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BEFORE THE
GEORGIA PUBLIC SERVICE COMMISSION

IN RE: ATLANTA GAS LIGHT COMPANY'S) DOCKET NO. 18638-U
2004-2005 RATE CASE)

DIRECT TESTIMONY AND EXHIBITS OF MICHELLE THEBERT AND LANE KOLLEN

(Energy Conservation, Economic Development, and Tariff Issues)

ON BEHALF OF THE
GEORGIA PUBLIC SERVICE COMMISSION
ADVERSARY STAFF

FEBRUARY 25, 2005

Direct Testimony of
Michelle Thebert and Lane Kollen
On Behalf of the Adversary Staff
Of the Georgia Public Service Commission
Docket No. 18638-U
Atlanta Gas Light Company's
2005 Rate Case

I. QUALIFICATIONS AND SUMMARY

Q. Please state your names, occupations, and business addresses.

A. My name is Michelle Thebert. I am a Principal Utilities Engineer employed by the Georgia Public Service Commission ("PSC" or "Commission"). My business address is 244 Washington St., SW, Atlanta, Georgia 30334.

My name is Lane Kollen and I am a utility rate and planning consultant holding the position of Vice President and Principal with the firm of J. Kennedy and Associates, Inc. My business address is 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

Q. Ms. Thebert, have you previously testified before this Commission?

A. Yes. I have testified in numerous proceedings before this Commission. Please see Attachment A for my education and work experience.

Q. Mr. Kollen, have you previously testified before this Commission?

A. Yes. I have testified in numerous proceedings before this Commission, as well as in multiple other jurisdictions. Please see Staff Exhibit LK-1 for my education and work experience.

Q. Do you have any exhibits?

A. Yes. We have Staff Exhibits TK-1 through TK-12

Q. On whose behalf are you testifying?

A. We are testifying as a panel on behalf of the Commission Adversary Staff ("Staff").

Q. What is the purpose of your testimony?

A. We will respond to the testimony of Atlanta Gas Light Company ("AGLC" or "Company") witnesses Philip Buchanan and Gary Lakey regarding the following aspects of AGLC's 2005 Rate Case:

1. AGLC's Proposed Energy Conservation Program
   a. Equipment Replacement
   b. Weatherization Program
   c. Customer Education Program
2. AGLC's Proposed Economic Development Program
   a. Proposed Rate Schedule E-1
   b. Economic Development Fund
3. Tariff Issues

Q. Please provide a summary of your recommendations.

A. Staff has the following recommendations:

1. The Commission should deny the proposed Energy Conservation Program ("ECP") as filed by AGLC. As proposed, the equipment replacement program acts as a marketing tool to prevent customer erosion and not as an energy conservation program. The weatherization program also acts as a marketing tool requiring that in order to qualify for any weatherization product rebates a customer must first purchase an appliance, which is neither reasonable nor practical, and does not go far enough to achieve the goal to encourage energy conservation. And finally, the customer education program

is not needed or warranted given other vast resources of information regarding weatherization, energy assistance, energy conservation, and natural gas safety information.

2. The Commission should deny the proposed E-1 Rate Schedule. AGLC's proposed tariff is insufficient for the Commission to make a determination on its appropriateness. However, if the Commission were to approve the E-1 rate schedule as filed then the Commission should determine that interruptible customers are not eligible for the E-1 rate schedule.
3. If the Commission were to approve the E-1 rate schedule as filed then the Commission should require that AGLC provide to the Commission the proposed contract prior to allowing customers to receive natural gas service under this rate.
4. The Commission should reject the proposed economic development rider of $0.41/month/firm customer.
5. The Commission should adopt the proposed minor tariff revisions to the Terms of Service, Rate Schedules, Rules and Regulations, and Special Contracts as filed by AGLC and as detailed further in our testimony.
6. The Commission should require AGLC to modify or remove the following Tariff Sheets: Terms of Service Section 3.1, Section 10, and Section 25; Rules and Regulations: Rule 3, Rule 5, Rule 13, Rule 14, and Rule 15. All of these tariff sheets should be modified to apply to marketers or removed from the tariff.
7. The Commission should require AGLC to file tariff provisions or a procedural manual for Commission approval for the following: Turn-on requests; Turn-off requests; Switch requests; Reconnection requests; Disconnection requests; Pro-ration of Meter Reads; Delayed Match; Meter Express; and Consumption on an Inactive Meter.

II. ENERGY CONSERVATION PROGRAM

Q. Please describe your understanding of AGLC's proposed Energy Conservation Program ("ECP").

A. Our understanding of AGLC's proposed ECP is that the Company is requesting that the Commission allocate $4 million of base rates to fund three separate programs designed to either assist or educate customers regarding energy conservation. Based on AGLC's filing and testimony, the three programs that comprise the ECP are as follows: equipment replacement, weatherization, and customer education.

Q. What is AGLC's stated purpose of the energy conservation program?

A. AGLC offered various goals of the ECP throughout the testimony and hearing. As stated in the direct testimony of Gary Lakey and Philip Buchanan, "The ECP is designed to inform and encourage consumers to conserve energy and reduce pollution by choosing and installing high-efficiency appliances when replacing equipment and by weatherizing consumers' homes for greater energy efficiency." (Direct at 27, lines 4-7). During the hearing AGLC provided additional goals of the ECP. Witness Lakey stated that "The energy efficiency program is again, as I describe earlier, sort of that whole system how do you lower consumers' bills in term of lowering their consumption by having or incenting consumers to choose high efficient appliances and also choose along with that weather-stripping." (Tr. 856)

Q. Did AGLC propose any reporting requirements for the energy conservation program?

A. No. Staff believes that if the Commission were to adopt any plan of this nature, reporting requirements are necessary. If the Commission is unable to determine the success or failure of energy conservation programs, then the rates that fund these programs could be set at an artificial level.

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Q. What is Staff's general opinion of AGLC's proposed ECP?

A. Based on the testimony and witness presentations, Staff does not believe that what AGLC is proposing is a viable energy conservation program. Rather, as we subsequently describe in more detail, the proposed ECP is essentially a marketing program designed to reduce customer erosion and to increase the number of natural gas appliances in Georgia. Staff suggests that an energy conservation program that the Commission adopts would make the purchase of a new natural gas appliance prior to receiving weatherization benefits optional. Staff recommends that if the Commission were to adopt an energy conservation program at this time, that the program be based on specified goals and performance metrics that would directly benefit all firm customers. Our testimony will provide details regarding each of the individual parts of the program and support for Staff's position on the ECP.

A. Equipment Replacement/Weatherization

Q. Please explain the proposed equipment replacement program.

A. As stated in the testimony and at the hearing, the equipment replacement program is a proposed energy conservation program that is "designed to encourage homeowners, through rebates and incentives to replace older, less efficient equipment with new energy efficient natural gas appliances at the time of appliance replacement." (Direct at 27, lines 12-14.) As proposed, a customer would need to purchase and install a new, high-efficient natural gas furnace or water heater in order to qualify for the rebates ranging from $150 to $250 per appliance, depending on the efficiency rating.

Q. What are the proposed costs of the equipment replacement program?

A. Based on AGLC's response to Staff Data request STF 4-58, the equipment replacement portion of the ECP is budgeted at $2,000,000. This amount assumes that there will be 10,000 customers requesting an average of $200 in equipment replacement rebates.

Q. Why is AGLC requesting approval and cost recovery for an equipment replacement program?

A. It is our understanding that AGLC is requesting approval and cost recovery of the equipment replacement program because the Company believes that programs such as this are beneficial to all natural gas customers. In addition, the Company states that customer retention and net growth have become a difficult problem for the utility. As stated in the direct testimony of Gary Lakey and Philip Buchanan, "If the retention problem is addressed, there will be a larger customer base to spread the utility's fixed costs." (Direct at 29, lines 14-16).

Q. How would the proposed equipment replacement program resolve the asserted customer retention issue?

A. AGLC's position is that if the Company can encourage homeowners to replace less efficient, older natural gas appliances with new, more efficient natural gas appliances, then that "customer contributes for the next 15 to 18 years in terms of revenue requirements for the existing customer base." (Tr. 860)

Q. You stated previously that the ECP is essentially a marketing program aimed at reducing customer erosion and increasing the number of natural gas appliances in Georgia. Please explain.

A. Although described as an "equipment replacement" program, this program is simply an appliance rebate program to encourage customers to purchase gas appliances. AGLC's proposed ECP does not, in fact, encourage energy conservation. Rather, the ECP provides a rebate to a customer who purchases a new natural gas appliance if and when the customer replaces either a furnace or water heater. In addition, as we note below, the weatherization component of the ECP is bundled together with this equipment replacement component of the ECP so that a customer cannot participate in the weatherization program unless he participates in the equipment replacement program. It is unclear if customers will receive a benefit of this program because AGLC no longer provides commodity services and, therefore, cannot guarantee any savings from the commodity portion of the bill.

In its testimony as well as in the hearing, AGLC stated that a benefit of the ECP is that it will keep and increase customers on the system. "One of the side benefits of this energy conservation program is retention of customers on the system." (Tr. 858). Further, AGLC's forecasted numbers for customer growth is projected at 0.60% net growth with the ECP as opposed to 0.20% without the ECP. (Lakey/Buchanan Dir. at 32-33). Clearly, AGLC's goal in this program is to retain or increase its market share. As stated in the direct testimony of Messrs. Lakey and Buchanan, "These programs (ECP) are aimed at retaining more customers on the AGLC system at times when gas appliances fail and the customer must choose between new equipment fueled by natural gas or some other alternative energy source." (Lakey/Buchanan Dir. at 29, lines 10-12.)

Q. Is AGLC's assertion that the Company is suffering from customer erosion a valid concern?

A. The purpose of our testimony is to offer recommendations to the Commission on the appropriateness of firm ratepayers supporting an energy conservation program, not to assess AGLC's customer growth or purported lack of growth. Please see the testimony of Jamie Barber and Mike McFadden regarding the validity of this assertion.

Q. Has AGLC offered rebates for natural gas appliances or natural gas equipment in the past?

A. Yes. AGLC has offered various rebate programs for purchasing natural gas appliances through its website, including rebates for furnaces, water heaters, gas logs, etc.

Q. How were the costs for these rebates recovered previously?

A. In response to Staff Data Request STF 4-52, AGLC stated that the costs for such rebates were funded through "co-operative dollars from our suppliers."

Q. Did AGLC consider continuing the use of co-operative dollars from suppliers to fund the proposed equipment replacement program?

A. Witness Lakey stated that the marketplace would determine if the vendors would participate in a type of rebate-matching program. (Tr. 869.) AGLC stated in the hearing that since this is an energy conservation program and not a marketing program (unlike the numerous other marketer programs that were funded through cooperative dollars), the vendors would have different "motivational drivers" and therefore would not be funding these programs. (Tr. 871.)

Q. If AGLC does not achieve its target of 10,000 customers for the rebate program, what does AGLC propose to do with the remaining monies that fund the program?

A. If AGLC does not reach the target number of 10,000 rebates during the year, AGLC intends to reapportion the dollars to another aspect of the ECP. Specifically, Mr. Lakey stated in the hearing: "Well, one of the things that you could do, if you see you're not making your rebates numbers, is then you begin to up the dollars, shift those dollars over to consumer education to try to get the right message for the right media to make those programs successful." (Tr. 860). Under further cross-examination, Mr. Lakey responded in the affirmative when asked if AGLC "would just reapply that money [unused portion of rebates] to another aspect of the energy conservation program." (Tr. 863.)

Weatherization

Q. Please explain the proposed weatherization program.

A. As proposed, the weatherization program is designed to offer customers "the opportunity to improve their homes' energy efficiency through various measures that enhance their home's thermal envelope and increases the efficiency of their gas appliances when replacing equipment." (Lakey/Buchanan Dir. at 28, lines 5-8.)

AGLC'S Exhibit BL-12 provides an outline for the rebate amounts for various weatherization products, including, among others, caulking, door sweeps, insulation, etc. In order to qualify for the weatherization rebates, a customer must also participate in the equipment replacement program, which, as described previously, requires the purchase of a natural gas water heater or furnace.

Q. What is the proposed budget for the weatherization program?

A. According to AGLC's response to Staff Data Request STF 4-58, the weatherization program is budgeted at $750,000, which projects 10,000 rebates averaging $75 per rebate.

Q. AGLC projected weatherization rebates for 10,000 customers. Did AGLC provide any supporting documentation for this number?

A. No. This number was provided in response to a data request regarding the proposed budget of the program. AGLC has not substantiated that a projection of 10,000 rebates is reasonable. Mr. Lakey merely testified that the 10,000 rebates are "a plausible first step for both the company and for this –this Commission" (Tr. 859).

Q. Does 10,000 weatherization rebates seem like a logical or realistic number?

A. Depending on the customer response to the equipment replacement program, this number could be a very high projection. As proposed, customers must participate in the equipment replacement program in order to receive any rebates for the weatherization program. Therefore, unless AGLC gets 10,000 customers to replace a furnace or water heater, the weatherization rebates will not be redeemed, given the restrictions placed on the program. The projected annual weatherization participation appears too high given the proposed limitations on the program.

Q. You stated that AGLC would require customers to buy a new furnace or water heater prior to receiving any rebates for weatherization items. Is this a practical solution to AGLC's stated purpose of the ECP?

A. No. AGLC's stated goals of the ECP are to "inform and encourage consumers to conserve energy and reduce pollution by choosing and installing high-efficiency appliances when replacing equipment and by weatherizing consumers' homes for greater energy efficiency." (Lakey/Buchanan Dir. at 27, lines 4-7) However, the proposed weatherization program fails to advance this goal if no natural gas appliance is purchased. If a customer could not afford a new gas furnace, yet still wanted to achieve "greater energy efficiency" in the home, this customer would not receive any rebate benefit from the proposed weatherization program.

Q. Does Staff have other concerns regarding the restrictions of the weatherization program?

A. Yes. In addition to the requirement that a customer must purchase a furnace or water heater, AGLC has limited the weatherization program to only homeowners. This is a concern because apartment dwellers can also benefit from a weatherization program. For example, if an apartment dweller wanted to purchase window-stripping or door caulking to achieve greater efficiency in his apartment, under AGLC's proposed plan, this customer would not qualify for any weatherization rebates.

Q. Is there a state weatherization program that is available to qualified AGLC ratepayers?

A. Yes. The Staff reviewed the state weatherization program that is administered through the Georgia Environmental Facilities Authority ("GEFA") Georgia Weatherization Assistance Program. This program is funded through the U.S. Department of Energy's ("DOE") Weatherization Assistance Program and is available to income-eligible customers.

Q. Please explain some of the characteristics of Department of Human Resources' LIHEAP program and the GEFA Weatherization program.

A. The Low-Income Home Efficiency Assistance Program ("LIHEAP") is administered by the Department of Human Resources ("DHR"), Division of Family and Children Services. The purpose of this program is to offer financial energy assistance for heating and cooling bills to low-income families that meet the federal income guidelines.[1] Qualified customers must contact a community action agency for assistance with their energy bills. Funds for this program are provided by the Federal government, as well as contributions from the PSC using the Universal Service Fund ("USF"). The GEFA Weatherization program is funded, as well, through federal dollars with the purpose of "make(ing) necessary energy-related repairs free of charge to income-eligible households." Technicians will assess eligible homes for heat loss and determine which repairs are necessary, including caulking, weather-stripping, insulation, etc.

[1] Annual household income before taxes must not exceed $13,965 if one person lives in the household; $18,735 for two people; $23,505 for three people; $28,275 for four people; $33,045 for five people; $37,815 for six people; $42,585 for seven people; and $47,355 for eight people living in the household. Source: http://neaap.ncat.org/programs/lowincome/povertytables/popstate.htm

Our understanding of these programs is that once a customer qualifies for LIHEAP funds then they are automatically referred to the weatherization program. According to DOE's website on the weatherization programs, "under Federal rules, Georgia can use up to 25% of its LIHEAP funds for weatherization." (**www.eere.energy.gov/weatherization**).

Q. What roles in weatherization assistance do the DOE and the individual states play?

A. The DOE's responsibilities in the Weatherization Program are as follows: (1) provide funding to the states; (2) set national guidelines for program eligibility; (3) establish the technical merit of energy efficiency measures; (4) document energy savings; and (5) provide technical training and assistance to weatherization providers. The individual states responsibilities are as follows: (1) make rules and set standards for eligibility in each state; (2) contract with local weatherization agencies; and (3) monitor agency work to ensure quality. This information was found on the DOE website for weatherization assistance. (**www.eere.energy.gov/weatherization**)

Q. You testified that the state (or GEFA) weatherization program has income eligibility requirements. What is the difference between this requirement and the requirements associated with AGLC's proposal?

A. The major difference is that customers do not need to purchase a new, expensive natural gas appliance in order to receive weatherization benefits. AGLC is proposing a rate increase of $1 million for a weatherization program that is touted as benefiting all customers; however, this is not the case because many customers cannot receive the benefits of AGLC's proposed weatherization program. As filed, this weatherization program does not meet its objectives of encouraging consumers to conserve energy and improve the thermal envelop of their home.

On the other hand, the goals of the state's GEFA weatherization program is to assist low-income customers reduce their heating (or cooling) bills.

Q. **Does the Staff have any statistics on the program funding and performance for the weatherization program for DHR?**

A. Yes. According to information prepared by DHR, as of the end of Fiscal Year 2004 (June) the Weatherization program expended approximately $1.4 million and approximately 976 households had been assisted[2]. Further, the Commission has contributed $21,000,000 to LIHEAP since 2001.

Q. **Has the Staff reviewed other types of weatherization information that is available to AGLC ratepayers?**

A. Yes. Staff reviewed information that is available through many agencies and organizations regarding weatherization, as well as other energy programs. AGLC and seven certified marketers have energy assistance, energy conservation, energy saving advice and/or weatherization tips contained on their respective websites. We have attached copies of this material as Staff Exhibit TK-1. The PSC also offers information regarding utility assistance and publishes a consumer alert brochure regarding conservation and weatherization. This publication contains information describing energy saving steps that consumers can take to potentially reduce higher heating costs. We have attached copies of the information provided by the PSC as Staff Exhibit TK-2. In addition, the Heating Energy Assistance Team ("H.E.A.T.") provides information to consumers regarding reducing energy bills and energy conservation tips. We have attached copies of this information as Staff Exhibit TK-3. Finally, the DHR LIHEAP program provides a brochure that contains information regarding resources for energy bills assistance, as well as eligibility requirements and community action agencies information. We have attached a copy of this brochure as Staff Exhibit TK-4.

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[2] See Staff Exhibit TK-5.

Q. Aside from the rebate offers, what other programs is AGLC offering as part of the weatherization proposal?

A. While it was not presented in the pre-filed testimony of Messrs. Lakey and Buchanan, AGLC is also proposing to allocate $250,000 of the $1 million weatherization budget for a project called Home and Heart Warming Project, which is geared toward special needs, low-income customers. Based on a response to a data request, STF 4-58, AGLC states that it is proposing to create a partnership with community assistance agencies to provide space heating equipment to seniors and low-income households with gas heating. However, the specifics of this program are unclear, as it was not discussed in testimony and only referenced in a data request response. Based on AGLC's response to STF 4-58, AGLC representatives would replace appliances and/or fix inefficiencies in the homes of senior/low-income customers free of charge.

Q. Did AGLC provide any details or further information regarding this program?

A. No. AGLC did not provide information regarding how many customers would receive the benefit of this program, nor were the witnesses able to determine the basis for receiving such assistance. AGLC stated that they would need to work with community groups to locate customers that "have the greatest need in terms of a new space heater or a new efficient appliance and/or weatherization." (Tr. 847.) However, based on our understanding of this program, it is nearly identical to the State's weatherization program.

Q. What is Staff's position regarding the Home and Heart Warming Project portion of the weatherization program?

A. As stated previously, the State of Georgia's weatherization program is available to AGLC ratepayers, without the $1 million rate increase that would result with AGLC's proposal. The State's weatherization program offers assistance to low-income customers. If customers meet eligibility requirements then these programs will provide weatherization up to a capped dollar amount to a home/apartment free of charge. In addition, as proposed, these same customers that AGLC would purportedly assist under the program would incur the increase in base rates, just as the rest of the customer base would. In addition, due to the lack of testimony on this issue, there is no information regarding how the Home and Heart Warming program would work in conjunction with the state program. For example, would a customer be eligible to receive the benefits of the state program if they participated in any way with another program?

Q. Based on all of the information and financial assistance available to AGLC ratepayers, as well as the intrinsic limitations on AGLC's proposal, what is Staff's recommendation regarding the proposed equipment replacement and weatherization programs?

A. Staff recommends that the Commission reject both the equipment replacement program and the weatherization program as proposed. Considering the large amount of information and assistance available to ratepayers regarding weatherization and energy assistance, Staff believes that AGLC's proposal would be duplicative and only directly benefit a limited number of customers. Moreover, to ask all ratepayers to financially support a $3 million program for equipment replacement and weatherization that is aimed at reducing ratepayers' bills presents a circular scenario. As stated previously, Staff's position is that AGLC appears to be pushing a marketing program in order to prevent further customer erosion and expand its system under the guise of an energy conservation program. Ratepayers should not be responsible for funding this type of program.

B. Customer Education Program

Q. Please explain the proposed customer education program?

A. Based on AGLC's filing and testimony, the customer education program is designed to educate consumers and to build awareness of the energy conservation programs that are currently available. As stated in AGLC's hearing summary, "the customer education program will build awareness of the available programs on improving energy efficiency in the home, energy conservation measures as well as safety tips and other information on natural gas." (Tr. 822.)

Q. What are the proposed costs of the customer education program?

A. Based on AGLC's response to Staff data requests, the customer education program is budgeted at $1,000,000 to be recovered through the base rates. AGLC's proposed education program includes $550,000 for radio advertising, $300,000 for print, newspaper, direct mail, and brochures, and $150,000 for the website.

Q. Is customer education needed to educate customers on the availability of energy assistance, energy conservation, weatherization programs, and gas safety?

A. Yes. Customer education is necessary to inform customers on issues such as energy assistance, energy conservation, weatherization programs, and gas safety. However, there is an abundance of information that is currently available to consumers regarding all of the issues for which AGLC is proposing to spend $1 million.

Q. What information is currently available to AGLC's ratepayers regarding energy assistance, energy conservation, and weatherization?

A. There are many organizations and agencies that either provide information regarding energy assistance or provide the funds for energy assistance. As mentioned previously, the DHR's LIHEAP offers three programs that provide funds to eligible consumers for heating (or cooling) assistance. Over $27 million was expended during Fiscal Year 2004 serving over 90,000 households[3].

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[3] See Staff Exhibit TK-5

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In addition, the United Way of Metropolitan Atlanta provides a listing of 108 agencies and programs that offer gas bill payment assistance through community agencies, churches, local municipals, the Salvation Army, and many other groups in Metro Atlanta. Please see Exhibit TK-6 for the complete list of 108 agencies/programs. Through United Way's 211 Online website www.uw211.org customers can search for assistance in different cities Further, the American Association of Retired Persons ("AARP") provides a great deal of information for seniors regarding energy assistance, weatherization, and energy conservation tips. We have attached some of this information as Staff Exhibit TK-7.

As noted previously, seven out of ten natural gas marketers offer energy savings tips and weatherization tips. Certain marketers often provide weatherization tips and energy conservation measures in bill inserts as well. AGLC has also provided customer education material that addresses energy conservation, customers' bill of rights, a list of certified marketers, energy assistance programs, and other customer education information.

Q. Does DHR and the PSC provide customer education regarding energy assistance?

A. Yes. DHR provides education materials upon request, as well as providing each of its community action agencies with education materials on energy assistance, weatherization, and other issues involving natural gas. The PSC prepared several brochures regarding, among other things, weatherization, energy assistance sources, and lists of natural gas marketers. Since 2002 the PSC has spent over $250,000 educating consumers in these areas by utilizing the customer education fund that was established to educate consumers on natural gas deregulation.

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Q. What is some of the information that is currently available to AGLC's ratepayers regarding gas safety?

A. Again, AGLC provides information regarding gas safety through its website and other sources. Please see Staff Exhibit TK-8 for AGLC's brochure for further information. Four of the certified marketers provide gas safety education material through bill inserts and their websites. We have attached copies of these web pages as Staff Exhibit TK-9. In addition, the PSC provides a large amount of natural gas safety education through its website www.safegas.org. The PSC website offers a free downloadable awareness kit for natural gas providers, including information for press releases, articles relating to gas safety, print advertisements, posters, bill inserts, and information to assist in educating children about gas safety. This website contains an enormous amount of information regarding gas safety. We have attached copies of the "Safe Gas" web pages as Staff Exhibit TK-10.

Q. During the hearing AGLC testified that a large number of people are not aware of the energy assistance programs that are available. What is your response to this claim?

A. AGLC testified that it had "Baine & Company come in and do a survey of shutoff for non-pay. And typically you associate at least a portion of shutoff for non-pay customers as low income and needs. Clearly 80 percent of those customers were not aware that there's a regulated provider, 80 percent were not aware that they had the ability to go to LIHEAP or some of the other funding." (Tr. 930-931). First, AGLC did not provide this survey to the Staff or the Commission. The Staff only became aware of the survey in a data response. Second, it is difficult to understand how 80 percent of the customers who were shutoff for non-payment ("SONP") had no knowledge of either the Regulated Provider or the energy assistance.

The Commission's natural gas disconnection rules require that marketers provide written notice to all customers prior to a service disconnection. See Utility Rule 515-3-3-.02(B). As part of that notice, marketers are required ~~by~~ to inform all SONP customers about the regulated provider and energy assistance programs. If the customer fails to settle the bill with the marketer, AGLC will disconnect the service and provide a door-hanger to the customer. The door-hanger contains several pieces of information, including which marketer to contact for reconnection of service, information on the Regulated Provider (including name and number), LIHEAP program, HEAT program, Project Share, United Way, and the Georgia PSC. Please see Staff Exhibit TK-11. This information on AGLC's door hanger is provided in both English and Spanish.

If, after all of this information is provided to SONP customers, there are still 80% who are not aware of the regulated provider or energy assistance programs, then the marketers and AGLC should consider revising the current information that is directly available to these customers to make it more effective. Offering more materials to the SONP customers will not necessarily educate them on the programs if the same, potentially ineffective messages follow suit to the current messages. If only 20% of the target audience is aware of the materials being presented, a better approach would be to modify the current message and evaluate its effectiveness prior to spending $1 million of ratepayers' money to continue the same message.

Q. What is Staff's recommendation regarding the proposed customer education program?

A. The Commission should reject AGLC's proposed customer education program. Based on the amount of available information on energy assistance, energy conservation, weatherization, and gas safety, Staff does not believe that AGLC's program is necessary. Staff recommends that the Commission direct the parties to participate in a customer education messaging workshop. The goal of this workshop should be to develop potential changes to the marketers' disconnection notices as well as AGLC's door-hanger that would better inform potential SONP customers regarding the regulated provider and energy assistance programs. Further, there is over $225,000 in the customer education fund from 1998[4]. As stated above, the PSC utilizes this money for education materials for energy assistance, energy conservation, weatherization tips, etc.

Q. Staff has recommended that the Commission reject AGLC's proposed ECP in this rate proceeding. Is the Staff generally opposed to energy conservation programs as a whole?

A. No. The Staff is certainly not opposed to energy conservation programs. The Staff favors energy conservation programs that provide benefits to the customers, the environment, and AGLC/marketers. However, to increase rates by $4 million for a program that may or may not provide direct benefits to end-use customers is not reasonable.

Q. The Staff characterizes the ECP as a marketing program. Is the Staff saying that customer retention and net customer growth are not necessary?

A. No. The Staff agrees with AGLC on benefits of customer retention and new customer growth. However, if AGLC is attempting to address this problem by creating an ECP program, then in Staff's opinion, this is not an adequate solution. AGLC should look further into some of the root causes of the customer retention and growth issues prior to suggesting that the proposed ECP program will result in any changes to the current situation.

[4] See Docket No. 8390-U, February 17, 2005 Customer Education Expense Quarterly Report

III. ECONOMIC DEVELOPMENT RATE AND SURCHARGE

Q. Briefly explain the two economic plans that ALGC is proposing for this proceeding.

A. AGLC is proposing an economic development rate (E-1) that will provide discounts to large customers for a period of 60 months, as well as an economic development fund that will provide funding for projects that are outside the scope of the tariff Rules 7 and 8 and the USF. There are not any associated revenue requirements for the E-1 rate. The proposed initial funding of the economic development fund is $7.5 million annually, which equates to a rate increase of $0.41/customer/month.

Q. What is the intent of the economic development rate and fund?

A. As stated by Mr. Lakey in the hearing, "the intent of this economic development rate and economic development fund, it really is to assist the state of Georgia ...economic development agenda in getting those really big corporations that provide a lot of jobs, that provide for a lot of investment for Georgia." (Tr. 879)

Q. Is the purpose of establishing rates to promote the economic development agenda for the state of Georgia?

A. No. The primary purpose of AGLC's rates is to provide the Company an opportunity to recover the costs of providing a monopoly utility service, including the opportunity to earn a reasonable return on its investment of the distribution system. The Commission does, however, contribute to the economic development of the state by approving funding for economically sound projects through the USF. The Commission has approved over $16.2 million for USF projects that resulted in growth to communities in Georgia.

Q. Are there agencies or other organizations within Georgia that are responsible for promoting economic development in Georgia?

A. Yes. There are many organizations and state agencies that are responsible for promoting economic development in Georgia. To name a few, these include Georgia Department of Economic Development, Georgia Department of Community Affairs, Georgia Department of Technical and Adult Education, Atlanta Development Authority, as well as other state and local agencies that are not specifically charged with promoting economic development in Georgia. We have attached some of these programs as Staff Exhibit TK-12. As demonstrated by this exhibit, there are a variety of options for businesses that may decide to locate or expand in Georgia. Many communities offer tax incentives as well as other benefits for a business to locate in a Georgia community. Local chambers of commerce generally have a great deal of information available to interested parties.

A. Economic Development Rate: E-1

Q. What is your understanding of AGLC's proposed economic development rate?

A. AGLC proposed to create a new economic rate schedule, E-1, that would be available to five new customers each year for a declining-discounted rate for natural gas service for five years. Specifically, the rate would be available to "new large natural gas customers or existing natural gas customers that materially expand their use of natural gas for commercial or industrial purposes, that are expected to create or retain a large number of jobs, qualify for job or investment tax credits under O.C.G.A. § 48-7-40, or are highly targeted prospects identified by the Georgia Department of Economic Development." (Lakey/Buchanan Dir. at 34, lines 10-14)

Based on AGLC's proposed E-1 Rate Schedule, the customer would receive a 50% discount on its AGLC base charges for the first 12 months, 40% discount on its AGLC base charges for the next 12 months, and so on, until the customer is paying 100% of the base charges after 60 months.

Q. What details or further information regarding which customers would qualify for the E-1 Rate Schedule does AGLC provide?

A. AGLC simply relies on the broad requirements for qualifying for job and investment credits under O.C.G.A. § 48-7-40. Based on our understanding of this statute, job tax credits are available to businesses or to business headquarters that operate within one of the following six categories: (1) Manufacturing, (2) Telecommunications, (3) Warehouse Distribution, (4) Research and Development, (5) Processing (data, information, or software), and (6) Tourism. Investment tax credits are available to an existing manufacturing or telecommunications business that has operated a facility in Georgia for three years prior to the investment and invests $50,000 or more. Businesses can receive higher tax credits for investment in recycled equipment, pollution control equipment, and by converting a defense plant to manufacturing a new product. The companies must choose between either a job tax credit or an investment tax credit.

In addition, both the job tax credits and investment tax credits are limited depending on the county's tier. For example, the job tax credits or investment tax credits for a business in a Tier 1 county would be greater than the credits for a Tier 4 county. Similarly, the number of jobs to be created and the amount of required investment needed for the respective credits vary depending on the county's tier as well. For example, the minimum number of jobs required for a Tier 4 county is greater than the minimum number of jobs required for a Tier 1 county. The two charts below illustrate the Department of Economic Development's job tax credits and investment tax credits created under O.C.G.A. § 48-7-40. The credits received are then used to reduce or eliminate the taxpayer's Georgia income tax for five (5) years.

Tier	Number of Jobs	Job Tax Credits	Investment	Credits	Minimum Investment
1	5	$4,000	5%	8%*	$50,000
2	10	$3,000	3%	5%*	$50,000
3	15	$1,750	1%	3%*	$50,000
4	25	$1,250	1%	3%*	$50,000

*Recycle, Defense Conversion, Pollution Control
Source: www.georgia.org/economic/incentives/03_investment.htm

Q. Based on your general understanding of the tax credit provisions, is it clear how AGLC (or the Commission) would determine which companies could qualify to receive service from the E-1 Rate Schedule?

A. No. As noted above, there are certain requirements and qualifications for a business to receive either job tax credits or investment tax credits. If AGLC's proposed E-1 rate is based on the BEST Expansion Act, then the availability of the rate is not as flexible as the Company claims. Furthermore, though neither the language in the tariff nor the pre-filed direct testimony states it, AGLC witnesses testified at the hearing that the Commission would determine which five companies would be eligible for the E-1 rate.

Q. Did AGLC provide the process by which the Commission would approve these five companies?

A. No. AGLC did not offer a process as to how this would be accomplished. There appeared to be confusion or difficulty understanding at which point in time AGLC would present a company for approval. On cross-examination, witness Lakey appeared unsure of the process himself. (See Tr. 953-961) The approval or qualification process must be clear prior to the Commission supporting a program of this type. If a company agrees to move its facilities or headquarters to Georgia based on an assumption that it should receive natural gas service on the proposed E-1 rate schedule (since it qualifies for a job/investment tax credit), and the process for Commission approval is not clearly determined, then that customer could be too late and not receive service under the E-1 rate schedule.

Q. AGLC states in its response to STF 4-59 that "The Company proposes no mechanism in this rate proceeding to recover the discounted base revenues." In your opinion, will AGLC's position to not seek recovery of the discounted rates harm the Company?

A. No. Based on our understanding of how the proposed E-1 Rate Schedule would operate, AGLC would not lose revenues as a result of offering discounted rates. Any customer on the E-1 Rate Schedule would provide additional revenue to the Company, given the caveat that the availability for the E-1 Rate Schedule is that the customer must either be new to the system or it must provide additional load. However, AGLC witness Lakey stated that the Company may seek recovery in future proceedings, and that he was unaware of how much this program could cost the ratepayers in the future. (Tr. 894)

Q. What other concerns does the Staff have regarding the proposed E-1 Rate Schedule?

A. The Staff is also concerned that, as proposed, this rate schedule would be available to both firm and interruptible customers. Staff's position is that if this program is approved, the Commission should consider that the E-1 rate only be offered to firm customers. Firm customers contribute more revenues back into AGLC's system than interruptible customers. As provided for in AGLC's tariff, all of the revenues from the base charges that are paid by the firm customers contribute to the revenue requirements. Therefore, there is a system benefit when new firm customers are added to the system, or if a current firm customer increases its load.

Conversely, interruptible customers do not contribute to the system's revenue requirements. Ninety-five percent of the interruptible customers' revenues are deposited into the USF as required by law, the remaining five percent is retained by AGLC for the benefit of its shareholders (O.C.G.A. § 46-4-154(b)). AGLC offered that the USF money does help the end-use customers through USF refunds, however, in Staff's opinion, this is not a direct benefit, and therefore the interruptible customers should be excluded. (Tr.888.)

Q. AGLC requires that a customer signs a contract in order to receive service under this rate schedule. Has the Company provided a copy of this contract for the Commission's review?

A. No. In its response to Staff Data Request STF 4-64, the Company stated that "at this point, the Company has not drafted a contract."

Q. Has AGLC provided sufficient information and justification for this new E-1 rate?

A. No. AGLC has the burden to prove that the E-1 rate is in the public interest, yet the testimony does not provide the Commission with any proposed guidelines regarding the selection of a company that would be eligible for this rate schedule, other than stating that it would be the same criteria used for job and investment tax credits. Further, AGLC has not provided this Commission with the proposed contract to review that would bind these five customers for five years. This could put the Commission in a difficult position, considering the potential number of companies that could possibly qualify for either job or investment tax credits.

Q. What is Staff's recommendation regarding the proposed E-1 Rate Schedule?

A. Staff recommends the following:

1. The Commission should deny the proposed E-1 Rate Schedule. The parameters for selecting eligible customers are not clearly defined. This should be the first step in any program of this nature. As noted above, there could potentially be tens or even hundreds of qualifying companies each year that desire the benefits of the E-1 rate schedule. The Commission is currently undertaking a rulemaking process in Docket No. 15326-U that would establish guidelines for determining public interest for USF applications. Once the rulemaking process is complete and the Commission has determined what

qualifies as public interest, AGLC should either file proposed guidelines on its own, or work with other parties to determine guidelines for the Commission's consideration. AGLC should also file details regarding a proposed timeline for Commission approval of the companies that would be eligible for this rate schedule. Once the Commission determines appropriate guidelines for this rate schedule, then AGLC could re-file the E-1 Rate Schedule that includes all of the guidelines, parameters, and timelines for selecting a company for this rate schedule.

2. If the Commission were to approve the E-1 rate schedule, as filed, then interruptible customers should not be eligible for this rate schedule. Interruptible revenues do not contribute to the revenue requirements of AGLC's distribution system. Therefore, if an interruptible customer were to receive the benefits of the proposed E-1 rate schedule, a potential firm customer would not receive the benefits of the E-1 rate schedule. Firm customers do contribute to the system revenues requirements; therefore, it is appropriate to only permit firm customers to be eligible for the E-1, if approved.
3. If the Commission were to approve the E-1 rate schedule, as filed, then the Commission should require AGLC to provide the proposed contract prior to allowing customers to receive natural gas service under this rate.

B. Economic Development Fund

Q. What is your understanding of AGLC's proposed economic development fund?

A. Our understanding of the economic development fund is that AGLC is proposing a funding mechanism that is designed to fund "economic development related natural gas extension." (Lakey/Buchanan, page 35, lines 1-3) As proposed, the revenues from the rider would be maintained by the Commission, and the Commission would establish criteria for determining which projects would have access to the revenues for an economic development project.

Q. What is AGLC's proposal regarding the amount of the fund and how the revenues would be recovered?

A. AGLC proposed an initial annual amount of $7.5 million dollars. This would be collected through a rider on monthly, per firm customer basis. AGLC filed a proposed Rate Schedule, Economic Development Program Rider that generally covers the scope of the rider. As filed, the proposed amount of the rider is $0.41/month/firm customer.

Q. Did AGLC's filing contain any information regarding how the initial funding amount of $7.5 million was determined?

A. Yes. However, AGLC provided different origins of the $7.5 million. In response to STF 4-67, AGLC offered that the initial funding was "determined to allow the Commission to reach about 15 miles per program year to areas it deems that are underserved while balancing the costs of the program to the rate payer." Yet in the hearing, AGLC witnesses testified that initial amount was determined by looking at historic USF disbursements, "...the Carbo [USF Application No. 2007-0005-~~Appling County Development Authority~~ 89 Wilkinson County Commissioners] came in about $1.5 million request to the extent that we have five that's where you come up with the $7.5 million for initial funding." (Tr. 880)

Q. Are the proposed economic development funds available to both firm and interruptible customers?

A. Based on our understanding of the proposal, it is not clear which customer classes would have access to the economic development funds. The proposed tariff sheet states that the Commission will establish the criteria for determining which projects will have access to the funds. However, the tariff also states, "This Rider shall apply to and become a part of each of the Company's Rate Schedules for Firm Distribution Service." (Proposed Terms of Service, All Rate Schedules, Sheet No. 6.1)

Q. Aside from the $7.5 million rate increase associated with this proposed economic development fund, does the Staff have general concerns about the application of this program?

A. Yes. Staff has several concerns regarding the proposed economic development fund program. First, the Staff is concerned that AGLC is attempting to circumvent the Universal Service Fund statute. O.C.G.A. § 46-4-161 states that one of the purposes of the USF is to "enable the electing distribution company to expand its facilities and service in the public interest." In addition, the statute includes a provision that would limit the amount of funds that can be expended on projects: "In no event shall the distribution to the electing distribution company from the fund for facilities and service expansion during any fiscal year exceed 5 percent of the capital budget of such company for such fiscal year." O.C.G.A. § 46-4-161(g)(2). In Staff's opinion and based on our general understanding of the USF statute, the law limits AGLC in the amount of money that it can receive from the fund for facilities and service expansions. For AGLC to request that the Commission establish another fund for the purpose of expanding its system could be viewed as an attempt to circumvent the 5% restriction that was specifically placed on the Company through O.C.G.A. § 46-4-161(g)(2).

Q. What other concerns does the Staff have regarding the proposed economic development fund/rider?

A. Another concern of the Staff's is that if this program is approved, then the firm residential and commercial customers would be subsidizing projects that could be considered not in the public interest. The USF statute, as well as AGLC's Tariff for Rule 7 (residential line extension) and Rule 8 (commercial line extensions), require that funded projects be in the public interest.

AGLC stated that the types of projects that could be funded through the economic development fund may not fall within the realm of Rule 7 and Rule 8 or the USF statute: "One of the limitations of our current policy in terms of line extension in

Rule 7 and Rule 8, is it's very incremental. And if you look at the service territory, we can grow this way, but to the extent that you've got a new business that comes into a rural area of the state, it's real expensive to take where your existing system is and connect via the USF or the traditional Rule 7 and 8. This fund allows for being able to reach out and to capture those areas or new businesses that fall outside of your traditional service territory." (Tr. 898.) This position by the Company could lead one to surmise that the project in question is not in the public interest. Likewise, if the project were in the public interest, then AGLC would not have any reason to discount the funding available under rules 7 and 8 or the USF.

Q. What is Staff's response to AGLC's contention that the USF does not allow for multi-year projects?

A. Based on our understanding of the USF statute, there are not any restrictions for funding of multi-year projects so long as they meet other requirements. The only term restrictions relate to the capital budget for a company's fiscal year. If there were a multi-year project for the Commission's consideration, there is nothing in the USF statute that would prevent the Commission from approving such an application.

Q. Under AGLC's proposal, is there a provision that would require a customer contribution for use of the economic development fund?

A. No.

Q. Does the Staff have any other concerns regarding the proposed economic development fund?

A. Yes. Aside from the fact that this proposed fund would result in a $0.41 monthly per customer rate increase, the Company has failed to provide any guidelines or parameters regarding the operation of the fund. Basically, AGLC did not provide, among others things, information as to the criteria for qualification, the approval process, or whether customers are required to pay back funds. AGLC also failed to provide a sample contract that should contain all of the terms and conditions regarding the fund.

Q. What is your recommendation regarding the proposed economic development fund/rider?

A. Staff recommends that the Commission deny the proposed economic development fund/rider. As noted above, if the projects that AGLC is contemplating for the fund are economically viable and in the public interest, then AGLC has other means for obtaining financial aid for these projects. Rule 7 and Rule 8 of AGLC's tariff permit contributions to projects that are economically sound and are in the public interest. The USF provides funding to projects that fall outside of the guidelines of Rule 7 and Rule 8. If a project is in the public interest, then there is no need for an additional economic development fund—the funding can be found in Rule 7, Rule 8, or the USF.

IV. TARIFF ISSUES

A. AGLC's Proposed Modifications

Q. Do you have any recommendations regarding some of AGLC's proposed tariff modifications?

A. Yes. AGLC has proposed several minor tariff changes, the purpose of which was to delete or modify certain sections of the tariff that are either no longer applicable or to clarify certain sections. In addition to these minor changes, Ms. Barber and Mr. McFadden also address the rate schedules and other tariff revisions in their testimony.

Q. What is Staff's recommendation regarding the proposed minor tariff modifications to the Terms of Service?

A. Staff recommends that the Commission adopt the proposed minor tariff revisions to the Terms of Service as filed by AGLC, specifically:

1. Terms of Service-Definitions:
   - Delete the following definitions—Sheets 1.1 through 1.9: Balance Assets, Daily Parking Entitlement, Daily Redelivery Entitlement, Filled Parking Capacity, Marketers' Parking Capacity, Parking and Redelivery Service, Parking Capacity, and PGA Rider;
   - Modify the following definition—Sheet 1.5: <u>Fiscal Year</u> – replace "October" with "January" and replace "September" with "December".
2. Terms of Service: Firm Purchased Gas Adjustment—Sheet 6.1: Delete the PGA Provision;
3. Terms of Service: Nominations, Confirmations, and Scheduling—Sheets 19.1 and 19.2: Delete 19.2 (PRS Nominations); Renumber remaining provisions;
4. Terms of Service: Transition Rate Mechanism—Sheet 23.1: Remove provision and reserve for future use;

Q. What is Staff's recommendation regarding the proposed minor tariff modifications to the Rate Schedules?

A. Staff recommends that the Commission adopt the proposed minor tariff revisions to the Rate Schedules as filed by AGLC, specifically:

1. Rate Schedule G-11—Sheet 1.1: restate therms as dekatherms;
2. Rate Schedule G-12—Sheet 1.1: restate therms as dekatherms;
3. Rate Schedule AG-1—Sheet 1.1: remove rates;
4. Rate Schedule Seasonal Gas Service—Sheet 1.1: remove rates;
5. Rate Schedule V-52—Sheet 1.1: restate therms as dekatherms;
6. Rate Schedule I-20—Sheet 1.1: restate therms as dekatherms; Sheet 1.2 Paragraphs 4.1, 4.2, and 4.3: restate therms as dekatherms; Sheet 1.3: restate therms as dekatherms;
7. Rate Schedule I-21—Sheet 1.1: restate therms as dekatherms; Sheet 1.2 Paragraphs 4.1: restate therms as dekatherms; Sheet 1.3 Paragraphs 4.3, 4.4, and 4.5: restate therms as dekatherms;
8. Rate Schedule I-22—Sheet 1.1: restate therms as dekatherms; Sheet 1.2 Paragraph 3.1 and 3.3: restate therms as dekatherms; and
9. Rate Schedule ID—Sheet 1.1, 1.2, 1.3, and 1.4: Insert provisions from I-20 Rate Schedule.

Q. What is Staff's recommendation regarding the proposed minor tariff modifications to the Rules and Regulations?

A. Staff recommends that the Commission adopt the proposed minor tariff revisions to the Rules and Regulations as filed by AGLC, specifically: Rule 19—Suspension or Restoration of Customer's Ability to Change Poolers—Remove provision.

Q. What is Staff's recommendation regarding the proposed minor tariff modifications to the Special Contracts?

A. Staff recommends that the Commission adopt the proposed minor tariff revisions to the Special Contracts as filed by AGLC, specifically: Special Contract Applicable to Savannah Electric and Power Company—Remove provision.

B. Staff's Recommendations for Further Tariff Modifications/Additions

Q. Are there any additional tariff modifications that should be incorporated into AGLC's tariff?

A. Yes. In Staff's opinion, there are several additional tariff modifications that should be incorporated into AGLC's tariff. Notwithstanding AGLC's proposed minor revisions, there are still several out-dated provisions contained in the tariff. In addition, there are many procedures and processes that AGLC performs on a regular basis that are not provided for in any Commission-approved document. In Staff's opinion, AGLC's tariff should contain current policies and procedures, as well as information that is relevant to the company, poolers and marketers, and end-use customers in day-to-day operations. AGLC still performs many monopolistic, and therefore regulated, functions as an electing distribution company ("EDC"). As such, these functions should either be approved by the Commission, or at a minimum, provided to the Commission on a regular basis with updates, if applicable.

Q. In Staff's opinion, which tariff sheets should be modified to reflect current policies and/or procedures?

A. The following tariff sheets contain either information that was applicable when AGLC was a local distribution company ("LDC") or information that is no longer within the current practices or procedures of the Company:

1. **Terms of Service Section 3.12: Purchased Gas Adjustment (PGA) Factor Applicable for Air-Conditioning Sales**. This provision was designed to establish an adjustment factor for the gas purchases associated with air-conditioning sales. Given the fact the AGLC no longer has a PGA provision

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in the tariff, nor does AGLC sell air-conditioners, this section is no longer applicable and should be removed from the tariff.

2. **Terms of Service: Section 10: Buy/Sell Rider.** This rider was designed to allow for AGLC to purchase natural gas from an interruptible customer and transport and redeliver the gas back to the interruptible customer at terms and conditions agreed to by the parties. This provision is no longer applicable to AGLC and should be removed from the tariff.

3. **Terms of Service: Section 25: Customer Education Program Rider.** This rider was designed to collect revenues to be used for the purpose of educating customers on natural gas deregulation. The rider is no longer applicable and, therefore, the tariff provision should be removed from the tariff. Even if the Commission were to approve a customer education program in this docket, a rider provision is not necessary considering AGLC is requesting recovery through traditional base rates.

4. **Rules and Regulations: Rule 3: Application for Service**: This rule addresses the Company's and requesting applicant's responsibilities regarding applications for natural gas service. In addition, this rule contains provisions for refusal of service. These provisions are no longer applicable to AGLC. In addition, Rule 3 does not make distinctions between which types of applicants it applies to. Customers establish service with marketers and not AGLC, and the Company cannot refuse service for many of the reasons detailed in the tariff. This rule should be updated to remove certain provisions that are no longer applicable to an EDC.

5. **Rules and Regulations: Rule 5: Deposits**; This rule addresses deposits from new, prior, or existing residential customers. The rule discusses the terms and conditions for the deposits, including interest rate, return of deposit, etc. AGLC no longer collects deposits from residential customers; therefore Rule 5 is no longer applicable to the Company. AGLC's tariff contains provisions for deposits from marketers. This rule should be removed from the tariff.

6. **Rules and Regulations: Rule 13: Discontinuance of Service**; This rule addresses AGLC's responsibilities regarding discontinuation of service to customers. Certain provisions of this rule address non-payment of natural gas bills and notice periods from the Company. Several of these provisions are no longer applicable to the EDC. This rule should be modified and updated for the current structure of the market.

7. **Rules and Regulations: Rule 14: Reconnection of Service**; This rule addresses AGLC's responsibilities regarding reconnections of natural gas service once a customer has been disconnected. Certain provisions in Rule 14

address reconnection once the Company received payments. Again, these provisions are not applicable to an EDC. This rule should be modified to account for the current structure of the natural gas market.

8. **Rules and Regulations: Rule 15: Termination of Service.** This rule addresses a customer's responsibilities and AGLC's responsibilities regarding termination of natural gas service. The rule requires that customers provide three days notice to the Company for termination of service prior to the effective date of the termination. This rule is no longer applicable to AGLC and should be removed from the tariff or modified to reflect the current structure of the natural gas market.

Q. What is Staff's recommendation regarding the above tariff provisions?

A. Staff recommends that the Commission require AGLC to either modify, amend, or remove the above listed tariff sheets and/or rules to reflect the current structure of the natural gas market in Georgia.

Q. What are the specific policies and/or procedures that should have tariff sheets, in your opinion?

A. There are several policies and procedures that AGLC employs regarding day-to-day operations of the distribution system. These policies and procedures affect many parties, including the marketers/poolers and the end-use customers. It is Staff's position that AGLC should file for approval of the following tariff sheets: (a) Turn-on requests; (b) Turn-off requests; (c) Switch requests; (d) Reconnection requests; (e) Disconnection requests; (f) Pro-ration of meter reads; (g) Delayed Match; (h) Meter Express; and (j) Consumption on an Inactive Meter.

Q. What is AGLC's position regarding the filing of this information as part of a tariff?

A. According to AGLC there is no need for tariff sheets for these processes/procedures because "...in the company's eye, these things go beyond what would normally be included in a company's tariff. They're documented elsewhere, they're public knowledge, they're outside the scope of the tariff." (Tr.

908). However, to Staff's knowledge, none of the processes or procedures requested are contained in any Commission-approved documents.

Q. What is Staff's response to AGLC's position on this issue?

A. As stated above, many of the processes/procedures are monopolistic functions and these aspects of AGLC's business are still regulated by this Commission. AGLC is the only party that can disconnect and reconnect customers; AGLC is the only party that determines when a meter is eligible for delayed matched or meter express; and AGLC is the only party that determines when a meter is turned off due to consumption on an inactive meter. All of these processes affect the end-use customer, but have never been evaluated by the Commission and the Company has never demonstrated the reasonableness of these processes. Indeed, Staff is aware of at least one unapproved process/procedure for how meter readings are calculated for meters on the delayed match program that appears to conflict with the Commission-approved tariff and rules provisions. This unapproved process has resulted in customers being billed for more natural gas usage than the Company's own records show.

Q. What is Staff's recommendation regarding these unapproved policies and procedures?

A. Staff recommends that the Commission require AGLC to file either tariff sheets or a procedural manual that provides details regarding the following: (a) Turn-on requests; (b) Turn-off requests; (c) Switch requests; (d) Reconnection requests; (e) Disconnection requests; (f) Pro-ration of meter reads; (g) Delayed Match; (h) Meter Express; and (j) Consumption on an Inactive Meter.

Q. What is Staff's preferred filing method for these policies and procedures?

A. Staff would prefer that the Company file tariff sheets in order to have one central location for the information. However, it is the Staff's goal to have these policies and procedures approved by the Commission and if AGLC believes that the tariff is not the appropriate forum, then the Company can file its procedural manual with all of the above-listed policies and procedures contained within it for Commission approval.

Q. Does this conclude your testimony?

A. Yes.

EDUCATION AND EXPERIENCE OF MICHELLE THEBERT

Ms. Thebert graduated from the Georgia Institute of Technology in December 1995 with a Bachelor of Science degree in Industrial Engineering and a minor in Finance. She began her career at the Georgia Public Service Commission in November 1996. She is currently a Principal Utilities Engineer in the Natural Gas Section of the PSC.

Ms. Thebert has testified in the following proceedings at Georgia Public Service Commission: Docket No. 9305-U: Atlanta Gas Light Company's 1998-99 Gas Supply Plan; Docket No. 10270-U: Determination of Lack of Market Constraints on Atlanta Gas Light Company's Commodity Sales Service; Docket No. 10473-U: Petition of the Energy Service Providers Association to Establish a Docket and Procedures for Random Assignment; Docket No. 9305-U: Atlanta Gas Light Company's First, Second, and Third Amendments to the Capacity Supply Plan; Docket No. 14060-U: Atlanta Gas Light Company's 2001-2004 Capacity Supply Plan; Docket No. 14311-U: Earnings Review of Atlanta Gas Light Company to Establish Just and Reasonable Rates; Docket No. 15527-U: Determination of Contributing Factors and Cost Allocation for Lost and Unaccounted-for Natural Gas on AGLC's Distribution System; Docket No. 15295-U: Service Quality Standards for the Electing Distribution Company; Docket No. 16682-U: Proceeding to Consider Plans for the Assignment of Interstate Capacity Assets; and Docket No. 18437-U.