ATTACHMENT "A"

Georgia Public Service Commission

47 TRINITY AVENUE, S.W.
ATLANTA, GEORGIA 30334-5701
(404) 656-4501 OR 1 (800) 282-5813
FAX: (404) 656-2341 www.psc.state.ga.us

March 8, 1999

Ms. Elizabeth R. Pesenti
Contracting Officer
Installation Support Contracting Division
Defense Energy Support Center
8725 John J. Kingman Road, Suite 4950
Ft. Belvoir, Virginia 22060-6222

Dear Ms. Pesenti:

This is in response to your letter of February 22, 1999 in which you sought additional information and clarification concerning Georgia utility regulations pertaining to the privatization of electric and natural gas distribution systems at military installations within Georgia. It should be noted that "privatization", for purposes of this letter, refers only to the transfer or conveyance of a military installation's infrastructure assets in conjunction with and for the purpose of the transferee providing operation and maintenance of the distribution system of such military installation. The provision of electric and natural gas service to such military installation will continue to be governed by applicable Georgia law and regulation.

1. While the Georgia Public Service Commission ("Commission") has the power to regulate the rates and practices of public utilities, the jurisdiction of the Commission is restricted to those electric and gas companies that serve the public. Therefore, so long as the electric and/or gas distribution systems that you intend to convey are wholly located on military property and are utilized solely to serve the individual military installation, the ownership and operation of the distribution system would be a matter of contract between the Department of Defense and the transferee. As I stated in my October 20, 1998 letter, however, the provider of electric and natural gas service to the military installation would continue to be determined by applicable law and Commission regulation.

2. As stated above, so long as the electric and/or gas distribution system to be conveyed is located wholly on military property and is utilized solely to serve the individual military

installation, the ownership and operation of such distribution system would be considered a matter of private contract between the Department of Defense and the proposed transferee.

3. The jurisdiction of the Commission is restricted to those electric and gas companies that serve the public. While the determination of whether a business operation renders such service to the public as to become a public utility is controlled by the facts of each case, if, as you state in your letter, the distribution contractor will serve only the individual military installation, the Department of Defense may elect to contract with the responsible entity of its choice.

4. The method by which the Defense Energy Support Center elects to convey the electric and/or gas distribution systems is a matter of private contracting practice.

5. The electric membership corporations in Georgia ("EMCs") have a regulatory compact with the Rural Utilities Service, a federal agency. The Commission has limited authority with respect to EMCs, who must file their rates with the Commission. The Commission approves the issuance of certain EMC bonds and notes and enforces rules and regulations to provide electric service to an EMC's members. The Commission also has certain authority granted under the Georgia Territorial Electric Service Act.

If I can be of any further service, please let me know.

Yours very truly,

B. B. Knowles

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Director of Utilities