GEORGIA PUBLIC SERVICE COMMISSION

1999 Annual Report

Chairman Stan Wise
Vice Chairman Lauren "Bubba" McDonald, Jr.
Commissioner Robert B. Baker, Jr.
Commissioner David Burgess
Commissioner Bob Durden

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Table of Contents

January 1, 2000

Honorable Roy Barnes, Governor
Office of the Governor
State Capitol
Atlanta, Georgia 30334

Dear Governor Barnes:

It is a pleasure to present to you the 1999 Annual Report of the Georgia Public Service Commission (also referred to herein as "PSC" and "Commission"). This annual report contains an overview of the history and structure of the Commission and identifies the major achievements in the state's utility and transportation industries during the past calendar year.

For over 120 years, decisions made by the Commission have contributed to the state's economic growth and technological development. We look forward to serving Georgia's citizens into the next century.

Respectfully submitted,

Stan Wise, Chairman

Lauren "Bubba" McDonald, Jr., Vice Chairman
Robert "Bobby" Baker, Jr., Commissioner
David Burgess, Commissioner
Bob Durden, 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 members of this body originally were appointed by the governor for the purpose of regulating railway freight and passenger rates.

In 1891, telegraph and express companies came under the Commission’s jurisdiction. Sixteen years later, the Commission was given authority over docks and wharves, as well as telephone, natural gas and electric companies. This jurisdiction was further expanded in 1931 when authorization to regulate the trucking industry was conferred upon the Commission. Cognizant of the changing role of this regulatory body, the name of the Railroad Commission of Georgia was changed by the Legislature in 1922 to the Georgia Public Service Commission.

MISSION

The PSC is a quasi-legislative, quasi-judicial agency comprised of five Commissioners elected on a statewide basis. Beginning with the election in the year 2000, a candidate for a seat on the Commission must meet an additional requirement of qualifying by residency in the appropriate district for which a Commission seat is available. The PSC's mission is to ensure that consumers receive the best possible value for the telecommunications, electric and gas services they receive and have available to them transportation and pipeline services that are safe and reliable. 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 and projections, and provide for the safety of gas pipeline distribution systems. Commercial vehicle and driver safety remains a Commission priority, as evidenced by the strong presence of enforcement officers around the state to enforce compliance with state and federal safety, hazardous materials and economic regulations for commercial vehicles.

Over the past decade, expansion and competition have significantly changed the Commission's purpose. With the onset of competition in these industries, the Commission’s role is slowly being transformed from that of a traditional regulator to one that is called upon to arbitrate complaints among competitors. This is a trend that is expected to continue as these industries—and possibly the electric industry—move closer to being fully competitive.

PUBLIC SERVICE COMMISSIONER PROFILES

Stan Wise

Commissioner Since: January 1, 1995

Chair: January 15, 1999 - January 14, 2000

Year Elected: 1994

Serves Through: 2000

Republican, Cobb County

Chairman, Georgia Public Service Commission

Prior to being elected to his first term on the Commission in 1994, Stan Wise successfully operated his own insurance business for over twenty-four years. He began his public career as a Cobb County Commissioner in 1990 and has held positions with the Cobb County Planning Commission and the Board of Zoning Appeals. From 1992 to 1994, Commissioner Wise served as a Board Member of the ten-county Atlanta Regional Commission.

Wise held the position of Commission Chairman in 1997 and 1999 and is the past President of the Southeastern Association of Regulatory Utility Commissioners. He holds a membership on both the Board of Directors and Gas Committee of the National Association of Regulatory Utility Commissioners and is the chairman of the Gas Research Institute's Advisory Council. Wise also has served on the Board of Directors of the Cobb YMCA and Boys' Club and the North Georgia Law Enforcement Academy Advisory Board.

A former member of the Air Force Reserve, Wise holds a B.S. in Business Management from Charleston Southern University. He and his wife, Denise, have been married for 26 years and have a daughter, Lindsay, 20, who attends Georgia Southern University on a scholarship, and a son, Adam, 18, who plays football and baseball at Lassiter High School in Cobb County.

Lauren "Bubba" McDonald, Jr.

Commissioner Since: June 10, 1998

Year Elected: 1998

Serves Through: 2002

Nonpartisan

Vice Chairman, Georgia Public Service Commission

Following the resignation of Mac Barber, Governor Zell Miller appointed Lauren "Bubba" McDonald, Jr. to fill a vacant Commission seat on June 10, 1998. At a special election held later that year, McDonald was elected by an overwhelming majority of voters to serve as Commissioner.

A graduate of the University of Georgia with a BBA in Business, McDonald brings to the Commission 20 years experience in the Georgia House of Representatives, where he chaired the Industry Committee for five years and the Appropriations Committee for eight years. McDonald is a former member of the Jackson County Board of Commissioners and the Board of Managers of the Association of County Commissioners of Georgia. He has also served as a member of the Board of Governors of Mercer Medical College, a director of the Small Business Development Center at the University of Georgia and as a member of the Board of the Advanced Technology Center at the Georgia Institute of Technology.

A Commerce native, McDonald is a partner in L.W. McDonald & Son Funeral Home with his son, Lauren III, in Cumming, Georgia. McDonald is married to Sunny McDonald (Nivens), formerly of Gainesville. He is an elder in the Presbyterian Church, a private pilot and an avid golfer.

Robert "Bobby" Baker, Jr.

Commissioner Since: January 1, 1993

Year Elected: 1992; Re-Elected: 1998

Serves Through: 2004

Republican, DeKalb County

Commissioner, Georgia Public Service Commission

Robert B. Baker, Jr. grew up in DeKalb County, Georgia, where he graduated from Oglethorpe University with honors. He attended law school at the University of Georgia. After obtaining his juris doctor degree, Baker joined the Southeastern Legal Foundation, a regional conservative public interest law firm, and subsequently entered private practice. In 1992, Baker was elected to his first term on the Georgia Public Service Commission, where he has served as Chairman on two separate occasions. His victory marked the first time that a Republican was elected to a statewide office in Georgia since Reconstruction. During his first term with the Commission, Baker worked aggressively to develop competitive markets for utilities, reduce regulation and expand toll-free calling in Georgia. His accomplishments in these areas recently resulted in his being re-elected to a second term on the Commission.

In addition to his work with the Commission, Baker has served on the Board of Directors for the Georgia Center for Advanced Telecommunications Technology. From 1991 to 1995, he held the position of Vice Chairman of the Gwinnett County Planning Commission. He is a director of the Peachtree-Atlanta Kiwanis Club and a graduate of Leadership Gwinnett. Baker was selected as one of *Georgia Trend's* most influential people in 1994 and 1998, and was awarded the Oglethorpe University Talmage Award in 1998.

David L. Burgess

Commissioner Since: April 8, 1999

Serves Through: 2000

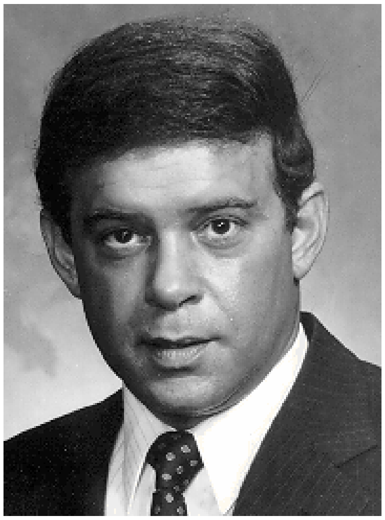
Democrat, DeKalb County

Commissioner, Georgia Public Service Commission

Governor Roy E. Barnes appointed David L. Burgess to fill a vacant Commission seat on April 8, 1999. His appointment to the Commission is one of several "firsts." Burgess is the first African-American person to serve on the vital utility board; the first former PSC staff member to hold a Commission seat; and, according to "PSC Historians," the first Georgia Tech graduate on the Commission.

Burgess graduated from Georgia Tech in 1981 with a Bachelor of Science Degree in Electrical Engineering. He has been a member of the PSC staff for 17 years. Burgess began as a public utilities engineer, rose through the ranks in six years to become the Commission's Director of Rates and Tariffs, and served as the Director of the Commission's Telecommunications Unit for the past two years. He has effectively resolved various electric, gas and telephone issues during his tenure at the Commission. Burgess continues to lead the Commission's efforts to implement the requirements of the Federal Telecommunication Act of 1996. He has also served as a member of the National Association of Regulatory Utilities Commissioners' Subcommittees on Communications and Finance and Technology.

An Atlanta native, Burgess and his wife Phyllis have been married for five years. They have two daughters, Crystal, 4, and Christina, 1. Burgess is the Superintendent of Sunday School and a Trustee at Turner Monumental A. M. E. Church.



Bob Durden

Commissioner Since: January 1, 1991

Year Elected: 1990; Re-Elected: 1996

Serves Through: 2002

Republican, Forsyth County

Commissioner, Georgia Public Service Commission

The longest serving member of the Commission and a native Georgian, Bob Durden is a graduate of Statesboro High and earned a B.A. (History), an M.A. (Political Science) and J.D. (Law) degrees from Emory University. Following military service in the Marine Corps, Bob taught courses in Economics, International Relations and American Government at Emory and was honored for his contribution to education as a recipient of Emory's "Spokesman Award." Prior to his election, Bob was a trial attorney in private practice.

Bob was selected for membership in MENSA and has been named to "Who's Who in the South and Southwest," "Who's Who in American Law," *Georgia Trend's* "100 Most Influential Georgians," and "Who's Who in America." His plan to expand toll-free calling in Atlanta and 300 other Georgia communities and his successful fight to return $1.34 billion to Georgia ratepayers are hallmarks of his service.

Bob served as Chairman of the Commission in 1991, 1992 and again in 1995.

PUBLIC SERVICE COMMISSION MANAGERIAL PERSONNEL

DECEMBER 31, 1999

Commissioners

Stan Wise, Chairman
Lauren "Bubba" McDonald, Jr., Vice Chairman
Robert "Bobby" Baker, Jr., Commissioner
David Burgess, Commissioner
Bob Durden, Commissioner

Administrative Division

Deborah Flannagan, Executive Director
Helen O'Leary, Executive Secretary
Bart Gobeil, Public Information Officer/Legislative Liaison
Phil McMullan, Fiscal and Budget Officer
Jackie Thomas, Human Resources Officer
Harriet Van Norte, Director of Consumer Affairs

Utilities Division

B.B. Knowles, Utilities Division Director
Ken Ellison, Assistant to the Utilities Division Director
Leon Bowles, Director of the Telecommunications Unit
Sheree Kernizan, Director of the Electric Unit
Nancy Tyer, Director of the Natural Gas Unit
Tim Hopkins, Director of Utilities Finance Section

Transportation Division

Al Hatcher, Transportation Division Director
Major Al Algier, Director of the MCSAP Enforcement Unit
Lucia Ramey, Director of the MCSAP Compliance Unit
Maria Dorough, Director of the Certification and Permitting Unit
Nora Blair, Director of the Administrative Support Unit

UTILITIES DIVISION

Historically, the PSC has been responsible for setting the rates charged by telecommunications, natural gas and electric companies through economic regulation, and for establishing and enforcing quality of service and customer service standards. The telecommunications, natural gas and electric industries previously were characterized as natural monopolies. Now a number of these industries is evolving from a monopoly market structure where customers are served by a single provider to a competitive market where customers can choose from multiple providers for certain services. Some services will continue to be monopoly services regulated by the Commission. The pace of competition varies among these industries. In the telecommunications industry, long distance service has been competitive since the mid-1980s. In 1995 and 1996, local telephone service was opened to competition by state and federal legislation, respectively. In 1998, Georgia opened the natural gas industry to competition. Discussions about restructuring the electric industry are underway at both the state and federal level, although no statutory changes have been made to date.

These changes in the regulatory environment have resulted in the Commission taking official action to ensure that consumers receive the best possible value in telecommunications, electric and natural gas services and to improve pipeline safety. An overview of the role that the Commission has played in each of these industries over the past year as well as key decisions this agency made are set forth in the following sections.

TELECOMMUNICATIONS

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 Georgia Public Service Commission's role in this vital industry. The primary goal of both of these statutes is to replace traditional regulated monopoly service with a competitive market. By the end of 1999, the Commission certificated a total of 157 competitive local exchange providers, 534 resellers, 127 alternative operator service providers, 45 interexchange carriers, and 639 payphone service providers since competition first was introduced in 1995. The Commission also has heard six arbitration cases, approved 468 interconnection agreements, and continued to administer and prepare for the transition of the Universal Access Fund to its next phase.

Noteworthy developments in the Georgia telecommunications industry that occurred during calendar year 1999 are set forth in the following section.

Significant Matters In the Telecommunications Industry In 1999

Switched Access Rates Are Reduced

During its Administrative Session on December 21, 1999, the Commission approved tariff revisions filed by BellSouth Telecommunications, Inc. (BellSouth) to reduce switched access rates to those set forth in a stipulated agreement between BellSouth and AT&T. A year earlier, AT&T and BellSouth were able to agree on a plan for the systematic reduction of switched access fees in Georgia by $15 million on January 1, 1999, followed by another $15 million reduction on January 1, 2000. As a consequence, Georgia has the lowest long-distance access fees in the nine states served by BellSouth and the eighth lowest access fees nationally. The Commission has directed the providers of long-distance services to flow these reductions through to Georgia consumers.

Commission Actions Are Taken That Affect the Universal Access Fund

During the year, the Commission ruled that effective June 30, 2001, Tier II telephone companies, which include all incumbent local exchange carriers (ILECs) other than BellSouth, could no longer receive disbursements from the Universal Access Fund (UAF) without demonstrating their need for funding to provide universal service. Until June 30, 2001, such companies can continue to receive disbursements from the Universal Access Fund that are not based on need as provided in O.C.G.A. § 46-5-166(f)(2). The need-based portion of the Universal Access Fund and its procedures and requirements will be established after a series of hearings that will be held in early 2000 in accordance with a Commission Procedural and Scheduling Order approved on December 21, 1999. Prospectively, any requests for UAF disbursements after July 1, 2001 will be accompanied by a future looking cost study by the applicant.

The Commission further provided for the ability of smaller ILECs to opt out of this hearing process and instead participate in an informal workshop process provided that the annual disbursement request is no greater than $1.5 million. This option would be available to any applicant willing to cap its annual UAF request amount at $1.5 million. Certain cost study requirements will remain; however the process will be truncated, thereby minimizing costs and resource requirements for both the applicants and the Commission.

New Area Codes Are Approved In South Georgia

On June 12, 1998, the North American Numbering Plan Administration (NANPA) advised the Commission that the 912 area code used by most of South Georgia would exhaust in the third quarter of 2001. The Commission staff subsequently requested that NANPA consider a three-way geographical split, which would divide the 912 area into three sections along local access and transport area (LATA) boundaries: the Savannah LATA; the 912 portions of the Augusta LATA and the Macon LATA; and the Albany LATA. While a three-way split would require that two groups of customers change their telephone numbers, it would not require ten-digit dialing for local calls originating and terminating within the same area code. This would impact 300,000 access lines in the Macon and 912 portion of the Augusta LATA, 330,000 access lines in the Albany LATA and 430,000 access lines in the Savannah LATA.

Assuming normal growth without employing any code conservation methods, the projected exhaustion dates for the three LATAs are 30 years for the Macon and Augusta LATA, 24 years for the Albany LATA and 19 years for the Savannah LATA. Assuming some undefined code conservation method is employed in 2000, the projected exhaustion dates for the three LATAs are 60 years for the Macon and Augusta LATAs, 48 years for the Albany LATA and 38 years for the Savannah LATA.

In an effort to educate the public as to its options regarding the need for area code relief in the 912 area, the Commission held informal meetings at five locations in South Georgia during August 1999. A formal public hearing was held before the Commission on September 1, 1999. After considering the information and evidence presented at these hearings, the Commission ordered a three-way split be implemented allocating the area codes as follows: 912 for the Savannah LATA; 229 for the Albany LATA; and 478 for the Macon and Augusta LATAs.

Customer notification began on October 1, 1999, which is ten months prior to the August 1, 2000 transitional dialing period. The effective date of the new area codes will be August 1, 2001.

Number Conservation and Rate Center Consolidation Are Further Pursued

In 1997, the Commission implemented an all-services overlay and added a new 678 area code to relieve both the 404 and 770 area codes. The PSC directed that rate center consolidation be studied as a potential conservation measure and approved an area code exhaust plan. After receiving information that the 912 area code would exhaust in the third quarter of 2001, the Commission split the existing territory served by this area code into three separate sections and assigned new area codes to two of those sections in October 1999.

Despite these efforts, a shortage of number resources in Georgia has continued to be a problem.

On November 19, 1999, the Commission filed a petition with the Federal Communications Commission (FCC) seeking additional delegated authority to implement measures to conserve phone numbers in Georgia. Specifically, the PSC has requested that the FCC grant it the authority to:

1. Institute thousand-block number pooling.
2. Order the return of unused and reserved NXX codes.
3. Set NXX code allocation standards.
4. Require submission of utilization data.

The Commission expects to learn in early 2000 whether the FCC will grant it the authority to implement some or all of these actions in an effort to conserve phone numbers in Georgia.

BellSouth Proposes Its Plan for Rate Center Consolidation

BellSouth filed its plan for Rate Center Consolidation (RCC) in the Atlanta Metropolitan Calling Area on July 15, 1999. If adopted, the RCC Plan would consolidate 33 of the existing 59 rate centers into a single rate center, thereby reducing the total number of rate centers in the Atlanta Metropolitan Calling Area to 27.

Presently, any competing local exchange company certified to operate in the Atlanta Metropolitan Calling Area must be issued a NXX code block of 10,000 numbers for each rate center area they serve. This plan would conserve the use of NXX codes, which would extend the life of NPA Area Codes.

In late 1999, the PSC voted to hold a series of workshops so that BellSouth could present to the Commission and any interested parties its Rate Center Consolidation Plan. The first workshop was held on October 29, 1999, at which time issues were identified and three industry subcommittees were formed to study and resolve them. At a second workshop held December 7, 1999, it was reported that the issues being examined by two of the three subcommittees had been resolved. Additional workshops are scheduled for early 2000 to address any issue still outstanding.

Third-Party Testing of BellSouth's Operational Support Systems Begins

On May 20, 1999, the PSC issued an Order calling for third-party testing of BellSouth's Operational Support Systems (OSS). In this Order, a testing plan was prescribed that would allow the Commission to conduct a thorough audit of BellSouth's OSS to provide the PSC with additional information as to whether nondiscriminatory access to BellSouth's OSS is available. During the remainder of 1999, the two companies auditing BellSouth's OSS—KPMG and Hewlett-Packard—worked steadily to implement the directives contained in the Test Plan approved by the Commission. After thoroughly reviewing a letter written to US West by the Chief of the Common Carrier Bureau of the FCC on September 27, 1999, the purpose of which was to provide the Bell Operating Companies with guidance as to what a third-party test should include to assist in determining whether nondiscriminatory access to OSS exists, the Commission amended its Order to include additional testing of BellSouth's Operational Support Systems.

NATURAL GAS AND PIPELINE SAFETY

NATURAL GAS

Natural gas is vital to the development and economic well-being of the state of Georgia. Over 1,500,000 customers use natural gas that is delivered by the state's two investor-owned natural gas systems, Atlanta Gas Light Company (AGLC) and United Cities Gas Company (United Cities). In early 1997, the Georgia Legislature passed the "Natural Gas Competition and Deregulation Act" (the Act), O.C.G.A. § 46-5-150 et seq., which gave both of these companies the option of electing to be governed under a new regulatory framework. More specifically, the Act provides for a transition of the natural gas commodity market from a regulated monopoly to a competitive marketplace. The Commission's role under the Act would be to facilitate this transition.

Although to date United Cities has not elected to be governed under the Act, AGLC filed notification of its intent to be subject to the new regulatory model in November 1997. In managing the transition to competition in what traditionally was AGLC's service areas, the Commission's main objectives have been to implement the Act in a manner that allows a majority of end users to realize the benefits of competition, which include a greater choice among gas providers and better customer service. The success of opening the natural gas market to competition ultimately will be judged on whether consumers benefit, economic efficiency is improved, fair competition is promoted, and safety and reliability are maintained or enhanced.

Important events in the Georgia natural gas industry that occurred during calendar year 1999 are set forth in the following section.

Significant Matters in the Natural Gas Industry in 1999

Commission Orders AGLC to Make Refunds to Customers

In January 1999, the Commission initiated a proceeding that ultimately resulted in AGLC refunding $14.5 million to ratepayers and ordered the company to return to offering a volumetric-based rate. Later that year, in December 1999, the Commission transferred $33 million dollars related to purchase gas adjustment over-collections to an escrow account designated by the Commission. It is the plan of the Commission to refund this money to customers during early 2000.

289,986 AGLC Customers Are Randomly Assigned to Fifteen Gas Marketers

On May 3, 1999, the Commission issued an Order in which it determined that adequate competitive market conditions existed in each of the delivery groups that comprised the AGLC service area. The significance of this finding was that AGLC would be permitted to exit the natural gas sales business and focus exclusively on the delivery of this commodity. As per the Commission's Order, all customers of AGLC who had not chosen a marketer as of August 11, 1999, would be assigned to one at random by the PSC. The Commission subsequently assigned 289,986 customers to 15 active marketers effective October 1, 1999.

The Commission Proposes Rules to Prevent Slamming

In response to a number of complaints received by consumers, the Commission proposed on June 1, 1999, that a set of rules be adopted to prevent the unauthorized switching of customers' natural gas marketers—a practice known as "slamming." As proposed, the rules call for fines of up to $15,000 for each instance in which a marketer is found to have slammed a customer and $10,000 per day for each day this situation is not corrected. Among other things, the rules also require marketers to take additional measures to verify that a particular customer desires to change gas suppliers before such a change is effected.

After receiving comments on the rules initially proposed, a number of small changes were made and a second notice of rulemaking was issued in November 1999. It is expected that the Commission will adopt a set of slamming rules in early 2000.

Monthly Score Cards Are Issued For Natural Gas Marketers

In an effort to provide Georgia citizens with an additional resource to use to select a natural gas marketer, the Commission began issuing scorecards on December 1, 1999, that compare all 18 natural gas marketers by the number of consumer complaints received. These scorecards, which can be found on the PSC's web site (www.psc.state.ga.us) from September 1999 forward, list the number of complaints and inquiries received for every 10,000 customers that a particular marketer serves in Georgia. Complaints are broken down into three separate categories: billing, service and deceptive marketing practices—which include "slamming."

While scoring is based upon the total number of complaints received by this agency, the PSC recognizes that a gas marketer may not be at fault in any given instance in which a consumer makes a complaint. Such a determination can only be made when a final investigation is complete.

Bankruptcy Filing by Natural Gas Marketer Is Closely Monitored by PSC

On October 26, 1999, natural gas marketer Peachtree Natural Gas (Peachtree) filed Chapter 11 Bankruptcy in the U. S. Bankruptcy Court in Atlanta. The Public Service Commission intervened in this court case to monitor whether this company would have the finances needed to supply its 172,000 customers with natural gas during the upcoming winter months. In the event that Peachtree (or any other marketer) was unable to fulfill its obligations as a natural gas provider, the Commission designated Shell Energy Services Company (Shell) as interim pooler to facilitate the appropriate service transition of all of the defaulting marketer's customers.

In this instance, the services of an interim pooler were not necessary. In early December, Peachtree was authorized by the bankruptcy court to sell its customer base to the highest bidder, which also turned out to be Shell. When this authorization was obtained from the Bankruptcy Court, the Commission successfully argued in favor of Peachtree's customers receiving additional safeguards, including receipt by consumers of written notification about Shell taking over their accounts and their ability to switch from Shell to another marketer at no cost.

The Commission has kept itself apprised of matters pertaining to the transfer of Peachtree's natural gas customers from Peachtree to Shell, which it has learned include allegations by customers of other marketers that they allegedly were "slammed" by Peachtree Natural Gas some time before the company declared bankruptcy in October. On December 7, 1999, the PSC voted to hold a hearing to pursue these slamming allegations and to ascertain whether this company is still technically and financially capable to market natural gas in the state of Georgia. A hearing is scheduled to proceed on these issues in March 2000.

United Gas Management's Business Practices Examined by PSC

After receiving approximately 200 complaints about United Gas Management, the Commission issued a rule nisi against this natural gas marketer on August 12, 1999. Charges made against United Gas Management included allegations that the company engaged in misleading and deceptive practices as a means to enlist customers and switched customers from their marketers of choice without receiving the proper authority to do so.

Before an evidentiary hearing was held in this matter, staff members of the PSC and representatives of United Gas Management entered into a consent agreement that subsequently was approved by the Commission. Among the terms of the agreement were requirements that United Gas Management pay a $90,000 fine, retrain its employees in the areas of customer service and allow existing customers to select new gas providers without incurring any switching fees.

PIPELINE SAFETY

Despite the move away from monopoly regulation in the sale of natural gas as a commodity, the Georgia Public Service Commission remains responsible for ensuring that federal safety requirements are met by all natural gas operators, both private and municipally-owned, involved in the distribution and transmission of natural gas. The Commission's Pipeline Safety Section oversees more than 700 miles of transmission pipelines and over 38,000 miles of distribution lines, which transport natural gas to over 2,000,000 Georgia customers.

During 1999, this Section continued to regulate all pipeline safety matters involving both the private and the municipally-owned natural gas distribution systems, liquefied natural gas facilities, master-metered operators and direct sales customers, including propane facilities, that operate in the state of Georgia. The Pipeline Safety Section enforces those regulations contained in Parts 191, 192, 193 and 199, and Part 40 of the Code of Federal Regulations, as well as applicable state regulations. As the need arises, it is authorized to adopt additional regulations.

In 1999, this Section spent 1,030.5 inspection days performing 613 inspections. Approximately 123 days were spent investigating 52 accidents that involved the release of natural gas. The Pipeline Safety Section saw a sharp increase in third-party damages to underground facilities during this year. The Section's five investigators and one supervisor reviewed over 400 third-party damage incidents. Two major incidents involved explosions that killed one person, caused another one to be hospitalized with life threatening third-degree burns and injured eight other people. Additional information suggests that there were over 5,000 incidents that occurred statewide during 1999.

Significant Matters Regarding Pipeline Safety in 1999

AGLC's Pipeline Replacement Program Moves Forward

On July 21, 1998, the Commission voted to accept a stipulation entered into by AGLC and the PSC staff to replace and adequately protect several hundred miles of the Company's corroding natural gas pipelines. The 10-year program called for in the stipulation was designed to replace more than 2,300 miles of bare steel and cast iron pipe throughout AGLC's system.

On September 8, 1999, the Company filed a report documenting the Pipeline Replacement Program for October 1, 1998, through June 30, 1999. During its Administrative Session on September 21, 1999, the Commission approved a rate of eleven cents per customer per month to be assessed for the Company's pipeline replacement program effective for service provided on or after October 1, 1999.

PSC and City of Quitman Enter Consent Order After Fatal Gas Accident

In November 1998, the Pipeline Safety Section investigated a gas explosion of a dwelling in which an individual was killed in the City of Quitman (City). After its investigation was complete, the members of the Pipeline Safety Section issued a report indicating that inaction on the City's part contributed to the gas accident that occurred at this residence. More specifically, despite the fact that City personnel were aware that a gas leak was present somewhere in this dwelling, they failed to lock the gas meter outside the house. As a result, the occupant of the dwelling was able to restore the flow of gas to his house. This gas began leaking and subsequently ignited.

On July 6, 1999, the Commission voted to accept a consent order entered into by the City of Quitman and PSC staff in which the City agreed to institute more stringent safety procedures. In addition, the City of Quitman agreed to pay a fine of $20,000.

Pipeline Safety Rules Promulgated by the PSC

During its Administrative Session on July 6, 1999, the Commission voted to promulgate new rules or amendments to existing rules to enhance pipeline safety within the state of Georgia. Two of the four rules enacted supplement the Commission's existing authority by including references to additional federal statutes pertaining to pipeline drug testing and safety jurisdiction generally. A third rule increased the penalties for violations of the Commission's rules or orders from $1,000 to $15,000 per occurrence. The fourth and final rule defines in greater detail the definition of the term "incident" and clarifies when a pipeline operator must report a release of gas to the Pipeline Safety Section.

PSC Enacts Federal *Common Ground Best Practices* by Emergency Rules

Following a sudden increase of serious accidents, the Commission determined in the fall of 1999 that companies under its jurisdiction should comply with rules containing standards to be applied when excavating near underground facilities. With respect to the measures that were to be employed, in August 1999 the Office of Pipeline Safety of the United States Department of Transportation *Common Ground* issued a set of "best practices" for excavation damage prevention. On November 5 and 16, 1999, the Commission issued emergency rules in which it expressly found that these best practices represent the minimal acceptable standards for natural gas marketers, telecommunications carriers, private electric utility providers and pipeline and distribution system operators to follow when excavating in an area in which underground facilities may be located. By adopting these rules, it was the intention of the Commission to protect the public health, safety and welfare and lessen the amount of damage by reducing the number of gas accidents within the state of Georgia.

ELECTRIC

Electricity is an energy form that is essential 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 universal and perhaps the most essential. Like the natural gas and telecommunications industries, the electric industry is in a state of change. The PSC expects that the electricity industry in Georgia may be restructured some time in the future. Unlike the other two industries, however, the existing legal framework reflects a state of traditional regulation under which the Commission regulates the rates of the state's two investor-owned utilities, Georgia Power Company (Georgia Power) and Savannah Electric and Power Company (Savannah Electric). Combined, these companies serve approximately 2 million consumers and collected retail revenues of approximately $5 billion in 1999.

Pursuant to O.C.G.A. § 46-3A-1 et seq., the Integrated Resource Planning Act, the Commission is responsible for evaluating and approving integrated resource plans filed by these investor-owned utilities on a three-year cycle and granting applications for certificates as indicated by need. During 1999, hearings were held on Georgia Power's and Savannah Electric's applications for certification of resources to meet increased energy supply needs and to provide for adequate reserves for peak period energy needs. Decisions regarding these applications are expected during the first quarter of 2000.

In addition to handling these filings, the Commission oversees territorial assignments for all suppliers pursuant to the Georgia Territorial Electric Service Act, found in O.C.G.A. § 46-3-1 et seq., by reviewing and authorizing requests for transfers of retail electric service, resolving disputes over territories and customer choice, and maintaining the electric supplier territorial maps for each of the 159 counties in the state. The Commission also approves the financing of electric membership cooperatives. Sixty-four requests to transfer retail electric service and nineteen applications for financing were acted upon by the Commission in 1999.

Significant Matters in the Electric Industry in 1999

Approval of Negotiated Electric Contracts Keeps Business in Georgia

In recent years, the PSC approved five-year negotiated contracts between Georgia Power and ten of its industrial customers. The companies were granted special services and reduced rates by the utility to help economic development and keep jobs in Georgia. Prior to being authorized to enter into such a contract, each prospective company had to certify that its work force would have to be substantially reduced or the company would be prevented from expanding existing operations. In 1999, a number of these contracts were re-approved to reflect changes in a particular company's operations.

PSC Continues to Prepare for Competition in the Electric Industry

In 1997, the Commission completed a series of electric restructuring workshops and published a report in January 1998 that identified issues that must be resolved for competition to succeed in the electric industry. During 1999, the Commission continued to address complex issues essential to the development of a restructured electric industry. An investigation to determine how to unbundle traditional rates and ascertain what, if any, types and quantities of assets should qualify for recovery as stranded costs is currently underway. The Commission is also investigating the reliability of Georgia Power's generation system and plans to study the reliability of the distribution system in the upcoming year. In addition to these efforts, the PSC is active at the national level to ensure that any restructuring legislation that may be enacted at the federal level will be beneficial to Georgia ratepayers.

Georgia Power Rates Cut $834 Million In Three-Year Plan

The PSC voted unanimously on December 18, 1998 to cut Georgia Power's profits more than $1 billion over three years, with $834 million being applied directly to rate reductions starting in January 1999 in a three-year accounting plan. Under the plan, rates were reduced by approximately $262 million in 1999. A further reduction in 2000 will make rates in the second and third year $286 million lower than they would have been without the adoption of this accounting plan. An additional $255 million in earnings was designated to accelerate depreciation of certain regulatory assets. The Company's rate of return was capped at 12.5% return on equity. The first $50 million earned over 12.5% in the second and third year of the plan—2000 and 2001—is slated for additional accelerated depreciation. Two-thirds of any earnings over 12.5%—and after the first $50 million in 2000 and 2001—will be shared with ratepayers, with the remaining third being retained by the Company.

The bulk of the rate reductions—$483 million—will go to 213,000 small business customers who have been paying disproportionately higher rates. Residential customers will see reductions of $196 million over the period. Large commercial customers will receive reductions of $147 million. Outdoor lighting customers will receive discounts of $7.5 million. Based on the Company's strong performance in 1999 resulting from extremely hot weather, it is expected that consumers will enjoy additional rate reductions of approximately $70 million in 2000.

Electric Rate Reductions Continue For Savannah Small Businesses

After learning that Savannah Electric potentially could be overearning as much as $7 million annually from ratepayers, the PSC Staff successfully negotiated an agreement with this utility to reduce its earnings by $22 million over a four-year period. These reductions will be achieved through a combination of rate cuts, accelerated depreciation of assets and storm damage accruals.

On June 10, 1998, the PSC approved electric rate reductions over the next four years in the amount of $11 million for small business customers of Savannah Electric. Beginning with the first billing cycle in July 1999, small businesses realized a 5% reduction in rates. By the fourth year of this plan reductions will climb to approximately 8.6%. Operations benefiting from this rate relief range in size from small businesses in strip malls to large grocery stores using 50,000-kilowatt hours or less per month. Savannah's customers have received approximately $4.3 million in rate reductions since July 1998.

PSC Continues To Participate in Matters Pertaining to the Environment

In May 1999, the Commission provided comments to the Environmental Protection Division (EPD) of the Georgia Department of Natural Resources in response to proposed rules regarding Nitrogen Oxide compliance and that agency's plans for stricter controls on utility coal burning plants. In doing so, the Commission expressed a desire to support Metropolitan Atlanta's clean air initiatives in a manner that would not adversely affect customers' utility rates. Throughout the remainder of 1999, the Commission continued to monitor the progress of the state EPD as well as the federal Environmental Protection Agency in this endeavor as they struggle to develop a workable solution to this regional problem.

The Commission also has taken a strong stance against the Department of Energy's, (DOE's) failure to comply with laws that require DOE to remove waste from nuclear plants in Georgia beginning in January 1998. DOE's inaction in this regard has resulted in the need for Georgia Power to build at ratepayers' expense additional on-site storage to handle the accumulation of spent nuclear fuel. The Commission has addressed DOE at formal hearings and in written documentation to emphasize the severity of this situation. The Commission continues to work on a national level to ensure that any proposed federal legislation will provide an appropriate solution.

TRANSPORTATION DIVISION

The Transportation Division functions under cooperative agreements between the PSC, the U.S. Department of Transportation, the Georgia Department of Natural Resources and several other agencies. These cooperative agreements cover motor carrier vehicle safety and hazardous materials regulation. The primary responsibilities of the PSC's Transportation Division include establishing rates, certifying and registering motor carriers, and enforcing motor carrier safety on Georgia's roads and highways.

With respect to its regulatory obligations, the Commission's Transportation Division has price-setting authority over household goods, bus (other than charter) and limousine carriers and is responsible for permitting and certifying "for hire" intrastate and interstate motor carriers. In exercising this authority, it is essential that the Commission establish reasonable rates and tariffs and ensure that carriers are properly registered, certificated and insured. The Commission verifies that all "for hire" carriers have proof of insurance. Certificates of Public Convenience and Necessity must be obtained by "for hire" household goods, bus (other than charter) and limousine carriers. Other carriers are not required to have a certificate but must register or obtain a permit to operate in Georgia. In addition to these, the Commission also issues and tracks chauffeur permits granted to individuals who drive limousines in Georgia. Before a chauffeur's permit may be issued, the Commission must perform extensive background investigations on each limousine driver and obtain evidence that a limousine carrier has liability insurance.

The Enforcement and Compliance Units of the PSC's Transportation Division ensure compliance by commercial vehicles with safety and hazardous materials regulations. These Units have 41 uniformed enforcement officers, most of whom reside and work in assigned territories that range in size from 4 to 10 counties. Part of the PSC's commitment to commercial vehicle safety has been to work with other state and federal agencies and with enforcement divisions in respective counties to promote commercial vehicle safety.

In addition, the PSC's enforcement officers participate in concentrated efforts in "high crash corridors," the existence of which have been identified from vehicle accident reports by location, time-of-day, day-of-week and other contributing factors. As a result of traffic density, a majority of accidents involving commercial motor vehicles occurs on sections of Georgia's highways that are either major transportation arteries or located near metropolitan areas. By concentrating enforcement activities in these high-risk areas, a dramatic reduction in accidents, fatalities and injuries involving commercial motor vehicles should be apparent in the years to come.

The Transportation Division also regards safety education as an important part of its responsibilities. To enhance awareness of commercial motor vehicle safety regulations, it is necessary to assist the industry in understanding and complying with these regulations. This is accomplished through the P.I.E. (Public Information and Education) Program, Hazardous Material and Judicial Outreach seminars, *Introduction to Commercial Motor Vehicles* classes (CMV101), safety meetings and person to person distribution of safety handouts. Through these meetings, as well as through road checks and direct contact, 5,420 packets of safety information, 106,600 fact sheets, forms and other items were distributed in 1999. During this same period of time, four new publications were added to the P.I.E. Program's arsenal of 49 informative safety brochures and fact sheets.

In their effort to educate the industry, PSC enforcement officers conducted 90 industry safety meetings with 2,027 people in attendance in 1999. Additionally, in order to educate other enforcement agencies, they conducted 15 CMV101 classes throughout the state with approximately 200 officers in attendance. Comprehensive student manuals for these classes were created and produced "in house." A Commercial Driver's License training course was also held for 32 law enforcement officers, as well as a Hazardous Materials Awareness Course that was attended by 50 law enforcement officers.

In 1999, PSC officers participated in two new outreach activities. One such activity involved participation in seminars sponsored by the Georgia Department of Revenue to educate industry personnel about motor carrier requirements by various state agencies in Georgia. This agency's officers participated in 10 such seminars that reached 428 industry representatives. The other outreach activity involved the education of judges, court clerks, and judicial personnel on motor carrier regulations. During this same year, there were three judicial outreach meetings in various parts of the state that involved training of 134 court officers.

Another aspect of education and enforcement involves visits to terminals and office facilities by PSC officers to conduct Terminal Inspections on carrier vehicles and Compliance Reviews of carriers' records. These audits reveal a company's compliance with safety regulations in areas that include the qualifications of drivers, drug and alcohol testing and proper maintenance of vehicles. In 1999, the Commission's officers conducted 57 Terminal Inspections and 163 Compliance Reviews.

Significant Matters in the Transportation Industry in 1999

Commercial Vehicle Inspections Remain a Top Priority For The PSC

Since the number of miles traveled each year by commercial motor vehicles is increasing, PSC enforcement officers continued to concentrate their efforts in areas designated as "high crash corridors" in 1999. From January 1 to December 31, PSC enforcement officers inspected 11,912 vehicles, found 37,534 violations, and issued over 1,000 citations during high crash corridor road checks. As a result, 1,606 drivers and 2,183 vehicles were placed out-of-service.

In the entire state of Georgia during this same period, PSC enforcement officers conducted a total of 29,329 commercial vehicle inspections, issued 3,490 citations, found 97,102 violations, and placed 6,509 vehicles and 3,469 drivers out-of-service. Of the vehicles inspected, 2,174 were transporting hazardous materials, of which 485 vehicles and 208 drivers were placed out-of-service.

PSC Enforcement Officers Confiscate $128,274 in Drug Money in November

On November 29, 1999, a Georgia Public Service Commission enforcement officer observed a two-axle 1986 Mack truck that was not properly identified and did not have a visible tag—each a violation of state law. After stopping the truck to perform a commercial vehicle safety inspection and registration check, the officer obtained the driver's consent to search the vehicle. During this search the officer found $117,000 in cash—money the driver later admitted was to be used for the purchase of illegal drugs in Mexico. This confiscation came on the heels of an incident that occurred on November 22, 1999, in which another PSC officer pulled over a commercial vehicle on I-20 near Villa Rica and subsequently found $11,274, in drug money.

PSC Authorizes the Issuance of Interim Certificates Of Public Convenience and Necessity

During its Administrative Session on October 19, 1999, the Commission approved the issuance of Interim Certificates of Public Convenience and Necessity. By doing so, interim certificates of authority will be issued to carriers for a 12-month period. Thereafter, the decision whether to issue a carrier a permanent certificate will be made on the basis of its service record during the period of time that it operated under an interim certificate. Interim certification, which is scheduled to begin on January 1, 2000, is expected to reduce the amount of time that it takes for a carrier to obtain proper authorization to commence its commercial operations.

PSC Provides A More Detailed Movers' Report Card On Its Web Site

In November of 1997, the Household Goods Consumer Service Report Card was added to the Commission's web page at www.psc.state.ga.us. The availability of this report allows consumers to view the number of complaints received on household goods carriers and identify those carriers that are operating illegally in this state. This report card is updated weekly. In 1999, the information provided on this report card was enhanced to allow consumers to access three years of data consisting of the number of moves and complaints filed against a carrier. During this same year, the Commission staff assisted consumers in resolving 72 complaints against household goods carriers. As a result of staff's role in facilitating resolutions in these disputes, consumers were reimbursed a total of $70,630.47 for overcharges and damages.

Commission Makes Revisions to Its Transportation Division Rulebook

In an effort to streamline and update its Transportation Rules, the Commission voted on April 6, 1999, to remove a number of outdated rules and forms and incorporate revisions into its rules that take into account changes in existing state laws that have resulted from federal preemption. In addition to making these modifications, the Commission approved the conversion of all Class E certificates to Class B certificates.

Commission Accepts Insurance Filings/Carrier Registrations Via Facsimile

To make it easier for carriers to meet filing requirements and to accelerate the registration process, the Commission authorized the Transportation Division's Permitting Unit to accept faxed copies of insurance filings in 1999. In addition to handling registrations that were made via facsimile, the Permitting Unit provided assistance to 3,811 walk-in customers and responded to 27,541 phone calls inquiring about operating authority. This unit of the Transportation Division also issued permits to 1,276 new general commodity carriers during calendar year 1999.

Maximum Rate Tariff Approved for Hummer and Navigator Vehicles

In December 1999, the Commission approved a Maximum Rate Tariff for the transportation of passengers in Hummer and Navigator vehicles. As a result of doing so, competition was introduced into a facet of the industry that previously operated under a rigid tariff system. Over time, it is projected that this change in regulation will result in savings by the citizens of Georgia.

ADMINISTRATIVE DIVISION

During 1999, the Commission continued to maintain the highest standards in discharging those administrative functions necessary for the agency to operate in a manner that best serves the interests of 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 hire and retain quality staff members committed to serving the public sector.

The five offices of the PSC's Administrative Division responsible for the agency's ability to fulfill its mission include the Commission's Budget and Fiscal Office, Consumer Affairs Office, Executive Secretary's Office, Human Resource Office, and the Information Technology Office. An overview of the responsibilities of each Office is set forth below.

BUDGET AND FISCAL OFFICE

The Budget and Fiscal Office provides support to the entire agency by coordinating the budget process and performing its purchasing and accounting functions. These services are essential to Commission operations to obtain the resources required to fulfill its statutory duties and to ensure that an appropriate system of internal controls is in place to safeguard those resources. Since the last annual report was issued, the Budget and Fiscal Office has continued its results-based budgeting—a process for identifying the desired outcome of the Commission's efforts and measuring progress toward achieving its goals.

CONSUMER AFFAIRS OFFICE

The role of the Georgia Public Service Commission as a liaison between consumers and utility companies is becoming increasingly important. Competition in traditionally regulated utility markets has created a bewildering array of choices for consumers and increased competition between utilities spurs more aggressive marketing approaches. During 1999, consumer service representatives assigned to this Office responded to 67,127 contacts initiated by consumers and attempted to resolve 17,530 customer complaints. In addition to providing these services, Consumer Affairs also undertook in calendar year 1999 to prepare and disseminate materials to educate the public about competition in the gas and telecommunications industries in Georgia and the role that the Commission plays in the resulting newly competitive environments.

EXECUTIVE SECRETARY'S OFFICE

The Executive Secretary's Office is responsible for receiving all public documents filed at the Commission each day. In 1999, staff members in this Office opened 1,522 new case dockets and processed 7,263 documents that were filed at the Commission. In addition to handling filings made at the Commission, the Executive Secretary's Office is responsible for scheduling commission proceedings, assigning hearing officers, signing and certifying official orders, preparing lists of intervenors for docketed matters, and overseeing the agency's media and legislative activities.

HUMAN RESOURCES OFFICE

The Human Resources Office has remained committed to maintaining a high level of professionalism and development of the PSC's staff. Professional development is critical to maintaining and enhancing the professional competence of the staff. Over the next three to five years several key employees at the Commission will be eligible for retirement. Efforts are underway to cross-train staff so that adverse effects of these anticipated retirements will be minimized. In March 1999, the Human Resources Office issued a New Employee Orientation Manual containing information pertaining to agency personnel and administrative matters. This manual will serve as a valuable resource for newly hired and existing employees of the Commission to better understand the policies in effect at this agency.

INFORMATION TECHNOLOGY OFFICE

The overall strategy of the Commission's Information Technology (IT) Office in 1999 has been to use information technology in order to make the agency more accessible to the public and to improve the internal operations of the agency. Two primary means for implementing this strategy have been to develop a wide area network and an on-premises web site. The agency has an advanced IT platform that connects internal users in a way that has improved communications, enabled data sharing, reduced paper records, promoted the redesign of work processes, enhanced data analysis and refined project management. Similarly, improvements made to the PSC's on-premises web site have increased electronic transfer of documents, improved public access to Commission orders, expanded consumer and public education and encouraged a greater number of external communications. Due in large part to these advancements, the public has even greater access to the tens of thousands of documents on file at the PSC.

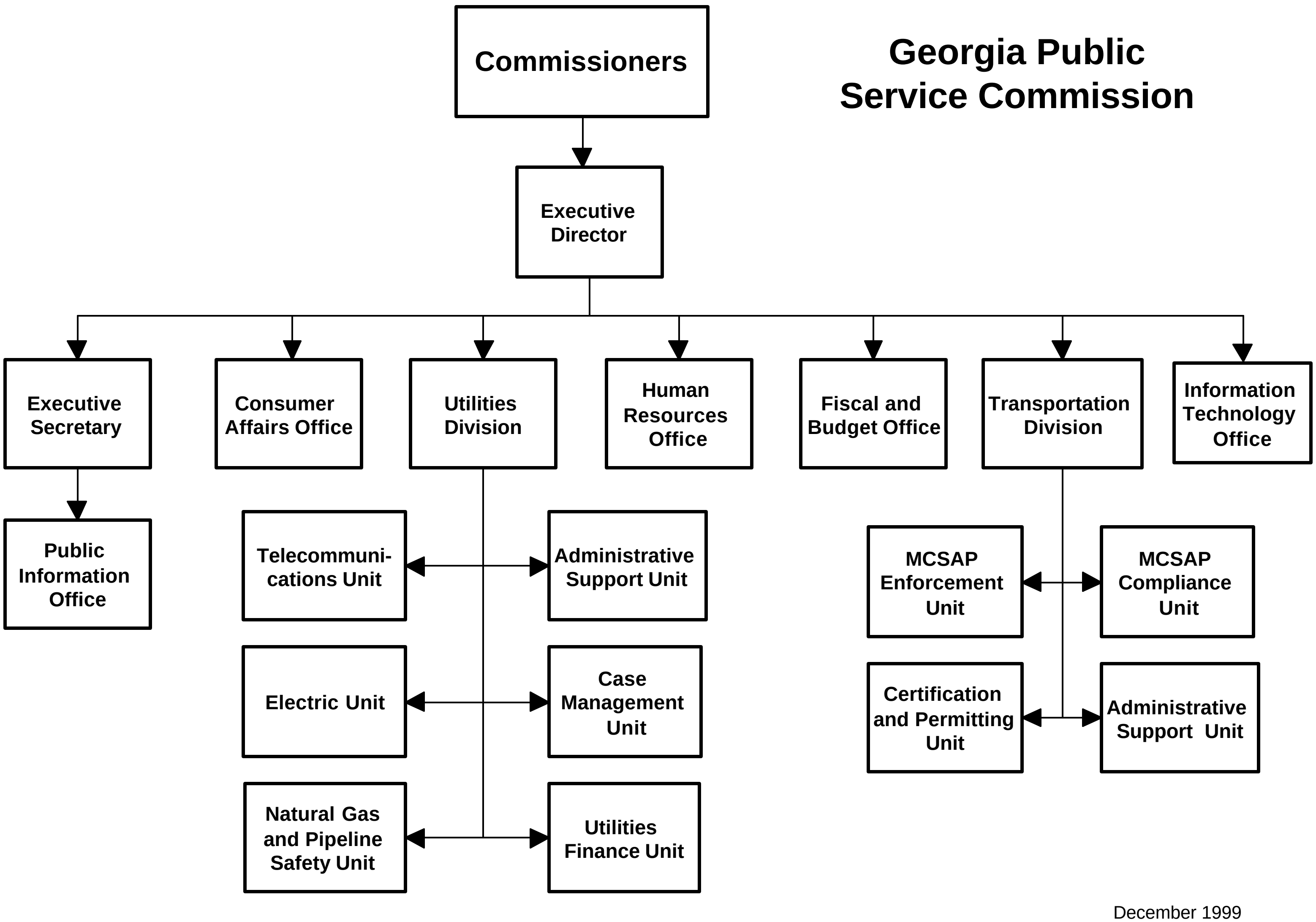
AGENCY BUDGET

	Fiscal Year 1999	Fiscal Year 2000 (Projected)
Revenue		
General Assembly Appropriations	$9,554,299	$9,221,609
Federal and Other Funds	4,397,319	2,990,456
TOTAL	$13,951,618	$12,212,065
Budgeted Expenses		
Personal Services	$7,705,624	$8,658,427
Regular Operating Expenses	689,985	606,542
Travel/Per Diem/Fees and Contracts	3,509,087	1,615,521
Computer Charges	539,710	378,286
Motor Vehicle Purchases	287,500	237,624
Real Estate Rents	330,108	327,795
Other[1]	889,604	387,870
TOTAL	$13,951,618	$12,212,065
Associated Revenue		
Regulatory Assessment Fees Paid Directly to Dept. of Revenue	$1,050,000	$1,050,000
Regulatory Fees Collected and Remitted to State Treasury	$3,720,858[2]	$2,594,178[3]

[1] "Other" includes Equipment as well as Telecommunications and Year 2000 Project Funds.
[2] Includes Transportation Revenue, Single State Registration Funds, Utility and Civil Penalties, and ADAD Permits
[3] This figure is as of January 21, 2000, and includes Transportation Revenue, Single State Registration Funds, Utility Penalties, a Kodak Settlement, and Integrated Resource Planning Fees.

TOTAL	$4,770,858	$3,644,178

Organizational Chart


Georgia Public
Service Commission
Commissioners
Executive Director
Executive Secretary
Consumer Affairs Office
Utilities Division
Human Resources Office
Fiscal and Budget Office
Transportation Division
Information Technology Office
Public Information Office
Telecommuni-cations Unit
Administrative Support Unit
Electric Unit
Case Management Unit
Natural Gas and Pipeline Safety Unit
Utilities Finance Unit
MCSAP Enforcement Unit
MCSAP Compliance Unit
Certification and Permitting Unit
Administrative Support Unit
December 1999