
RATE DESIGN

OBJECTIVES ?

DESIRABLE ATTRIBUTES OF A SOUND RATE STRUCTURE

- EFFECTIVENESS OF YIELDING TOTAL REVENUE REQUIREMENTS
- REVENUE STABILITY AND PREDICTABILITY, MINIMIZING ADVERSE CHANGES TO THE UTILITY
- EFFICIENCY OF THE RATE CLASSES AND RATE BLOCKS IN DISCOURAGING WASTEFUL USE OF SERVICE
- FAIRNESS OF RATES IN APPORTIONMENT OF TOTAL COSTS OF SERVICE
- AVOIDANCE OF UNDUE DISCRIMINATION IN RATE RELATIONSHIPS
- SIMPLICITY, ACCEPTABILITY, FEASIBILITY OF APPLICATION,

COST-OF-SERVICE AS A BASIC STANDARD

COST OF SERVICE IS THE MOST WIDELY ACCEPTED MEASURE OF
REASONABLE PUBLIC UTILITY RATES AND RATE RELATIONSHIPS

O.C.G.A. § 46-2-26.1.

(b) In any proceeding to determine the rates to be charged by an electric utility, the electric utility shall file jurisdictionally allocated cost of service data on the basis of a test period, and the commission shall utilize a test period, consisting of actual data for the most recent 12 month period for which data are available, fully adjusted separately to reflect estimated operations during the 12 months following the utility's proposed effective date of the rates. After the initial filing and until new rates go into effect, the utility shall file actual cost of service data as they become available for each month following the actual data which were filed. The utility shall have the burden of explaining and supporting the reasonableness of all estimates and adjustments contained in its cost of service data.

GEORGIA POWER COMPANY
 COST OF SERVICE STUDY FOR THE TEST YEAR ENDING JULY 31, 2005
 SCHEDULE 1.00 - PRESENT RATE SUMMARY (AMOUNTS IN THOUSANDS)

LINE NO.	LINE DESCRIPTION	TOTAL ELECTRIC SYSTEM (1)	RESIDENTIAL (2)	COMMERCIAL (3)	INDUSTRIAL (4)	STREET & OUTDOOR LIGHTING (5)	TOTAL RETAIL SERVICE (6)	TOTAL ALL OTHER SERVICE (7)
--- RATE BASE ---								
1	GROSS PLANT	18,792,511	8,318,075	6,294,910	3,101,528	370,284	18,082,777	709,734
2	ACCUMULATED DEPRECIATION	7,676,915	3,305,037	2,590,240	1,291,540	189,654	7,376,471	300,444
3	NUCLEAR FUEL	244,340	92,883	96,091	54,815	551	244,340	0
4	DEPR. OF NUCLEAR FUEL	153,953	58,525	60,544	34,537	347	153,953	0
5	NET ELECTRIC PLANT	11,205,983	5,045,396	3,740,217	1,830,266	180,814	10,796,694	409,290
LESS: DEFERRED INCOME TAXES								
6	ACCOUNT 180	(213,539)	(91,629)	(70,237)	(41,014)	(4,519)	(207,399)	(6,140)
7	ACCOUNT 281 AND 282	2,200,293	939,123	756,051	387,172	34,981	2,117,327	82,966
8	ACCOUNT 283	250,471	116,594	80,833	42,008	4,897	244,332	6,139
9	TOTAL DEFERRED INCOME TAX	2,237,225	964,088	766,647	388,166	35,359	2,154,260	82,965
ADD: OTHER RATE BASE ITEMS								
10	PLANT HELD FOR FUTURE USE	1,623	702	627	294	0	1,623	0
11	MATERIALS AND SUPPLIES	445,758	170,587	159,626	87,985	3,046	421,244	24,514
12	PAYABLES ASSOC. W/ CAP M&S	(813)	(341)	(300)	(183)	(8)	(813)	0
13	MIN BANK BAL, PC, PREPAIDS	49,261	22,668	16,804	8,223	812	48,507	754
14	PREPAID PENSION ASSET	434,396	212,209	130,614	67,993	9,962	420,778	13,618
15	CUSTOMER DEPOSITS	(140,026)	(53,919)	(51,251)	(34,856)	0	(140,026)	0
16	OPERATING RESERVES	(190,328)	(92,154)	(59,655)	(29,898)	(3,518)	(185,225)	(5,103)
17	DEFERRED MCINTOSH C INSPECTION	26,230	9,970	10,317	5,884	59	26,230	0
18	DEFERRED NUCLEAR OUT. COSTS	21,619	8,218	8,502	4,850	49	21,619	0
19	ARO REGULATORY ASSET	472,436	180,635	185,196	105,331	1,274	472,436	0
20	ARO LIABILITY	(535,505)	(204,761)	(209,917)	(119,392)	(1,445)	(535,505)	0
21	ARO REGULATORY LIABILITY	(19,862)	(7,551)	(7,810)	(4,456)	(45)	(19,862)	0
22	FAS 109 REGULATORY ASSET	642,748	295,593	223,751	110,243	13,161	642,748	0
23	FAS 109 REGULATORY LIABILITY	(642,748)	(295,595)	(223,749)	(110,243)	(13,161)	(642,748)	0
24	DEFERRED INV. TAX CREDIT	(1,288)	(591)	(450)	(221)	(26)	(1,288)	0
25	CASH WORKING CAPITAL	7,988	2,764	2,717	1,996	122	7,599	389
26	TOTAL OTHER RATE BASE ITEMS	571,480	248,444	185,022	93,570	10,282	537,317	34,173
27	TOTAL INVESTMENT	9,540,247	4,329,752	3,158,592	1,535,670	155,737	9,179,751	360,497
--- REVENUES ---								
28	REVENUE FROM SALES	4,996,361	1,742,558	1,771,918	1,143,711	94,427	4,752,615	243,746
29	OTHER OPERATING REVENUES	139,539	66,997	33,099	13,656	2,732	116,484	23,055
30	TOTAL REVENUES	5,135,900	1,809,554	1,805,017	1,157,367	97,159	4,869,098	266,801
--- EXPENSES ---								
31	OPERATIONS & MAINTENANCE	3,411,920	1,207,578	1,121,050	888,915	44,161	3,261,703	150,218
32	DEPRECIATION EXPENSE	502,474	227,166	163,841	77,665	16,498	484,970	17,504
33	ARO DEPRECIATION EXPENSE	2,032	786	793	446	7	2,032	0
34	ARO ACCRETION	33,799	12,868	13,281	7,570	80	33,799	0
35	ARO DEFERRAL	(35,831)	(13,655)	(14,071)	(8,018)	(87)	(35,831)	0
36	NUCLEAR DECOM EXPENSE	11,359	4,317	4,468	2,548	26	11,359	0
37	TAXES OTHER THAN INC. TAX	239,204	100,871	83,960	46,765	3,721	235,317	3,887
38	AMORT. OF INV. TAX CREDIT	(13,533)	(5,993)	(4,537)	(2,235)	(267)	(13,032)	(501)
39	SUBTOTAL EXPENSES	4,151,424	1,533,936	1,368,585	1,013,656	64,139	3,980,317	171,107
40	INCOME TAXES	285,817	63,562	137,344	40,276	11,204	252,388	33,431
41	TOTAL EXPENSES	4,437,241	1,597,498	1,505,929	1,053,932	75,343	4,232,703	204,538
--- RETURN ---								
42	OPERATING INCOME	698,659	212,056	299,088	103,435	21,816	636,365	62,263
43	INT. ON CUSTOMER DEPOSITS	(4,881)	(1,880)	(1,786)	(1,215)	0	(4,881)	0
44	NET INCOME	693,778	210,176	297,302	102,220	21,816	631,514	62,263
45	RETURN ON INVESTMENT	7.27%	4.85%	9.41%	6.66%	14.01%	6.88%	17.27%

GEORGIA POWER COMPANY
 COST OF SERVICE STUDY FOR THE TEST YEAR ENDING JULY 31, 2005
 SCHEDULE 1.00 - PRESENT RATE SUMMARY (AMOUNTS IN THOUSANDS)

LINE NO.	LINE DESCRIPTION	TOTAL ELECTRIC SYSTEM (1)	RATE R, RM (2)	RATE TOU-REO (3)	RATE GS (4)	RATE PLS (5)	RATE PLM (6)	RATE PLL (7)	RATE G (8)
--- RATE BASE ---									
1	GROSS PLANT	18,792,511	8,246,939	949	507,216	855,769	2,807,125	819,213	45,907
2	ACCUMULATED DEPRECIATION	7,676,915	3,277,674	389	201,310	347,845	1,155,724	341,549	19,026
3	NUCLEAR FUEL	244,340	92,338	14	5,230	11,673	43,710	13,941	777
4	DEPR. OF NUCLEAR FUEL	153,853	58,177	9	3,296	7,355	27,541	8,784	490
5	NET ELECTRIC PLANT	11,205,983	5,003,425	565	307,840	512,242	1,667,570	482,821	27,168
LESS: DEFERRED INCOME TAXES									
6	ACCOUNT 190	(213,539)	(91,106)	(10)	(8,662)	(10,820)	(29,659)	(8,518)	(435)
7	ACCOUNT 281 AND 282	2,200,293	931,746	112	56,239	100,247	339,394	100,937	5,666
8	ACCOUNT 283	250,471	115,830	13	10,685	12,680	33,873	9,496	522
9	TOTAL DEFERRED INCOME TAX	2,237,225	956,470	115	58,262	102,107	343,608	101,915	5,753
ADD: OTHER RATE BASE ITEMS									
10	PLANT HELD FOR FUTURE USE	1,623	699	0	35	78	305	83	5
11	MATERIALS AND SUPPLIES	445,758	169,477	23	10,524	20,198	71,909	22,432	1,249
12	PAYABLES ASSOC. W/ CAP M&S	(813)	(338)	0	(22)	(39)	(135)	(42)	(2)
13	MIN BANK BAL, PC, PREPAIDS	49,281	22,483	3	1,383	2,301	7,492	2,169	122
14	PREPAID PENSION ASSET	434,396	210,920	22	23,159	23,009	51,751	13,629	736
15	CUSTOMER DEPOSITS	(140,026)	(53,604)	(7)	(4,108)	(7,405)	(24,361)	(7,441)	0
16	OPERATING RESERVES	(190,328)	(91,554)	(10)	(8,803)	(9,281)	(25,144)	(7,032)	(385)
17	DEFERRED MCINTOSH C INSPECTION	26,230	9,914	1	561	1,253	4,692	1,497	83
18	DEFERRED NUCLEAR OUT. COSTS	21,619	8,169	1	463	1,033	3,867	1,233	69
19	ARO REGULATORY ASSET	472,436	179,538	26	10,248	22,577	84,177	26,798	1,493
20	ARO LIABILITY	(535,505)	(203,508)	(30)	(11,816)	(25,591)	(95,414)	(30,375)	(1,692)
21	ARO REGULATORY LIABILITY	(7,506)	(7,506)	(1)	(425)	(949)	(3,553)	(1,133)	(63)
22	FAS 109 REGULATORY ASSET	642,748	293,134	34	18,029	30,418	99,779	29,119	1,632
23	FAS 109 REGULATORY LIABILITY	(642,748)	(293,134)	(34)	(18,029)	(30,418)	(99,779)	(29,119)	(1,632)
24	DEFERRED INV. TAX CREDIT	(1,288)	(588)	0	(36)	(61)	(200)	(58)	(3)
25	CASH WORKING CAPITAL	7,988	2,749	0	210	350	1,166	367	19
26	TOTAL OTHER RATE BASE ITEMS	571,490	246,851	28	21,573	27,473	76,552	22,127	1,631
27	TOTAL INVESTMENT	9,540,247	4,293,806	478	271,151	437,608	1,400,514	403,033	23,046
--- REVENUES ---									
28	REVENUE FROM SALES	4,996,361	1,732,350	231	131,560	238,730	790,124	242,354	11,929
29	OTHER OPERATING REVENUES	139,539	66,563	4	4,362	5,029	13,914	3,679	206
30	TOTAL REVENUES	5,135,900	1,798,913	235	135,922	243,759	804,038	246,033	12,135
--- EXPENSES ---									
31	OPERATIONS & MAINTENANCE	3,411,920	1,200,016	149	88,870	138,607	465,761	149,303	8,129
32	DEPRECIATION EXPENSE	502,474	225,215	23	14,157	22,972	72,330	20,760	1,159
33	ARO DEPRECIATION EXPENSE	2,032	785	0	46	97	359	114	6
34	ARO ACCRETION	33,799	12,793	2	726	1,614	6,040	1,926	107
35	ARO DEFERRAL	(35,831)	(13,575)	(2)	(772)	(1,712)	(6,399)	(2,039)	(113)
36	NUCLEAR DECOM EXPENSE	11,359	4,292	1	243	543	2,032	648	36
37	TAXES OTHER THAN INC. TAX	239,204	99,891	11	7,331	11,529	36,800	10,904	571
38	AMORT. OF INV. TAX CREDIT	(13,533)	(5,944)	(1)	(366)	(617)	(2,023)	(590)	(33)
39	SUBTOTAL EXPENSES	4,151,424	1,523,473	183	110,235	173,033	574,900	181,026	9,862
40	INCOME TAXES	285,817	63,852	16	7,243	23,002	74,673	21,125	650
41	TOTAL EXPENSES	4,437,241	1,587,325	199	117,478	196,035	649,573	202,151	10,512
--- RETURN ---									
42	OPERATING INCOME	698,659	211,588	38	18,445	47,724	154,465	43,882	1,623
43	INT. ON CUSTOMER DEPOSITS	(4,881)	(1,871)	0	(143)	(258)	(849)	(259)	0
44	NET INCOME	693,778	209,717	36	18,302	47,466	153,616	43,623	1,623
45	RETURN ON INVESTMENT	7.27%	4.88%	7.52%	6.75%	10.85%	10.97%	10.82%	7.04%

PROOF OF REVENUES

- SALES AND REVENUE FORECASTS ARE DEVELOPED SEPERATELY BY CLASS
- CLASS SALES FORECASTS ARE THEN ALLOCATED BY RATE SCHEDULES AND BLOCK STRUCTURE WITHIN EACH RATE
- HISTORICAL BILLING DETERMINATES ARE USED IN THE ALLOCATION OF THE FORECASTED SALES
- PROOF OF BILLING DETERMINANTS BY RATE IS PERFORMED USING CURRENT RATES
- RATES CAN THEN BE DESIGNED TO ADJUST FOR REVENUE INCREASE GRANTED BY THE CIOMMISISON

RESIDENTIAL BILLING DETERMINANTS RATE DESIGN AND PROOF OF REVUE INCREASE

R-15	# of bills	Billing Units	2003 Charge Rate	2003 Revenue	2004 Filed Charge Rate	2004 Filed Revenue	% Change 2003 to 2004 Filed
BASE CHARGE	19,759,902	19,759,902	\$7.00	\$138,319,314.00	\$7.50	\$148,199,265.00	7.14286%
BLOCK1	12,917,205	6,668,538,226	0.04385	\$292,415,401.21	\$0.046570	\$310,553,825.18	6.20296%
BLOCK2	7,040,918	1,914,496,666	0.03763	\$72,042,509.54	\$0.039980	\$76,541,576.71	6.24502%
BLOCK3	4,105,978	2,936,981,417	0.03704	\$108,785,791.69	\$0.039310	\$115,452,739.50	6.12851%
WINTER CHARGE	13,126,950	11,520,016,309		\$473,243,702.44		\$502,548,141.39	
HUD_BLOCK2							
BLOCK5	6,529,199	3,665,651,399	0.04385	\$160,738,813.85	\$0.046570	\$170,709,385.65	6.20296%
BLOCK6	4,653,753	1,412,114,047	0.07288	\$102,914,871.75	\$0.077380	\$109,269,384.96	6.17453%
BLOCKHIGH2	3,414,910	2,737,116,466	0.07503	\$205,365,848.44	\$0.079760	\$218,312,409.33	6.30415%
SUMMER CHARGE	6,632,951	7,814,881,912		\$469,019,534.04		\$498,291,179.94	6.24103%
ENERGY_CHARGE	19,759,901	19,334,898,221		\$942,263,236.47		\$1,000,839,321.33	6.21653%
BASE BILL		19,759,902		\$1,080,582,550.47		\$1,149,038,586.33	6.33510%

RECENT COMMISSION DECISIONS

DOCKET NO. 18300-U, GEORGIA POWER COMPANY 2004 RATE CASE

- Revenue increase allocated by class on an equal percentage basis
- Customer Service Fees Increases with Increased Revenue from fees allocated to each class based on its contribution to those fees
- Residential Senior Citizen discount was increased with revenue erosion recovered within the residential class.
- Some rates were terminated while new rates were created
- Revenue erosion due to the elimination, creation or expansion of certain rates was maintained within effected classes

DOCKET NO. 19758-U, SAVANNAH ELECTRIC 2004 RATE CASE

- Revenue increase allocated by class on an equal percentage basis
- Customer Service Fees increased with revenues proportionately allocated based upon number of customers in RS, SB and GS
- Residential Senior Citizen discount was increased with revenue erosion recovered within the residential class.
- Increase in Facilities Charge set for Residential, Small business and General Service Rates
- New LE (Lighting Energy) Only rate approved. Commercial HLF rate denied.