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April 28, 2004

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FEDERAL ENERGY
REGULATORY COMMISSION

Patrick H. Wood, III
Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: In the Matter of Georgia Public Service Commission, FERC Docket No.
RP04-92-000, Order on Petition for Declaratory Order

Dear Chairman Pat Wood:

Thank you for your April 15, 2004 ruling of the Georgia Public Service Commission's Petition for Declaratory Order. After thoroughly reviewing your Order and while I am mindful of the concerns expressed in the Order regarding the release of capacity in Georgia, I would like to point out some key differences between the natural gas market in Georgia and the other states which may not have been apparent to the Commission.

Capacity release as prescribed by the Federal Energy Regulatory Commission ("FERC") gives the releasing shipper the opportunity to recover some of the demand charges levied by interstate pipeline companies by releasing the unutilized capacity on the secondary market. The important thing to keep in mind here is that the typical releasing shipper relinquishes **unutilized capacity**. Atlanta Gas Light Company ("AGLC") is not the typical releasing shipper. In Georgia's deregulated natural gas market, AGLC does not fulfill a merchant function. Rather, AGLC provides the transportation of natural gas on

Chairman Wood
April 28, 2004
Page 2 of 2

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its intrastate system and is the contract holder on the interstate system. AGLC releases its capacity on the interstate system, not because this capacity is unutilized, but because the marketers in Georgia use the capacity to serve their customers (1.5 million firm customers). In the Georgia model, the certificated natural gas marketers are the "pseudo" primary releasing shipper. Their primary function is to use the acquired capacity released by AGLC to serve the firm customers. The natural gas marketers then release their unutilized capacity to the secondary market either by posting on the interstate pipeline's EBB or by prearranged deals.

I am mindful that FERC's overriding objective of protecting the natural gas consumer underlies its rule that capacity must be accessible to the bidder that values it the most regardless of the geographical area. However, if the FERC were to put form over substance and strictly apply that policy without attention to Georgia's restructured natural gas market, the firm customers in Georgia would be at risk of not receiving natural gas service. FERC has stated that its intent is not to hinder or frustrate the unbundling program in Georgia. To that end, I am asking that the Commission fully appreciate that Georgia's natural gas market is unique and cannot be adequately compared to any other state. The LDC (AGLC) does not directly serve any firm customer but is responsible for making its capacity available to certificated natural gas marketers in order to carry out the merchant function. Therefore, to fulfill its obligation, AGLC must release the capacity through prearranged deals to the certificated marketers who in turn provide service to the firm customers and release unutilized capacity to the highest bidder or through prearranged deals in accordance with Commission rules.

I appreciate your attention to this matter and trust that a resolution can be made that complies with both the Natural Gas Act and the Georgia Competition and Deregulation Act.

Sincerely,

Stan Wise
Georgia Public Service Commissioner