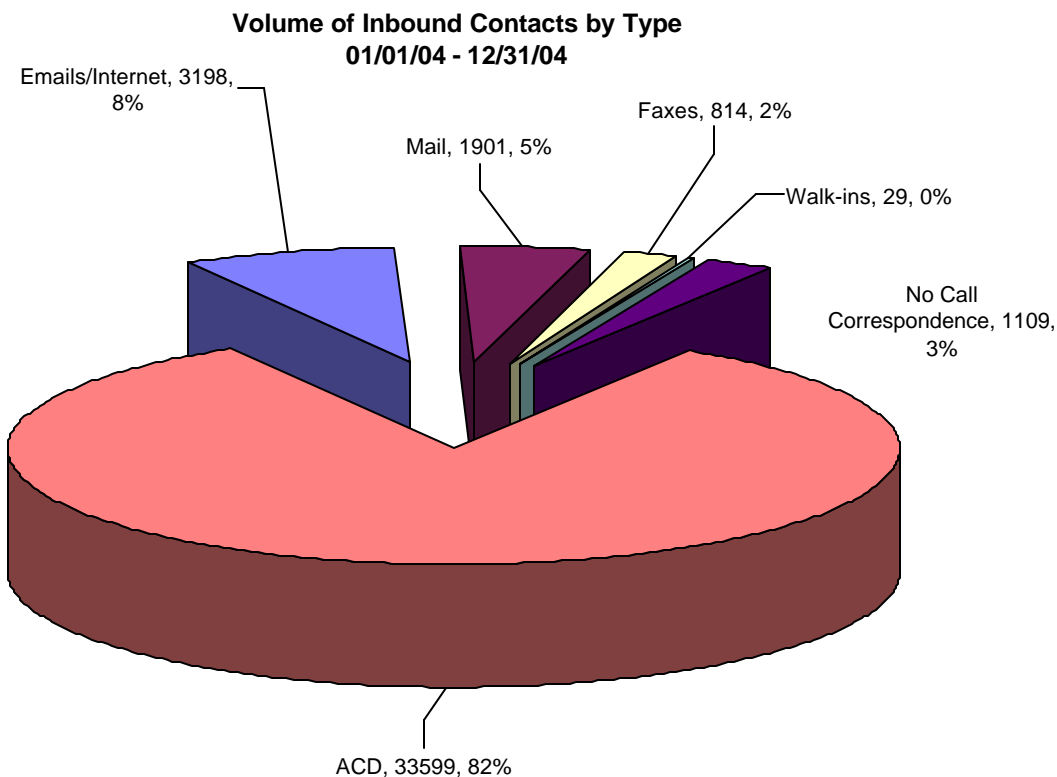
Having direct involvement with both the general public and industry representatives gives the Consumer Affairs Unit a unique perspective that makes it a source of valuable information for other work groups within the Commission.

In addition, the Consumer Affairs Unit is responsible for the enforcement of Commission rules and related state laws, consumer education, and community outreach.

Inbound Contacts

Contacts that are filed online through the Commission’s website are forwarded to the Georgia PSC email inbox, gapscc@psc.state.ga.us. Consumers can also send emails directly to this address. Eight percent (8%) of inbound contacts in 2004 came from these electronic sources.

Regular mail and faxes are still popular forms of communication from Georgia consumers to Consumer Affairs. Regular mail accounted for five percent (5%) of total inbound contacts; faxes two percent (2%); and paper correspondence specifically related to the Georgia No-Call program accounted for three percent (3%) of the total volume. In all, Consumer Affairs representatives received 46,050 inquiries, complaints, and opinions from the general public in 2004, an increase of 9,047 contacts, or twenty-four percent (24%), over 2003.

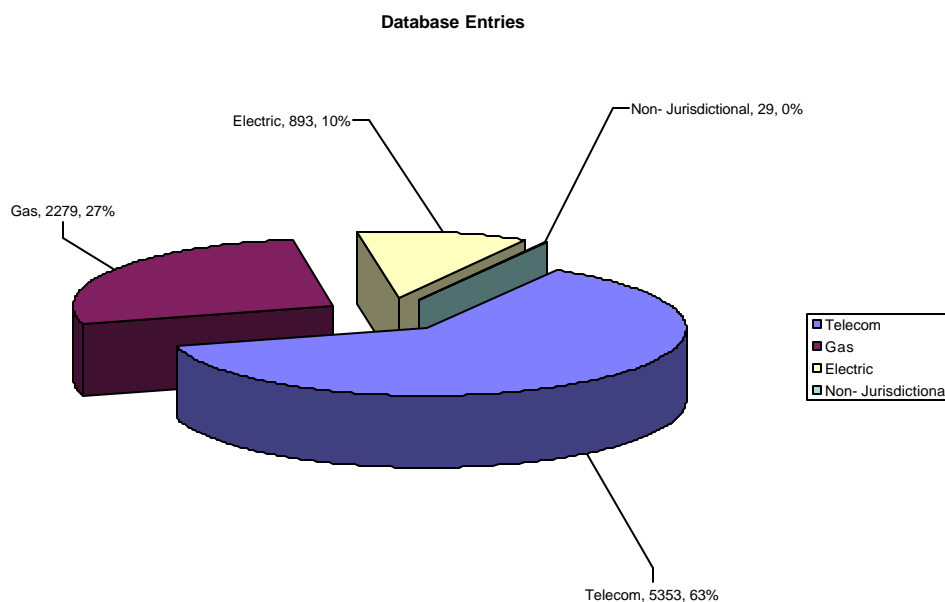


Telephone calls continue to be the contact method of choice for Georgia consumers. The 33,599 telephone calls we received comprise eighty-two percent (82%) of total inbound contacts, up from sixty-nine percent (69%) in 2003. The increase in calls may partially be attributed to the installation of a new Automated Call Distributor (ACD) in March 2004, which significantly reduced the number of dropped and abandoned calls.

The new ACD recorded 32,364 inbound calls since March 2004. Consumer Affairs staff answered slightly more than eighty-three percent (83.1%) of the calls in 15 seconds or less. The abandoned rate, the percentage of calls that disconnected before being transferred to a representative, was just over three percent (3.5%).

Consumer Affairs hired two representatives who are bilingual (English/Spanish) and added an ACD menu option to direct Spanish-speaking callers directly to the bilingual representatives. Since the option was added in September 2004, 440 callers have chosen this option, representing slightly over three percent (3%) of the total calls received through December 31, 2004.

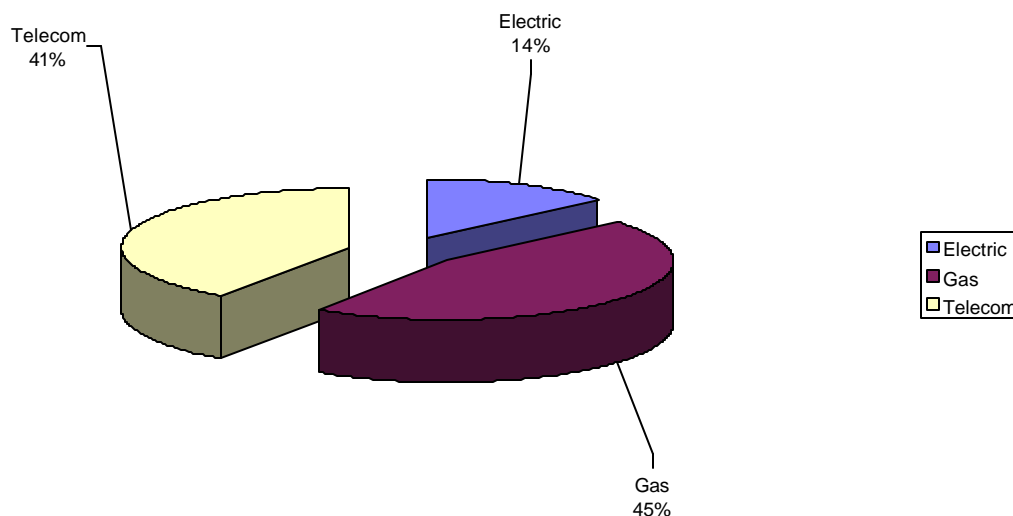
Contacts requiring referral and follow-up are recorded in the Consumer Response System (CRS) database. Of the 8,554 contacts that were recorded in 2004, telecommunications issues comprised the majority at sixty-three percent (63%), followed by natural gas issues with twenty-seven percent (27%), and electric with ten percent (10%). Consumer Affairs representatives assisted consumers in non-jurisdictional matters as well, and these contacts comprised less than one percent of the total.



When viewed from a per capita perspective according to the volume of contacts per 10,000 customers, natural gas contacts emerge as the volume leader with forty-five percent (45%) of the total, excluding non-jurisdictional contacts. Telecommunications contacts were in second with forty-one percent (41%), and Electric contacts comprised fourteen percent (14%) of the contacts received regarding issues within the PSC's jurisdiction.¹

¹ Per capita formula estimates the number of Georgia telecommunications customers at 4 million; electric at 2 million; and natural gas at 1.5 million.

Contact Totals By Industry Per 10,000 Customers



Staff Development

“Knowledge is Power” remained an important theme for the Consumer Affairs organization in 2004.

Educational opportunities offered to Consumer Affairs staff in 2004 included presentations on Voice over Internet Protocol (VoIP) by representatives from BellSouth, AT&T, Comcast, and Vonage.

Consumer Affairs staff also attended internal classes on the Georgia Telephone Relay Service and the Georgia Telecommunications Equipment Distribution Program, and selected staff members attended offsite training on Atlanta Gas Light Company’s new Marketer Interface Application (MIA).

Several staff members attended offsite training to enhance their professional skills. Topics included:

- Strengthening Your People Skills in the Workplace;
- Dealing with Difficult People; and
- Microsoft Excel (Beginning and Intermediate).

The Commission approved funding for Consumer Affairs to develop a new consumer information system. The new internet-based system will simplify and enhance staff's communication with utility companies and will include features that support ongoing staff development through easy access to current news, documents, and other job aids.

Consumer Education And Outreach

The "Knowledge is Power" theme continued to be the foundation for consumer education and outreach programs as well.

The topics featured in consumer advisories and alerts included:

- "Choosing a Telephone Service Provider";
- "Conservation Is Key to Keeping Energy Costs Manageable";
- "Appearing as a Public Witness";
- "Staying in the Fast Lane," an advisory to alert consumers of limitations they might encounter when attempting to switch telephone carriers and retain BellSouth's DSL service;
- A summary of senior discounts available for electric, telephone and natural gas;
- An advisory on the bankruptcy case of Norvergence, Inc.;
- "Do Not Call Awareness," which notifies consumers that certain changes in telephone service could cause their phone numbers to be deleted from the national No Call registry;
- An advisory regarding the impact on Georgia consumers of AT&T's error in billing its Monthly Recurring Charge (MRC); and
- An advisory on the Voice over Internet Protocol technology (VoIP).

Consumer Affairs staff developed presentations, hosted or participated in workshops for consumers and/or consumer advocates, and participated in several radio interviews. Community outreach activities allowed Consumer Affairs staff members to directly educate hundreds of consumers and indirectly impact thousands more.

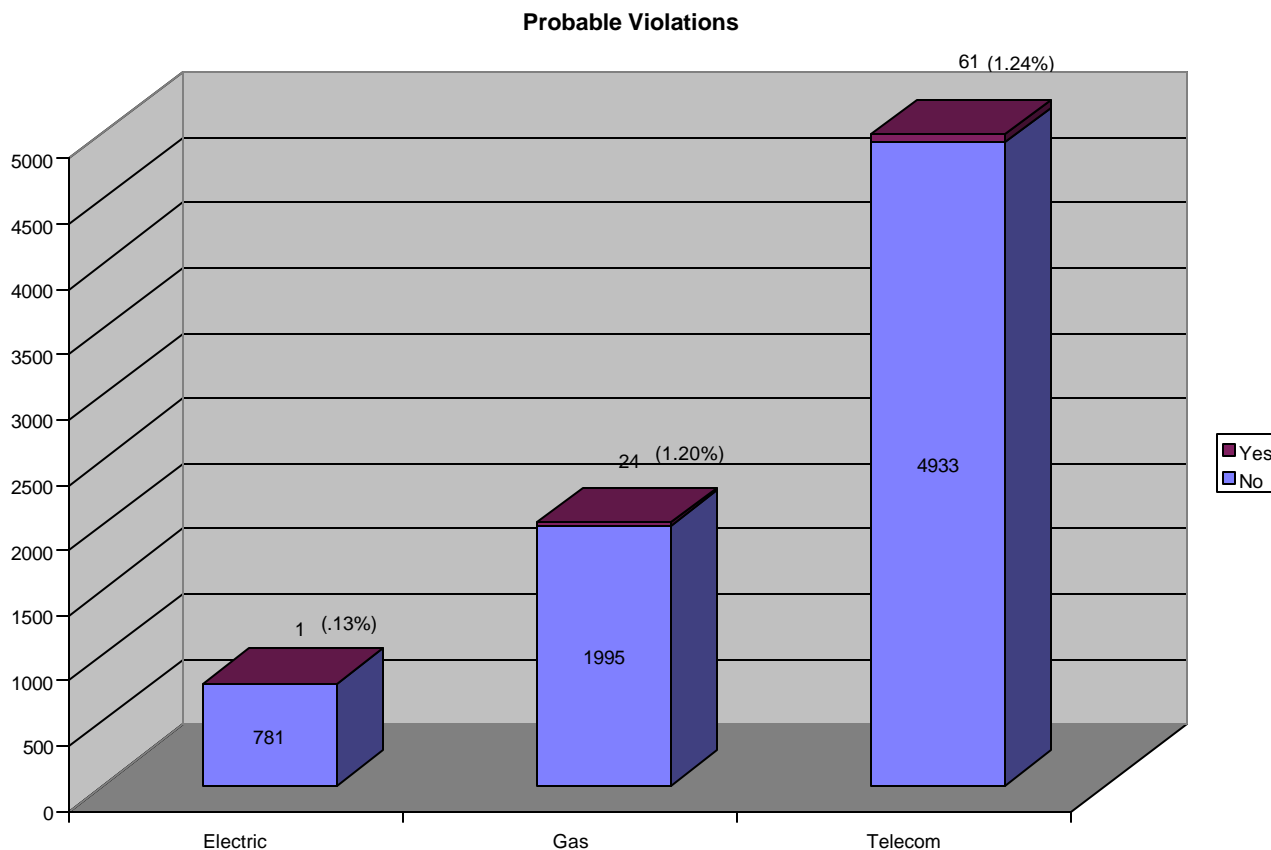
Outreach activities included the following:

- Distribution of PSC brochures How the PSC Operates, Meet the Commissioners, The Natural Gas Climate, How to Keep the Gas Flowing, How the PSC Decides a Rate Case, and the Regulated Provider to regional state libraries and libraries in the University System of Georgia;
- Presentation to the South DeKalb chapter of the AARP;
- Participation on the Georgia Public Broadcasting Consumer Call-in Program;
- Participation in a meeting hosted by the Consumer Credit Counseling Service (CCCS);
- Participation in an interview on WGST Radio;
- Presentation at Towers Community Association Meeting;
- Presentation at a Community Forum hosted by Senator Regina Thomas (Savannah);

- Hosted an information table at the City of Atlanta Community Forum (Adamsville Community Center);
- Presentation at the Roswell Senior Citizens Community Center;
- Presentations to the H.E.A.T. (Heating Energy Assistance Team) Board of Directors; and
- Workshop presentation at the “Human Rights Day” annual meeting of the Georgia Community Action Agency Association.

Enforcement

Consumer Affairs representatives are encouraged to objectively investigate each complaint, ask probing questions of both the consumer and the utility company, and make a determination as to whether they believe a violation of State law or Commission rules has occurred. In 2004, 7,709, or ninety percent (90%), of the 8,554 contacts requiring referral and follow up received were complaints. Eighty-six (86) were flagged as “probable violations,” slightly more than one percent (1.12%). This means that 99% of the time, Consumer Affairs representatives mediated resolutions to complaints that did not require further enforcement actions.



Nevertheless, a single complaint may indicate a larger problem.

In 2004, investigations of complaints regarding delayed Low-Income Home Energy Assistance Program (LIHEAP) payments by Energy America and complaints of slamming filed against Shell Energy resulted in enforcement actions that affected over 1700 consumers. Consumers received over \$303,000 in credits and refunds, and the companies contributed \$104,000 to LIHEAP to resolve these cases.

Fewer natural gas complaints were flagged as probable violations in 2004 than in 2003, dropping from 6.9% in 2003 to 1.2% in 2004.

Consumer Affairs staff members also initiated rulemakings and served as consultants to other units. In 2004, Consumer Affairs staff led the project team that initiated changes to the Natural Gas Marketers' Terms of Service Rule to require marketers to issue two notices prior to the expiration of fixed terms contracts. In addition, Consumer Affairs initiated a rulemaking to amend several provisions of the Natural Gas Disconnection Rule (515-3-3). Consumer Affairs staff participated on a team that recommended a rule change to the Natural Gas Billing Rule (515-7-6) that established a threshold for the application of late

fees to outstanding balances. The Commission approved a threshold of \$10.00 in January 2004 and increased it to \$30.00 in January 2005.

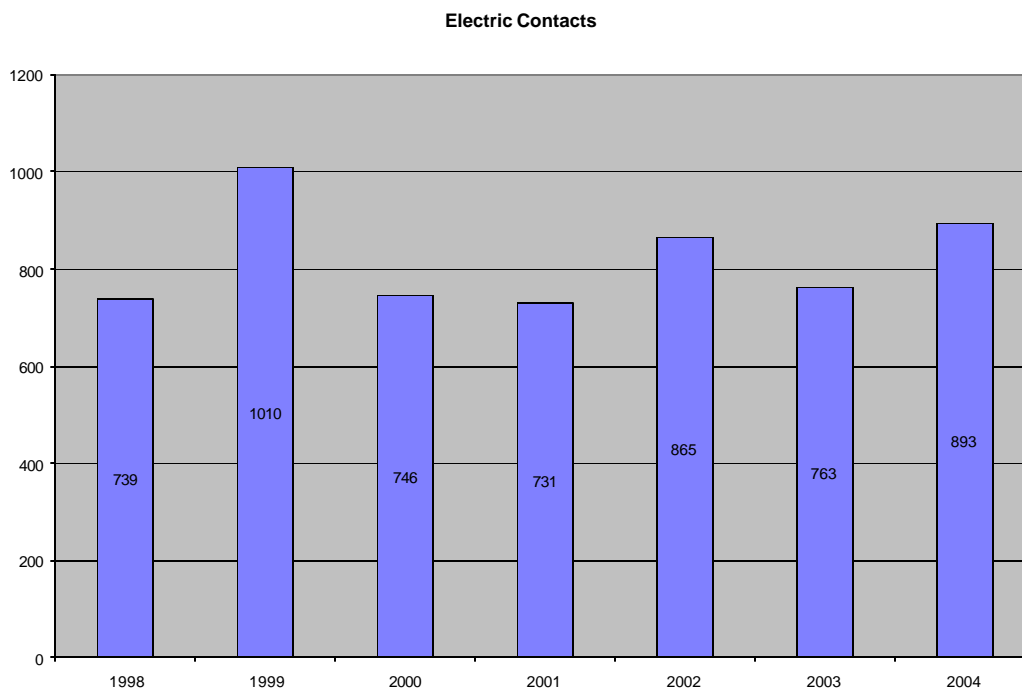
Consumer Affairs staff served an advisory role in reviewing Georgia Power's and Savannah Electric's marketing plans for their respective flat bill programs. Two Consumer Affairs staff members also served on the Adversary and Advisory Staff teams during the Georgia Power Rate Case.

Shortly after summer electric rates went into effect, the Commission received several complaints regarding formulas used to calculate bills, prompting the development of an online bill calculator. Consumer Affairs staff created a spreadsheet that was used to model the online calculator and coordinated its implementation with the Information Technology group, Electric Staff and company representatives.

Consumer Affairs staff also served in an advisory capacity with the Information Technology staff to design an online natural gas bill calculator, which should be available in early 2005.

Electric Consumer Issues

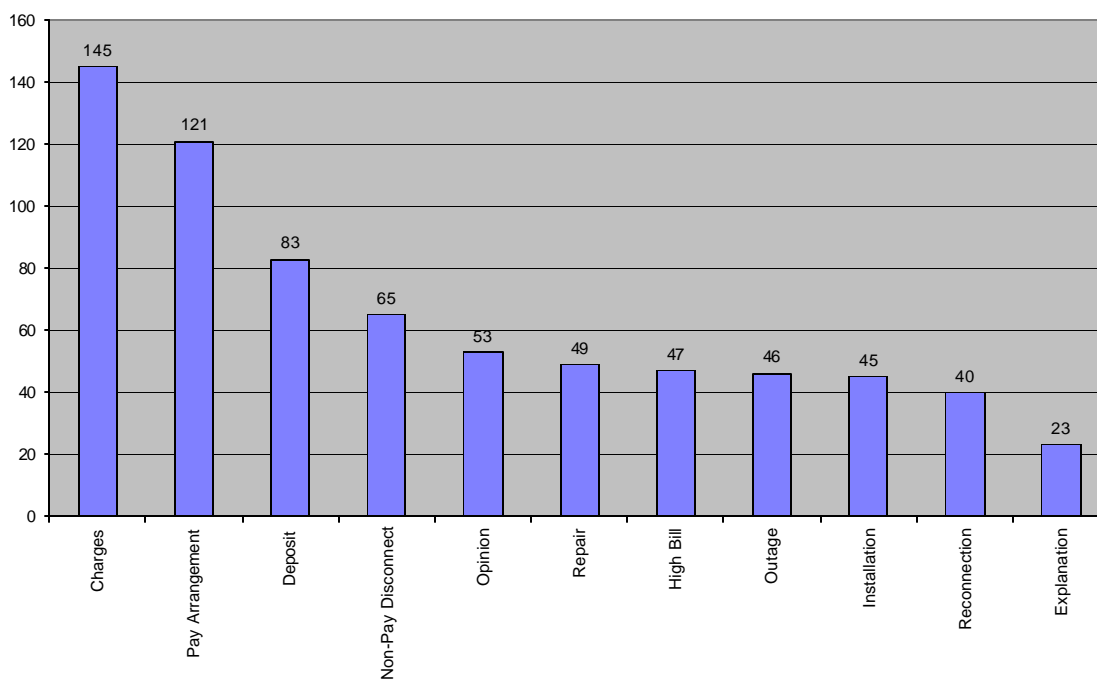
While the number of electric contacts has remained relatively flat since 1998, 2004 saw a slight increase in contacts, from 763 to 893, a seventeen percent (17%) increase.



The categories of Charges and Payment Arrangements held the top two positions, comprising eighty percent (80%) of the total. The types of concerns included in the Charges category are questions regarding meter reading accuracy, the budget bill plan, the flat bill plan, deposits, and other fees. Within the Payment Arrangement category are consumer requests for payment arrangements to avoid disconnection, appeals for more lenient arrangements or requests for extensions.

Georgia Power Company filed a rate case in July 2004, and the numbers of consumers calling to expressing their views on Georgia Power Company's request for a rate increase were listed in the "Opinions" category, a new category, in the issue categories comprising eighty percent (80%) or more of total contacts.

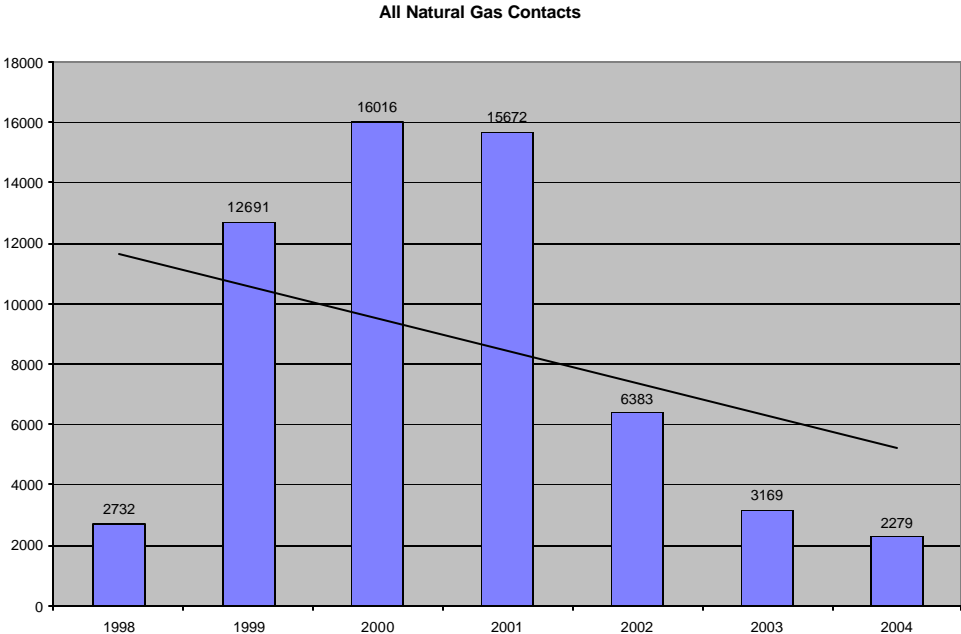
Electric Contacts - Top 80%



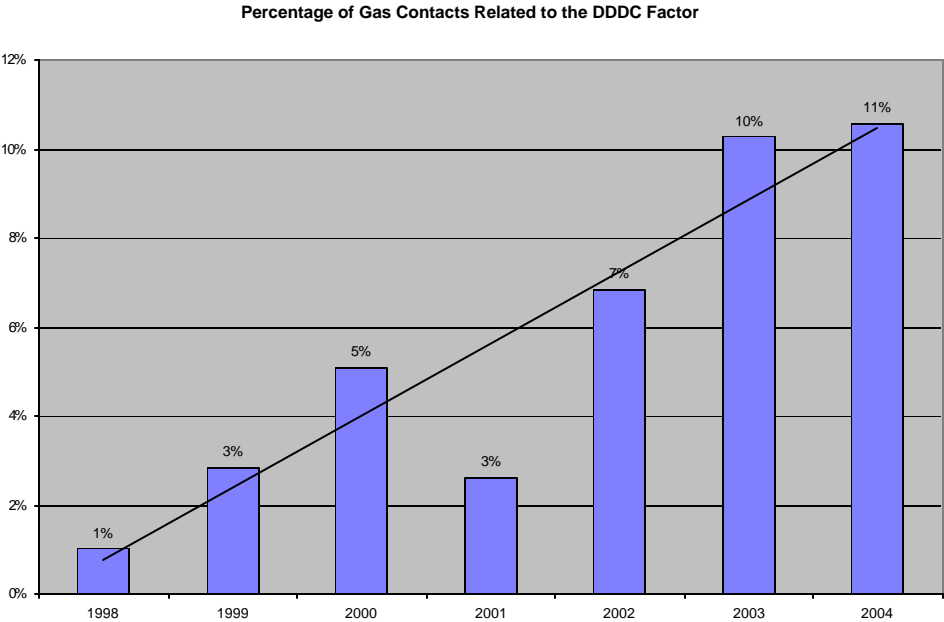
In 2004, Commission Staff resumed work on the issue that had come to be known as the Georgia Power "roommate policy." Representatives from Consumer Affairs and the Electric Unit, Staff Attorneys, and Georgia Power representatives collaborated to develop language to modify Georgia Power's Rules and Regulations to define conditions under which the Company could deny service, terminate service, or otherwise pursue collections on past due accounts if a previous account holder continues to reside at a premises.

Natural Gas Consumer Issues

Natural Gas contacts declined by twenty-eight percent (28%) in 2004.

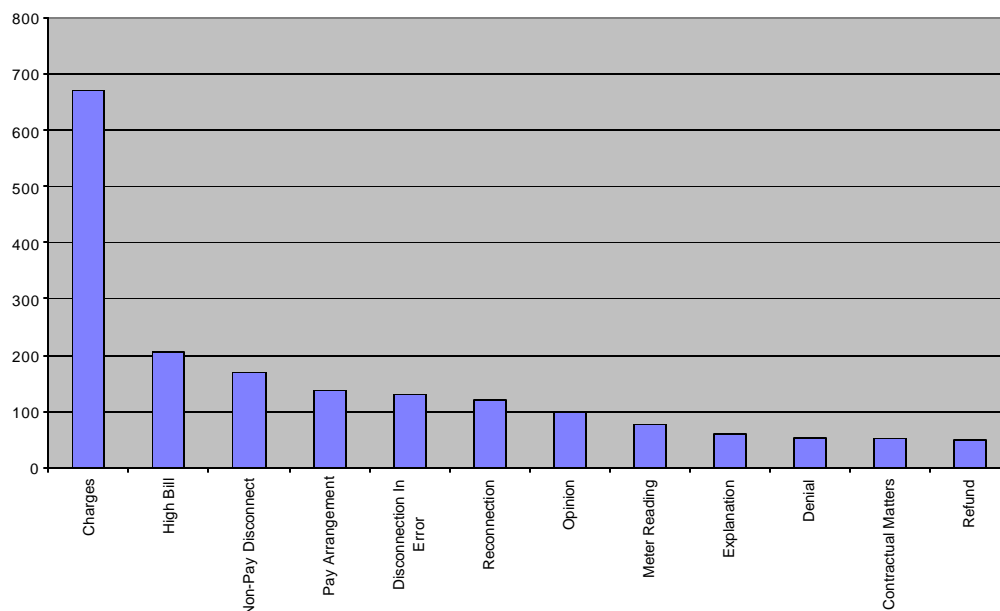


Nevertheless, the proportion of natural gas contacts related to Atlanta Gas Light Company base charges or the Dedicated Design Day Capacity (DDDC) charge trended upward.



Contacts related to bills, charges and high bills continue to comprise roughly one-third of natural gas contacts. The prevailing issues were questions regarding various components of gas bills, including late fees, base charges, seasonal reconnection fees, and estimated consumption charges. Issues regarding disconnections and payment arrangements comprised nearly twenty percent (20%) of the total. Consumer Affairs staff's investigation of these complaints resulted in a rulemaking to modify the Natural Gas Disconnection Rule (515-3-3).

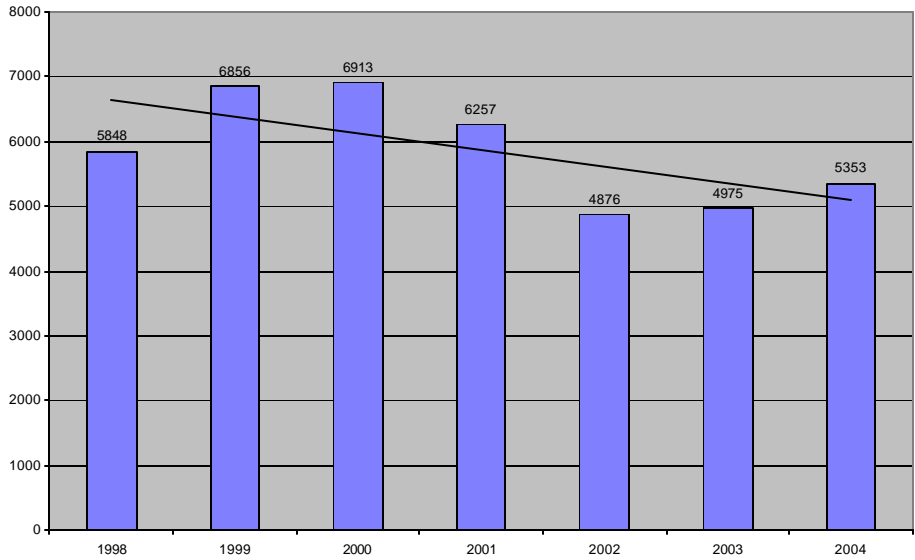
Natural Gas Contacts



Telecommunications Consumer Issues

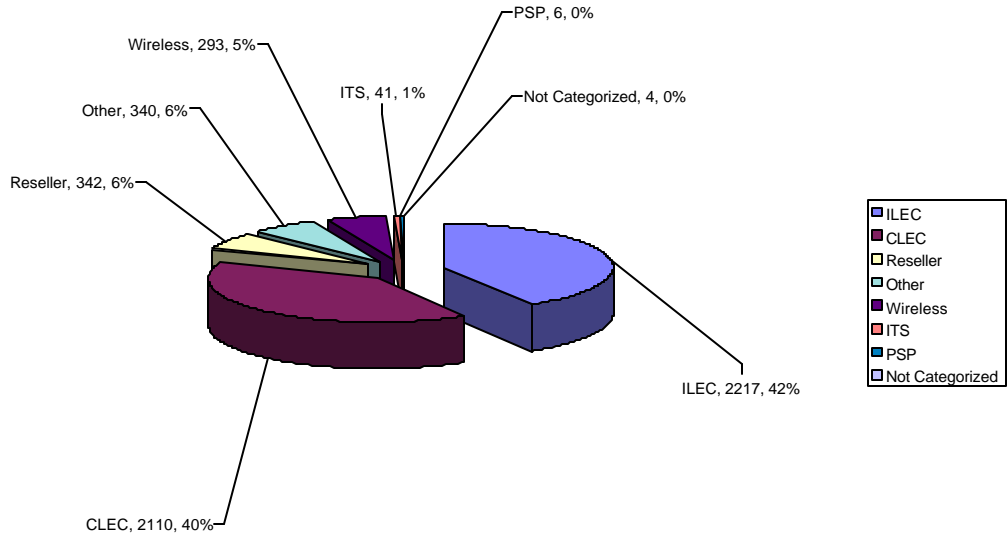
While the overall trend of telecommunications contacts is downward, the number of contacts increased by approximately eight percent (8%) in 2004.

Telecom Contacts



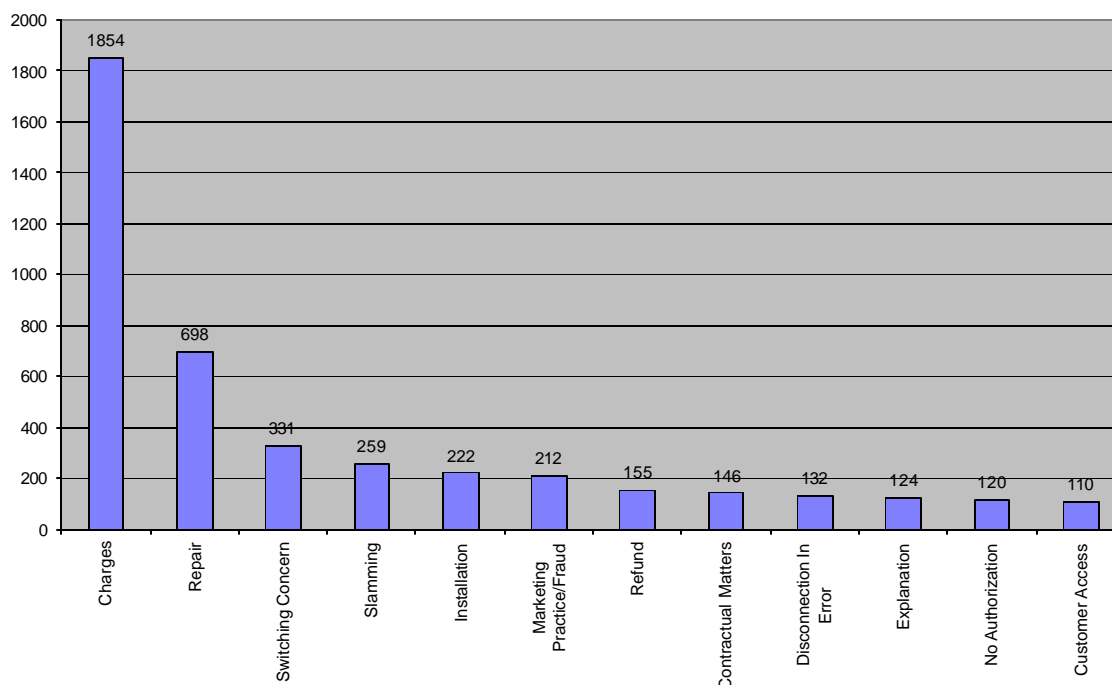
Consumer Affairs began tracking and resolving inquiries and complaints regarding wireless service in April 2004, and this category comprised five percent of total telecommunications contacts by the end of the year.

Telecom Contacts by Type



Issues related to billing comprised the largest category, Charges, at more than one-third of the total telecommunications contacts. Installation issues have overtaken Marketing Practices/Fraud in fifth place, and Disconnections in Error have dropped from seventh to ninth place.

Telecom Contacts



The category “DSL” fell from the list of contact issues comprising eighty percent (80%) or more of the total. However, some DSL and Voice over Internet Protocol (VoIP) issues were classified within other telecommunications issues categories and have shown a marked increase in activity as indicated below:

Description	2003	2004	% change
Explanation	2	15	650.00%
Customer Access	9	23	155.56%
Contractual Matters	5	11	120.00%
Refund	6	11	83.33%
Charges	80	145	81.25%
Installation	15	25	66.67%
Marketing Practice/Fraud	19	31	63.16%
Switching Concern	22	29	31.82%

While jurisdictional questions regarding the PSC's role in DSL, VoIP, and wireless continue to be debated at both the state and national level, the Consumer Affairs Unit treats these contacts with the same level of urgency as matters relating to traditional phone service.

Facilities Protection

Pipeline Safety Challenges And Responsibilities in 2004

The Georgia Public Service Commission retains responsibility for ensuring that all natural gas operators in Georgia meet federal safety requirements.

Calendar year 2004 marked the 36th 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 2004 this Section 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.

During 2004 the Pipeline Safety Section monitored and inspected over 75,827 miles of distribution mains, service lines and transmission pipelines transporting natural gas to over 2 million Georgia customers. Operator compliance with the Pipeline Safety Regulations was evaluated during 597 inspections, expending 1,050 inspection days. These inspections addressed Operator Qualification, Integrity Management, comprehensive, specialized and construction inspections, along with follow-up inspections that monitor operators for violations of the law.

Pipeline Safety Enforcement

The Commission's Pipeline Safety Section is responsible for enforcing 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.

The Pipeline Safety Section became subject to additional requirements as a result of the 2002 Pipeline Safety Act. These requirements included inspections under Subpart N. for Part 192.800, Qualification of Pipeline Personnel (OQ). This federal law prescribes the minimum requirements for operator qualification of individuals performing covered tasks on a pipeline facility. Subpart O for Part 192.900, Pipeline Integrity Management (IMP), prescribes the minimum requirements for an integrity management program on any transmission pipeline, including inspections and training.

On the legislative side, staff participation with the Legislative Committee of the Georgia Utility Coordinating Committee and the Senate Advisory Committee (established by Senate Resolution 989) is aimed at enhancing the current Dig Law in an effort to further reduce damages to buried utility facilities and enhance safety.

The Pipeline Safety Section performed 96 OQ inspections during 2004, which translated into 150 inspection days. These inspections included the two private operators, Atlanta Gas Light Company and Atmos Energy, and the 87 municipal gas operators throughout the state. In addition Pipeline Safety staff provided compliance training for the 8 transmission operators.

Training For Natural Gas System Operators

The Commission's Pipeline Safety Section continues to offer training throughout Georgia to assist private, municipal and master-meter operators in complying with both state and federal laws. To assist operators in achieving compliance, the Pipeline Safety Section provided 110 person days of training to over 350 attendees. Additionally, operator personnel learn cost-saving techniques through this training. With new 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 19 students—completing 46 courses each.
- Provided instruction to 350 attendees participating in the Section's annual seminar.
- Awarded 120 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 Georgia Utility Facility Protection Act is the most effective method of achieving compliance with both state and federal laws.

Outreach

During 2004 the staff has participated in the development and distribution of a Comprehensive Natural Gas Public Information, Safety and Awareness Program. Accomplishments during this period include:

1. Development of a web site www.SafeGas.org to provide natural gas safety educational materials to consumers and an "awareness kit" including free advertising and public relations materials to natural gas providers.
2. Development of the web site is in both English and Spanish.
3. Creation of a character ("Sniffy") to communicate the safety message.
4. Development and distribution of public service announcements, radio spots and print materials.
5. Marketed contributed articles to community newspapers statewide.

The Commission's Facilities Protection Section staff, in coordination with the Devaney & Associates Ad Agency media efforts, disseminates this information and promotes this program statewide by sharing it with the Utilities Protection Center (UPC) and the 87

municipal and two private natural gas systems in the state and by direct dissemination by Section members whenever possible. To that end all natural gas system operators in the state have been provided with these materials which must be actively used in their local service areas to meet the requirements of federal law RP 1162.

In addition, the Commission staff initiated a program to bring this safety information to the state's elementary schools. To that end the Section has worked with the UPC who sends representatives to Georgia schools to promote natural gas safety—during 2004, the UPC incorporated the Commission's natural gas safety program, centered on the Sniffy character, into their "Digger Dog" presentations to over 10,000 third and fourth grade students. The use of the UPC is considered the most effective tool to reach the largest number of students possible with this information.

Children's gas safety information is also available for download on the SafeGas.org website. During the April 2004 (program start) through December 2004 timeframe this website received 171,982 hits which included 3,345 file downloads.

In addition, due to the high quality of the Commission's pipeline safety program materials, the Commission received requests during 2004 for these materials from entities in the states of Minnesota, North Carolina, Virginia, Iowa, New Hampshire, Ohio, Florida, Tennessee and New Jersey.

To date, this entire natural gas safety program has cost the citizens of Georgia zero dollars—the cost having been paid by the Atmos Energy Corporation under the joint GPSC/Atmos Stipulation in Docket No. 16620-U. The state's utility companies fund the entire cost of the UPC's activities, including their safety presentations.

Georgia Utility Facility Protection Act (GUFPA) Enforcement

The responsibility of the Commission's GUFPA Section is to investigate reports of probable violations of O.C.G.A. §25-9, which concerns excavators damaging underground utility infrastructure. After investigations of these reported probable violations of the Act have been completed, violators are generally offered the opportunity to attend GUFPA training for which they pay, as an alternative to paying a fine to the State of Georgia. Most violators choose to attend the training. Commission GUFPA staff members, four in all, were very productive in 2004, completing 3,559 investigations. In addition to investigating GUFPA violations, Commission Staff performed 32 GUFPA training sessions for an estimated 280 people. Commission Staff plans to expand their training to include The Common Ground Alliance (CGA) Best Practices. The Common Ground Alliance is a nonprofit organization dedicated to shared responsibility in damage prevention and promotion of the damage prevention Best Practices identified in the Common Ground Study Report required by the Pipeline Safety Act. Building on this spirit of shared responsibility, the purpose of the CGA is to ensure public safety, environmental protection, and the integrity of services by promoting effective damage prevention practices. Whether one is a facility owner or operator, locator, design professional, One-Call Center employee, excavator, contractor, or other stakeholder,

it is everyone's responsibility to ensure the safety of those who work or live in the vicinity of underground facilities and vital services.

In addition, staff proposes to continue to work with Hispanic civic and business leaders throughout the state to: (1) Develop a community awareness program utilizing Spanish language safety posters, booklets, videos and training materials; (2) Implement public information campaign using Spanish language media outlets; and (3) Provide on the job demonstrations of safe operation procedures for mechanized equipment.

The SQL Server Database for the filing and investigation management of GUFPA violations came to fruition in calendar year 2004. The number of registered users of the database more that doubled from 117 users in 2003 to 265 users in 2004. The increase in registered users helped in doubling the number of reported violations to the Commission. The database allows access 24/7/365 for reporting violations. The ease of entry of those probable violations encouraged those new registrants as entry time is reduced to less that ½ minute per violation and also eliminates the cost of mailing (as was the case when hard copies were required).

The database also aided in the enforcement function by allowing for better utilization of Commission staff by having the reporting parties enter the probable violations directly into the database instead of mailing hard copies that in turn had to be entered by a Commission staff person. With the more efficient use of Commission manpower, staff was able to bring 3,559 cases to closure in 2004.

Outreach efforts again paid great dividends in 2004. These efforts included teaching requests for the DeKalb Tech utility locating class, speaking engagements to the Plumbing and Mechanical Association continuing education program, invitations to speak to the Georgia Municipal Association and Georgia Onsite Wastewater Association annual conventions, on-site presentations (sponsored by the Georgia Telephone Association) to educate local telephone companies on the GUFPA law and translation of the GUFPA damage prevention program into Spanish. These efforts were carried out as a continuation of the Commission's commitment of education as an effective tool for enforcement of the GUFPA.

GUFPA Case Data for Calendar Year 2004

Total complaints received	6,323
Total complaints processed	3,559
Total complaints settled or resolved by fine or penalty	2,115
Cases which were dead docketed	1,444
Consent Agreements Issued	897
Informational Packets Issued	430
Warning Letters Issued	47
Total Fines Recommended	
(\$643,650 mitigated by training in lieu of paying fine)	\$743,400

GEORGIA PUBLIC SERVICE COMMISSION
2004 ANNUAL REPORT

Fines Collected (Includes cases from prior years)	\$117,000
The number of Rule Nisus issued	127
Complaints against counties and municipalities	676
Warning issued to counties and municipalities	110
Fines not collected for penalties levied in 2004	\$31,500
Fines not collected for penalties levied prior to 2004	\$148,250

ADMINISTRATION DIVISION

During 2004, 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 are 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 and accomplishments of each Office is set forth below.

Budget and Fiscal Office

The Budget and Fiscal Office develops the agency budget in conjunction with the Executive Director and interacts with the Governor's Office of Planning and Budget (OPB) as well the Legislative Budget Offices in the budget process. The Office ensures the Commission meets its fiscal responsibilities for the agency's state and federal funding, purchasing, asset management, mail distribution, and submitting reports to Federal, State and other agencies as required or requested.

A major change for FY 2005 was the adoption of OPB's new Financial Management System to prepare and submit the Commission budget, including any amendments and allotments. In 2004, the office assumed responsibility for managing the facilities of the Commission, including requests for building repairs, telecommunications and all interaction with the Georgia Building Authority.

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

Executive Secretary's Office

The Executive Secretary's Office is responsible for receiving all public documents filed at the Commission. In 2004, staff members in this Office opened 1,808 new case dockets and processed 9,643 filed documents. In addition 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 (HR) Office remains committed to serving personnel needs and processing the payroll functions for the Public Service Commission. In 2004, the Office was staffed by only two full-time employees, a Personnel Officer and Program Associate, due to the retirement of the previous Director in 2003. Due to this staff reduction, the number one goal of the Office is to assist Commission employees in becoming as self-sufficient as possible in respect to many routine processes. For example, all eligible employees were strongly encouraged to enter benefit changes on-line during the annual Open Enrollment period. Many health insurance, flexible benefits, Credit Union and Employees' Retirement System forms (along with instructions for completion and filing) are now available on-line and totally accessible to any employee.

The HR Office continued to receive a large number of unsolicited employment inquiries regarding Commission positions. However, because of budget constraints, recruitment was limited to a small number of critical positions, e.g., Administrative Procedures Attorney and Utilities Analyst/Economist. It is vital that retention of staff and succession planning remain priority goals for the Public Service Commission and the HR staff.

Information on PSC careers and job information can be found on the agency's website, <http://www.psc.state.ga.us/jobopenings/jobopenings.asp>.

Public Information Office/Legislative Liaison

The year 2004 saw a continued high level of news media interest in Commission activities. 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 Office worked with Information Technology to launch the Commission's revised website in November 2004.

During 2004, the Office issued 34 news releases, 30 media advisories and 11 consumer advisories; responded to over 125 national, state and local news media inquiries; and conducted numerous news media interviews throughout the state. The Office coordinated two major consumer education campaigns using print and electronic advertising, produced several educational brochures, and compiled weekly news media clips.

The Public Information Officer also serves as the Commission's Legislative Liaison and coordinates the Commission's legislative agenda. In this capacity, the Office responded to numerous Legislator inquiries relating to constituent concerns.

During the 2004 General Assembly, the Commission sponsored three pieces of legislation and tracked other bills which could impact the agency and the utilities it regulates. A list of the legislation, its sponsor and status is provided below:

- **House Bill 50**, by Rep. Gail Buckner. Would allow Commission to set up pilot project for future natural gas de-regulation proposals. Died in House Public Utilities Committee.
- **House Bill 373**, by Rep. Ralph Twiggs. **Passed and signed into law by the Governor.** The measure requires utilities that condemn land through eminent domain to hold two public hearings.
- **House Bill 586**, by Rep. Karla Drenner. Would have established minimum percentages of renewable energy for electric utility energy portfolios. Died in the House Natural Resources Committee.
- **House Bill 664**, by Rep. Tom Bordeaux. Would have eliminated power of eminent domain for utilities. Died in House Judiciary Committee.
- **House Bill 889**, by Rep. Sally Harrell. Would have allowed all natural gas consumers to be eligible for service from the regulated provider. Died in House Public Utilities Committee.
- **House Bill 1055**, by Rep. Buddy Childers. Would have established the Georgia Audio Information Service, managed by the Commission. The bill passed the full House and the Senate Regulated Utilities Committee but never got out of the Senate Rules Committee.
- **House Bill 1328**, by Rep. Mike Snow. Would have prohibited ex parte communications between Commission and utilities during rate case. Died in House Public Utilities Committee.
- **House Bill 1352**, by Rep. Don Wix. Revised major provisions of the Georgia Utility Facility Protection Act including applying fines and penalties to local governments. The measure passed the House but was held in the Senate Regulated Utilities and Industries Committee. **Commission sponsored.**
- **House Bill 1354**, by Rep. David Lucas. Increased the Regulatory Assessment Fee collected from utilities and other companies regulated by the Commission. Passed the House but died after being tabled in the Senate on the final day of the Session. **Commission sponsored.**
- **House Bill 1356**, by Rep. David Lucas. Allowed the Commission to collect fees for filings and proceedings. Held in the House Public Utilities Committee. **Commission sponsored.**
- **House Bill 1430**, by Rep. Georgianna Sinkfield. Would increase grace period before natural gas marketers could collect late fee. Passed full House but died in Senate Regulated Utilities Committee.
- **House Bill 1514**, Rep. Jimmy Skipper. Would change method of rate making in natural gas cases. Died in House Public Utilities Committee.
- **House Bill 1671**, Rep. Butch Parrish. Would have allowed wider use of Universal Service Fund for economic development projects. Died in House Economic Development and Tourism Committee.
- **Senate Bill 32**, by Sen. Regina Thomas. Would have established a minimum surcharge for interruptible customers. Died in Senate Regulated Utilities Committee.
- **Senate Bill 34**, by Sen. Regina Thomas. Would have repealed natural gas de-regulation. Died in Senate Regulated Utilities Committee.

- **Senate Bill 147**, by Sen. David Adelman. **Passed and signed by the Governor.** Requires telecommunications companies to file with the Commission their plans to prevent release of location of domestic abuse shelters through telephone directories.
- **Senate Bill 267**, by Sen. Renee Unterman. Require Commission to certificate need for power lines under eminent domain. Died in Senate Regulated Utilities Committee.
- **Senate Bill 359**, by Sen. Chuck Clay. Require Commission to certificate need for transmission lines under eminent domain. Died in Senate Regulated Utilities Committee.

The Office also tracked legislation affecting the agency's operations and state employees.

- **House Bill 1180** by Rep. Tom Buck and others. Amends the Fiscal Year 2004 Budget. **Passed and signed by the Governor.**
- **House Bill 1181** by Rep. Tom Buck and others. Provides for the Fiscal Year 2005 State Budget. **Passed and signed by the Governor.**

Information Technology Office

One of the major accomplishments of the Commission's Information Technology (IT) Office in 2004 was the redesign of the Commission website. The new site is more intuitive and user-friendly. Online enhancements to help consumers make informed choices concerning natural gas, electric and telecommunications services include:

- The Electric Bill Calculator gives consumers the ability to check Georgia Power and Savannah Electric bill calculations based on information obtained from their monthly electric bill statement.
- Bilingual support for consumers who have the need to access consumer information in a non-English format on the Commission website.
- A new database search engine helps users locate information relating to telecommunications companies doing business in Georgia.

The overall strategy of the Commission's Information Technology (IT) Office in 2004 was to use IT resources to make the agency more accessible to the public and to improve internal operations.

AGENCY BUDGET

	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Revenue			
General Assembly Appropriations	\$8,773,299	\$8,525,025	\$8,073,705
Federal and Other Funds	\$788,469	\$516,089	\$273,311
Total	\$9,521,768	\$9,041,114	\$8,347,019
Budgeted Expenses			
Personal Services	\$6,529,143	\$6,493,395	\$6,373,145
Regular Operating Expenses	\$241,632	\$269,924	\$250,711
Travel	\$92,342	\$85,990	\$86,876
Motor Vehicle Purchases	\$18,909	\$19,634	\$0
Equipment	\$15,430	\$21,357	\$15,300
Computer Charges	\$191,204	\$262,458	\$208,791
Real Estate Rental	\$511,428	\$494,933	\$501,964
Telecommunications	\$102,787	\$88,484	\$114,127
Per Diem and Fees	\$938,893	\$1,013,925	\$776,105
Contracts	\$880,000	\$290,474	\$20,000
Total	\$8,733,299	\$9,041,114	\$8,347,017
Associated Revenue			
Regulatory Assessment Fees			
Paid Directly to Dept. of Revenue	\$1,050,000	\$1,050,000	\$1,050,000
Regulatory Fees Collected and			
Remitted to State Treasury	\$9,504,403	\$3,450,614	\$1,497,699
Total	\$10,554,403	\$4,500,614	\$2,547,699

Footnotes:

FY2003 Budget is per preliminary audit report

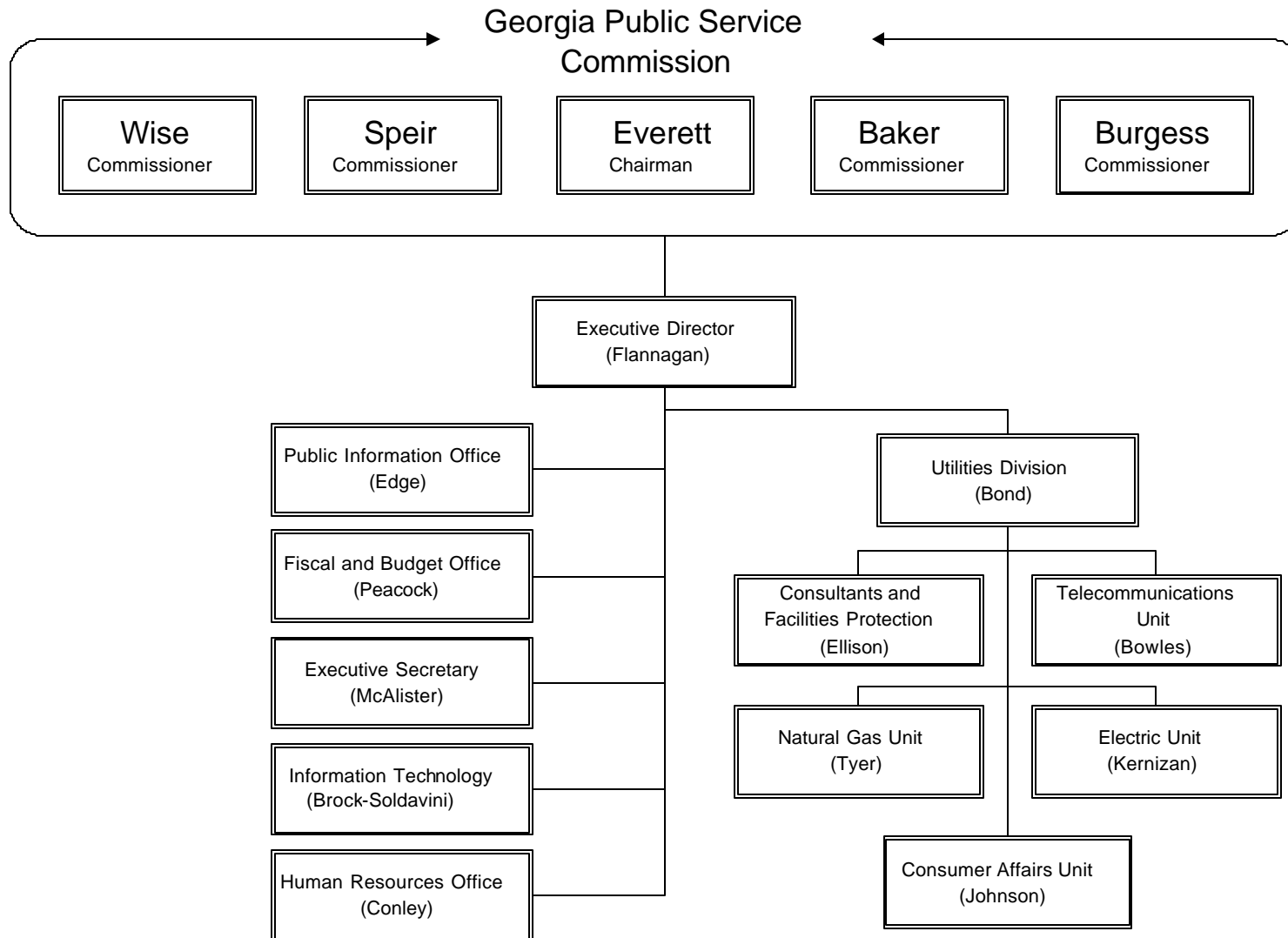
FY2003 Deposit to Treasury (Utilities \$19,087,926; Ga. No Call \$788,000)

FY2004 Per Amend Budget Request # 1

FY2004 Deposit to Treasury through Jan 31, 2004 (Utilities \$4,500,614; Ga. No Call \$229,000)

FY2005 Deposit to Treasury through Feb. 28, 2005 (Utilities \$2,883,184; Ga. No Call \$229,000)

ORGANIZATIONAL CHART



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