

GEORGIA PUBLIC SERVICE COMMISSION

2011 Annual Report



**Chairman Stan Wise
Vice Chairman Chuck Eaton
Commissioner Tim Echols
Commissioner H. Doug Everett
Commissioner Lauren "Bubba" McDonald, Jr.**

Georgia Public Service Commissioners 2011



Commissioners (left to right) Doug Everett, Chuck Eaton, Stan Wise, Lauren “Bubba” McDonald, Jr., Tim Echols

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LETTER TO THE GOVERNOR

January 1, 2012

The Honorable Nathan Deal
Governor of Georgia
Office of the Governor
State Capitol
Atlanta, Georgia 30334

Dear Governor Deal:

The Georgia Public Service Commission presents its 2011 Annual Report, pursuant to O.C.G.A. § 46-2-31, which highlights the agency's major achievements during the past year regarding the state's utility and transportation industries. The Commission dealt with several major issues in 2011, including the Vogtle Nuclear Power Plant construction project, large scale solar projects, Georgia Power fuel rates and proposals for compressed natural gas fueling stations.

In the face of continuing agency budget cuts, the Commission has implemented strategic initiatives and prioritized available funds to ensure that Georgia consumers receive the best possible value in utility and transportation services, while enforcing natural gas pipeline safety and protecting the utility infrastructure from damage.

The Commission contributed over \$2.1 million to the state's treasury in fiscal year 2011, primarily as a result of its enforcement activities.

The Georgia Public Service Commission looks forward to serving Georgia's citizens in 2012 and contributing to the state's dynamic economic growth and development.

Respectfully submitted,



Stan Wise, Chairman
Chuck Eaton, Vice Chairman
Tim G. Echols, Commissioner
H. Doug Everett, Commissioner
Lauren "Bubba" McDonald, Jr., 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 Governor originally appointed the three members of this body for the purpose of regulating railway freight and passenger rates. In 1906, the Legislature changed the law to allow the voters to elect the Commissioners for six-year terms. In 1907 the Legislature expanded the Commission to five members.

In 1891, telegraph and express companies came under the Commission's jurisdiction. Then, in 1906 the Legislature gave the Commission authority over docks and wharves, as well as telephone, natural gas and electric companies. 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 1943, the Commission became a constitutional body (Article 4, Section 1, 1983 Georgia Constitution). Its powers and duties are established by legislation and described in Title 46 of the Official Code of Georgia. The Legislature in 1998 required Commissioners to reside in five separate districts though they remain elected by the voters statewide effective for the 2000 elections.

In 2001, the Commission's Transportation Unit became part of the new Department of Motor Vehicle Safety as a result of legislation passed by the 2001 General Assembly.

In 2002, Earleen Sizemore became the first woman to ever serve on the Commission following her appointment to the Commission after the death of longtime Commissioner Bob Durden in May 2002. Later that year in November, Angela Speir became the first woman elected to the Commission.

In 2005, the Commission resumed responsibility for regulatory jurisdiction over household goods movers, limousines for hire, passenger carriers and nonconsensual towing due to the passage of House Bill 501.

In 2006, the Commission approved the acquisition of Bellsouth Georgia by AT&T which serves nine southeastern states.

In 2009 the Commission approved the construction of Georgia's and the nation's first new nuclear power electric generation facilities since the 1970s.

In 2010, the Commission handled three major utility rate cases; a fuel cost recovery case, integrated resources plan docket and continued nuclear plant construction monitoring.

During 2011, the Commission continued its monitoring of the Plant Vogtle nuclear construction project, approved a decrease in Georgia Power's fuel recovery costs and considered a proposal to initiate a series of compressed natural gas fuel stations around the state. The Commission also approved an innovative Georgia Rate Adjustment Mechanism for Atmos Energy which will reduce annual residential rates for Georgia Atmos Energy customers by \$12 in 2012.

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, transportation, 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, 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 market segments of the telecommunications and natural gas industries open to competition, the Commission strives to facilitate market development, educate consumers, arbitrate complaints among competitors and monitor the effectiveness of the competitive markets.

EXECUTIVE SUMMARY

HIGHLIGHTS OF 2011

The Commission's major achievements during 2011 regarding utility regulation, transportation, pipeline safety, facilities protection and administration are set forth below. A more detailed report from each Commission unit follows this executive summary.

ELECTRIC

During 2011 the Commission held hearings in the third and fourth Georgia Power Nuclear Plant Vogtle Construction Monitoring proceedings. The Commission and Georgia Power reached a settlement that resolved the mechanism for dealing with any potential construction cost overruns. This agreement gives the Commission the ability to disallow costs as imprudent even after they have been verified and approved in the semi-annual review process.

Fuel costs to generate electricity tracked lower than projected in 2011 following the implementation of new fuel rates in 2010. Accordingly, the Commission reduced Georgia Power Company residential customer's rates by \$8 a year. A request for an increase in the fuel cost rates is not the same as a request for an increase in base rates.

The Commission opened Docket 34218 during the summer of 2011 to address Georgia Power's plan to comply with state and federal environmental rules regarding emissions from electric utility coal plants. In anticipation of the release of the final rules in late 2011, the Commission required Georgia Power to file its plan for compliance.

The Commission approved contracts for the expansion of Georgia Power's solar energy resource by 50 megawatts following a tremendous response from potential suppliers. This amount represents a 1200% increase in Georgia Power's solar resource portfolio.

The Commission continued to monitor environmental proceedings at the state and national level. In 2011, Commissioners testified before federal regulators at the Federal Energy Regulatory Commission (FERC) in Washington, D.C. and Congress about the impact of the EPA rules on customer rates.

NATURAL GAS

At the end of 2011 the state had ten Commission certified natural gas marketers, all of whom were actively serving firm customers in the Atlanta Gas Light Company (AGLC) delivery area.

Throughout 2011 the Staff conducted audits of the following natural gas programs: Atlanta Gas Light Company's Manufactured Gas Plant; Atlanta Gas Light Company's Pipe Replacement Program; Atmos Energy's Cast Iron and Bare Steel Retirement

Program; AGLC Universal Service Fund (USF); and AGLC Integrated-System Reinforcement Program.

In March 2011 the Commission approved two transportation tariffs that allow third parties to deliver natural gas into AGLC's pipeline distribution system.

In June 2011 AGLC filed its first Sustainable Environmental Economic Development (SEED) project with the Commission. AGLC entered into a contract with the City of Atlanta for a project at the Atlanta Civic Center on Piedmont Road.

In September 2011 the Commission issued an Order approving Atmos Energy's 2011-2012 Gas Supply Plan.

In November 2011 the Commission approved AGLC's 2011 Universal Service Fund Facilities Expansion plan that will bring additional Compressed Natural Gas ("CNG") stations to the State of Georgia. The proposed budget for this project is \$11.57 million, and ideally, will be self-supporting after the initial investment. As part of this filing, AGLC proposed to utilize USF funds to ideally develop a market in Georgia for CNG vehicles to individuals and fleets.

In December 2011 the Commission approved a Stipulation with Atmos Energy Corporation for the Georgia Rate Adjustment Mechanism (GRAM). The GRAM is designed to and will likely produce lower prices for Atmos consumers in Georgia.

As of December 19, 2011 the Regulated Provider had a total of 78,176 customers, with 24,859 designated as Group 1 and 53,317 designated as Group 2.

TELECOMMUNICATIONS AND TRANSPORTATION

In 2011 the Commission granted certificates of authority to 12 long-distance resellers, one alternative operator service provider, 13 competitive local exchange providers, eight inter-exchange service providers and one payphone service provider. The total number of active certificates in 2011 was 354 resellers, 78 alternative operator service providers, 264 competitive local exchange providers, 103 inter-exchange service providers, 419 payphone service providers, 21 Institutional Telecommunication Service providers and over 30 incumbent local exchange service providers. The Commission also approved 48 interconnection agreements and designated five Competitive Eligible Telecommunications Carriers.

The Commission approved the disbursements for all applicants for the 16th Universal Access Fund (UAF) year of \$16,025,874.31.

In Transportation the Commission has regulatory responsibility for over 1,000 "for hire" intrastate motor carriers including household goods carriers, limousine operators, buses, and wrecker companies performing private property trespass towing operations.

The Commission's regulatory oversight includes permitting and certification, training new carriers, auditing records, investigating consumer complaints, processing and maintaining insurance filings and taking action against illegal operators.

To ensure that all motor carriers under the Commission's jurisdiction maintain a high degree of safety, the Commission actively monitors and administers insurance filings for all transportation companies under its regulatory authority. In 2011, the Commission received and processed 1,726 insurance filings.

All new applicants for household goods and passenger carrier authority are required to complete a Commission sponsored training session. In 2011, the Commission trained 147 individuals at 17 training classes, which are mandatory for newly certified transportation companies.

FACILITIES PROTECTION

During 2011 the Pipeline Safety Unit of the Facilities Protection Program monitored and inspected over 1,200 miles of transmission and nearly 44,000 miles of distribution pipelines, and more than 2,000,000 service lines transporting natural gas to Georgia customers in 147 counties. The Pipeline Safety Unit evaluated operator compliance with state and federal Pipeline Safety Regulations by conducting 663 inspections, expending 1,137 inspection days.

The Commission continued its damage prevention efforts in Fiscal Year 2011 by providing seven Georgia Utility Facilities Protection Act Unit presentations to over 125 attendees, and overseeing the administration of 492 Commission approved dig law training presentations to 2,416 attendees representing locators, excavators and facility owner/operators. The GUFPA Unit's participation in these meetings continued to strengthen the Commission's relationship with different groups across the state dedicated to damage prevention, such as: the Georgia Utility Contractor's Association, Plumbing Mechanical Association, Georgia Onsite Wastewater Association and the Georgia Utility Coordinating Council.

The year 2011 presented several challenges for the Facilities Protection Program. The Pipeline Safety Unit began enforcement of new federal regulations for public awareness and prepared for the roll out of Distribution Integrity Management regulations. In addition, the Commission faced continued challenges in its enforcement of the GUFPA due to the budget constraints faced by the State. In support of its continuing enforcement of the GUFPA, the Commission received the federal One Call Grant and the state Damage Prevention Grant. The Pipeline and Hazardous Materials Safety Administration (PHMSA) of the Federal Department of Transportation awarded approximately \$143,000 for these two grants, which allowed the Commission to continue employing both a field investigator and an administrative assistant.

LOCAL AND NATIONAL ACTIVITY

The Commission continued to monitor several environmental proceedings at the state and national level. Although the Federal Government in 1998 approved Yucca Mountain, Nevada as the repository for nuclear waste, the federal government has failed to open this repository and has in fact cancelled it. The Commission continues to oppose Department of Energy (DOE) delays to fully comply with laws that require DOE to remove spent nuclear fuel from nuclear plants in Georgia. The Commission in 2009 approved a resolution calling on the Federal Government to either honor the 1982 Nuclear Waste Management Act or refund Georgia ratepayers' contributions.

CONSUMER AFFAIRS

The majority of consumers use the telephone to contact the Commission which has four Consumer Affairs personnel assigned to the Commission's Consumer Affairs Call Center. One of these Call Center personnel is bilingual and handles all incoming Spanish calls.

The Commission in 2011 received a total of 19,446 calls through the Commission's Automated Call Distributor (ACD) system. This number includes 273 calls received on the Spanish line. As a result, inbound telephone calls to the Consumer Affairs Unit increased by 17% compared to 2010.

In 2011 telecommunications contacts comprised the majority (39%) of the contacts requiring follow-up by Consumer Affairs Unit staff, followed by electric (37%) and natural gas providers (24%).

Consumer Affairs also tracks issues relating to household goods movers, passenger carriers and non-consensual towing. The total number of calls regarding these issues in 2011 was 4,422. Consumer Affairs received 2,095 calls relating to passenger carriers, 265 relating to household goods movers and 298 relating to non-consensual towing. The remainder of the calls and contacts were for non-jurisdictional issues.

The Consumer Affairs Unit continued their outreach activities by giving presentations to community groups and organizations. In 2011 the Commission was able to give presentations at the Acworth Kiwanis Club, The Service Providers Network Meeting and participated in the Atlanta Housing Authority (AHA), in conjunction with Quality Living Services (QLS) Senior Wellness and Resource Fair, met with the Atlanta Regional Commission and attended the H.E.A.T (Heating Energy Assistance Team, Inc.) annual meeting.

The Commission in 2011 through the Consumer Affairs Unit provided informational materials to groups involved in utility related activities. The Commission continued its efforts to increase public awareness of the Lifeline/Linkup Program, a federally funded program that subsidizes the cost of telephone service for low-income consumers by sending out information to community centers, speaking with Community Center

Directors and Coordinators and passing out Lifeline and Link-Up applications to consumers.

ADMINISTRATION DIVISION

During 2011 the Commission's Administration Division worked within the constraints of its budget to promote efficiencies and make the maximum use of taxpayers' monies to fulfill its mission. During the 2011 Legislative Session, the General Assembly reduced the Commission's budget for the third consecutive year as state revenues continued to fall. Legislators passed a number of bills which affected Commission operations including Senate Bill 108, which allows Atlanta Gas Light Company to use the Universal Service Fund to build a network of compressed natural gas stations around the state. Lawmakers also approved House Bill 116 which removes the requirement for telecommunications headquartered out of Georgia to seek financing approval from the Commission.

During 2011 local, state and national news media interest in Commission decisions and activities remained high. This coverage included investigations into illegal motor carriers, assistance for low income natural gas customers and monitoring of the Georgia Power Plant Vogtle nuclear construction project. There was also coverage of several Commissioner sponsored forums on renewable energy resources and nuclear waste.

The Commission also established a YouTube Channel to post video clips of Commission statements and of news media coverage.

PUBLIC SERVICE COMMISSION PROFILES



H. Doug Everett

Commissioner Since: January 1, 2003

Elected: 2002, Re-elected: 2008

Serves Through: December 31, 2014

Republican, Albany, Georgia

Commissioner, 2011 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.

Prior to serving as a state legislator, Everett served three terms on the Albany City Commission, including two years as Mayor Pro Tem.

Commissioner Everett is a past president of the Southeastern Association of Regulatory Utility Commissioners (SEARUC), a non-profit corporation for the advancement and education of commission regulation and the promotion of cooperation among the commissions of the 11 member states. He is also a past member of the Advisory Board of Directors of the Institute of Nuclear Power Operations.

He entered Georgia Tech but later transferred to Georgia Teachers College (now Georgia Southern University) and majored in math.

Everett is a former member of the Albany Rotary Club, the Sylvester JAYCEES and the Sylvester Kiwanis Club.

Everett is married to Janice Perry Johnson of Montezuma. The couple has three grown children, Mitch, Mike and Denice Delk, five grandchildren and two great-grandchildren.



Chuck Eaton

Commissioner Since: January 1, 2007

Elected: December 4, 2006

Serves Through: December 31, 2012

Republican, Fulton County, Georgia

Vice-Chairman, 2011 Georgia Public Service Commission

Chuck Eaton was elected to his first term on the Public Service Commission in December of 2006. He was one of only two statewide Republican candidates in the entire country to beat an incumbent during that election year and served as Commission Chairman in 2008. Prior to moving to Atlanta, he was an Account Executive for a packaging manufacturer in LaGrange, Georgia. Commissioner Eaton also has an Accounting Degree from the University of Alabama.

He is the past President of the Buckhead Forest Civic Association and was also a representative to the Atlanta Neighborhood Planning Unit "B," a citizen group that makes recommendations on zoning, land use, public safety and community issues. In Troup County he served on the Board of Directors for Troup Haven House, a children's shelter.

Commissioner Eaton has been involved in the political process for a long time. In 1992, he served as Congressman Phil Crane's Deputy Campaign Manager. In Troup County he successfully managed multiple campaigns for former Representative Jeff Brown. He is a graduate of the Coverdell Leadership Institute, a statewide organization founded by late U.S. Senator Paul D. Coverdell to strengthen leadership and political skills.

Due to the judicial nature of the Commission, he enrolled at Georgia State Law School in 2009. Chuck takes night classes and pays for this education out of his own pocket.

Chuck lives in Atlanta with his wife, Erika, their daughter, Lydia, and their three rescued dogs. When not working at the Public Service Commission, he enjoys playing golf, target shooting, and boating with his family on Lake Lanier. The Eaton's are members of Peachtree Road United Methodist Church.



Tim G. Echols

Commissioner Since: January 1, 2011

Elected: November 4, 2010

Serves Through: December 31, 2016

Republican, Clarke County, Georgia

Commissioner, 2011 Georgia Public Service Commission

Tim Echols was elected to the Commission in the general election of November 2010 after spending 15 years in the non-profit sector. Echols founded “TeenPact” and grew the mock legislative youth program to 38 states in his tenure. He continues to serve on the Board of Directors.

Echols focuses on consumer protection, clean energy, and accountability. He travels the state speaking to students, civic groups and businesses about the importance of the PSC’s responsibilities—especially providing accountability to those the agency regulates.

Tim and his wife Windy added solar hot water heating to their Athens home just before being sworn-in. In addition, he promotes the use of CNG (compressed natural gas) as a transportation fuel and hopes one day America will be less dependent on foreign oil. In fact, Tim drives a 99 Honda Civic that runs exclusively on Compressed Natural Gas.

Tim is concerned about the nuclear waste from our power plants still sitting on the ground in Georgia. He believes that we should pursue the reprocessing of this nuclear waste. He is a big fan of nuclear power, believing it to be a viable option in the future with a possible carbon tax looming.

Tim is a big fan of “Project Share,” which allows Georgia Power customers to donate money to the Salvation Army with their power bill payment. Georgia Power matches the customer’s contribution dollar for dollar. As a conservative, Tim likes the idea of citizens helping each other—especially when their charitable contributions trigger corporate matching funds. He hopes to see the program double during his term.

Commissioner Echols and his wife Windy have seven children and live in Winterville, Georgia, just outside Athens in Clarke County.



Lauren "Bubba" McDonald, Jr.

Commissioner Since: January 1, 2009

Elected: December 2, 2008

Serves Through: December 31, 2014

Republican, Clarkesville, Georgia

Commissioner, Georgia Public Service Commission

McDonald, who served twenty years as a state Representative, was appointed to the PSC by Governor Zell Miller to fill a vacated post and then re-elected in a special mid-term election in 1998. He held the seat until 2002. On December 2, 2008, Georgians elected McDonald to serve on the Commission again. He served as Commission Chairman in 2010.

McDonald has a deep knowledge of the energy industry. During his previous term, he served on the Committee on Electricity of the National Association of Regulatory Utility Commissioners, chairing that body's subcommittee on Nuclear Issues and Waste Disposal in 2001 and 2002.

McDonald has spent decades serving the residents of Georgia. As a state Representative, he chaired the Industry Committee for five years and the Appropriations Committee for eight years. He also served as a commissioner in Jackson County, served on the Board of Managers of the Association of County Commissioners of Georgia, and volunteered as a Firefighter for the city of Commerce for 35 years.

A native of Commerce who now resides in Clarkesville, McDonald is a graduate of the University of Georgia with a BBA in Business. He has long been a supporter of higher education, serving on the Board of Governors of Mercer Medical College and the Board of the Advanced Technology Center at the Georgia Institute of Technology. He was also a director of the Small Business Development Center at the University of Georgia.

McDonald has lived his entire life within District Four of the Commission. Currently, he is a partner in L.W. McDonald & Son Funeral Home in Cumming, with his son, Lauren III. He was married to Sunny Nivens McDonald for 45 years. 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, 2006

Serves Through: December 31, 2012

Republican, Cobb County, Georgia

Chairman, 2011 Georgia Public Service Commission

Stan Wise has served on the Commission since January 1995 and previously served as Commission Chairman in 1997, 1999 and 2006. He was first elected to public office as a Cobb County Commissioner in 1990 and had served the 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.

Stan has served his state as President of the National Association of Regulatory Utility Commissioners (NARUC) in 2003-2004 furthering his responsibilities and interaction with Congress, Federal agencies, state officials, industry leaders, Wall Street, consumer groups and the news media. Stan has testified multiple times before Congress. Wise is a past President of the Southeastern Association of Regulatory Utility Commissioners (SEARUC) and serves on the International Relations Committee and Gas Committee of NARUC. He is also on the Advisory Council for the New Mexico State University Center for Public Utilities. He is a member of the Board of Trustees for the Feed the Hungry Foundation.

His alma mater, Charleston Southern University, named Wise the Outstanding Alumnus of the Year in 2006. In addition, he was named the Bonbright Center of the Terry College of Business Honoree of the Year in 2005.

He has also served on the U.S. Department of Energy State Energy Advisory Board, the Cobb County Public Schools Educational Foundation, Inc., and 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. He owned and operated an insurance business in Cobb County for twenty years. Wise was awarded his B.S. in Business Management from the Charleston Southern University in 1974. He also served in the U.S. Air Force Reserve for six years. He and his wife Denise have two grown children.

PUBLIC SERVICE COMMISSION LEADERSHIP TEAM

DECEMBER 31, 2011

Commissioners

Stan Wise, Chairman
Chuck Eaton, Vice-Chairman
Tim Echols, Commissioner
H. Doug Everett, Commissioner
Lauren “Bubba” McDonald, Jr., Commissioner

Administration Division

Deborah Flannagan, Executive Director
Reece McAlister, Executive Secretary
Bill Edge, Public Information Officer/Legislative Liaison
Terry Pritchett, Fiscal and Budget Officer
Margie Conley, Human Resources Officer
Jada Brock-diPietro, Director, Office of Operational Support

Utilities Division

Tom Bond, Utilities Division Director
Leon Bowles, Director, Telecommunications and Transportation Unit
Pandora Epps, Director, Internal Consultants Unit
Sheree Kernizan, Director, Electric Unit
James Gibson, Manager, Consumer Affairs Unit
Mike Nantz, Director, Facilities Protection Unit
Nancy Tyer, Director, Natural Gas Unit

UTILITIES DIVISION

The Commission in 2011 continued its monitoring of the Georgia Power Nuclear Power Plant Vogtle construction project in east Georgia. The Commission also approved a reduction in Georgia Power fuel cost recovery rates for the state's only investor owned electric utility and approved a historic rate adjustment mechanism for the only traditionally regulated natural gas distribution company in the state.

Historically the Georgia Public Service Commission has been responsible for setting the rates charged by telecommunications, natural gas, electric and transportation companies and for establishing and enforcing quality of service standards. The telecommunications, natural gas, and electric industries previously were natural monopolies. Segments of the transportation, gas and telecommunications industries have evolved into competitive markets that allow customers to choose among multiple providers for certain services and pay rates set by the provider. Other services, such as electricity, 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, federal and state authorities opened local telephone service by federal and state legislation, respectively. Over the last few years, local telephone competition has been effectively redefined due to technological advances of broadband, VoIP and wireless telephone. State legislators and federal agencies have recognized that local telephone companies are now facing intermodal competition from cable TV companies and wireless providers, not just intramodal competition from other telephone companies. In 1998, Georgia opened the natural gas industry to competition. Since then Commission certified marketers sell gas commodity service to customers in the Atlanta Gas Light Company territory while Atlanta Gas Light Company is a natural gas distributor only. Marketers set their own prices, whereas the Commission sets the rates charged by AGLC.

In spite of these changes in the regulatory environment, the Commission's mission remains the same—to ensure that consumers receive the best possible value in telecommunications, electric, transportation 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. The state's only investor-owned electric utility, Georgia Power Company, is fully regulated by the Commission and serves approximately 2,000,000 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 REGULATION OF THE ELECTRIC UTILITY INDUSTRY IN 2011

Commission Monitors Progress of Nuclear Power Plant Construction



Electric Staff visits Plant Vogtle

The Commission on March 17, 2009 approved the Georgia Power Company request to certify the construction of two new nuclear power units at its Plant Vogtle Nuclear Power Plant near Waynesboro, Georgia. Under a Commission approved agreement, the Company must file semi-annual monitoring and monthly status reports with the Commission. The semi-annual monitoring report includes any proposed revisions to the cost estimate, construction schedule, or project configuration, as well as a report on actual costs incurred during the period covered by the report and an updated comparison of the economics of the certified project.

The Commission Staff and Construction Monitor continued to actively monitor the construction of the two new units. In 2011, The Commission held hearings in the Third and Fourth Construction Monitoring proceedings. The Commission and the Company reached a settlement that created a mechanism for dealing with any potential construction cost overruns and allows the Commission to retain the ability to disallow costs as imprudent even after they have been verified and approved in the semi-annual review process.

Commission Reduces Fuel Rates for Georgia Power Customers

Georgia Power's fuel costs to generate electricity tracked lower than projected in 2011 following the implementation of new fuel rates in 2010. Accordingly, the Commission

reduced Georgia Power Company's residential customer rates by \$8.00 a year for the average residential user. A request for an increase in the fuel cost is not the same as a request for an increase in base rates. Georgia law allows electric utilities to recover their fuel costs, prudently incurred, on a dollar for dollar basis (O.C.G.A. 46-2-26) but the law only allows the utilities to recover their costs dollar for dollar and they are not allowed to make a profit on their fuel costs. The Commission can also, on its own request, require a utility to file a fuel cost docket. Georgia law also requires the Commission to issue a decision on the Company's request within 90 days of the Company's filing. Otherwise, the Company's request goes into effect.

Commission Holds Hearings to Address EPA Utility Environmental Rules

The Commission opened Docket 34218 during the summer of 2011 to address Georgia Power's plan to comply with state and federal environmental rules regarding emissions from electric utility coal plants. In anticipation of the final rules to be released in late 2011, the Commission required Georgia Power to file its plan for compliance. In its filing, the Company asked to retire certain plants to comply with these rules and to certify purchased power contracts to replace retired and otherwise unavailable coal units. The Commission held hearings in 2011 which will conclude in the first quarter of 2012. A decision is expected in the latter part of 2012.

Commission Approves Increase in Georgia Power's Renewable Energy Portfolio

The Commission approved contracts for the expansion of Georgia Power's solar energy resource by 50 megawatts after receiving a tremendous response from potential suppliers. This approval represents a 1200% increase in Georgia Power's solar resource portfolio.

Smart Grid Activities

The Commission American Recovery and Reinvestment Act (ARRA) Staff continues to:

- Track and monitor Georgia Power's installation of smart meter infrastructure statewide
- Facilitate the Commission's Demand side Working Group (DSMWG) activities which was formed to provide input on Georgia Power energy efficiency programs for the 2013 IRP
- Actively monitor Commission 2010 certified DSM programs
- Monitor Company activities under its ARRA grant to improve distribution reliability
- Work on demand response pricing, rate, and transmission issues
- Handle all renewable energy requests
- Facilitate the Company's compliance with federal Energy Independence and Security Act (EISA) standards

Monitoring Activities

The Commission continues to investigate and monitor the following:

- Effectiveness of hedging programs of Georgia Power in mitigating potentially high natural gas fuel costs;
- Flat billing tariffs for residential and commercial customers, designed to provide price stability during fluctuating market conditions;
- Performance and reliability of the utilities' generating plants; and,
- Companies' earnings for excess revenues available for sharing, as defined in the approved accounting orders.

Territorial Matters and EMC Financing Requests

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 EMCs. In 2011 the Commission approved ten financing applications filed by electric membership cooperatives. In 2011, there were 23 requests for transfer of retail electric service received and approved by the Commission.

Commission Continues Its Involvement in State and Federal Activities That Impact the Electric Utility Industry

The 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 track and provide input into any legislation will affect Georgia ratepayers. Commissioners and staff serve on the committees of several national and local groups including NARUC, SEARUC, Southeast Electric Reliability Council (SERC), Georgia Green Pricing Accreditation Group, Georgia Energy and Environment Group. The Commission has been active in many of the Federal Energy Regulatory Commission (FERC) rulemaking dockets to ensure that Georgia's regulated consumers are not unduly harmed by policies that could lead to an increase in electric rates.

Commission Seeks To Protect Ratepayer Interests in Environmental Policy Decisions

The Commission continued to monitor environmental proceedings at the state and national level. In 2011, Commissioners spoke before federal regulators at the Federal Energy Regulatory Commission (FERC) in Washington, D.C. and Congress about the impact of the EPA rules on customer rates.

The Commission monitored the activities of the Blue Ribbon Commission formed by the federal government to address the disposal of spent nuclear fuel following the federal government decision to defund the Yucca Mountain Nuclear Waste Disposal project. Commission Chairman Stan Wise addressed our state concerns at the Blue Ribbon Commission meeting in Atlanta, Georgia in October 2011. Commissioners have held symposiums and meetings on nuclear fuel management and alternatives such as spent nuclear fuel reprocessing.

DOE'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 DOE'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. In 2007, the Company received a favorable judgment in its lawsuit against DOE for not receiving the nuclear waste per its contract. DOE has appealed this decision in the Court of Federal Claims in Washington, D.C.

Natural Gas

At the end of 2011 the state had ten Commission certified natural gas marketers actively serving firm customers in the Atlanta Gas Light Company delivery area.

Throughout 2011 the Staff conducted audits of the following programs: Atlanta Gas Light Company's Manufactured Gas Plant; Atlanta Gas Light Company's Pipe Replacement Program; Atmos Energy's Cast Iron and Bare Steel Retirement Program; Audit Report Concerning Atlanta Gas Light Company's Universal Service Fund (USF); and AGLC's Integrated-System Reinforcement Program (i-SRP).

In March 2011 the Commission approved two transportation tariffs that allow third parties to deliver natural gas into AGLC's pipeline distribution system.

In June 2011 AGLC with the Commission filed its first Sustainable Environmental Economic Development (SEED) project. AGLC entered into a contract with the City of Atlanta for a project at the Atlanta Civic Center on Piedmont Road.

In September 2011 the Commission issued an Order approving Atmos Energy's 2011-2012 Gas Supply Plan.

In November 2011 the Commission approved AGLC's 2011 Universal Service Fund Facilities Expansion plan that will bring additional Compressed Natural Gas (CNG) stations to the State of Georgia. The proposed budget for this project is \$11.57 million, and ideally, will be self-supporting after the initial investment. As part of this filing, AGLC proposed to utilize USF funds to ideally develop a market in Georgia for CNG vehicles to individuals and fleets.

On December 14, 2011 the Commission approved a Stipulation with Atmos Energy Corporation for the Georgia Rate Adjustment Mechanism (GRAM). The GRAM is designed to and is likely to produce lower prices for consumers of natural gas in Georgia.

As of December 19, 2011, the Regulated Provider had a total of 78,176 customers, with 24,859 designated as Group 1 and 53,317 designated as Group 2.

Natural Gas

Natural gas is important to the development and economic prosperity of Georgia. Approximately 1,600,000 customers in Georgia use natural gas, delivered by the state's two investor-owned natural gas systems, Atlanta Gas Light Company (AGLC) and Atmos Energy Corporation.

During 2011 the Natural Gas Staff worked on numerous projects including Atmos Energy Gas Supply Plan, multiple audits, management of the Universal Service Fund,

certification issues for municipals and city gas systems, marketer certification issues, bids for the Regulated Provider, AGLC's natural gas vehicle program, as well as the various other regulatory issues concerning AGLC, Atmos, certificated marketers, and certificated municipals.

ACTIVITIES IN THE NATURAL GAS UTILITY INDUSTRY IN 2011

I. Atlanta Gas Light Company Activities

A. Atlanta Gas Light Company's 2011 Universal Service Fund Facilities

Expansion Plan Docket 32499

On September 7, 2010 AGLC filed its 2011 Universal Service Fund (USF) Facilities Expansion Plan in Docket No. 32499, requesting its full 5% capital budgetary cap of \$11.57 million. On May 12, 2011, AGLC filed a revised plan to its original September 7, 2010 filing. During the November 1, 2011 Administrative Session, the Commission approved AGLC's May 12, 2011 revised 2011 Plan with the modifications offered by Staff in Option-A: Hybrid Retailer/Fleet Program, as well as further modifications discussed below. The Commission also approved AGLC's V-52 Rate Schedule and the Compressed Natural Gas CNG-1 Rate Schedule to be included in the tariff. The AGL CNG Program is approved under the USF 2011 Facilities Expansion Plan (2011 Plan) and will consist of two phases. Phase I projects will be new construction using USF funds to install CNG Equipment at CNG Stations to serve CNG Retail and commercial fleet customers, pursuant to the 2011 Plan that could utilize the \$11.57 million. Phase II will not use USF funds as part of its implementation.

Phase II will use proceeds from commercial activities at each CNG Station generated by the Equipment Usage Fee (EUF) collected from the operation of the Phase I CNG Equipment to fund three additional initiatives which are not part of the 2011 Plan. During the December 6, 2011 Administrative Session, the Commission reconsidered the November 29, 2011 order with a modified approach to Paragraph 15 from Staff's recommendation under Option-A. The Commission also reconsidered its November 29, 2011 order and approved the insertion of a new paragraph 17 that reads as follows:

"Approved Project Applicants shall acquire the right to execute a standard CNG-1 service agreement with the Company, and the right to purchase AGL's CNG Equipment located at the approved CNG Station after five years of continuous commercial operations at that location at the higher of pro rata depreciated net book value or market value of the CNG Equipment. In addition to any other specialized requests that might be added to the standard CNG-1 service agreement, an Approved Project Applicant may negotiate with the Company to reach mutually agreeable terms and conditions for any or all of the follows:

- a. to consult on the design of the CNG Equipment and integration with other related components at the CNG Station;

- b. to construct the CNG Equipment; or
- c. To maintain the CNG Equipment using properly qualified and trained technicians, and reduce the Operation and Maintenance portion of the Company's tariff rate."

B. Transportation Tariffs (Landfill Gas, LNG, Shale Gas, etc.) Docket 31647

In March 2011, the Commission approved two transportation tariffs that allow third parties to deliver natural gas into AGLC's pipeline distribution system. The source of the third parties' natural gas would originate from landfills after processing, be produced from underground strata (shale gas), be vaporized from liquefied natural gas, or would consist of other forms of gas that may be produced in Georgia.

The General Gas Transportation Service Rate (TS-1) tariff is designed to provide transportation service to customers where the Company's existing facilities are capable of delivering the supply. In the event that AGLC must install any additional facilities or make modifications to the current facilities for the TS-1 service, the tariff provides that such facilities' costs (including, but not limited to storage, distribution, and meter facilities) would be the responsibility of the customer. The gas delivered into AGLC's distribution system must meet AGLC's gas quality standards. All Local Gas transported under TS-1 will be consumed within the State of Georgia.

The Special Gas Transportation Service (TS-2) tariff is designed to allow for the transportation of non-conforming local gas through dedicated AGLC distribution facilities without comingling with gas on the standard distribution system. Once any new or additional facilities are in place, they will be part of the Company's distribution system and will be a part of rate base. AGLC must be certificated in the area where the dedicated distribution facilities will be located.

C. Universal Service Fund (USF) Dockets 15326 and 11588

In USF-Table-1 below, the USF had total deposits of \$15.2 million for the fiscal year. Sequent Asset Management was the largest contributor and provided \$7.2 million, or 51.77% of all deposits, in account 402, Asset Management. Interruptible revenues, account 401-1 provided the second largest deposit amount of \$4.9 million, or 32.46% of total deposits. When looking at USF-Table-2, the expenditure activity for the 2011 fiscal year was \$11.1 million. The largest disbursement during the fiscal year was \$5 million, account 503, Low-Income Assistance that accounted for 44.67% of total expenditures. The total funding position for the fiscal year, deposits over expenditures, was \$4.0 million. The ending balance to the USF as of June 30, 2011 was \$52,243,966.37. This is consistent with the June 2011 bank statement. The Commission performs monthly reconciliation on the USF bank statements, which are filed with the Commission.

Table-1: USF Deposit Activity Fiscal Year 2011

Charter of Accounts	Annual Totals	%
Beginning USF Balance: July 1, 2010	\$48,230,273.24	
<u>400 - Funding Sources</u>		
401 - USF Statutory Funding		
401-1 - 95% Interruptible Base	\$4,936,268.75	32.46%
401-2 - DSR	\$529,166.42	3.48%
401-3 - Mismatch	\$410,593.38	2.70%
401-4 - Curtailment Violation	\$221,025.00	1.45%
401-5 - Cash Out Adjustment	\$0.00	0.00%
401-6 - Supplier Refunds	\$869,307.16	5.72%
401-7 - Unclaimed Customer Deposits	\$221,071.70	1.45%
401-8 - DSR Inc. Adj.	\$7,020.00	0.05%
401-9 - Miscellaneous Revenue - Statutory	\$26,135.30	0.17%
401-10 Adjustments	\$0.00	0.00%
401-11 - Capacity Release	\$0.00	0.00%
401-12 - Off-System Sales	\$0.00	0.00%
401-13 - Customer Refund	\$0.00	0.00%
401-14 - Finance Charge	\$0.00	0.00%
401-15 - Marketer True-Up	\$0.00	0.00%
<u>Total Account 401 Statutory Funding:</u>	\$7,220,587.71	47.48%
402 - Asset Management	\$7,872,460.00	51.77%
403 - USF Interest Income	\$110,651.56	0.73%
404 - Miscellaneous Revenue - Non-Statutory	\$0.00	0.00%
405 - USF Discount Income	\$0.00	0.00%
406 - Matured Bonds Par Value	\$0.00	0.00%
407 - Income & Principal Cash Current Month	\$0.00	0.00%
408 -USF Low-Income Assistance Returned	\$3,092.91	0.02%
<u>Total Non-Statutory Funding:</u>	\$7,986,204.47	52.52%
Total USF Account 400 Funding:	\$15,206,792.18	100.00%

USF-Table-2: USF Expenditure Activity Fiscal Year 2011

<u>500 - Expenditures</u>		%
501 - USF AGLC Line-Extensions	\$0.00	0.00%
502 - Bank Fees	\$75,423.05	0.67%
503 - Low-Income Assistance	\$5,000,000.00	44.67%
504 - Commission Credits	\$0.00	0.00%
505 - Regulated Provider	\$2,376,189.66	21.23%
506 - Miscellaneous	\$0.00	0.00%

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507 - Mature Bond Par Val Paid	\$0.00	0.00%
508 - Paid Bond Accrued Interest	\$17,486.34	0.16%
509 - USF Annual Plans Non-Line-Extension Projects	\$0.00	0.00%
510 - Income & Principal Cash Current Month	\$0.00	0.00%
511 - Income & Principal Cash Prior Month	\$0.00	0.00%
512 - Refunds to Customers	\$0.00	0.00%
513 - Dividend Reversal	\$0.00	0.00%
514 - DN 31647 SRC Payment	\$3,724,000.00	33.27%
Total USF Account 500 Expenditures:	\$11,193,099.05	100.00%

USF Annual Fund Position:	\$4,013,693.13	
Ending USF Balance: June 30, 2011	\$52,243,966.37	

D. AGLC's Sustainable Environmental Economic Development Program Docket 28871

On March 9, 2009, the Commission approved AGLC's request for a Sustainable Environmental Economic Development (SEED) E-1 tariff as an experimental program. AGLC stated the SEED program would offer special rates and services to support the retention and expansion of business in Georgia and promote environmentally beneficial initiatives.

On April 13, 2011, AGLC filed its first SEED project with the Commission. AGLC entered into a contract with the City of Atlanta for a project at the Atlanta Civic Center on Piedmont Road. AGLC will manage the purchase and installation of the following:

- Install high efficiency HVAC systems and new air handlers for the exhibit hall;
- Install infrared space heaters in the staging / high bay area;
- Replace two existing 1,500 gallon water heaters that are over 40 years old with two state of the art condensing water heaters;
- Replace 3,438 existing lamps with lower wattage lamps, including the replacement of incandescent and compact fluorescent lamps with low wattage LED fixtures; and
- Replace the current antiquated pneumatic system with modern direct digital controls (DDC) system; including a new PC workstation for control and monitoring of the building and a "dashboard" energy/emissions savings touch screen display for public sustainability education.

The Commission approved the SEED project in June 2011.

II. Atmos Energy Corporation Activities

A. Atmos' Georgia Rate Adjustment Mechanism (GRAM) Docket 34734

In May 2011, Atmos approached the Commission with a proposal for a rate adjustment mechanism that could be used to provide an adjustment to Atmos' rates each year and would not require the time and expense of a full rate case. The Commission and Atmos began a partnership in developing the Georgia Rate Adjustment Mechanism ("GRAM"), based on Georgia's Alternative Form of Regulation statute in O.C.G.A. 46-2-23.1, which is unique only to Georgia and provides the best balance of risk and rewards between Atmos and its ratepayers.

The operation of the GRAM will require Atmos to make an annual filing with the Commission by October 1st of each year that will contain eleven agreed upon schedules that will allow the Staff to review Atmos' GRAM calculation. If Atmos is found to be earning within the range, there will be no adjustment to rates. Though Atmos has a target ROE of 10.7%, as part of the GRAM, Atmos has a Return on Equity range of 10.50% to 10.90%. If Atmos is found to be earning below 10.50%, the rates will be adjusted upward to the bottom of the range. Likewise, if Atmos is found to be earning above 10.90%, the rates will be adjusted downward to the top of the range.

The GRAM is designed to and is likely to produce lower prices for Atmos natural gas customers in Georgia. In addition, the GRAM will provide incentives for Atmos to lower its costs and rates as well as provide incentives to improve the efficiency and productivity of the gas company. Finally, the GRAM will reduce regulatory delay and cost. The Commission approved the GRAM on December 14, 2011

B. Atmos' 2011-2012 Gas Supply Plan Docket 34118

On September 20, 2011, the Commission issued an Order for Atmos Energy's 2011-2012 Gas Supply Plan in Docket 34118. The plan approves the interstate, storage and peaking assets needed to meet the Company's forecasted peak for its Gainesville and Columbus service areas where Atmos Energy serves approximately 55,000 customers. Significant issues in the 2011-2012 Gas Supply Plan included the methodology used to forecast peak day design, the appropriate capacity reserve margin and the associated turn back of capacity, as well as operational issues related to the Company's Liquefied Natural Gas facility. This gas supply plan is in effect until September 30, 2012. The Company is required to file its 2012-2013 Plan by July 1, 2012.

III. Certificated Natural Gas Marketers' Activities

A. Active Marketers Update

At the end of 2011, ten natural gas marketers were certificated and actively serving customers. On March 17, 2010, Commerce Energy filed a notice of intention to reenter the Georgia retail natural gas market. Its notice contained a request to extend the effective period of its certificate. On March 17, 2011 The Commission approved the Company's

request to reenter the Georgia retail natural gas market, which allowed Commerce to begin serving customers in Georgia.

During 2011 MxEnergy Inc. petitioned the Commission twice to amend its certificate of authority to reflect a change in control at the holding company level. On June 28, 2011 The Commission approved the first change of control, when Constellation Energy Group, Inc. (Constellation) acquired MxEnergy Holdings Inc., the indirect parent company of MxEnergy Inc. On October 18, 2011 The Commission approved the second change of control, when Exelon Corporation acquired Constellation.

In November 2011, People's Power and Gas filed an application for a Certificate of Authority. The Commission Staff reviewed the application and sent a Notice of Incompleteness to the company in December 2011. Based on the company's lack of response, the application was deemed withdrawn in January 2012.

B. Regulated Provider Docket 28320

SCANA Energy continues to serve as the Regulated Provider of Natural Gas. In August 2010, the Commission extended the term for an additional year under the same terms and conditions, which will end on August 30, 2012.

As of December 19, 2011, the Regulated Provider had a total of 78,176 customers, with 24,859 designated as Group 1 and 53,317 designated 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 customers who have not been able to obtain service from other marketers due to poor credit or no credit. During 2011, the Commission approved approximately \$1,770,160.92 for Group 1 customer assistance. No such funds are available for Group 2 customers.

C. 2012-2013 Regulated Provider Request for Proposal

On September 6, 2011, the Commission approved a Request for Proposal for the 2012-2014 Regulated Provider. On September 21, 2011, Staff received pre-qualification information from four Marketers. On October 12, 2011, the Marketers were notified via email of their pre-qualification status. On November 14, 2011, Staff received bids from SCANA and Infinite. Staff will review the bids and provide a recommendation to the Commissioners in February 2012.

IV. Municipal Activities--Certificates of Public Convenience and Necessity

The Natural Gas Staff is working in conjunction with the Pipeline Safety Staff on the County-Wide Natural Gas Safety Plans ("CWSP") (Commission Rule 515-9-7-.01). The rule establishes that natural gas providers within each county develop a County-Wide Safety Plan (CWSP) delineating procedures for safety and emergency response to natural

gas emergencies.

By the close of 2011, the Commission had granted 41 Certificates of Public Convenience and Necessity.

V. COMMISSION STAFF AUDITS

A. AGLC's Manufactured Gas Plant (MGP) Docket 4167

In March 1992, Atlanta Gas Light Company filed an Environmental Response Cost Recovery Rider which laid out a proposed mechanism for recovering costs associated with the cleanup of 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. The Commission conducts quarterly audits of capital expenditures related to the MGP cleanup activities at twelve MGP sites, three of which are in Florida, where AGLC used to manufacture natural gas from coal. The production process created by-products that contaminated the soil and ground water. The ratepayers of Georgia are assessed a surcharge to assist with this cleanup. The Commission audits the expenditures for accuracy and financial prudence. The program audit cycle runs from July 1 of one year to June 30, and the Staff files an audit report for each cost year. During the 2011 fiscal year, the Staff audited 100% of costs during Cost Year-20 totaling \$4.4 million. Since the inception of the MGP program, the total costs attributed to the natural gas ratepayers totaled \$253.8 million. Ratepayers have paid over \$230.2 million in recovery costs for the MGP cleanup.

B. AGLC's Pipe Replacement Program (PRP) Docket 8516

The Commission issued a Rule Nisi against AGLC on January 6, 1998 in Docket. 8516 alleging that AGLC had committed numerous and continuing safety violations 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. The Commission 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 monthly rider, costs incurred to replace portions of its pipeline system that were corroded 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 and cast iron pipe had been identified for replacement during the 10 year period from 1998 to 2008. This mileage was revised to 2,504 miles in 2003. As part of the AGLC rate case agreement in Docket No. 18638, the PRP was extended from a 10-year program to a 15-year program, ending in 2013. The PRP is funded through a surcharge on customers' bills. The surcharge is fixed at \$1.95 for residential customers, G-11 tariff customers pay three times the \$1.95, and G-12 tariff customers pay 25 times the \$1.95. With the approval of AGLC's "STRIDE" program in October 2009, an additional \$0.20 per customer has been assessed in addition to the \$1.95. The current amount charged to customers is \$2.35.

The Commission conducts quarterly audits each year on the capital expenditures of the program to ensure accuracy and financial prudence of the expenditures. The program audit cycle runs from July 1st to June 30th of each year. Cost Year-13 ran from July 1, 2010 to June 30, 2011. Cost Year 14 began on July 1, 2011. The program is set to conclude by December 2015, Cost Year-15. During the 2011 fiscal year, AGLC reported \$77.6 million in capital expenditures with an ending rate base totaling \$365.7 million. Since the inception of the PRP, AGLC has incurred over \$672 million in capital expenditures, and Georgia natural gas ratepayers have paid over \$448 million through rates and the surcharge. The Commission uses audit standards based on those provided by the Public Company Accounting Oversight Board (PCAOB), formally known as Generally Accepted Auditing Standards (GAAS). The audit process uses a percentage of random sampling of invoices and other procedures. The Commission files an audit report that details the audit process along with any findings. No material issues were found during the fiscal year.

C. Atmos' Cast Iron and Bare Steel Retirement Program Docket 12509

In its April 12, 2001 Order, the Commission approved an accelerated pipe replacement program to replace 184 miles of cast iron pipe in Columbus over a 15-year period and 46 miles of bare steel pipe in Gainesville over a 20-year period. To date, the Company has replaced 185.79 miles of pipe in the Columbus area and 45.97 miles of pipe in the Gainesville area for a combined total of 231.76 miles replaced.

During 2011, the Commission performed an audit of Atmos' cast iron and bare steel retirement program. The period audited was October 1, 2009 through September 30, 2010 -Year 10 of the program. The Company filed its annual report for this period on February 8, 2011. The Company proposed and the Commission approved a surcharge of \$5.49 per residential customer, \$16.47 per commercial customer, and \$137.25 per industrial customer per month to be effective October 1, 2011. During the twelve months ending September 30, 2010, Atmos incurred pipeline replacement expenses in the amount of \$8,606,784 for both the Cast Iron and Bare Steel projects and a savings of \$48,281 in O&M expenses. Over this same period the Company replaced 2.75 miles of pipe in the Gainesville service area and 16.54 miles of pipe in the Columbus service area.

D. Audit Report Concerning AGLC's Universal Service Fund (Sequent Audit) Docket 16193

The Commission, as administrator of the USF, has a responsibility and obligation to audit and manage the Universal Service Fund. To that end, the Commission Staff is currently conducting an audit of the transactions made by Sequent on behalf of AGLC for the years 2008 and 2009. Staff will present its Audit report to the Commission in 2012.

E. AGLC's Integrated-System Reinforcement Program (i-SRP) Docket 29950

On October 13, 2009, the Commission approved an i-SRP program for AGLC to construct new pipeline infrastructure for system reliability. The first three-years of projects, 2010 – 2012, was approved with the original filing. Similar to the PRP audit, the Staff conducts four quarterly audits a year on the same cycle as the PRP. Cost Year-2 ran from July 1, 2010 to June 30, 2011. During the cost year, AGLC had capital expenditures totaling over \$65 million. The Commission Staff uses audit standards based on those provided by the Public Company Accounting Oversight Board (PCAOB), formally known as Generally Accepted Auditing Standards (GAAS). The audit process uses a percentage of random sampling of invoices and other procedures. The Staff files an audit report that details the audit process along with any findings.

F. AGLC's Integrated Customer Growth Program Docket 29950

On February 8, 2010, the Commission determined that AGLC's proposed Integrated Customer Growth Program (i-CGP) was in the public interest and provided a reasonable, fair, and workable program to provide for immediate and long-term customer growth on AGLC's distribution system and was approved as a pilot program for 2009-2012. In addition, the Commission determined that AGLC's revised governance procedures for the i-CGP were in the public interest and provided a reasonable, fair and workable governance structure for the i-CGP program. Included in the approved governance procedures was the requirement that AGLC file a strategic corridor plan at least annually, similar to their annual USF filings. As a result of this program, the current STRIDE surcharge will continue for an additional three years, until September 30, 2025.

On April 15, 2011 and as revised on July 7, 2011, AGLC filed a petition for a new round of i-CGP projects, i-CGP-2, with a total cost of \$31.5 million. These projects can be found in i-CGP-Table-1 below. During the August 2, 2011 Administrative Session, the Commission approved the projects provided in the table below. As provided in an August 1, 2011 quarterly report, the i-CGP-1 group of projects approved on June 3, 2010, was completed.

Project	County	Type of Pipe	Pipe in Feet	Miles	Total Cost
Blue Ridge Project	Fannin & Gilmer	8" Steel + 4' Plastic	145,600 & 40,000	37	\$23,700,000
Cleveland to Helen Corridor	White	4" Steel	60,720	11.5	\$6,000,000
Lake Sinclair Project	Baldwin	4" Steel	15,000	4.4	\$1,200,000
Georgetown-Augusta Corridor	Columbia	8" Steel & 4" Steel	4,000 & 5,000	1.7	\$640,000
TOTAL			270,320	45.1	\$31,540,000

I-CGP-Table-1: Docket No. 29950: AGLC's July 7, 2011 CGP Revised Petition

Telecommunications and Transportation

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. For some competitive segments of the industry, the Commission does not set rates, but facilitates market development, certifies providers, arbitrates interconnection agreements, and resolves complaints among competitors. Under the Competitive Emerging Communications Technologies Act of 2006, the Commission cannot impose any requirement or regulate the rates, terms or conditions for broadband service, wireless service or VoIP (Voice over Internet Protocol).

SIGNIFICANT DEVELOPMENTS IN THE TELECOMMUNICATIONS INDUSTRY IN 2011

In 2011 the Commission granted certificates of authority to 12 long-distance resellers, one alternative operator service provider, 13 competitive local exchange providers, eight inter-exchange service providers and one payphone service provider. The total number of active certificates in 2011 was 354 resellers, 78 alternative operator service providers, 264 competitive local exchange providers, 103 inter-exchange service providers, 419 payphone service providers, 21 Institutional Telecommunication Service providers and over 30 incumbent local exchange service providers. The Commission also approved 48 interconnection agreements and designated five Competitive Eligible Telecommunications Carriers (ETC).

ELIGIBLE TELECOMMUNICATIONS CARRIERS (ETC)

The Commission continues to monitor the activities of the seven competitive ETCs it approved prior to 2011 in Georgia. The ETCs, upon designation by the Commission, are eligible to receive Federal support for serving high-cost, generally rural, areas, as well as support for qualifying low-income customers. These ETCs will provide greater consumer choice in rural areas and, consistent with the Federal Communications Commission's goals, expand participation in the Lifeline program. As a condition of designation, the Commission reserved the right to resolve complaints and required detailed quarterly and annual filings from each ETC describing how the Federal funds are being spent.

TELECOMMUNICATIONS RELAY SERVICE (TRS)

Hamilton Telecommunications has been the Georgia TRS provider since April 2006. Headquartered in Nebraska, Hamilton currently provides relay service in 14 states. Hamilton, known as Georgia Relay, operates a call center in Albany, Georgia seven days a week, twenty-four hours a day, employing over 65 communications assistants. In

2011, the Relay Center in Albany processed an average of almost 45,000 relay calls per month. The cost was \$808,530

With Commission approval, Hamilton implemented Captioned Telephone Service (CapTel®) in Georgia in January 2008. An enhanced form of Relay service, CapTel® allows individuals with hearing loss to view word-for-word captions of their telephone conversations. Over 900 subscribers now use the system, averaging approximately 9,000 calls a month by year's end. CapTel® averages about 90,000 calls annually. The cost of this service for 2011 was \$937,346.

TELECOMMUNICATIONS EQUIPMENT DISTRIBUTION PROGRAM (TEDP)

The Commission established the Georgia TEDP in March 2003 in accordance with the provisions of House Bill 1003. This program provides specialized telecommunications equipment to Georgians who, because of physical impairments (particularly hearing and speech), cannot otherwise communicate over the telephone. Receipt of free equipment under this program is subject to medical and financial eligibility requirements. To date, approximately 4,700 equipment items, which includes approximately 260 CapTel® phones, have been distributed to almost 5,700 hearing or speech-impaired applicants. The Commission contracts with the Georgia Council for the Hearing Impaired to be the distribution agency for the Georgia TEDP. The cost of this service for 2011 was \$816,025.

AUDIBLE UNIVERSAL INFORMATION ACCESS SERVICE (AUIAS)

In 2006 the passage of House Bill 660 created a state-wide AUIAS to provide blind and print disabled citizens of Georgia with telephonic access to print media publications. The PSC was made responsible for oversight of the service, including establishment, implementation and promotion. Following a competitive bidding process, the Commission selected the National Federation of the Blind to administer the service. Since June 2006, the AUIAS has provided continuous audible universal access to all Georgia telephone exchanges, 24 hours a day, seven days a week and 52 weeks a year. The system is accessible by dialing a toll-free or local number anywhere in the state and has the capacity to serve an unlimited number of subscribers. Currently there are over 1,450 subscribers to this service. The total number of Georgia citizens that could potentially benefit from this service exceeds 25,000, as demonstrated by the number of current subscribers to the Georgia Library for Accessible Services. The cost of this service in 2011 was \$203,100.

HEARING AID DISTRIBUTION PROGRAM

In August 2007, the Commission approved a program to implement the provisions of House Bill 655 for the distribution of hearing aids to lower income Georgians. The Commission contracted with the Georgia Lions Lighthouse Foundation, a nonprofit organization that has provided hearing aids to low-income Georgians for over 30 years. Under the contract the Foundation will receive \$594,000 each year for this program.

The Foundation currently partners with two hearing aid manufacturers and maintains a network of over 150 audiologists throughout the state. The program has distributed 7,415 hearing aids to 4,036 applicants.

UNIVERSAL ACCESS FUND (UAF)

On February 11, 2011, 17 Tier II Independent Local Exchange Carriers (ILECs) filed requests for high-cost support totaling \$20,836,542 for costs incurred during the 16th UAF Year (i.e., the period of July 1, 2010 through June 30, 2011). All applicants underwent an audit performed by Victor Hurlbert, CPA.

Under a process approved by the Commission, an applicant could choose to have its application considered on one of two “tracks.” Under Track 1, the applicant would voluntarily limit its request to no more than \$1,000,000.00 in consideration of a more streamlined process that does not automatically require a hearing. A Track 2 applicant would undergo a mandatory hearing in which any party could raise concerns regarding any aspect of the application.

On September 23, 2011, the Commission approved a total of \$10,068,259.31 in disbursements for the 14 Track 1 applicants for the 16th UAF year.

The Commission held hearings on the Track 2 applicants on August 29-30, 2011, and, on November 1, 2011 the Commission approved a total disbursement of \$5,957,615 for the three Track 2 applicants.

The Commission approved the disbursements for all applicants for the 16th UAF year of \$16,025,874.31.

Tier II Carriers for 16th UAF Year	Approved Disbursement
Blue Ridge Telephone Co.	\$ 1,000,000.00
Brantley Telephone Co.	\$ 1,000,000.00
Bulloch Telephone Coop.	\$ 570,224.00
Camden Telephone Co.	\$1,000,000.00
Chickamauga Telephone Co.	\$ 1,631,377.00
ComSouth Telephone Co.	\$ 642,032.00
Darien Telephone Co.	\$ 731,692.47
Glenwood Telephone Co.	\$ 384,045.00
Hart Telephone Co.	\$ 1,000,000.00
Pembroke Telephone Co.	\$ 833,300.94
Plant Telephone Co.	\$ 558,173.90
Planters Telephone Coop.	\$ 1,000,000.00
Progressive Rural Telephone Coop.	\$ 173,676.00
Public Service Telephone Co.	\$ 2,246,496.00

Ringgold Telephone Co.	\$ 2,079,742.00
Trenton Telephone Co.	\$ 1,000,000.00
Waverly Hall Telephone Co.	\$ 175,115.00
Total	\$16,025,874.31

The Georgia General Assembly passed House Bill 168 in the 2010 legislative session and the law became effective on June 4, 2010. In the Order Implementing House Bill 168 on November 23, 2010, the Commission unanimously approved the intrastate switched access reduction plans filed by the companies. The companies were “directed to file compliant tariffs consistent with the access reduction plans by December 2, 2010” which the Commission subsequently approved. The Commission also approved a recommendation that increases in rates for basic local exchange services or in the alternative provides that the imputation of the revenues be based on an annual rate increase of up to \$1.61 for a period of nine years with a true up in the tenth year to the statewide benchmark adjusted for inflation. The annual rate increase was calculated using an inflation rate of 3.2 percent per year. The Commission imputed the rate increases to residential lines and those business lines that are below the benchmark set at 110 percent of the July 1, 2009, residential state-wide average rate for basic local exchange services. The Commission also decided to update access line counts each year.

Transportation Unit

The Commission has regulatory responsibility for over 1,000 for hire intrastate motor carriers including household goods carriers, limousine operators, buses, and wrecker companies performing private property trespass towing operations. The Commission’s regulatory oversight includes permitting and certification, training new carriers, auditing records, investigating consumer complaints, processing and maintaining insurance filings and taking action against illegal operators.

The Commission’s goal is to deliver prompt, courteous service to all consumers and stakeholders. Public safety is also a top priority. To ensure that all motor carriers under the Commission’s jurisdiction maintain a high degree of safety, the Commission actively monitors and administers insurance filings for all transportation companies under its regulatory authority. In 2011, the Commission received and processed 1,726 insurance filings.

All new applicants for household goods and passenger carrier authority are required to complete a Commission sponsored training session. The Commission also provides ongoing education and training to permitted and certificated carriers that already hold permanent operating authority. By requiring regulated companies to maintain adequate insurance coverage and by offering training opportunities, the Commission believes that both the transportation industry and Georgia consumers are better served and better protected. In 2011, the Commission trained 147 individuals at 17 training classes, which are mandatory for newly certified transportation companies.

ASSURANCE THAT CARRIERS ARE PROPERLY PERMITTED AND CERTIFICATED

The Commission has statutory responsibility for issuing certificates and permits to qualify for hire transportation companies that operate entirely within Georgia's boundaries. Household Goods Certificates, Limousine Carrier Certificates, Passenger Certificates, Passenger Permits and Non-Consensual Towing Permits are issued to businesses making application and meeting all statutory and Commission qualifications. In 2011 the Commission received and processed 780 applications on all its regulated programs.

ASSURANCE OF REASONABLE RATES AND FAIR TARIFFS

The Commission's price setting authority on rates for motor carriers is limited to household goods movers, some for-hire passenger carriers and wrecker companies conducting private property trespass towing operations. The Commission routinely conducts audits on regulated carriers to ensure that Georgia consumers are being assessed fair and reasonable prices. The Commission also maintains several maximum rate tariffs and regularly evaluates the need for price setting adjustments to assure that regulated businesses are operating in an environment that is both viable and healthy for the industry.

ASSURANCE OF THE PUBLIC'S TRUST

There are two practices by which an effective regulatory program may be measured. By systematically and routinely auditing transportation company records, carriers are held accountable and are far more likely to follow best business practices outlined in rule and law. By actively investigating consumer complaints, the Commission enhances the likelihood that carriers will deliver better customer service and will be more attentive to the public's needs. The Commission vigorously engages in both audit and complaint actions. Failure to follow the rules and regulations or to provide adequate service could result in the Commission taking adverse action against a carrier. Such action may include assessment of a civil penalty, suspension of a carrier's authority or cancellation of a carrier's legal operating authority.

In 2011 the Commission received and investigated 124 complaints and conducted 101 audits. The majority of complaints filed with the Commission pertained to grievances against household goods carriers and to problems or differences with private trespass tow operators. Typical issues routinely reported against movers involved: 1) complaints of being overcharged, 2) customer service or courtesy problems, 3) loss or damage of personal property, and 4) illegal carriers. Typical issues routinely reported against tow operators involved: 1) complaints of being overcharged, 2) customer service or courtesy problems, 3) timely notification of tow and impound, and 4) improper sign posting

Consumer Affairs

The Consumer Affairs Unit is the primary contact for consumers that want to make their concerns and issues known to the Commission. They convey these concerns and issues in the form of complaints, inquiries, or opinions, collectively referred to as “contacts.” Consumers file contacts in person, via telephone, fax, regular mail, email and the internet.

The Consumer Affairs Staff interacts with representatives from the utility industries to resolve consumer complaints, discuss complaint trends and possible courses of action to address problematic trends, and ensure mutual understanding of respective business processes and policies.

Consumer Affairs Staff has direct involvement with both the general public and industry representatives. This direct involvement 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 to complaint resolution, the Consumer Affairs Unit is responsible for consumer education and community outreach.

There are two bilingual staff members in the Consumer Affairs Unit. These staff members answer consumer calls and talk with Spanish speaking consumers during community outreach activities. The bilingual staff members also assist other Commission units with translation requests as needed.

Inbound Contacts

Consumers primarily use the telephone to contact the Commission. The Commission staffs a Consumer Affairs Call Center with four staff members. The Call Center has a bilingual staff member that is assigned to handle all incoming Spanish calls.

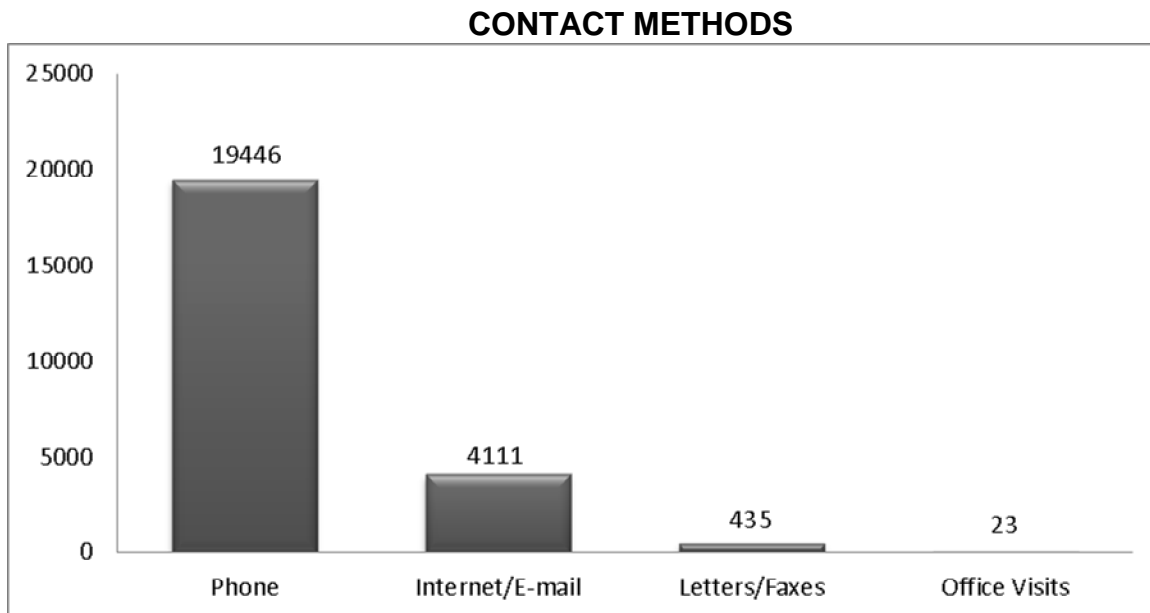
The total number of calls reported by the Commission’s Automated Call Distributor (ACD) for 2011 was 19,446. This number includes 273 calls received on the Spanish line. In bound telephone calls to Consumer Affairs Unit increased 17% from 2010.

Telephone calls comprised more than 80% of all inbound contact methods in 2011. Internet/email contacts continued to be the second preferred method of contacting the Commission in 2011 with 4,111 internet and e-mail complaints and contacts. Internet and e-mail contacts comprised 17% of all inbound contact methods in 2011.

Regular mail and electronic facsimiles were the next popular methods consumers used for communicating with the Commission. The total paper correspondence in 2011 (letters and faxes) was 435. Letter and faxes represented about 2% of all inbound contact methods in 2011.

The Office of Consumer Affairs also takes complaints from consumers that visit the Commission in person. In 2011 Consumer Affairs personnel met with approximately 23 consumers to discuss issues with their utility services and to share information on energy assistance and Lifeline and Link-Up. This contact method represented less than 1% percentage of all contacts. In all, Consumer Affairs representatives received 24,015 inquiries, complaints, and opinions from the general public in 2011, an increase of 12% from 2010's 21,387 contacts.

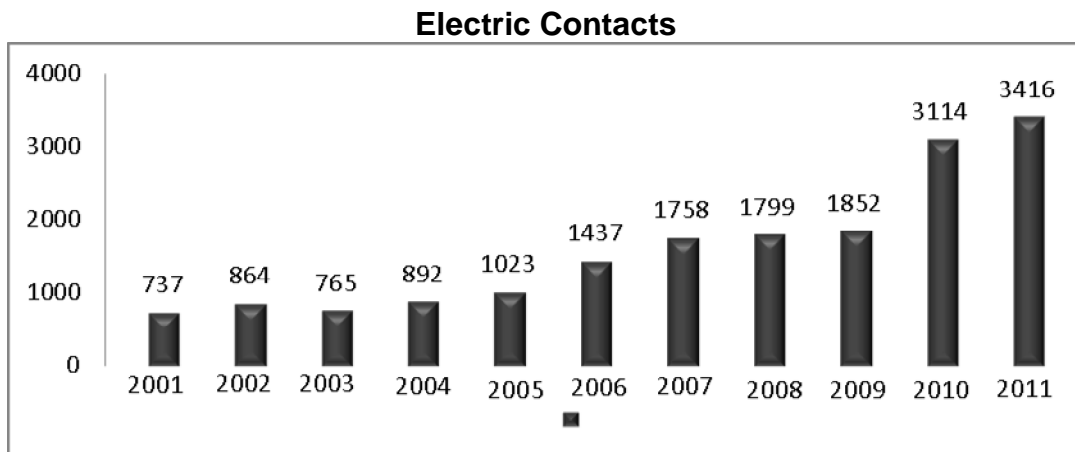
Some of the contacts received from consumers will require referral or follow-up by a Consumer Affairs staff member. Contacts requiring referral or follow-up are recorded in the Consumer Response System (CRS) database. Referrals require Consumer Affairs personnel send a contact to a utility company for a response. Follow-Ups include making calls or sending e-mails to the representatives for the utility as well as contacts to and from consumers.



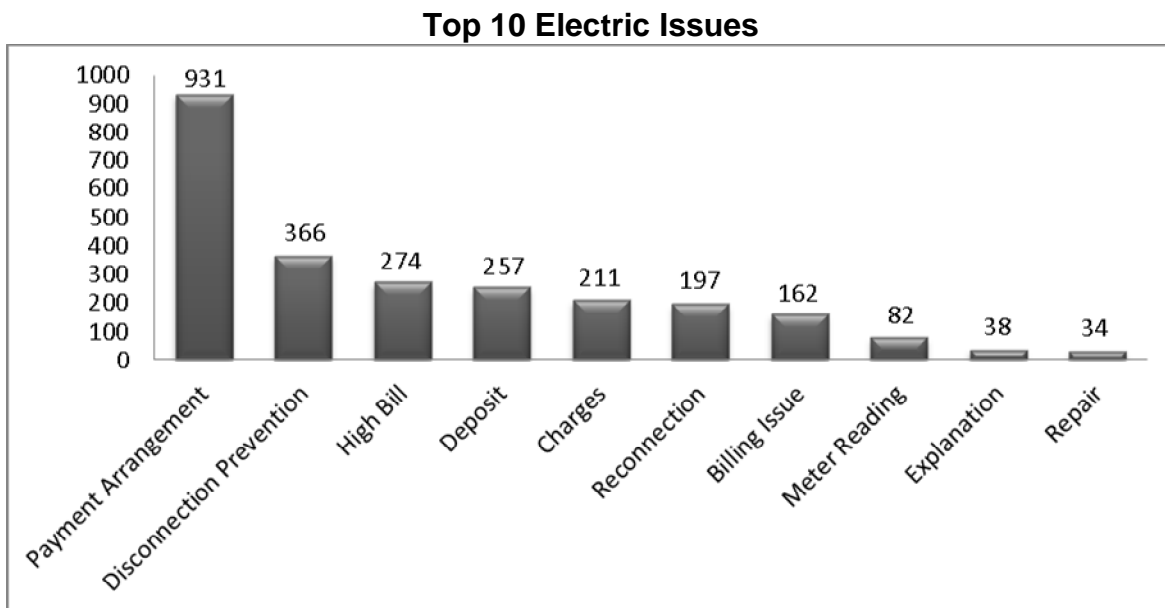
In 2011 telecommunications comprised the majority (39%) of the contacts requiring follow-up by Consumer Affairs Unit staff, followed by Georgia Power Company (37%) and Natural Gas Providers (24%).

Electric Consumer Issues

The contacts for electric concerns rose by approximately 9% for 2011. The increase in Georgia Power Company numbers in 2011 was partially due to the contacts received requesting information on the implementation of Georgia Power's Smart Meter Program. As a result of the numerous calls, letters and e-mails on Smart Meters, the Consumer Affairs Unit added Smart Meter as an issue in the Consumer Response System (CRS) and produced written materials to help answer the questions and concerns of Georgia consumers.



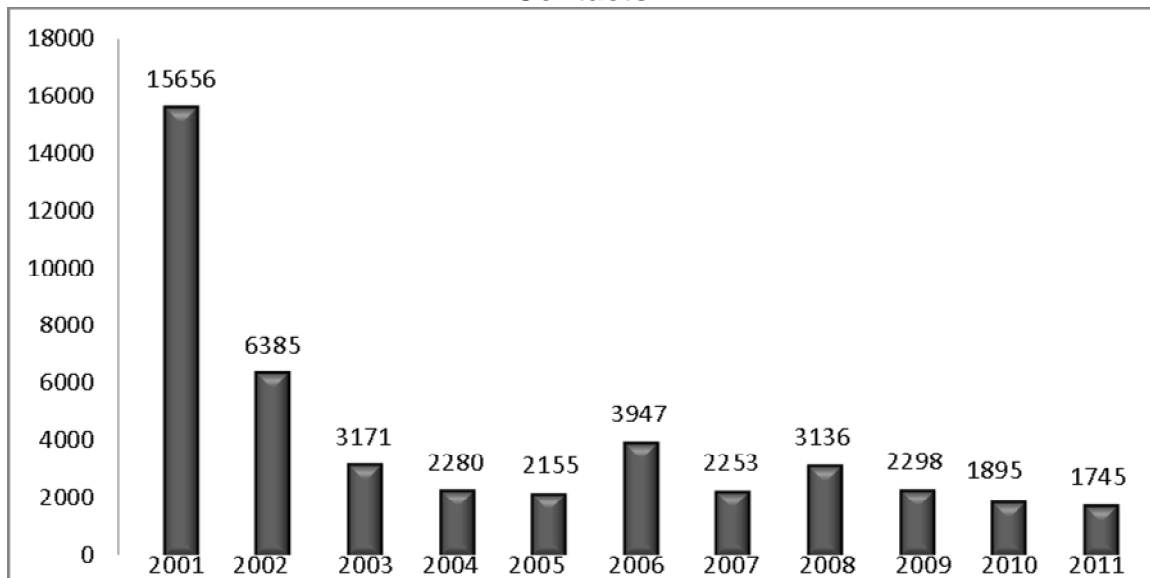
In 2011 the major concerns for electric customers were Payment Arrangements, Disconnection Prevention, High Bill and Deposits.



Natural Gas Consumer Issues

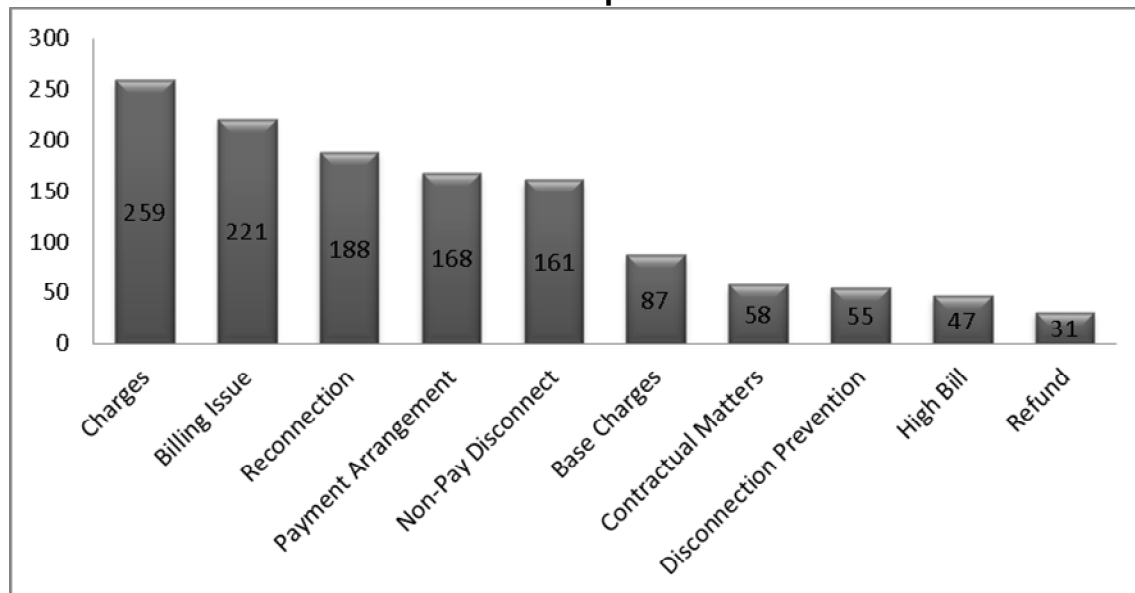
The number of calls received concerning natural gas decreased from 1895 in 2010 to 1745 in 2011. This decrease represents an 8% decrease.

**Natural Gas
Contacts**



The major natural gas issues for 2011 were Charges and Billing Issues.

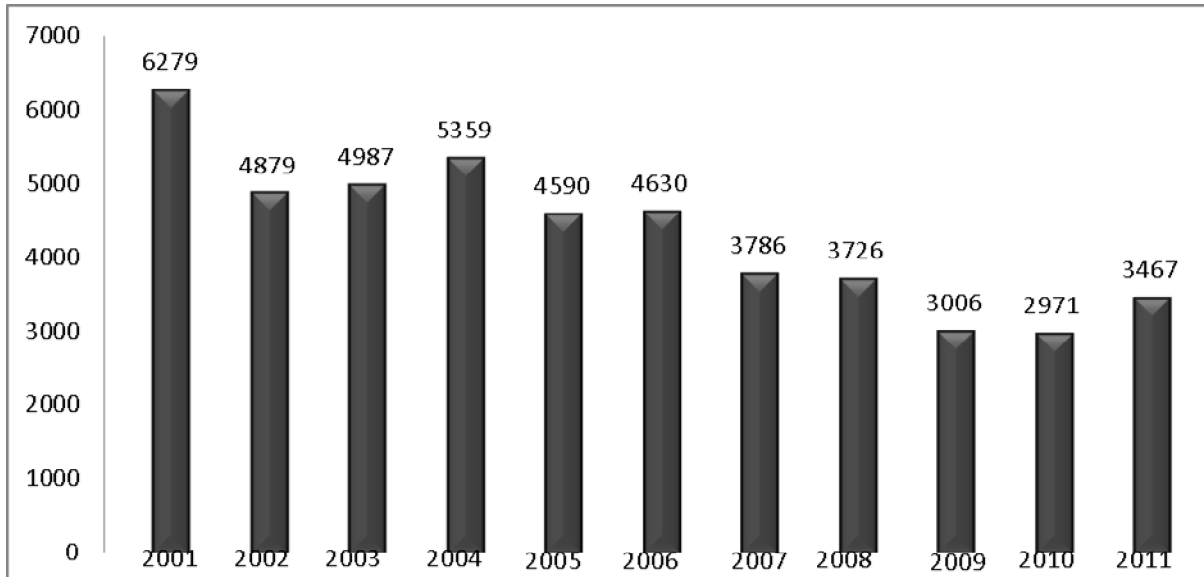
Natural Gas Top 10 Issues



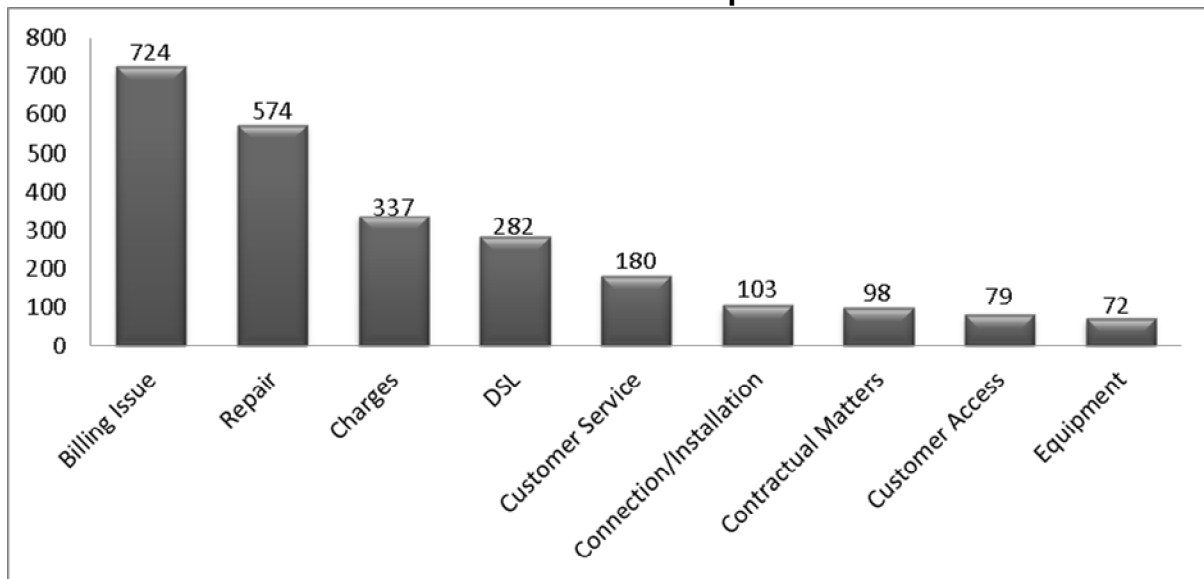
Telecommunications Consumer Issues

Telecommunications contacts increased from 2,971 in 2010 to 3,467 in 2011, an increase of 17%. The top three concerns for telecommunications customers were billing issues, repairs and charges. There were 278 wireless complaints in 2011 which remained constant with 2010 totals. The number of calls for Voice over Internet Protocol (VOIP) issues decreased from 34 in 2010 to 10 in 2011.

Telecom Contacts

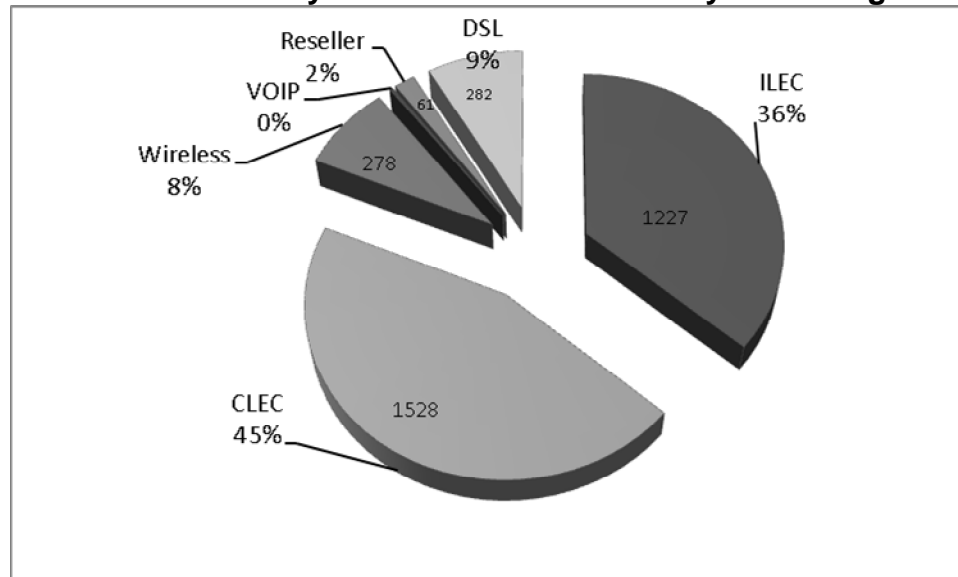


Telecommunications Top 10 Issues



In 2011 Independent Local Exchange Carriers (ILEC) and Competitive Local Exchanges Carrier (CLEC) contacts made up 81% of all telecommunications calls to the Consumer Affairs call center.

Telecom Industry Contacts Breakdown By Percentages



Transportation Consumer Issues

Consumer Affairs tracks issues relating to household goods movers, passenger carriers and non-consensual towing. The total number of calls received regarding these issues in 2011 was 4,422. Consumer Affairs received 2,095 calls relating to passenger carriers, 265 relating to household goods moves and 298 relating to non-consensual towing. The remainder of the calls and contacts were for non-jurisdictional issues.

Consumer Affairs Community Outreach

The Commission continued its outreach activities in 2011 by giving presentations to community groups and organizations. In 2011 the Commission's Consumer Affairs Staff was able to give presentations at the Acworth Kiwanis Club, The Service Providers Network Meeting and participated in the Atlanta Housing Authority (AHA), in conjunction with Quality Living Services (QLS) Senior Wellness and Resource Fair, met with the Atlanta Regional Commission and attended the H.E.A.T (Heating Energy Assistance Team, Inc.) annual meeting.

The Commission provided informational materials to groups involved in utility related activities. The Commission continued its efforts to increase public awareness of the Lifeline/Linkup Program, a federally funded program that subsidizes the cost of telephone service for low-income consumers by sending out information to community

centers, speaking with community center directors and coordinators and passing out Lifeline and Link-Up applications to consumers.

Facilities Protection

FACILITIES PROTECTION PROGRAM PIPELINE SAFETY AND GUFPA PIPELINE SAFETY CHALLENGES AND RESPONSIBILITIES IN 2011

The Facilities Protection Program of the Georgia Public Service Commission is composed of two sections: Pipeline Safety Unit and Georgia Utility Facility Protection Act (GUFPA) Unit. The pipeline safety function is carried out under an agreement with the Pipeline and Hazards Materials Safety Administration (PHMSA) of the U.S. Department of Transportation. The Pipeline Safety Group is responsible for enforcement of federal regulations regarding the safe installation and operation of natural gas pipelines. The year 2011 was the 43rd year of this relationship between PHMSA and the Commission. The Commission assumed responsibility for damage prevention efforts in 2000 following passage of the Georgia Utility Facility Protection Act (GUFPA). The goals of the Act are to prevent injury to Georgia citizens and damage to buried utilities by requiring those who want to perform mechanized excavation activities to ensure that they call for the location of buried utility facilities in the proposed area of excavation so that those facilities can be properly identified to avoid damage.

During 2011 the Pipeline Safety Unit of the Facilities Protection Program monitored and inspected over 1,200 miles of transmission and nearly 44,000 miles of distribution pipelines, and more than 2,000,000 service lines transporting natural gas to Georgia customers in 147 counties. The Pipeline Safety Unit evaluated operator compliance with the Pipeline Safety Regulations during 663 inspections, expending 1,137 inspection days.

PIPELINE SAFETY ENFORCEMENT

The Commission's Pipeline Safety Unit is responsible for implementation and enforcement of the Code of Federal Regulations, federal and state law, and Commission rules. As part of the Unit's responsibilities, Pipeline Safety staff enforces existing code requirements, implement new code requirements, and conduct compliance inspections among other duties as required by the state's contract with PHMSA.

In regard to enforcement and implementation of code requirements, the Commission's Pipeline Safety Unit continues to implement and enforce Parts 191, 192, 193, 199 and Part 40 of the Code of Federal Regulations. In addition, Congress passed the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, which seeks to improve safety and strengthen federal and state pipeline safety programs. The Commission made implementation of the Act a top priority; and to further strengthen its enforcement activities, the Commission has additional authority to adopt additional regulations as required under the Act.

Under its enforcement authority, the Pipeline Safety Unit performed the following inspections during 2011:

Total Inspections for Calendar Year 2011

Inspection Type	Number of Inspections	Inspection Days	Units Inspected
199	4	15	6
Accident	6	17	18
Atmospheric Corrosion	9	9	15
Casings	1	2	2
Cast-iron Replacement	2	2	6
Cathodic Protection	5	6	13
Comprehensive	58	184	131
Construction	36	37	167
CWSP	114	98	311
Damage Prevention	8	12	8
Emergency Procedures	12	15	19
Follow Up	89	128	171
GUFPA	3	12	
IMP(Integrity Mgt. Inspection)	4	6	5
Incident	8	20	24
Inspection of Right-of-Way	4	8	22
Leak Surveys	11	20	22
Liaison with Public Officials	2	2	6
Line Markers	1	1	6
NOI	27	23	79
Odorization	1	1	4
Operator Qualification	63	66	106
Operator Qualification Follow Up	18	22	27
Plastic Pipe Installation	1		5
Public Education	12	23	26
Repairs	2	2	17
Signs	1	1	3

Special Project	76	168	38
Training	82	231	57
Valve Maintenance	3	6	23
TOTAL	663	1,137	1,337

Additional significant activities in which the Pipeline Safety Unit were engaged in were the County-wide Gas Safety Plan (CWSP) Rule and Public Awareness Program initiatives. The CWSP rule was developed by the Commission to enhance communication, emergency response and safety among all the natural gas operators in the county. By the end of 2011, the Pipeline Safety Unit completed comprehensive reviews on 41 of the 62 plans for counties with more than one natural gas operator, with the remaining counties nearing completion. The Public Awareness Program required by federal code is a requirement for all gas operators to conduct a program to educate their stakeholders about natural gas pipelines and safety-related information. In 2011, the Pipeline Safety Unit conducted three pilot Public Awareness Program inspections.

GEORGIA UTILITY FACILITY PROTECTION ACT (GUFPA) ENFORCEMENT

Efforts to prevent damage to buried utilities in Georgia stem from the requirements of the Georgia Utility Facility Protection Act. The Act, passed in 2000 by the General Assembly, assigns responsibility for enforcement of the Act to the Georgia Public Service Commission.

During 2011, the Commission faced enforcement challenges due to the state's budget situation. However, the Commission applied for and received both the One Call Grant and the State Damage Prevention Grant awarded by PHMSA. The Commission received approximately \$143,000 in grant funds, which allowed the Commission to retain both a field investigator and an administrative assistant and provide their equipment.

The Commission continued its damage prevention efforts in Fiscal Year 2011 by providing seven GUFPA Unit presentations to over 125 attendees and overseeing the administration of 492 Commission approved dig law training presentations to 2,416 attendees representing locators, excavators and facility owner/operators. The GUFPA Unit's participation in these meetings continued to strengthen the Commission's relationship with different groups across the state dedicated to damage prevention, such as: the Georgia Utility Contractor's Association, Plumbing Mechanical Association, Georgia Onsite Wastewater Association and the Georgia Utility Coordinating Council.

Although the Commission's GUFPA Unit actively engaged the excavating community, the year 2011 witnessed an increase in reported violations with a decrease in the number of cases investigated over 2010. During this time a total of 5,162 violations were reported to the Commission, and a total of 3,519 case investigations were completed. The decrease in case investigations is attributable to retirements and

resignations of key GUFPA Unit personnel, and the lag time for hiring and training of new personnel during the year.

FACILITY PROTECTION PROGRAM CONCERNS

The Facilities Protection Program staff for both the GUFPA and Pipeline Safety Units participated in recurring meetings with the Georgia Utility Coordinating Council (GUCC) Legislative Subcommittee to address proposed revisions to the GUFPA law with emphasis on changes related to dig law exemptions, large projects, defining reasonable care and provisions for certified locators. Although there was much debate regarding proposed revisions, the subcommittee ultimately agreed to postpone presentation of any changes to the State Legislature until 2013, and subsequent to the signing of the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011.

Internal Consultants

The Internal Consultants Unit of the Utilities Division operates primarily as a resource for the Electric, Natural Gas, Telecommunications, Pipeline Safety, and Consumer Affairs units. The Unit provided technical, financial and economic analyses, as well as expert testimony as members of the Public Interest Advocacy Staff teams. In addition, the Unit provided technical and policy advice and recommendations to the Commission as leaders of the Commissioner Advisory Staff teams in contested dockets.

FEDERAL ISSUES

The Commission monitored electric, natural gas and telecommunications issues on the federal level which potentially impact the state of Georgia, Georgia utility companies and Georgia ratepayers. Two of the major federal issues during 2011 that the Commission actively monitored include the Mercury and Air Toxics Standard (MATS) portion of the American Clean Energy and Security Act and the Yucca Mountain project, a proposed national nuclear waste repository

On December 20, 2011 the EPA issued its final rule. According to EPA the regulations, which have taken more than 20 years to formulate, would save thousands of lives and return economic and health benefits many times their estimated \$9.6 billion annual cost. In order to comply with the MATS, Georgia Power Company is relying on widely available, proven pollution control technologies to meet nationwide emission limits for toxic air pollutants. The Commission is working with Georgia Power Company to meet our energy needs and mitigating the cost of compliance for Georgia ratepayers.

The issue of permanent disposal of high level nuclear waste continued to be at the forefront of important national issues. Currently, Georgia Power Company operates two nuclear plants, Plants Hatch and Vogtle, in the state of Georgia. Pursuant to the Nuclear Waste Policy Act, the federal government has committed to take the nuclear waste accumulated at these retail electric power plants for permanent disposal. To date, the Department of Energy has yet to develop a permanent repository for the waste and remove it from the plant sites where it is currently stored. Yet, Georgia Power Company's ratepayers have paid over \$732.6 million through October 2010 (which is the most recent data available and excluding interest or return on investment) into the Nuclear Waste Fund. Each utility is assessed a fee of one mill per kilowatt hour nuclear energy generated for disposal of the waste.

One major development relating to the nuclear waste disposal issue during 2010 was the formation of the Blue Ribbon Commission on America's Nuclear Future by the Obama administration. During 2011, the Commission continued to

work diligently with other state Commissions, the Nuclear Waste Strategy Coalition, and the National Association of Regulatory Utility Commissioners to remain engaged in these matters and to protect the health, welfare, and economic interest of Georgia citizens and ratepayers.

AMERICAN RECOVERY AND REINVESTMENT ACT GROUP

The Commission formed the ARRA group within the Internal Consultants Unit in January 2010. This group is responsible for working on electric issues relating to Energy Efficiency, Renewable Energy, Smart Grid, Demand Response, Transmission and Distribution planning, and Plug-in Electric Vehicles. During 2011, the ARRA group assisted the Electric Staff in Docket 34218, a case in which Georgia Power is requesting decertification of several electric generating facilities and requesting certification of four Power Purchase Agreements. The ARRA group also facilitated several workshops related to Georgia Power's Demand Side Management (DSM) Program. In the 2010 Integrated Resource Plan (IRP), the Commission approved and certified seven DSM programs for a period of 10 years which began January 1, 2011.

The ARRA group continued to work on renewable issues including the monitoring of Georgia Power Company's Green Energy Program. The ARRA group served as the project leader for Georgia Power's 50 megawatt (MW) Large Scale Solar (LSS) Offering. During the LSS process, solar developers were able to notice in to provide up to 30 MWs of solar energy to go online June 1, 2015. In addition, the ARRA team approved several renewable developers' requests for late notice and waivers for size pertaining to noticing in for Georgia Power's 2015 Request for Proposal. The ARRA group proposed that a Proxy Qualified Facility wait list be approved so that other renewable projects could be considered in the event that developers on the original list cancel their renewable projects.

During 2011, Georgia Power installed 551,897 smart meters in Georgia. The ARRA group continues to monitor the progress of the smart meter rollout and other smart grid technologies to determine if there are improvements that could be made to the grid to provide benefits to customers. Georgia Power is addressing concerns related to the smart meter installations such as data privacy and radio frequency issues. As part of an agreement approved during the 2010 IRP docket, the Commission and Georgia Power are meeting at least quarterly to focus on the availability of online and other electronic methods of information access to customers. The ARRA group continues to monitor customers' acceptance of the Time of Use (TOU) rates and the Electric Vehicle Time of Use (TOU-PEV1) rate. These Georgia Power rates allow customers to shift their usage away from peak time periods.

ADMINISTRATION DIVISION

During 2011 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 promote efficiencies and make the maximum use of taxpayers' monies to fulfill its mission.

The Commission's Administration Division, headed by the Executive Director, is comprised of the Executive Secretary, Budget and Fiscal Office, Human Resource Office, Public Information/Legislative Liaison Office and the Office of Operational Support. An overview of the responsibilities and accomplishments of each of these is set forth below.

Budget and Fiscal Office

The primary role of the Budget and Fiscal Office is to develop the agency's Annual Operating Budget and monitor expenditures to ensure the Commission's compliance with all of its fiscal responsibilities. This task is accomplished, in conjunction with the Executive Director and the Commissioners through interactions with the Governor's Office of Planning and Budget (OPB) and the Legislative Budget Offices as well as other Commission staff. The Office manages the fiscal responsibilities of the Commission through recommendations and monitoring of requests for the agency's state and federal funding, purchasing, asset management and accurate financial reporting of results to federal, state and other agencies as required or requested. In 2011, the Budget and Fiscal Office accurately monitored and effectively managed a budget with revenues and expenses exceeding \$9.6 million dollars.

The Office continued to support the state Leadership in meeting all directives to control and reduce the overall budget for the PSC. Enhanced analytical and modeling tools were implemented to monitor, control and forecast all expenses. The Office analyzed each budget item in great detail and revaluated them in order to submit budgets for the Amended Fiscal Year 2012 that reflected 2% reductions and Fiscal Year 2013 that also reflected a 2% reduction.

In order to achieve its mission, the Office used the OPB Financial Management System to prepare and submit the Commission budget, including all amendments and scheduled allotments of funds. The Commission's accounting functions (including accounts receivable, accounts payable, payroll and general ledger) are managed and performed using QuickBooks. The Commission's payroll processing and purchase orders are managed using the Georgia Technology Authority administered PeopleSoft System, as well as using PeopleSoft's Asset Management Module for items costing over \$1,000.

Executive Secretary

The Executive Secretary's Office is responsible for receiving all public documents filed at the Commission. The Executive Secretary's responsibilities include scheduling Commission proceedings, assigning hearing officers, signing and certifying Official Orders, and preparing lists of interveners for docketed matters.

In 2011, this Office opened 1,870 new case dockets; processed 6,229 filed documents; and filed 2,400 orders. The Executive Secretary prepared 2,460 Orders for the Chairman's signature. The number of dockets has grown tremendously over the past two decades.

During 2011, the Commission held 102 public hearings constituting either a quorum of the Commission or a hearing officer assigned by the Commission. Matters docketed for public hearing are generally heard by the entire Commission in open session with a majority of the five-member Commission constituting a quorum.

Regular Commission Administrative Sessions are held on the first and third Tuesdays of each month. Committee meetings are held on the Thursdays prior to Administrative Sessions. The five standing Committees of the Commission are Energy, Facilities Protection, Telecommunications, Transportation and Administrative Affairs.

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Human Resources Office

The Human Resources Office strives to meet the personnel and payroll needs of the Commission. This office remains available to provide assistance to employees in many work-related and personal areas.

The Commission continued to experience the retirement of longtime staffers in 2011 and expects several retirements in 2012. The Office was active in recruiting to fill seven (7) positions – three in Consumer Affairs, two in the Electric Unit and two in Facilities Protection. The candidates selected were highly qualified and will add significantly to the Commission's utility expertise. It is vital that retention of staff and succession planning remain priority goals for the Commission and this Office.

In 2011, the Human Resources Office remained active in facilitating the self-sufficiency of Commission employees in several areas. All eligible employees entered benefit changes on-line during the Open Enrollment period for Plan Year 2012. Most health insurance, flexible benefits and Employees' Retirement System forms (along with instructions for completion and filing) are now available via the internet and are totally accessible to any employee. Team Georgia continues to be a valuable resource for Commission staff. In addition to providing access to paycheck and other benefit information, Team Georgia serves as a source for a wide array of information specifically geared to state employees.

Public Information and Legislative Liaison Office

The Public Information Office coordinates official Commission news releases and media relations, maintains the Commission's public information files, supervises the Commission's website content and manages the agency's internal communications.

During 2011 local, state and national news media continued their extensive coverage of Commission activities. This coverage included investigations into illegal motor carriers, assistance for low income natural gas customers and monitoring of the Georgia Power Plant Vogtle nuclear construction project. There was also coverage of several Commissioner sponsored forums on renewable energy resources and nuclear waste.

The Public Information Office issued 34 news releases, 70 media advisories and one consumer advisory; responded to over 150 national, state and local news media inquiries; conducted numerous interviews with local, state and national media; coordinated Commissioner interviews; and produced Commission publications for internal and external use. The Office also coordinated responses to nine Open Records Requests.

The Commission established a YouTube Channel at www.youtube.com, under PSCGa and a twitter account @GPSC.

The Office in conjunction with Consumer Affairs and NARUC also coordinated the celebration and publicity for Lifeline-Linkup Awareness week during September 12-18, 2011. The campaign included a proclamation issued by the Governor, radio public service announcements, statewide radio network interview and a news release

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, tracked more than two dozen pieces of legislation that impact the agency and the utilities it regulates, provided daily legislative updates and coordinated the Commission response to legislative proposals.

During the 2011 Legislative Session, the General Assembly again cut the Commission's budget for the third consecutive year as state revenues continued to fall. Legislators introduced a number of bills which affected Commission operations including Senate Bill 108, which allows Atlanta Gas Light Company to use the Universal Service Fund to build a network of compressed natural gas stations around the state. The bill passed both chambers and Governor Nathan Deal signed it into law. Lawmakers also approved House Bill 116 which removes the requirement for telecommunications headquartered out of Georgia to seek financing approval from the Commission. However, House Bill 216, a bill to allow the Commission to elect its own Chairman, failed to pass the House.

Highlight of Commission Activities in 2011 Legislature 2011



January 24, 2011

Commission Chairman Stan Wise presents Commission Budget to Legislative Committees

Dig Safely Month April 2011



April 11, 2011 Governor Nathan Deal signs Dig Safely Month Proclamation to **Commissioners Tim Echols (first row, second from left) and Lauren “Bubba” McDonald, Jr.(first row, sixth from left)**

Lifeline-Linkup Week Proclamation September 8, 2011



Governor Deal Signs Lifeline/Linkup Proclamation

Participants (left to right): Bill Edge, PSC Public Information Officer; John Silk, Georgia Telephone Association; **Commission Chairman Stan Wise**; Governor Nathan Deal; **Commissioner Lauren “Bubba” McDonald, Jr.**; Pat Wingo, AT&T; James Gibson, PSC Manager of Consumer Affairs

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Georgia Renewable Energy Forum, State Capitol, July 11, 2011



Commissioner Lauren “Bubba” McDonald, Jr. Leads Forum

Nuclear Fuel Management Symposium, Georgia Tech



August 23, 2011 **Commissioner Tim Echols** Addresses the Symposium

Commission Announces Grant for Low Income Heating Assistance



January 18, 2011 **Commissioner Tim Echols** Announces Grant

Legislation Status for 2011 Session

A list of Commission monitored legislation, sponsors and status is provided below

House Bills Introduced in 2011

- House Bill 16** by Rep. Bobby Franklin. Repeals the Nuclear Power Plant Financing Act. Held in House Energy, Utilities and Telecommunications Committee.
- House Bill 43** by Rep. Mary Margaret Oliver. Prohibits the purchase or use of coal from mountain top extraction in electric generation. Held in House Energy, Utilities and Telecommunications Committee.
- House Bill 116** by Rep. Don Parsons. Exempts local telephone exchange companies headquartered outside of Georgia from PSC approval of debt issuances. **Passed and signed by Governor.**
- House Bill 154** by Rep. Quincy Murphy. Provides for election of PSC members from districts only. Held in House Energy Utilities and Telecommunications Committee.
- House Bill 216** by Rep. Roger Williams. Provides for selection of PSC Chairman by majority vote of members. Defeated in House.
- House Bill 316** by Rep. Wendell Willard. Requires EMC meetings to be subject to Open Meetings Act. Held in House Energy, Utilities and Telecommunications Committee.
- House Bill 332** by Rep. Don Parsons. Removes prohibition on showing UAF charges as a line item on customers' bills. Held in House Energy, Utilities and Telecommunications Committee
- House Bill 451** by Rep. Don Parsons. Requires funds taken from the USF and used to build facilities must be repaid to the USF. Requires Held in House Energy, Utilities and Telecommunications Committee
- House Bill 497** by Rep. Karla Drenner. Requires regulated electric utility to establish an energy savings plan to optimize the use of demand side capacity options. Held in House Energy, Utilities and Telecommunications Committee
- House Bill 515** by Rep. Karla Drenner. Calls for voluntary renewable portfolio standards. Held in House Energy, Utilities and Telecommunications Committee.

- House Bill 516** by Rep. Karla Drenner. Calls for electric utility to establish voluntary renewable portfolio standards. Held in House Energy, Utilities and Telecommunications Committee.
- House Bill 520** by Rep. Don Parsons. Allows electric utility to increase renewable portfolio to 2.5 percent of their total generation capacity. Held in House Energy, Utilities and Telecommunications Committee.
- House Bill 536** by Rep. Tom Weldon. Calls for Commission to regulate point to point emergency contact systems. Held in House Energy, Utilities and Telecommunications Committee.
- House Resolution 152** by Rep. Craig Gordon. Proposes constitutional amendment to expand PSC to seven members elected by districts only. Held in House Energy, Utilities and Telecommunication Committee.
- House Resolution 520** by Rep. Karla Drenner. Creates the House Study Committee on Renewable and Sustainable Energy in Georgia. Held in House Energy, Utilities and Telecommunication Committee.
- House Resolution 694** by Rep. Karla Drenner. Creates the House Hydropower Study Committee. Held in House Energy, Utilities and Telecommunications Committee.

Senate Bills Introduced in 2011

- Senate Bill 9** by Sen. Mitch Seabaugh. Would allow Governor to delay implementation of “cap and trade” legislation until state makes complete assessment. Held in Senate Regulated Utilities Committee.
- Senate Bill 32** by Sen. David Shafer. Exempts local telephone exchange companies headquartered outside of Georgia from PSC approval of debt issuances. Passed Senate, held in House.
- Senate Bill 108** by Sen. David Shafer. Requires proceeds from sale or lease of facilities financed through the Universal Service Fund to be sent back to the USF. **Passed and signed by Governor.**
- Senate Bill 160** by Sen. Don Balfour. Allows regulated utilities to contribute to political campaigns, but prohibition on PSC contributions remains. **Passed and signed by Governor.**

Legislation Affecting Agency Operations and State Employees

- House Bill 77,** by Rep. David Ralston. Amends the State’s Fiscal Year 2011

House Bill 78,	spending plan. Passed and signed by the Governor.
Senate Bill 1,	by Rep. David Ralston. Provides money for the State 2012 Fiscal Year beginning July 1, 2011. Passed and signed by the Governor.
Senate Bill 33	by Senator David Shafer. Provides for zero-based budget review of each state agency every four years. Passed but vetoed by the Governor.
	by Sen. David Shafer. Establishes zero based budgeting for state agencies. Held in conference committee.

Office of Operations Support

The Operations Support Office continued efforts to improve efficiency in 2011

Implementation of additional network switching equipment in the data center has allowed the Commission to expand virtual machines and servers on existing server hardware. The Operations Support Unit continues with its virtual server implementation to reduce overhead and support costs, with 93% of our network servers now functioning in a virtual environment.

The Operations Support Unit completed a major revision for the File and Case Tracking Application. This revision improved productivity for internal and external stakeholders.

During 2011, the objectives of the Operations Support office were to reduce hardware maintenance overhead, improve application functionality with older software and diminish the risk of unplanned network outages. With a very limited budget during the 2011 fiscal year, Operations Support continue to research and utilize alternative technology resources to maintain support, rigid application development standards, network continuity and security.

AGENCY BUDGET

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012 Budget Governor's Rec. (Jan. '12)
Revenue			
General Assembly Appropriations	\$8,733,283	\$7,877,125	\$7,963,990
Federal and Other Funds	\$1,155,695	\$1,755,156	\$1,628,619
Total	\$9,888,978	\$9,632,281	\$9,592,609
Budgeted Expenditures			
Personal Services	\$7,871,830	\$8,062,207	\$8,376,111
Regular Operating Expenses	\$394,816	\$391,192	\$261,745
Motor Vehicle Purchases	\$55,881	\$208,726	\$78,500
Equipment	\$89,174	\$5,035	\$13,109
Computer Charges	\$86,069	\$72,887	\$13,600
Real Estate Rental	\$671,370	\$659,811	\$668,968
Telecommunications	\$114,183	\$108,149	\$126,871
Contractual Services	\$551,576	\$103,420	\$53,705
Total	\$9,834,899	\$9,611,427	\$9,592,609
Associated Revenue			
Regulatory Assessment Fees Paid Directly to Dept. of Revenue	\$1,050,000	\$1,050,000	\$1,050,000
Penalties and Fees Collected and Remitted to State Treasury	\$1,499,311	\$1,123,038	\$600,282
Total	\$2,549,311	\$2,173,038	\$1,650,282
Notes: Penalties and Fees Collected in FY 2011 through December 31, 2011			

NOTES

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