

GEORGIA PUBLIC SERVICE COMMISSION

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GEORGIA POWER FILES RATE REDUCTIONS WITH PSC

ATLANTA -- Georgia Power filed a three-year rate plan with the Georgia Public Service Commission (PSC) Thursday calling for 5.25% rate reductions for 213,000 small-business customers. The estimated \$50 million in annual reductions would reduce the average rate paid by small business customers to 6.82 cents per kilowatt-hour.

In testimony pre-filed with the PSC, Allen Franklin, CEO of Georgia Power, points out why the Georgia Power proposal applies the discounts to small business customers rather than to other customer groups:

"This small business rate reduction is also necessary to begin correcting an imbalance which currently exists in the way our rates have been historically designed. Our small business customers have been paying more than their fair share of the company's fixed costs, while others have historically paid relatively less. Our proposal would lighten the burden on these small business customers and bring them closer to "parity" without increasing or shifting the burden to other customers."

The PSC will hold a rate case over the summer and fall where Georgia Power's revenue requirements will be closely examined. The PSC expects to have a decision in December with the ultimate rate reductions to occur January 1, 1999.

The rate reductions are a result of depreciating plant costs and downsizing at Georgia Power:

1. The era of building high cost nuclear and coal-generating facilities is behind us. Only more efficient natural gas combustion turbine plants are now being built which are not as expensive to construct. Nuclear and large coal fired generating plants built during the 1970's and 1980's caused large increases in revenue requirements during that period. To avoid rate shock, the PSC phased in some of these costs, i.e. Plant Vogtle. Much of the cost of this phase-in plan has now been recovered which has reduced revenue requirements. In this particular rate case, Georgia Power is not seeking recovery for any large generating facilities.
2. The threat of retail competition has caused utilities to look for ways to cut costs and strive for efficiency. The Southern Company has had a goal in recent years of reducing overall costs by 20%. Georgia Power has reduced its work force and its operating expenses (i.e. elimination of car fleet for Company managers).
3. Georgia Power has taken advantage of the low interest rate environment by refinancing debt.

4. Competition at the wholesale level has helped to lower wholesale prices of electricity.
5. Electric load (energy usage) has continued to grow on GPC's system with more off-peak uses of electricity helping to improve the utilities load factor.

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