**_NEWS RELEASE_**

**_From Lauren "Bubba" McDonald, Jr._**

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## COMMISSION CHAIRMAN SAYS GEORGIA IS NO CALIFORNIA

**ATLANTA –** Public Service Commission Chairman Lauren "Bubba" McDonald, Jr. says the electric blackouts now taking place in California will not occur in Georgia**.** "There are a number of differences between Georgia and California that should allay any concerns about California style blackouts here," said McDonald.

Georgia's electric rates remain regulated and neither the Commission nor the Georgia Legislature is considering deregulation of Georgia's electric industry. The Commission's jurisdiction over investor owned utilities (IOUs) such as Georgia Power and Savannah Electric remains intact.

California's deregulation came about in response to a recession in the early 1990s when there was an abundance of generation supply. The state had lost 750,000 jobs and consumers were demanding lower electric rates that were 50% above the national average at the time.

In contrast, Georgia's electric rates have remained stable and are among the lowest in the country. Georgia Power's rates are about 15% lower than the national average. The Commission continues to monitor the regulated companies' earnings in periodic rate proceedings to ensure that Georgia's electric rates provide for economical and reliable power and an adequate return on investment to the companies' shareholders. Over a billion dollars in benefits – rate refunds and additional earnings – will be realized by both ratepayers and the Companies as Commission-approved accounting plans end later this year for Georgia Power and mid 2002 for Savannah. These plans were part of six-month long cost of service examinations of both companies conducted by the Commission in 1998. Both Georgia Power's and Savannah Electric's earnings will be examined again in rate proceedings scheduled for later this year.

California made several major mistakes that led to this latest crisis. First, utilities could not enter into long-term contracts to purchase power. The state forced the utilities to get rid of about 50 percent of their generating capacity under the deregulation scheme. This requirement meant the utilities had to purchase power on the unregulated wholesale market leaving them at the mercy of the volatile spot market. In the meantime, retail rates were rolled back 10% and capped or "frozen" until 2002 or until utilities could recoup "stranded costs." The price caps meant customers had no incentive to conserve power at the same time that demand and prices were going up.

The increase in natural gas prices just made a bad situation worse in California. About 30% of the energy generated in California uses natural gas and even more during peak periods.

Second, California has built no new generating plants in the past ten (10) years and the average plant age is 30+ years meaning more maintenance and forced outages. In November and December of 2000, 11,000 Megawatts of capacity were out of service compared to just 2,000 in the same period in 1999. Utilities have no reserve requirements. There is no incentive to construct new power plants and there are strict environmental regulations to comply with once built.

In contrast, the Southern Company is planning to add 6,600 megawatts of capacity in the southeast by 2004. Every three years since 1992, our regulated electric utilities are required to file resource plans with the Commission for review and approval. State law requires Commission approval before any power plant can be built, sold, or leased. Also since 1992, the Commission has certified new generation on an almost annual basis.

Georgia's generation, transmission and distribution facilities continue to be owned and operated by the utilities and remain regulated by the Commission. In California, the IOUs were encouraged to sell off their fossil fuel generating plants but could retain their nuclear and hydro plants. The plants were sold to independent power producers for well above their book value and provided a profit to the utilities. Initially this was seen as a good thing as it eliminated the stranded costs and removed the caps but it later proved to be a major mistake.

Obviously, we will learn from the mistakes California made. One of the things we have learned from the California situation is that conditions for competition, such as sufficient supply, transmission lines, conservation plans and long-term contracts for generation supply must exist before deregulation takes effect. Georgians need not worry about their electric supply.

We have sufficient supply to meet Georgia's needs, now and in the future.

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