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Introduction

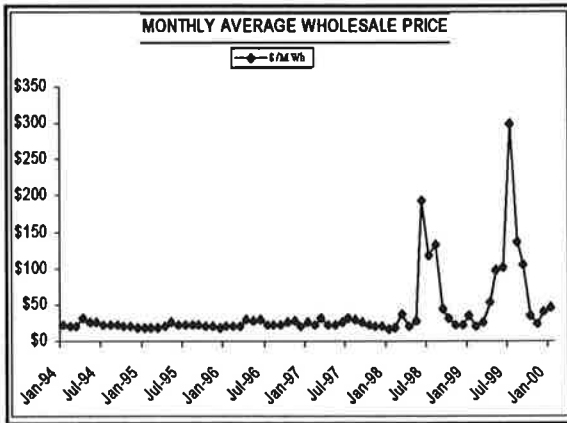
- **Why is the wholesale market important?**
 - Allows GRU to sell power not needed by native load for the benefit of the ratepayers and the City.
 - GRU purchases power when the market price is below our production cost.
 - GRU purchases power during plant outages.
 - Strategically important for the financial health of the City if retail load is lost.

Introduction

- **Then:**
 - Wholesale Market heavily regulated cost based pricing. Very little price volatility, limited transmission access, only utilities could play.
 - Utilities managed wholesale "interchange" from control centers as a sideline to system operations. Relatively little sophistication and infrastructure required.

Introduction

- **Now:**
 - Cost based pricing replaced by market based pricing.
 - Much less price regulation.
 - High price volatility.
 - Much broader transmission access.
 - Non-utility Marketers in the mix.
 - Utilities prohibited from managing wholesale transactions from the control room.
 - Separate highly sophisticated wholesale marketing function and infrastructure required.

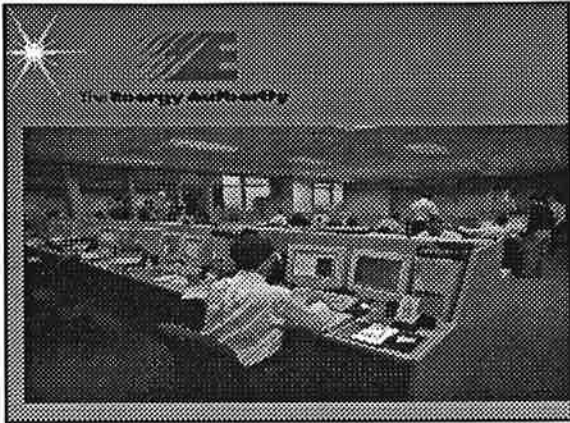


Alternatives considered

- Build a wholesale trading group within GRU
- Contract with a Marketing Company
- Form or join an alliance

The Energy Marketplace

- Jacksonville Electric Authority (JEA)
- S. Carolina Public Service Auth.(Santee Cooper)
- Municipal Electric Association of Ga. (MEAG)
- (recently) Nebraska Public Power District (NPPD)



Resource Management Contract

- June 1998 - City Commission Approved a Contract with TEA
- TEA Membership Anticipated

Membership Advantages

- True partnership with large strong organizations
- Complete information on TEA Activities
- Role in future TEA direction

Membership Advantages

- Lower Cost
 - June '98 thru Oct '99 Contract Fees \$431,370
 - Cost for the period if a Member \$139,554
 - Cost Savings as a Member \$291,816

Membership Advantages

- TEA will continue doing everything they do now and more -
- At a lower cost

Membership Risk

- Potential loss from non-member "trades"
 - Objective - reduce member cost to zero
 - Very strict risk management procedures
- Shared credit support with other members
 - Other members large and financially strong

TEA Structure

TEA Board of Directors - CEO's of member organizations

Board Committee's - Staff of member organizations

TEA President - Mr. Robert Dyer

TEA Staff - approximately 40 employees

Georgia not for profit corporation

Membership Agreement

- Membership Fee - \$867,360
 - Repay existing members for building TEA
 - Approximate 4 year payback
- Capital Account Fund - \$1,000,000
 - Minimum balance for working capital
- Cash Collateral for Credit Support - \$461,538
 - Held by Bank as cash portion of GRU credit guarantee
- Cash & Capital belongs to GRU & earns interest


Membership Agreement

- Two Member Classes LPPS and MPPS
- GRU - MPPS
 - Pay 1/3 as much as LPPS
 - Vote counts 1/3 as much as LPPS

Membership Agreement

- Membership Termination - 60 Day Notice
- All capital and collateral funds net of accrued expenses returned.
- Membership Fee not returned

Questions?



The Energy Authority
