



Georgia Electric
Membership Corporation

*42 EMCs serving more than 3.7 million of the state's
8.1 million residents*

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Can
"California"
Happen
in Georgia?



GEORGIA'S ELECTRIC MEMBERSHIP CORPORATIONS

Can California's electricity shortages happen in Georgia?

Many Georgians watched media reports last winter as rolling blackouts disrupted normal business activity and the ordinary pursuits of daily life on the West Coast. During the spring, Georgians watched again as California leaders struggled to find a solution to the problem.

No wonder Georgians are asking: "Can 'California' happen here?" The best answer is: "Not likely." Not if we plan carefully, and take the steps necessary to ensure the availability of a reliable source of electricity at affordable rates to all our customers. And Georgia's electric membership cooperatives are doing just that.

Why is California in this difficult situation?

There are several reasons why the California situation is unique among all states:

First, California deregulated wholesale electricity in 1996 while capping retail prices. There was no way for the utilities to pass along increased costs for electricity. No retail business could survive long under such a handicap.

Second, deregulating policies turned utilities away from entering into long-term contracts with generators, leaving the utilities at the mercy of "spot" market pricing.

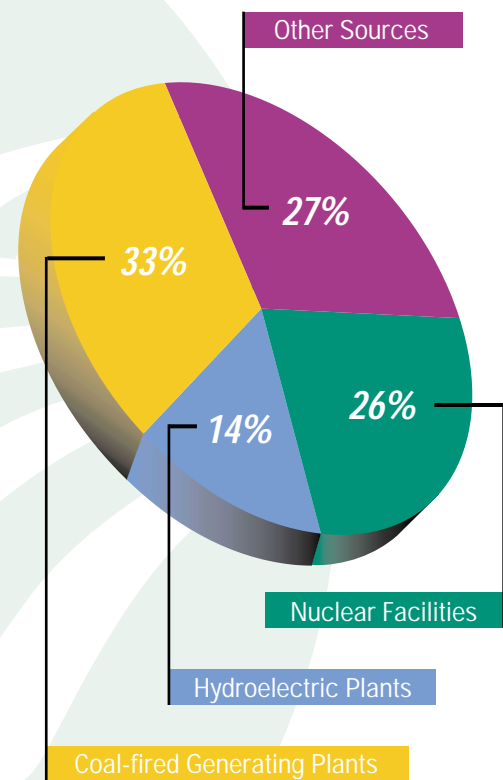
Third, demand for electricity exploded with the growth of the Internet economy in California. With no major generating capacity added since the mid-1980s, there was growing dependence on neighboring states for electricity, states that were themselves experiencing rapid growth and did not have any generating surplus to give California. California also failed to add much needed transmission capacity. As a result, the transmission network was not adequate to support the deregulated market.

Finally, add to this mix a severe drought that diminished the capacity of existing hydroelectric plants, and significant down time for maintenance of aging generating facilities, and it becomes easier to see the extent of California's problem.

Where do Georgia EMCs get their electricity?

The electric membership cooperative system provides more than 27 billion kilowatt hours of electricity to Georgia families and businesses every year. The state's 42 EMCs rely on coal-fired generating plants for 33 percent of their power, nuclear facilities for 26 percent, hydroelectric plants for 14 percent, and 27 percent is purchased from other sources.

More than 153,000 miles of transmission and distribution lines, the largest energy distribution system in Georgia, are used to deliver the power to our customer-owners.



>> **Did You Know?** The EMC system provides more than **27 billion** kilowatt hours of electricity to Georgia families and businesses every year.

What are Georgia's EMCs doing to prepare for increased demand?



Georgia's population grew by 26 percent in the 1990s. We didn't need a California energy crisis to tell us that we needed to get ready for increased demand. We've been busy preparing for tomorrow's energy needs – and the results are obvious.

In the summer of 1999, the EMCs added a 217-megawatt combustion turbine at the Smarr Energy Facility near Forsyth in Monroe County. In the summer of 2000, four combustion turbine units generating 492-megawatts were added at Sewell Creek near Cedartown in Polk County. These units will be used to handle "peaking capacity" – that is, all demand beyond the norm on a hot summer day.

On April 18, 2001, Oglethorpe Power Corporation, on behalf of participating EMCs, announced plans to build six units of a \$280 million peak power facility in Talbot County near the Harris-Muscogee county line. Construction began in the summer of 2001 on the 648-megawatt simple-cycle plant. The first four units are expected to be on line by 2002, and the remaining two units are scheduled for completion in 2003. OPC is building a new Combined Cycle Facility at the Hal B. Wansley coal-fired plant in Heard County near Carrollton. The new facility will be a state-of-the-art combustion turbine that captures its own waste heat, using it to generate still more electricity. The plant is expected

to generate about 500-megawatts of power when completed in the summer of 2003.

That's a lot of new power coming on line and still more plants are on the drawing boards. But your EMCs are taking no chances. EMCs are leasing mobile diesel generating units that can be quickly transported wherever a little extra capacity is needed.

Georgia Transmission Corporation has ramped up its construction program to build much needed transmission lines and substations to assure that the transportation system is adequate to handle market demands. New transmission facilities must be constructed in the near future to assure that the State's energy transportation system can handle the new demands placed upon it.

Some EMCs are negotiating with new suppliers and others have already signed long-term contracts to buy electricity at a fixed price. All have the same goal: to ensure the safe, reliable delivery of electricity to our homes and businesses at an affordable price far into the future.

Is there a model to follow to prevent a California type problem?

We think so. Electric cooperatives are the result of consumers' preference for having control over this important necessity in their lives. The beauty of EMCs is that the consumer, working collectively with expert co-op management and an elected board of directors, has the ultimate responsibility for all key decisions. Do we want to build our own capacity? If so, what kind should it be? Do we want to buy from third party suppliers at fixed prices, perhaps paying a risk premium in exchange for the certainty of affordable power? Or do we want to rely on the "spot" market and take our chances? What mix of these options is best?

In California, the regulators made all the decisions and are now driving the utilities and other suppliers into bankruptcy while increasing costs to consumers.

>> **Did You Know?** Together, electric co-ops have more than **153,000 miles** of transmission and distribution lines.