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Commissioners (from left to right) Jan Cook, Jim Sullivan and George C. Wallace, Jr.

The activities and accomplishments of the Alabama Public Service Commission during the period October 1, 2000, to September 30, 2001, are presented in this annual report.

The Alabama Public Service Commission is a quasi-judicial regulatory body whose jurisdiction, powers and duties are delegated to it by the Alabama Legislature. The Commission derives its authority from the Code of Alabama, 1975, Sections 24-1-28, 10-2-231, 10-5-3, 10-5-4, 10-5-7, 11-50-268, 11-50-269, 11-50-270, 37-1-32, 37-2-3, 37-2-171, 37-3-7, 37-4-60, 37-4-82, 37-4-108, 37-9-8, and 37-9-9.

The Public Service Commission has been charged with the responsibility for the regulation of public utilities and some aspects of the transportation industry doing business in Alabama. These include privately-owned corporations providing electric, gas, water and telecommunications service to the public, plus railroads, buses, some trucking companies, and taxis operating outside police jurisdictions.

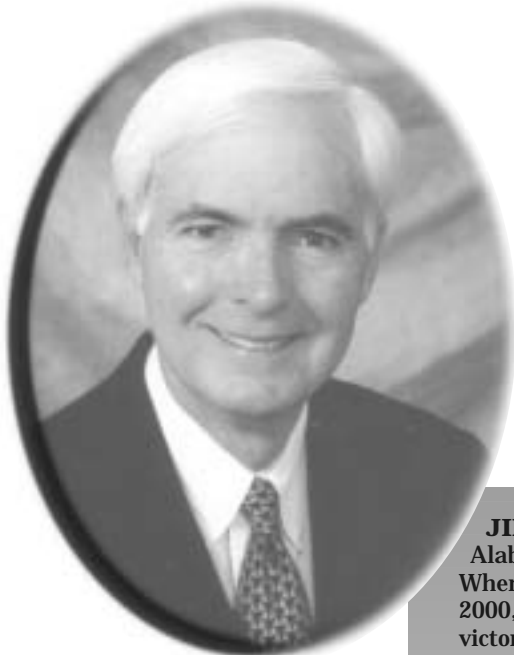
The three elected Commissioners - a president and two associate com-

missioners -- administer all functions of the Commission. Commissioners are elected to four-year terms, with the president's term staggered by two years from the two associate commissioners.

The Commission supervises and regulates utilities and some aspects of public transportation to ensure adequate service and facilities are made available at rates that are reasonable. The law prohibits variation from established rates. The quasi-judicial status of the Commission requires conducting public hearings on applications, petitions, and complaints, together with the rendering of decisions on those proceedings.

The Commission operates solely from inspection and supervision fees received from the companies regulated and appropriated by the Legislature.

The various divisions conduct the work of the Commission. A statement of the function, operational procedure and accomplishments of these divisions during FY-01 appears in this report, which is published by the Public Affairs section of the Advisory Division.



Commissioner Sullivan's Staff:

- G. Scott Morris,*
Deputy Attorney General
- Donna H. Dodd,*
Executive Assistant III
- Carolyn Denham,*
Administrative Support
- Assistant III*
- Wesley Barton,*
Laborer

JIM SULLIVAN has been President of the Alabama Public Service Commission since 1983. When he was re-elected to the PSC in November 2000, Alabama voters gave him the largest margin of victory of any statewide candidate. In November 1998, he was elected president of the National Association of Regulatory Utility Commissioners (NARUC), the principal voice of the states on national energy and telecommunications policy.

Commissioner Sullivan holds a Bachelor's Degree in Business Administration from the University of Mississippi, which he attended on a football scholarship. After graduating from Ole Miss in 1968, he went on to the University of Alabama, earning a Master's Degree in Banking and Finance in 1969 and his law degree in 1973.

In addition to his national leadership role through NARUC, Commissioner Sullivan is a member of the Advisory Council of the Center for Strategic and International Studies. He also holds a seat on the University of Chicago Board of Governors of the Argonne National Laboratory and the Keystone Energy Board, a privately funded think tank addressing a wide variety of energy-related issues. Plus, he currently serves on the advisory councils of the Institute of Nuclear Power Operations and the Electric Power Research Institute.

Under Commissioner Sullivan's leadership, Alabama ratepayers have enjoyed 18 reductions in BellSouth telephone rates totaling approximately \$275 million. Meanwhile, Alabama Power customers have been assured of reliable electric service at rates that consistently rank less than the national average. According to data compiled by Edison Electric Institute, they are currently about 15 percent below the national average.

Commissioner Sullivan and his wife, Susan, have two grown children and one grandchild.



JAN COOK is a native of Dozier, Alabama, where she served on the City Council. She is a graduate of Auburn University with a degree in Political Science. She has also done graduate work at both AUM and Troy State University. In 1982 she sought her first statewide office and won the office of State Auditor with more votes than any other candidate seeking office. She was re-elected as State Auditor in 1986. In 1990 she was elected to the Alabama Public Service Commission. She was re-elected to the Alabama Public Service Commission in 1994 and 1998.

Commissioner Cook has always been a consumer-minded Commissioner and has sponsored several initiatives, including anti-slamming and cramming legislation and statewide Y2K information forums. She has also been involved in issues ranging from helping Alabama agriculture compete in a global market to her concerns for railroad safety. In addition, Commissioner Cook developed several programs to help Alabama farmers through the 2000 drought and fought hard for Alabama's school children by establishing PSET, (Public Service Education Trust) to benefit school children through grants.

Commissioner Cook is a member of the Dozier Methodist Church and is active in various civic and charitable organizations. She is a life member of the Alabama League of Aging Citizens and holds honorary memberships in the Future Homemakers of America and Delta Kappa Gamma. Cook also holds an honorary State Farmer's degree and has been selected as Beta Sigma Phi's Woman of the Year. Commissioner Cook was recognized by the Alabama National Guard Association for her work on behalf of Alabama Guardsmen during Operation Desert Storm, receiving the highest Military Medal that can be bestowed on a civilian.

Commissioner Cook's Staff:

*Tom Whatley,
Chief Counsel
Bubba Grimsley,
Executive Assistant III
Liz Thompson,
Executive Secretary
Claire Walker,
Assistant*



GEORGE C. WALLACE, JR. was born in Eufaula, Alabama, in October 1951 and grew up in a well-known Alabama political family. Before his election to the Alabama Public Service Commission as Commissioner, Place 2, in November 1998, Wallace was elected in 1987 as State Treasurer of Alabama. During his two four-year terms he:

- established a program of cash management refinement procedures resulting in an increase of about \$5 million of new revenue per year for Alabama's General Fund and proposed additional refinements in the Treasury's investment policy that continue to generate several million additional dollars for the General Fund.
- developed the Linked Deposit Program, a low-interest loan program to assist farmers and small business owners.
- developed the Prepaid Affordable College Tuition Program (PACT) -- a plan which allows parents, grandparents or other sponsors to make a one-time lump sum payment or periodic payments to guarantee the payment of a child's tuition and mandatory fees at today's fixed prices.
- initiated and implemented the Wallace Housing Plan, which helped young families buy their first home.

In 1976 Wallace obtained a bachelor's degree in History from Huntingdon College. He continued his education with graduate work in Political Science and Public Administration at Auburn University at Montgomery. He served both as Director of Financial Aid and Alumni Affairs, as well as Vice-President of Development and Alumni Affairs at Troy State University at Montgomery.

Wallace is the author of *The Wallaces of Alabama*. He has also received many awards, including the John H. Buchanan Distinguished Service Award for Contributions to Higher Education and the NAACP Freedom Award.

In November, 2000, Wallace married the former Elizabeth Maynor of Birmingham. Elizabeth has two daughters, Courtney and Leslie, who both attend the University of Alabama. Courtney is a 19-year-old sophomore, and Leslie is an 18-year-old freshman.

Wallace spends his spare time hunting and fishing with his two sons, 17-year-old George C. Wallace, IV, and 16-year-old Robert Kelly Wallace. In addition, he is an avid jogger and an accomplished black belt in Taekwondo.

Commissioner Wallace's Staff:

- Scott Whiteley,*
Assistant for Regulatory/Research and Analysis
- Barbara Kelley,*
Executive Assistant III
- Valerie Hogan,*
Administrative Support Assistant III
- Ahna Berryhill,*
Administrative Support Assistant II
- Francy Cripple,*
Laborer

ADMINISTRATIVE DIVISION

Walter L. Thomas,
PSC Secretary
Sandy Haynes,
Clerk Stenographer III
Sandra Leser,
Administrative Support
Assistant III
Melvin Griffin,
Laborer

**Consumer Services
Section**

Judi Dykema,
Utility Consumer
Complaints Supervisor
Cathy Cook,

Utilities Engineering
Technician
Lee Provo,
Utility Consumer
Complaints Specialist
Debra Jackson,
Utility Consumer
Complaints Specialist
Sue Hicks,
Utility Consumer
Complaints Specialist
Kaye Davila,
Administrative Support
Assistant II

Finance Section
Peter Petrillo,

Accountant III
Miles Gagner,
Accountant II
Sandra Steele,
Accountant II
Ernestine Huffman,
Accounting Technician I
Shanan Ward,
Account Clerk
Secretary's Staff
Beth Kyser,
Administrative Support
Assistant II
Bonnie Granthum,
Administrative Support
Assistant II

ADVISORY DIVISION

Judy McLean,
Director, CPA
Analysts
Tom Samford,
PSC Attorney
Gene Pitts,
CPA, Electricity Advisor
Rolland Casey,
PSC Accountant
Clarence Duncan,
PSC Rate Analyst
Louise Tillery,
Administrative Support
Assistant I

Ellen Irvine,
Administrative Support
Assistant III
Data Processing
Kay Hansen,
IT Systems Specialist
Senior
Brenda Welcher,
IT Systems Technician
Senior
Federal Affairs
Mary Newmeyer,
Utility Rate Supervisor
Gene Hanes,

Utility Rate Supervisor
Personnel
Dorinda Kepler,
Personnel Assistant III
Loy Overstreet,
Administrative Support
Assistant III
Robin Chapman,
Administrative Support
Assistant I
Public Affairs
Karen Gaston,
Public Information
Specialist II

ENERGY DIVISION

Janice M. Hamilton,
Director
Electricity Section
Linda Bowers,
Accountant II
John Free,
Utility Rate Supervisor
Mary Martin,
Public Utilities Analyst II
(Retired 09/01/01)
Robert Taylor, III,
Public Utilities Analyst II
William Straughn,
Utilities Engineering
Technician *(Retired
09/01/01)*
Jo Sibley,
Clerk Stenographer III
Natural Gas Section
Robert Reed,
Utility Rate Supervisor
William Knight,
Utilities Analyst II
Joe Leverette,
Public Utilities Auditor II
Donald Powell,

Utilities Analyst II
Brenda Roberts,
Administrative Support
Assistant III
**Gas Pipeline Safety
Section**
Chris Harvey,
Gas Pipeline Safety
Administrator
Jannette Mitchell,
Clerk Stenographer III
Dave Darwin,
Pipeline Safety
Investigator III
(Retired 01/01/01)
Ocie Dunson,
Pipeline Safety
Investigator III
John Paul Harris,
Pipeline Safety
Investigator III
Spencer Brady,
Pipeline Safety Training
Officer
Thomas Lancaster,
Pipeline Safety

Investigator III
Gregory Meadows,
Pipeline Safety
Investigator I
Judy Ramsey,
Pipeline Safety
Investigator I
David Snoddy,
Pipeline Safety
Investigator II
Hosie Powell,
Pipeline Safety
Investigator I
Technical Section
Rick Cleckler,
Utilities Engineering
Specialist II
Water Section
Stephen Bartelt,
Utility Rate Supervisor
Pat Dail,
Administrative Support
Assistant II
Maverick Roberts,
Laborer

LEGAL DIVISION

Carl L. Evans, Chief Administrative Law Judge	Stanley W. Foy, Administrative Law Judge	Karen Rogers, Administrative Support Assistant II
Eileen M. Lawrence, Clerk Stenographer IV	John A. Garner, Administrative Law Judge	

TELECOMMUNICATIONS DIVISION

Darrell Baker, Director	Evandrew Tucker, Accountant II	Technician
Barbara Franklin, Clerk Stenographer III	Laneeta Roberts, Public Utilities Analyst II	Steve Bennett, Utilities Engineering Technician
Deboraha Thornton, Administrative Support Assistant III	Bill Cook, Public Utilities Analyst II	Special Services Compliance Team
Cynthia Allen, Administrative Support Assistant I	Janet Conway, Public Utilities Analyst I	Bobby Mobley, Utilities Engineering Technician Supervisor
Economic Analysis and Compliance Section	Lauvone Turner, Public Utilities Auditor II	Retha Bryant, Administrative Support Assistant I
Larry Smith, Utility Rate Supervisor	Service Analysis and Compliance Section	Doug Dillard, Utilities Engineering Technician
Linda Jones, Clerk Stenographer III	Wayne Wright, Utilities Engineering Director	Arthur Seay, Utilities Engineering Technician
E.C. McArthur, Public Utilities Auditor III	Kathy Burkett, Administrative Support Assistant I	Perry Johnson, Utilities Engineering Technician
Eugene Holsenbeck, Public Utilities Auditor II	Glenn Darter, Utilities Engineering Technician Supervisor	Gilbert Carlisle, Utilities Engineering Technician
Tom Jones, Public Utilities Analyst II	Terry Jackson, Utilities Engineering Technician	
David Peeler, Public Utilities Auditor III	Jack Cates, Utilities Engineering	

TRANSPORTATION DIVISION

Rita Grantham, Clerk Stenographer III	Transportation Enforcement Officer I	Betty Elrod, Account Clerk
Enforcement Section	Suellen Young, Attorney III	Will Durden, Account Clerk
John M. Brock, Transportation Enforcement Officer II	Rates and Services Section	Vanessa Averhart, Administrative Support Assistant I
Jack W. Clark, Transportation Enforcement Officer II	Britt Roberts, Transportation Rate Supervisor	Renee Parson, Account Clerk <i>(Retired 05/01/01)</i>
Earl Reeves, Transportation Enforcement Officer II	Insurance and Registration Section	Railway Safety Section
Leo Sauls, Jr., Transportation Enforcement Officer II	Ronald E. Hicks, Supervisor	John C. Longcrier, Railway Safety Inspector
Terry Shirley, Transportation Enforcement Officer II	David House, Public Utility Auditor III	Danny Arledge, Railway Car Inspector
Gary Shirley,	Larry Wingard, Accountant II	Larry Coleman, Railway Car Inspector
	Donald Williamson, Transportation Rate Analyst	

Statement of Operations for the Fiscal Year Ending Sept. 30, 2001 and 2000

	<u>PSC</u> <u>Operating Fund</u>	<u>Gas Pipeline</u> <u>Safety Fund</u>	<u>Total</u> <u>Sept. 30, 2001</u>	<u>Total</u> <u>Sept. 30, 2000</u>
Comptroller's Beg. Cash Balance:	\$ 2,171,381.71	\$ 897,422.32	\$ 3,068,804.03	\$ 3,981,284.14
Inspection & Supervision Fees-				
Utility/Water Companies	6,568,998.06	-	6,568,998.06	6,170,652.49
Telecommunications/Railroads	3,325,551.01	-	3,325,551.01	3,146,668.83
Motor Carrier Ins. & Reg. Fees	2,547,268.17	-	2,547,268.17	2,690,105.00
Gas Service Line Fees	-	480,405.00	480,405.00	466,434.00
Federal Dept. of Transportation	-	185,085.14	185,085.14	434,688.73
Alabama Dept. of Transportation	50,000.00	-	50,000.00	50,000.00
Miscellaneous Receipts	9,950.63	-	9,950.63	33,073.01
Total Receipts:	<u>12,501,767.87</u>	<u>665,490.14</u>	<u>13,167,258.01</u>	<u>12,991,622.06</u>
Total Cash Available:	<u>14,673,149.58</u>	<u>1,562,912.46</u>	<u>16,236,062.04</u>	<u>16,972,906.20</u>
Disbursement of Encumbrances:				
Personnel Costs	(32,000.00)	-	(32,000.00)	-
Employee Benefits	(8,000.00)	-	(8,000.00)	5,773.25
Travel - In State	10,487.25	5,021.25	15,508.50	9,935.28
Travel - Out of State	4,618.61	1,122.43	5,741.04	2,029.55
Repairs & Maintenance	4,104.73	-	4,104.73	7,193.61
Rentals & Leases	4,056.83	972.64	5,029.47	14,728.51
Utilities & Communications	23,381.05	1,449.97	24,831.02	16,898.89
Professional Services	561,204.43	67.23	561,271.66	84,774.44
Supplies & Operating Expenses	9,666.25	1,089.63	10,755.88	7,808.68
Transportation Equipment Operations	8,915.25	2,601.71	11,516.96	-
Grants and Benefits	-	40,000.00	40,000.00	-
Transportation Equipment Purchases	41,082.00	-	41,082.00	11,450.86
Other Equipment Purchases	12,763.00	(400.00)	12,363.00	79,111.00
Total Encumbrances:	<u>640,279.40</u>	<u>51,924.86</u>	<u>692,204.26</u>	<u>239,704.07</u>
Disbursement of Operating Costs:				
Personnel Costs	4,984,475.37	509,403.17	5,493,878.54	5,488,335.92
Employee Benefits	1,108,982.65	110,039.91	1,219,022.56	1,156,208.72
Travel - In State	163,626.99	56,901.08	220,528.07	190,359.85
Travel - Out of State	71,527.83	8,907.46	80,435.29	74,589.60
Repairs & Maintenance	10,875.81	200.00	11,075.81	32,867.14
Rentals & Leases	787,131.19	32,665.91	819,797.10	797,407.33
Utilities & Communications	141,449.54	11,288.61	152,738.15	153,241.28
Professional Services	402,912.48	3,106.88	406,019.36	418,556.84
Supplies & Operating Expenses	223,613.11	13,536.11	237,149.22	202,345.60
Transportation Equipment Operations	57,582.49	15,880.96	73,463.45	69,349.79
Grants and Benefits	36,484.00	17,000.00	53,484.00	-
Transportation Equipment Purchases	-	57,681.00	57,681.00	80,414.00
Other Equipment Purchases	57,505.29	4,644.90	62,150.19	42,713.91
Total Operating Costs:	<u>8,046,166.75</u>	<u>841,255.99</u>	<u>8,887,422.74</u>	<u>8,706,389.98</u>
Transfer to General Fund	2,723,000.00	-	2,723,000.00	2,723,000.00
Transfer to General Fund: Prior year cash	831,102.31	-	831,102.31	1,494,838.99
Transfer to PSET Fund (2)	-	-	-	740,169.13
Total Disbursements & Transfers:	<u>12,240,548.46</u>	<u>893,180.85</u>	<u>13,133,729.31</u>	<u>13,904,102.17</u>
Comptroller's Cash Balance, Ending:	\$ 2,432,601.12	\$ 669,731.61	\$ 3,102,332.73	\$ 3,068,804.03
Purchase Orders	368,352.45	20,573.72	388,926.17	132,987.00
Unencumbered Cash Balance, Ending (1)	\$ 2,064,248.67	\$ 649,157.89	\$ 2,713,406.56	\$ 2,935,817.03

(1) PSC is authorized by statute to carry over \$600,000 plus \$100,000 court settlement funds for Fund 326 and the unencumbered cash balance for Fund 325.

(2) In FY-01, PSET Fund Investments had \$56,379.90 interest income. The principal and interest were transferred to the Alabama Department of Education.

The Administrative Division consists of the Secretary's Office, the Consumer Services Section, and the Finance Section. A description of each section's responsibilities and a detailed report of its activities during FY-01 are as follows:

SECRETARY OF THE COMMISSION

The Secretary of the Commission receives all filings made to the Commission and distributes them to the appropriate division. He assigns docket numbers to cases requiring public hearings and maintains a card file on cases so that information on the status of any case may be obtained quickly.

The Secretary maintains the Commission hearing docket book and hearing calendars, assigning cases for hearing in collaboration with examiners and Commissioners. He arranges schedules for hearing rooms and court reporters, as well as prepares and mails hearing notices to all parties involved or known to have interest in the proceeding. He prepares weekly hearing calendars for the Commissioners, examiners, and press representatives.

The Secretary receives and records transcripts of testimony and checks invoices prepared by the court reporter.

The Secretary takes and distributes minutes of Commission meetings. He attests to and files orders of the Commission. He certifies copies of orders and other documents of record in the official files of the Commission.

The Secretary prepares transcripts of Commission cases appealed to the courts and maintains files on these cases.

The Secretary files Commission oaths of office, surety bonds covering each railway policeman appointed by the Governor, furnishing certification of the policeman's appointment along with the oath and bonding to the Secretary of State.

The Secretary signs orders for the Commission to authorize transportation companies to place reduced rates into effect on less than statutory time, in order to meet an emergency.

The Secretary receives public officials, attorneys, transportation and utility executives, and other interested people, providing them with information on the procedural practices of the Commission.

The Secretary is responsible for the retention of all records of the Commission. He coordinates the transfer of records to the Department of Archives and History as well as destruction of records.

The Secretary acknowledges receipt of filings to advise parties of the requirements of the Rules of Practice and statutes governing proceedings in which they are involved. He gives general procedural information and answers inquiries requiring research into Commission records.

The Secretary is responsible for the coordination of departmental telecommunications services, which primarily entails ensuring that the telephone and data lines are working properly.

A tabulation of the principal activities of the Secretary during FY-01 is as follows:

Commission orders issued: 1,496
Public hearings held: 107

FINANCE SECTION

The Finance Section plans, coordinates and directs the fiscal functions of the Commission, overseeing such activities as accounts, budgets, purchases, equipment and custodial care. Its responsibilities include maintaining the general books, consolidating operating budget requirements and preparing a budget request and operations plans.

The section also prepares budgetary performance reports; monitors the budget for possible problems and makes any necessary corrections; verifies and processes invoices and expense reports for payment; coordinates the payroll and maintains payroll records; bills utilities for inspection and supervision fees; maintains records of fees collected; notifies the Legal Division of any delinquent companies; and conducts special studies or assignments as requested by the Commission.

The section maintains office supplies for the Commission, develops and administers internal accounting procedures and administers a centralized purchasing service of approved materials, supplies and equipment.

CONSUMER SERVICES SECTION

The Consumer Services Section investigates complaints regarding the operation, services, and billings of regulated utility companies.

The staff consists of a supervisor, an administrative support assistant, and four investigators experienced in the field of utility operations and management. The Consumer Services staff is charged with resolving consumer complaints, providing information to consumers about the utility regulatory functions of the Commission, and interpreting and conveying the views and opinions of utility consumers to the commissioners for consideration in regulatory matters.

When a complaint is filed, the complainant is interviewed to obtain the circumstances and allegations involved. After reviewing and/or investigating the facts, the staff determines the appropriate action needed to resolve the complaint. A report is prepared citing details of the complaint and the disposition. Field investigations are routinely conducted.

The staff meets with community groups throughout the state upon request on regulated utility matters. The staff is available to civic and community groups for speaking engagements regarding the Commission and utility regulation in general.

The Consumer Services Section received and processed 8,346 complaints/inquiries during FY-01. The total consisted of complaints/inquiries in the following categories: 873 electric; 614 gas; 3,705 telecommunications; 148 no jurisdiction; 132 miscellaneous jurisdiction; and 2,874 miscellaneous inquiries. The staff made 257 field investigations and attended 16 meetings.

Slamming complaints continued to show a substantial decrease in the past year compared to previous years. Through the aggressive efforts of the Consumer Services staff, the number of slamming complaints dropped 33 percent since the previous reporting period (FY-00). Consumer Services processed 365 slamming complaints during this reporting year and obtained refunds/credits for rate differentials and advised consumers on how to return to their provider of choice. One Show Cause order was issued for slamming which resulted in a \$42,000 penalty assessment and consumer credits.

Cramming, adding charges to consumers' telephone bills for services that were not authorized, continued to be a source of complaints during FY-01. Although the companies responsible for billing these unauthorized charges are not regulated by the PSC, Consumer Services assisted in resolving cramming complaints and obtaining credits for Alabamians.

In addition to the above, the Consumer Services Section is responsible for administering Alabama's "Do-Not-Call" program.

The Advisory Division provides financial and legal analysis, research and evaluation in Commission proceedings. Other functions the division performs include reviewing state and federal legislation, monitoring federal agency proceedings and conducting special studies or projects at the Commissioners' request. Key areas Advisory has been involved with during the past year include issuing the final report in the Commission's multi-year electricity restructuring proceeding and addressing telecommunications issues arising from implementing the Telecommunications Act of 1996.

Other responsibilities also fall under Advisory's supervision. The Commission's Personnel procedures, Media Relations and Data Processing sections come under this division's umbrella.

The Advisory Division maintains and oversees the Commission's Web site (www.psc.state.al.us). The site offers links to consumer information, electricity restructuring, press releases, a search function for Commission orders as well as information about other issues pertinent to the Commission.

While the Advisory Division touches almost all aspects of the Commission, the primary role the division plays is to provide the Commissioners with relevant information and alternatives related to regulatory issues brought before the PSC.

Here is a detailed description of the activities of each section of Advisory:

ANALYSTS

Electricity Advisor

Energy-related issues are the types of projects in which the Electricity Advisor is involved. Research is corroborated by the Electricity Advisor with organizations both within and outside of the Commission. As a rule, the Electricity Advisor's recommendations are made independently of the Commission's other divisions.

The Electricity Advisor is updated by Alabama Power Co. regarding the company's Integrated Resource Planning and significant financial arrangements. These areas of activity are reviewed on an ongoing basis, in addition to contracts involving the purchase and sale of energy-related resources.

Natural Gas Advisor

The Alabama Public Service Commission has 11 natural gas companies under its jurisdiction. The Natural Gas Advisor works independently of the Commission's other divisions to analyze natural gas industry issues before the Commission. This gives the Commissioners a separate recommendation for their review.

The Natural Gas Advisor forms recommendations by researching the industry and utilizing this knowledge to study natural gas issues. Because they are independent from the Commission's other divisions, the resulting financial analysis, operational reviews and recommendations can be used by the Commission to make the most informed judgments for the benefit of Alabamians.

Specifically, the Advisor reviews ratemaking methodologies, gas supply contracts, accounting matters, operational issues, municipal acquisitions and other filings made to the Commission.

Telecommunications Advisor

The Telecommunications Advisor's primary function is to provide verifiable, independent recommendations to the Director of the Advisory Staff and to the Commissioners on all matters relating to telecommunications companies under the PSC's jurisdiction. These companies include incumbent and competitive local exchange carriers, long distance companies and pay phone providers.

Specifically, the Telecommunications Advisor has three duties: (1) to review all telecommunications filings made to the Commission to ensure these filings comply with the established policies of the Commission; (2) working closely with the Advisory Division's Director, Telecommunications Division personnel and the Legal Division, this position participates in the development of the telecommunications policies and procedures implemented by the Commission; and (3) an extensive Special Projects function both within the telecommunications industry and without.

Important special projects addressed in FY-01 include the development of countywide calling plans for statewide application and a series of public meetings throughout the state of Alabama where citizens met face to face with PSC staff and the Commissioners to discuss their telephone service.

The current Telecommunications Advisor has 22 years of experience, comprising seven years at the federal regulatory level, three years at a publicly held federal and state jurisdictional utility company and 12 years at the state regulatory level.

Legal Advisor

The Legal Advisor reviews dockets and issues before the Commission for legal implications and provides legal advice and assistance to Advisory Division personnel, as well as other Commission officials and employees. In order to properly perform his assigned duties, the Legal Advisor monitors pending legislation and court opinions, as well as industry publications. Duties include, but are not limited to, contract drafting and negotiation, legislative drafting, and the updating of various manuals and handbooks governing the conduct of Commission activities.

DATA PROCESSING

The Data Processing Section is responsible for automation efforts in all divisions and offices of the Commission.

The Commission is presently totally electronically networked to all divisions internally and to the State of Alabama's consolidated data center. Additionally, the Data Processing Section has developed a Web site at www.psc.state.al.us. The Web site is used for consumer education, consumer inquiries, notification of filings and proceedings and to allow downloading of Commission orders and other public documents.

The Commission has a LAN with three servers attached. The file server is running Windows NT,

and clients run Windows 95, Windows 98 or Windows 2000. Programming is accomplished with the Access language and SQL database. The Web and Proxy servers are also running Windows NT.

FEDERAL AFFAIRS

The Federal Affairs section keeps the Commission abreast of federal activities affecting utility regulation in Alabama. When necessary, the staff also intervenes and files comments in federal proceedings.

To stay on top of the federal scene, Federal Affairs monitors activities of the Federal Communications Commission (FCC), the Federal Energy Regulatory Commission (FERC), the Surface Transportation Board (STB), the Nuclear Regulatory Commission (NRC), the Department of Transportation (DOT), the Department of Energy (DOE), the Federal Railway Administration (FRA), and the Securities and Exchange Commission (SEC).

Just as important, Federal Affairs reviews federal court appeals and decisions on utility issues and, if appropriate, makes recommendations on action to be taken. The section also looks at proposed federal legislation affecting Alabama utilities and prepares documentation to express the Commission's views.

Keeping an eye on state legislation is another function of Federal Affairs. The section assists in drafting legislation and tracks its progress. At times, Federal Affairs staff members are called upon to testify on proposed bills at state legislative committee hearings. Federal Affairs also acts as the PSC's legislative liaison with the Governor's office.

Federal Affairs has worked with several significant regulatory issues in FY-01. The Commission adopted the final report issued by the electricity restructuring task force, a team that was spearheaded by Federal Affairs, as its current position on the issue. The topic is still monitored on a national basis by the section. Since the passage of the Telecommunications Act of 1996, addressing issues related to its implementation has also been a focal point for Federal Affairs.

The Federal Affairs Section monitors and reports on positions taken by other state commissions and the National Association of Regulatory Utility Commissioners (NARUC) on issues affecting the Commission. This section also maintains and makes available to the Commission staff resource materials on federal issues.

Furthermore, Federal Affairs represents the

Commission on the NARUC Staff Subcommittee on Communications and Staff Subcommittee on Nuclear Issues-Waste Disposal.

PERSONNEL

The Personnel office maintains the records of Commission employees. One of its primary functions is to identify changes in payroll expenditures that are incurred by appointments, resignations, promotions, terminations, etc.

Personnel oversees the processing and orientation of new employees. As the source for state and departmental rules, regulations and benefits that apply to employees, Personnel provides information through handbooks and manuals. Requests to fill vacancies in the Commission are processed by Personnel with the coordination of division directors.

The Personnel manager acts as the liaison with the State Personnel Department (SPD), checking to see every Personnel action is in line with state laws and SPD rules and regulations. The Personnel manager also represents the Commission at meetings of the State Personnel Board and the Council of Personnel Administrators.

Personnel develops and updates job descriptions on employees. This ensures appropriate classifications are selected for a particular job and may also be used as an indicator for change in classification and pay.

PUBLIC AFFAIRS

The Public Affairs Section of Advisory handles the public information duties of the Commission. This entails distributing information to the news media, the public and other state, governmental and regulatory agencies.

The Public Affairs coordinator serves as spokesperson for the Commission. Topics that have received a great deal of media interest during the past year include the implementation of the state's newest area code in southwest Alabama, BellSouth's petition to the FCC for approval to offer long distance service, and the status of electricity restructuring in Alabama.

The coordinator also produces informational materials such as the PSC's Annual Report, brochures, presentation aids and other graphic materials. Plus, the coordinator assists in posting information to the PSC's Web site as well as programming the News/Public Affairs section of the Web site. In addition, the coordinator attends Commission hearings and meetings and monitors media coverage of the PSC.

The Energy Division oversees the daily operations of all investor-owned electric, natural gas and water utilities serving customers within the state of Alabama.

This responsibility includes monitoring the rate stabilization and equalization (RSE) programs used by the Commission to regulate Alabama Power Company (APCo) and Alabama Gas Corporation (Alagasco). Additionally, the safety of all natural gas systems and hazardous liquid pipeline systems in Alabama is included within the Energy Division under the Gas Pipeline Safety Section's purview.

The following paragraphs discuss each section's significant regulatory policies, responsibilities and activities during FY-01.

ELECTRICITY SECTION

This section is responsible for monitoring the revenues, expenses, investment (rate base), equity, debt and RSE ratemaking mechanism for Alabama Power Co. This includes financial analyses, compliance auditing and the design and implementation of monitoring and forecasting procedures. Also, this section is responsible for analyzing the various filings by the company and submitting recommendations to the Commissioners. These filings pertain to rate adjustments, new tariffs, certificates for new plant, accounting issues, special contracts, financing issues and other regulatory matters.

SIGNIFICANT REGULATORY POLICIES Rate Stabilization and Equalization (RSE)

Under the RSE program for Alabama Power Co., the Electricity Section examines the company's books and records on a monthly basis to determine the Retail Return on Common Equity (RRCE) for the preceding 12-month period. Every third month (January, April, July, and October) is a "point-of-test" month. The section prepares a monthly report for each Commission meeting, indicating the current RRCE, any ensuing rate adjustment, the determinations of RSE since the first filing and the projected RRCE for the next point of test.

The approved Retail Return on Common Equity range for Rate RSE is 13.0 percent to 14.5 percent. When the RRCE is greater than 14.5 percent (upper limit) or less than 13.00 percent (lower limit), rates are adjusted to bring the return back to the 13.75 percent mid-point. Any adjustments are based on financial results for the 12-month period ending with a point-of-test month.

The Retail Return on Common Equity for the twelve-month period ending July 31, 2001, was 12.14%, which was below the allowed range. This equated to a 2.53 percent rate increase. However, due to Rate RSE limitations, the increase was restricted to 2 percent. This amounted to a total revenue adjustment of \$57,874,068 or \$1.55 per 1000 kWh for residential customers that became effective for October 2001 billings. This was the first base rate adjustment pursuant to Rate RSE in almost 10 years.

Energy Cost Recovery (ECR)

Rate ECR is the method used to recover the retail customer's portion of energy cost. Initially established at 17.88 mills per kWh, the rate has

been adjusted for temporary periods of time to reduce the under/over collections accumulated in the energy cost account.

The Electricity Section prepares a report for the monthly Commission meeting reflecting the status of energy costs recovered, the accumulated over/under collection, and a current ECR projection. This projection assumes 100 percent normal hydro-generation.

In July 1995, the ECR factor was reduced from 15.00 to 14.00 mills per kWh and remained at that level through December 31, 1999. In December 1999, the factor was changed to 15.50 mills per kWh for the period January 2000 through December 2000. In December 2000, the factor was again changed, to 17.88 mills per kWh for the period January 2001 and thereafter.

At September 30, 2001, the accumulated balance under Rate ECR was \$135,624,503 under-recovered.

Certificated New Plant (CNP)

The Electricity Section conducts the financial analysis of Certificated New Plant (CNP) filings by Alabama Power Co. Under Rate CNP, the Company may file to certificate both Generating Facilities and/or Power Purchase Arrangements.

In December 1997 in Docket 26115, the Commission granted Alabama Power Co. a Certificate of Public Convenience and Necessity for the construction and installation of three combined-cycle generating units. These units were designed to produce a total of 800 megawatts of combined cycle generating capacity at an estimated cost of \$290 million, and are located in Mobile, Alabama at Alabama Power Co.'s Barry Steam Plant site.

In April 1999 this docket was amended to increase the total amount of generating capacity from 800 megawatts to 1,075 megawatts at an estimated cost of \$384 million. The first unit, Barry Unit Six, began commercial operation in June 2000. The second unit, Barry Unit Seven, began commercial operation in May 2001.

The company agreed to waive the operation of Rate CNP for Unit Six but on June 19, 2001, filed for the operation of Rate CNP for Unit Seven. The adjustment, \$00.000337 per kWh charge, was effective for July 2001 billings and thereafter.

Flexible Contract Rate (FCR)

On February 28, 1996, Alabama Power Co. filed with the Commission a new Flexible Contract Rate (Rate FCR). Rate FCR is applicable to commercial and industrial customers who have a need for flexibility in rates and/or service and who have an account that is no less than one-megawatt. In most cases, the need for additional rate or service flexibility for either a new customer or an existing customer's expansion is the reason for executing a Rate FCR contract. This rate was approved in April 1996.

During FY-01, the Commission evaluated and approved four separate contracts that were filed pursuant to Rate FCR.

Natural Disaster Reserve (NDR)

By order dated Oct. 3, 1994, the Commission granted Alabama Power Co. authority to establish a

reserve of \$32 million against which extraordinary operation and maintenance expense resulting from natural disasters would be charged. That reserve was established and has served to help mitigate the disruptive effects of significant natural disasters in the company's service territory.

However, the Natural Disaster Reserve was substantially depleted in October 1995 because of Hurricane Opal. Under the monthly accruals established in the original order, it would have taken more than eight years to restore the reserve to the authorized level of \$32 million. That's why in December 1995, the Commission authorized the company to make additional accruals, without further order by the Commission, above the normal monthly amount of \$250,000 whenever the balance in the Natural Disaster Reserve declines below \$22.4 million. Accruals above normal monthly amounts may continue until the reserve is restored to \$32 million and must be reported to the Commission in writing.

For the 12-month period ending September 30, 2001, the Company made one additional accrual (December 2000) of \$7.2 million above the normal monthly amount of \$250,000. For the same period, the charges against the reserve amounted to \$19,508,973. The NDR balance at September 30, 2001, was \$722,854.

Accounting for Balance Sheet Asset Reductions

On Dec. 4, 1995, the Commission authorized Alabama Power Co. (Docket U-3647) to reduce balance sheet items such as production plant in service, cost incurred in the redemption and refinancing of securities and other deferred assets. This reduction could be no more than the company's actual positive revenue variation from the base rate revenue budget.

Also, on April 21, 1997, the Commission granted the company the additional authority to reduce balance sheet asset items in conjunction with future reductions in retail rates (Docket U-3741). For the period October 1, 2000, through September 30, 2001, the company made no accruals pursuant to U-3647 or U-3741.

OTHER ACTIVITIES

New and Revised Tariffs

In March 2001, the Commission approved Alabama Power Co.'s petition for Rate OPS - Optional Products & Services (Docket U-4292). This rate is designed to meet customer demand for products and services that are separate from, but related to, electric service. As this optional rate is developed over time, various products and services may be added or deleted. The products and/or services offered in the initial filing of Rate OPS included Transient Voltage Surge Suppressors, Outage Alert and EnergyDirect.com. Other products and services that may be offered under Rate OPS in the future include enhanced power quality, energy efficiency, energy management, electrical system services, enhanced metering services and environmental services.

In addition to Rate OPS, the Commission granted approval to Alabama Power Co. for a revision to

Rate Rider PPP (Price Protection Products), in Docket U-3765. This rate rider is an optional offering for electric customers taking service under Rates RTP, RTPD, and RTPH. Rate Rider PPP is offered as a risk management tool that consumers can use as a hedge during possible periods of higher, real-time pricing. This second revision modified the time periods and clarified the minimum purchase requirements, such that consumers are provided with greater flexibility.

Also, the Commission approved the 21st revision of Rate PAE (Purchase of Alternative Energy), in Docket 18005. This was Alabama Power's annual filing to update Rate PAE based on its latest avoided cost data. This revision was filed March 28, 2001.

Alabama Power Co. also filed for other minor revisions to and withdrawal of various rates and rate riders. The revisions were primarily for language clarifications to improve consistency among all rates and rate riders.

Today's technology has enabled the public to access current rate schedules and review current issues via the Internet. To view this information online, go to www.southerncompany.com/alpower/pricing/bestpricing.asp.

Financing

The Electricity Section staff reviews all financing petitions filed by Alabama Power Co. and/or Southern Electric Generating Company (SEGC). These petitions are generally filed with the Commission to request approval to engage in the issuance of securities or to assume obligations pursuant to other types of debt instruments. Upon analysis and evaluation, the staff makes recommendations to the Commission pertaining to those petitions. For the period October 1, 2000, through September 30, 2001, the staff reviewed the following petitions.

On November 9, 2000, the Commission issued an order regarding Docket U-4244 granting Southern Electric Generating Company the authority to borrow upon issuance of promissory notes and commercial paper in aggregate principal amount not to exceed \$80,000,000 at any one time outstanding from time to time or prior to December 31, 2001.

The Commission, on that same day, issued an order regarding Docket U-4245 granting Alabama Power Co. authority to issue additional securities and assume obligations in connection with the issuance of preferred securities by a special purpose subsidiary or subsidiaries not to exceed \$550,000,000. The company was also granted authority to incur obligations under installment sale agreements with industrial development boards up to \$50,000,000, and to extend its short-term borrowing authority to \$750,000,000 for the year 2001. In addition, the company was granted authority to assume obligations as guarantor in connection with issuance of promissory notes by Southern Electric Generating Company in an amount not to exceed \$50,000,000.

On April 4, 2001, the Commission issued an order regarding Docket U-4300, granting Alabama Power Co. the authority to incur obligations under an installment sale agreement with The Industrial

Development Board of the City of Mobile, Alabama. The Board would in turn issue up to \$10,000,000 of Industrial Development Bonds to finance a portion of the construction of Alabama Power Co.'s Theodore Cogeneration Plant.

On June 11, 2001, the Commission issued an order regarding Docket U-4324 granting Alabama Power Co. the authority to issue up to 391,045 shares of its \$40.00 par value common stock to its parent, the Southern Company, at a purchase price equal to \$40 per share. This issuance will result in the company having 6,000,000 shares of common stock issued and outstanding, which is the amount authorized by Alabama Power Co.'s charter.

Auditing

The Electricity Section's auditors conduct monthly analytical reviews/audits to test the accuracy of financial data submitted by Alabama Power Co. This same data is then used to calculate the company's Retail Return on Common Equity (RRCE).

Since the company's fuel costs are approximately 50 percent of total operations and maintenance (O&M) expense, the section's monthly fuel audit is particularly important. For this audit, all coal purchase and burn records are reviewed each month. Additionally, the auditors make a site visit to one steam plant each month to verify that the plant burn and purchase records agree with the corporate fuel department's accounting records.

Additionally, the section's auditing staff investigates any areas of concern that are discovered as a result of the monthly monitoring and analytical process.

Analysis, Evaluation and Forecasting

The Electricity Section evaluates and documents the findings obtained through monitoring and analytical procedures, generally within 30 days of the closing of Alabama Power Co.'s books and records.

The section conducts on-site investigations requiring examination of work papers, financial reports and other records. When necessary, the staff conducts meetings with officials of Alabama Power Co. and/or Southern Co. Services, Inc. to discuss related matters (company policy, audit exceptions, filings, company programs, etc.).

In addition, the staff prepares a Retail Return on Common Equity forecast for each point of test in the calendar year and conducts annual analyses of the company's budget, return on investment by customer classification and the Jurisdictional Allocation Study.

Finally, the section analyzes and makes recommendations on all tariff changes and special contracts filed by Alabama Power Co. The staff participates in all proceedings before the Commission relating to Alabama Power Co. The staff responds to inquiries from law offices, consulting firms, utilities, consumers and other regulatory bodies regarding electricity rates, regulatory practices and industry restructuring.

TECHNICAL SECTION

The Technical Section monitors the generation, transmission and distribution operations of

Alabama Power Co., purchase options and operational activities of regulated gas utilities, and operations management of regulated water utilities. The section also performs engineering analyses of utility plant additions and purchased power contracts. The section also helps with overseeing energy utility compliance with Commission rules and regulations.

These responsibilities are accomplished by visiting electric generating plants, transmission and distribution offices and field operations, monitoring construction projects, plus arranging and attending various technical meetings with corporate planners within utilities. The Technical Section also provides direct assistance to utility customers through telephone and personal communications, including customer site visits.

The section also provides assistance to other sections within the division and around the Commission.

The section makes a diligent effort to stay abreast of the latest technological developments in the electric, gas and water industries as well as relevant proceedings before federal regulatory agencies. The section also reviews research and development projects undertaken by regulated utility companies.

The section's facility visits in FY-01 are listed below:

Electric Generating Facilities	4
Electric Trans. & Dist. Facilities	9
<u>Natural Gas Facilities</u>	<u>4</u>
Total Facility Inspections	17

NATURAL GAS SECTION

The Natural Gas Section is responsible for the regulation of all publicly owned natural gas distribution, transportation, storage, and intrastate natural gas and oil pipelines in Alabama, and the monitoring of the Rate Stabilization and Equalization and related programs for Alabama Gas Corporation.

Rate Stabilization and Equalization (RSE)

Each month this section examines the books and records of Alabama Gas Corporation (Alagasco), determines the return on average common equity for the preceding 12-month period and reports the financial and operational results of the previous month, including the return on average common equity, to the Commission. It also graphically summarizes the recent history of capital structure, returns and residential bills.

Under the RSE plan, the only time Alagasco can receive an increase is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.15 percent, rates are increased December 1 to bring the return at the end of the fiscal year to 13.4 percent. If the projected return is more than 13.65 percent, rates are decreased to bring the return to 13.4 percent. If the projected return is between 13.15 and 13.65 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, the end of Alagasco's fiscal year, can yield only decreases or no change, effective April 1, July 1, and October 1.

The Natural Gas Section evaluated four (4) RSE filings by Alagasco during FY-01.

<u>Effective Date</u>	<u>Increase (Decrease)</u>
December 1, 2000	\$9,070,962
April 1, 2001	0
July 1, 2001	0
October 1, 2001	0

Alagasco also has an incentive program, the Cost Control Measure, under which it must keep growth in operation and maintenance expenses below a specified range, or face penalties. The utility has a real-time temperature adjustment that adjusts bills for the effect of abnormally high or low temperatures on the recovery of non-gas costs. The section monitors both of these programs to ensure that they are conducted in accordance with the approved tariff.

Local Distribution Companies

Another function of the Natural Gas Section is to maintain statistical data and keep the Commission informed on all facets of the gas utilities' operations. Under that function, the following reports are prepared regularly:

- Revenue and Expense Analysis
- Competitive Fuel Clause
- Gas Supply/Purchased Gas Adjustment
- Return on Average Common Equity

During FY-01, the Natural Gas Section was responsible for evaluating and making recommendations to the Commission on all matters pertaining to the following local distribution companies:

- Alabama Gas Corp.
- CoGasCo
- Mobile Gas Service Corp.
- Wheeler Basin Natural Gas Co.

The section conducts its own investigations requiring examination of work papers, financial reports and other records. The findings are documented and evaluated in written reports, and, when appropriate, meetings with officials of the respective gas companies are held to discuss the results.

Wheeler Basin Natural Gas Co. required additional regulatory activity. The section met with the utility and the Attorney General's Office to review Wheeler Basin's compliance with the regulatory agreement entered into last year. All the parties were satisfied that Wheeler Basin is making satisfactory progress in adhering to the terms of the agreement.

The section also attended court hearings concerning the continuing issues of the settlement of the Verbon Waters lawsuit. The court appointed a Special Master to review the financial performance of Wheeler Basin and make a recommendation to the court as to whether it would be in the best interests of the customers of Joe Wheeler Electric Membership Corporation, Wheeler Basin's parent, to sell the system. The Special Master is currently

in the process of soliciting bids for the system to form a basis for his recommendation to the court. The section met with the Special Master to provide input and receive updates. The matter carried over into the next year.

Mobile Gas Service Corporation filed for a rate increase and requested to be regulated under a Rate RSE mechanism. The section conducted a rate case audit and met with Mobile Gas and the Attorney General's Office on numerous occasions. The parties were able to reach a settlement agreement that resulted in a net rate reduction to the customers of Mobile Gas and delayed a final determination on the adoption of RSE until spring 2002.

Intrastate Pipeline and Storage Companies

During FY-01, the Natural Gas Section was responsible for evaluating and making recommendations to the Commission on matters pertaining to the following intrastate pipeline and storage companies:

- Bay Gas Storage Company, Ltd.
- Callon Petroleum Company
- Duke Energy Field Services, Inc.
- Enbridge Pipelines (Bamagas Intrastate) LLC.
- Escambia Partners, Ltd.
- Pine Energies
- Southern Gas Transmission Company
- Tennessee River Intrastate Gas Company

Two companies, BAMAGAS Company (later changed to Enbridge Pipelines (Bamagas Intrastate) LLC.) and Pine Energies, Inc., applied to the Commission in FY-00 for Certificates of Public Convenience and Necessity to serve the same customer and the matter carried over into FY-01. The section made data requests and held discussions with each company in preparation for the hearings. Pine Energies, Inc., withdrew its application and a certificate was granted to Enbridge Pipelines (Bamagas Intrastate) LLC.

General

A section member participated in the Alabama Department of Economic and Community Affairs' Weatherization Assistance Policy Advisory Council.

Section members participated in the National Association of Regulatory Utility Commissioners' Staff Subcommittees on Gas and Accounts.

A section member served on the Alabama Chemical/Bioterrorism Program Advisory Council.

The section prepared numerous speeches, letter responses and documents concerning natural gas prices.

A representative of the section toured the Gas Technology Institute in Chicago and met with senior management to discuss GTI's operations and how they benefit the ratepayers of Alabama.

At the Legal Division's request, the section investigated Reliant Energy's activities in Alabama.

A section representative served on a Commission Task Force regarding Birmingham Water Works.

A section member attended training on natural gas hedging presented by the Center for Public Utility Studies at New Mexico State University.

A section representative accompanied Commissioner Wallace to a Tuscaloosa meeting to address customer concerns about natural gas prices.

The section investigated, analyzed, and reported on approximately 80 separate additional matters, including special contracts, tariff changes, gas supply adjustment filings, purchased gas adjustment filings, new rates, certificates, municipal acquisition audits, and related matters. The section also investigated requests for gas service, and responded to a large number of requests by the general public for rate information, financial data, tariff sheets, and other information.

GAS PIPELINE SAFETY SECTION

The Gas Pipeline Safety Section conducts and carries out the inspection and monitoring activities of all gas and hazardous liquid pipeline systems operating in Alabama, including offshore in state waters. The responsibility was given to the Commission by the Alabama Legislature to assure and obtain compliance with the Minimum Federal Gas Pipeline Safety Standards adopted by the United States Department of Transportation pursuant to the Natural Gas Pipeline Safety Act of 1968.

The Alabama Public Service Commission currently regulates 114 intrastate gas systems, 87 master meters, 13 hazardous liquid systems, three liquefied petroleum systems and six liquefied natural gas systems.

The Gas Pipeline Safety Section develops and presents programs to promote safe operations by natural gas transmission and distribution systems. When a system is in noncompliance, immediate action is taken.

An important function of this section is accident prevention. The section conducts safety seminars around the state, as well as fire schools and plastic pipe qualification classes.

A tabulation of the section's activities in FY-01 is listed below:

I. Inspections	
A. Gas Pipeline Safety	770
Enforcement Actions	44
Non-compliances	86

Non-compliances Corrected	43
Construction Projects	263
Safety Education Programs	204
Pipeline Safety Incident Investigations	8

WATER SECTION

The Water Section is responsible for regulating eight (8) investor-owned and out-of-state water systems that have authority to operate in Alabama. The duties of the Water Section include inspecting the facilities, reviewing the financial books and records, working with the Alabama Department of Environmental Management staff, preparing reports resulting from inspections and visits, and conducting audits.

Water Section staff reviews and evaluates new water utilities desiring authority to operate and makes recommendations on such applications. Often, this section investigates water systems that are operating to see if they are privately owned. The Water Section investigates regulated companies seeking to sell assets, evaluates applications for rate increases, and participates in hearings, as appropriate.

The section supervisor participated in a meeting with a Commission-appointed water task force to study the regulation of the Birmingham Water Works. In February 2001, Birmingham Water Works filed a petition to come under the regulation of the Commission.

The staff reviewed rate increase filings made by the Governmental Utility Service Corporation - Sherbrooke, and Hiwannee Water Association. The surcharge approved by the Commission for Tishomingo County Water District was canceled in January 2001.

The Patton Water System, located near Birmingham, filed a petition to come under the regulation of the Commission in August 2001.

During FY-01, the Commission received 114 water system complaints and inquiries.



Carl L. Evans
Chief Administrative Law Judge

The Legal Division consists of the Chief Administrative Law Judge, Administrative Law Judges, and legal secretaries. The Judges serve as hearing officers in all cases before the Commission. These hearings involve motor carrier cases, utility cases, and other matters.

The Legal Division provides legal advice to the Commissioners and staff members, as well as the public. It prepares written reports and recommended orders, and drafts many of the final orders of the Commission. The Legal Division also prepares opinions and memoranda on legal questions involving the Commission's jurisdiction. The Legal Division also spends a considerable amount of time involved in rulemaking and revision of rules, and works with other divisions in drafting and reviewing legislation for the Commission.

Slamming is a continuing problem. The Legal Division has heard and processed several matters concerning penalties against telecommunications companies that have engaged in this practice.

During the past fiscal year, the Legal Division conducted hearings involving approximately 131 matters and processed hundreds of applications not requiring a formal hearing. The length of hearings varies from 30 minutes or so to several days.

A tabulation of the number and types of inquiries handled by the division is not feasible. Such inquiries are numerous and cover subjects as broad as the Commission's jurisdiction and beyond. These inquiries come from the public in general, the Commissioners, staff members, attorneys, the Legislature of Alabama, federal agencies, agencies of Alabama and other states, and all types of businesses regulated by the Commission.

The Legal Division assists Commission staff attorneys and outside attorneys in Commission matters before the courts of Alabama, federal courts, and federal agencies.

It is anticipated that the number of hearings and other activities will increase during the upcoming fiscal year.

The Telecommunications Division oversees the regulation of telephone service providers in the state of Alabama. This includes incumbent local exchange carriers (ILECs), the traditional providers of local telephone service. With the passage of the Telecommunications Act of 1996 and the introduction of competition into the local service market, competitive local exchange carriers (CLECs) likewise fall under the PSC's jurisdiction.

The Telecommunication Division is also responsible for regulating interexchange (toll) carriers (IXCs) as well as resellers of long distance services, pay phone service, hotel/motel telephone service and shared tenant telephone service. The PSC does not have jurisdiction over cellular telephone service in Alabama.

The Telecommunications Division is involved in the certification of telecommunications service providers; review and analysis of tariffs; review and analysis of financial reports; monitoring financial performance and rate compliance; and the review and analysis of service and service quality.

The division was reorganized in FY-00 and is now comprised of three primary sections: the Economic Analysis and Compliance Section, the Service Analysis and Compliance Section, and the Special Services Compliance Section.

ECONOMIC ANALYSIS

AND COMPLIANCE SECTION

The Economic Analysis and Compliance Section of the Telecommunications Division reviews financial and rate information filed by telecommunications companies with the Commission.

Experienced auditors who report to the section supervisor head three teams in this section. These teams review annual financial reports, applications for authority to operate in the state of Alabama, tariff filings, local competition reports, plus resale and interconnection agreements. The section also conducts audits of regulated companies and participates in hearings regarding various telecommunications issues before the Commission.

During FY-01, staff in this section also participated in the arbitration of interconnection issues between BellSouth and various CLECs.

The staff monitors the operations of BellSouth Telecommunications, Inc. to ensure compliance with the Price Regulation and Local Competition Plan approved by the Commission on September 20, 1995. The staff reviews all tariff filings of incumbent local exchange companies, competitive local exchange companies, long distance companies, and operator service providers. Tariff filings become effective as filed unless an interested party intervenes or the Commission investigates a particular tariff filing.

The section reviewed 196 interconnection, resale, and collocation agreements during the year. Analysts examine the agreements to determine whether such agreements comply with the Telecommunications Act of 1996 as well as the rules and regulations of the Alabama Public Service

Commission.

The staff ensures local exchange providers, interexchange carriers, long distance providers, and operator service providers report financial data to the Commission in a timely manner. Staff reviews incumbent local exchange carriers' Service Price Index filings for accuracy and completeness. In FY-01, the staff performed audits of the Transition Service Fund, Alabama Service Fund, Primary Carrier Plan Fund and Area Calling Service Fund in accordance with dockets 24499, 24472, 24030, 24865. Plus, staff reviewed Lifeline rates and Area Calling Service plans filed by incumbent local exchange companies.

In addition, the staff monitored the access charge reduction flow-through activities of long distance companies. The staff audited telecommunications companies to assure compliance with Commission rules and regulations.

Staff members reviewed BellSouth's Section 271 Application in Docket 25835 which includes monthly filings by BellSouth regarding service performance measures for unbundled network elements and resale of local services as well as monthly filings of data by CLECs. Furthermore, the staff continues to monitor progress in other states regarding performance measures and third-party testing of BellSouth's Operational Support Services.

The staff has been actively involved in Docket 25980 which provides for implementation of Universal Service requirements of Section 254 of the Telecommunications Act of 1996 and Federal Communications Commission rules and regulations regarding Universal Service. These activities in FY-01 included the review of BellSouth and Verizon's utilization plans for federal Universal Service funding received by those companies. In addition, staff members helped set forth reporting requirements for each of these companies so the Commission could more easily monitor the expenditures of federal Universal Service funding.

Staff members reviewed BellSouth's unbundled network element filing (Docket 27821), Full Circle Promotion (Docket 27989) and Generic Proceeding Considering the Promulgation of Telephone Rules Governing Promotions (Docket 15957). Additionally, the staff investigated the use of statewide NXX's (telephone prefixes) by carriers to determine whether such NXX's are being utilized in the manner prescribed by the North American Numbering Plan Administration.

The staff assists the Commission, consumers, and telecommunications companies in matters relating to rates and tariffs, including rate and tariff matters filed with the FCC. The staff advises the Commission of the effect of proposed tariff revisions such as rate charges and changes in terms and conditions.

The staff processes the tariffs of telecommunications utilities regulated by the Commission. Staff reviews the tariffs for compliance with Commission rules and regulations and performs detailed analyses of tariffs as needed. When neces-

sary, investigations are carried out to prepare reports for the Commission.

Staff members also develop and administer a program of statistical, economic, and accounting analysis and evaluation of the utility's services, rates, and tariffs. The staff advises telecommunications utilities encountering tariff problems. Also, the staff holds conferences relating to procedural matters concerning rate and tariff applications.

The staff reviews the records of regulated telecommunications companies to ensure compliance with Commission rules and regulations. Changes to tariffs filed with the Commission are studied to make sure they are prepared properly, and the utilities are audited in connection with rates and tariffs to determine the basis of costs, billing determinants, and other accounting matters. The staff advises the utility's personnel on current tariff matters plus analyzes and suggests solutions regarding tariff issues.

During FY-01, the staff received 57 applications for toll resale and competitive local service in Alabama. The staff is responsible for determining whether the applicant can provide adequate service at a reasonable rate on an ongoing basis. This involves analyzing proposed tariffs for compliance with Commission rules and regulations. Analysts also evaluate products offered by the applicant to assure these services are in the public interest. Analysts must review the applicant's financial condition to determine the ability of the applicant to offer service on a long-term basis.

The staff received, reviewed, analyzed, and made recommendations on 932 tariff filings in FY-01.

SERVICE ANALYSIS

AND COMPLIANCE SECTION

The Service Analysis and Compliance Section monitors the quality of service of incumbent and competitive local exchange telephone companies operating in Alabama. The staff conducts inspections to compare existing levels of service with required APSC rules, industry standards and electrical and safety codes. The staff also reviews plant records and capital recovery rates and monitors construction work involving plant upgrades and additions. The staff also reviewed construction work funded by the USF.

Here is a summary of the services performed by the Service Analysis and Compliance Section during FY-01.

•Quality of Service Inspections were performed on these companies:

- Millry Telephone Co.
- Gulf Telephone Co.
- Graceba Telephone Co.
- Mon-Cre Telephone Co-op
- Oakman Telephone Co.
- Goshen Telephone Co.
- Grove Hill Telephone Co.
- Butler Telephone Co.

- Alltel - Leeds Telephone Co.
- Alltel - Elmore Coosa Telephone Co.
- BellSouth -- Linden, Ft. Mitchell, Stevenson, Bridgeport, and Ft. Deposit exchanges

•The Service Analysis and Compliance Section conducted follow-up inspections on the following:

- Union Springs Telephone Co.
- Mon-Cre Telephone Co. Co-op
- Goshen Telephone Co.
- Grove Hill Telephone Co.
- BellSouth - Ft. Mitchell

•The Service Analysis and Compliance Section assisted the Consumer Services Section in the disposition of several telephone customer complaints.

•The Service Analysis and Compliance Section reviewed capital recovery studies and prepared orders for revised depreciation rates for the following companies:

<u>COMPANY</u>	<u>DOCKET</u>
Pine Belt Telephone Co.	U-4325
Butler Telephone Co.	U-4357
Goshen Telephone Co.	U-4357
Grove Hill Telephone Co.	U-4357
Peoples Telephone Co.	U-4358
Oakman Telephone Co.	U-4359

•The Service Analysis and Compliance Section made an in-depth review of the utilization of USF (universal service funds) by BellSouth and Verizon. Construction projects were reviewed to determine compliance with Alabama Public Service Commission minimum standards.

<u>COMPANY</u>	<u>DISTRICT</u>
BellSouth	Mobile
BellSouth	Montgomery
BellSouth	North Alabama
BellSouth	Birmingham
Verizon	Southern
Verizon	Northern

SPECIAL SERVICES COMPLIANCE SECTION

The Special Services Compliance Section monitors the quality of service provided and ensures proper rates are applied by Customer-Owned Coin-Operated Telephone Service (COCOTS) providers, Local Exchange Carrier (LEC) pay telephone service providers, Shared Tenant Service (STS) providers, and Hotels/Motels to ensure compliance with Commission rules and regulations. The Compliance Section also verifies utility boundary lines for 34

local exchange carriers.

The following is a summary of the section's activities in FY-01:

• **INVESTIGATIONS:**
Consumer Complaints 38

• **INSPECTIONS:**
Pay Phone Service Providers' Compliance Inspections 3,126
Hotel/Motels 122

• **COMPLIANCE AUDITS:** 38
These audits were conducted to verify tariff rates and assure compliance with PSC rules and regulations.

• **PROCESS FILINGS:**
The compliance section certified these companies as service providers during FY-01:

<u>COMPANY</u>	<u>DOCKET</u>
Teletrust, Inc.	U-4223
ABC Payphones of Alabama	U-4229
Coin-Tel, Inc.	U-4234
James E. Capers	
d/b/a J. C. Communications	U-4250

MAH Communications/ uTelecom, LLC	U-4256
R & R Enterprises	U-4263
F & J Pay Phones	U-4264
Com-Tech Resources d/b/a Com-Tech Systems	U-4280
MetroTel, Inc.	U-4286
Atlantic Public Telephone Corporation	U-4287
Cincinnati Bell Public Communications, Inc.	U-4283
Southern Public Communications, LLC	U-4299
Z P Communications, LLC	U-4307
Integra Services	U-4312
Unitel Communications	U-4314
Budget Communications LLC d/b/a BCI	U-4315
Pay Tel Co., Inc.	U-4326
Eilers Trade Dot Com	U-4327
Suds-R-Us, Inc.	U-4328
National Telephone Co., LLC	U-4310
Americall, Inc.	U-4333
Superior	U-4335
Corral of Columbus, LLC	U-4336
Qwest Interprise America, Inc.	U-4344
Midessa Communications Management Systems, Inc.	U-4345

The Transportation Division consists of four sections: Enforcement, Insurance and Registration, Railway Safety, and Rates and Services.

As provided by law, the Transportation Division is responsible for the supervision and regulation of air, motor, and rail carriers.

ENFORCEMENT SECTION

The Enforcement Section conducts and carries out investigative, monitoring, and enforcement activities of the Commission to assure and obtain compliance with the provision of the Alabama Motor Carrier Act and rules and regulations promulgated pursuant thereto by the Commission as they relate to vehicle safety and operations by motor carriers subject to the jurisdiction of the Commission.

This section investigates accidents involving motor carriers subject to the jurisdiction of the Commission and makes recommendations to prevent recurrence. When such carriers are found to be operating without proper authority or are conducting their operation in violation of established rules and regulations, steps are taken to require compliance. If conditions warrant, violators are arrested and prosecuted in the courts with proper jurisdiction.

From October 2000 through September 2001, records indicate officers issued 430 citations and 553 warning tickets for various violations. Enforcement officers conducted 847 safety inspections (physically checked vehicles). Officers conducted 62 investigations pertaining to illegal operations and violations of rules and regulations. Forty-nine drivers were placed out of service, and 62 vehicles were placed out of service.

INSURANCE AND REGISTRATION SECTION

The Insurance and Registration Section performs three separate but interrelated functions. First, it registers for-hire commercial intrastate brokers, air carriers, and motor carriers granted authority by the Commission. It also registers motor carriers from the United States and Canada that have been granted authority by the Federal Motor Carrier Safety Administration or those exempt from federal regulation.

Secondly, it requires all motor or air carriers of passengers or property to file and maintain proof of financial responsibility. Such carriers file forms of liability insurance, cargo insurance, bonds, self-insurance, and bonds for handling of collect-on-delivery shipments.

Thirdly, it issues motor carrier vehicle identification stamps, decals, numbers, trip permits, and single state registration receipts. It also collects, accounts for, and deposits the monies collected for applications, transfers, and motor carrier identification into the State Treasury. It is responsible for maintaining journals, ledgers, receipts, and various other records and reports of monies received and deposited. It audits motor carrier records to verify the correct number of receipts have been purchased.

This section receives, processes, and approves applications for the registration of such carriers

operating in interstate commerce into and through Alabama. This includes the issuance of Commission orders of registration when, after review, it is found that all the requirements of law are met. It also revokes or reinstates such carrier's authority, when applicable, according to provisions set out in statutes, rules, and regulations. It works with other state and federal agencies that also regulate motor carriers.

This section makes sure that for-hire motor carriers have insurance on file before they issue credentials to operate. It also issues orders of revocation for failure to maintain proof of financial responsibility and orders of reinstatement after proof has been received as prescribed by law.

Subsequent to the above-mentioned regulations of motor carriers, this section is called upon to provide information to the general public, permitting services, lawyers, insurance companies, transportation companies, and other state and federal agencies concerning regulatory matters.

Finally, this section requires motor and rail carriers to file annual reports of their operations.

A tabulation of the section's activities follows:

Insurance Filings

Self-insurance, bonds for liability and cargo, certificates for liability and cargo, bonds for brokers	13,041
Letters of correspondence	322

Registration of Authority

SSRS applications from other states	24,304
SSRS applications from Alabama	2,240
Interstate registered	381
Intrastate registered	612

Motor Carrier Vehicle Identification

Applications processed	3,868
SSRS receipts issued	503,448
Stamps issued	1,857
Numbers and decals issued	794
Letters of correspondence	150

Revocations and Reinstatement of Authority

Revoked for no insurance	1,755
Reinstated after compliance	881

Audits of Motor Carriers

SSRS	30
Intrastate	6

RAILWAY SAFETY

The Railway Safety Section conducts safety compliance inspections on all railroad common carriers' track and equipment in Alabama in accordance with state and federal standards. Inspections are also made to monitor compliance with regulations for Railroad Workplace Safety.

This section investigates railroad accidents and derailments to determine causes and to recommend action to prevent recurrence. Federally certified inspectors are called upon by the Federal Railway Administration (FRA) and the National Transportation Safety Board (NTSB) to assist in major accident investigations. This section also handles complaints from railroads, railroad

employees, labor unions, other governmental agencies, and the general public in all matters pertaining to railway safety.

Inspections are also conducted on railroad rehabilitative projects administered by the Alabama Department of Transportation. Agreements between the railroads and DOT typically specify adherence to FRA Class II standards and encompass a 10-year time frame.

Members of the Railway Safety Section participate in Operation Lifesaver as fully certified program presenters. Operation Lifesaver is a national public education and awareness program that seeks to reduce the number of crashes at highway-rail grade crossings. Target groups include school bus drivers, driver's education students, professional drivers, emergency response personnel (police, ambulance, and fire), as well as the general public.

The following is a breakdown of the activities of the Railway Safety Section during the period covering October 2000 through September 2001:

Total Miles of Railway Track Inspected	3,107
Total Railway Accidents	0
Total Units of Rolling Stock Inspected (Railway cars)	10,152
Total Locomotives Inspected	100
Total Railroad Records Inspected	1,210
Total Complaints Investigated	7

RATES AND SERVICES

SECTION

The Rates and Services Section advises the Commission on matters pertaining to the rates, fares, charges, services, and facilities of all regulat-

ed modes of intrastate transportation.

The section maintains a file of all tariffs setting forth rates, fares, charges, classification, rules and regulations for intrastate transportation companies. Staff members check each re-issue and supplement filed to ensure compliance with Commission rules and regulations. They also analyze tariff changes to determine the effect.

The revised tariffs and supplements are either permitted to become effective on the proposed effective date or they are suspended and investigated.

When the Commission institutes a formal investigation, public hearings are held. When the record is complete, the examiner and other members of the staff study and analyze the evidence of record and make recommendations to the Commission. After the Commission makes its decision, an order is written for the Commissioners' signatures.

This section compiles data from motor carriers and tariff publishing bureaus to use in Commission proceedings and to supply information for staff members and other state or federal agencies.

The Rates and Services Section receives and maintains motor and rail carrier annual reports that are required to be filed by April 30 of each year covering the previous calendar year of operation. This data enables the Commission to track the overall financial condition of the industry under the jurisdiction of the Commission.

The section also handles requests for verification of rates, fares, and charges of passengers and household goods. It also verifies rates and services provided by motor carriers through field audits of carriers' facilities and records.

The Alabama Public Service Commission was designated as such in 1915 by the Alabama Legislature. It evolved from the Railroad Commission of Alabama which was created in 1881 to regulate railroads. Between 1881 and 1915, the Legislature extended the Railroad Commission's jurisdiction to include express companies, sleeping car companies, railroad depot or terminal stations, telephone and telegraph companies, plus transportation companies operating as common carriers over water, toll bridges, toll ferries, and toll roads.

The Commission was charged with the regulation of utilities providing electricity, gas, water, and steam, companies operating streets or inter-urban railways, as well as rail and communication companies being regulated by the former Railroad Commission. The new Commission's regulation of utilities included approving the sale or lease of utility property or franchises. The Commission was composed of three elected members: a president and two associate commissioners.

The Commission's authority was broadened in 1920 when the Legislature made it responsible for utility rates.

As Alabama's highway system developed in the late 1920s, the operation of trucks and buses as common carriers increased. In 1927, the Legislature placed all motor transportation companies operating as common carriers of freight or passengers over regular routes on Alabama highways under the Commission's regulatory authority. The Legislature broadened the Commission's authority over transportation companies in 1931 and 1932 by including motor carriers not operating over regular routes. Air carriers were included in 1945.

Natural gas transmission and distribution systems were placed under the Commission's jurisdiction for safety purposes in 1968, adopting the Minimum

Safety Standards outlined in the Natural Gas Pipeline Safety Act.

In 1971, the Commission's authority over motor carriers was broadened. Transportation enforcement officers were empowered to enforce the rules and regulations of the Commission. The Commission's safety jurisdiction was extended to include railroad tracks and equipment in 1976 under the State Participation Program of the Federal Railroad Safety Act of 1970.

The Legislature empowered the Attorney General's office in 1977 to represent consumers and the state in Commission proceedings.

In recent years, two major pieces of legislation were passed by the United States Congress, both of which greatly influenced state regulatory agencies.

Title IV of the Federal Aviation Administration Act of 1994 provided for federal pre-emption of state regulation of prices, routes and services of motor carriers of all freight except household goods. This eliminated tariffs and hearings on applications for authority to operate. The Commission still regulates carriers of household goods and passengers and ensures all carriers maintain proper cargo insurance and all carriers' vehicles maintain appropriate safety standards.

The Telecommunications Act of 1996 provided a framework for opening the nation to competition for local telephone service, a federal action that again provided for pre-emption of rules of state regulatory agencies. The Act left many of the details to be worked out by federal and state regulators.

The Commission's challenge in the current regulatory environment is to successfully resolve a multitude of issues related to the onset of competition at different levels. That's why its role is more important to the daily lives of Alabamians now than ever.

PRESIDENT

Walter L. Bragg:
February 1881 - February 1885

Henry R. Shorter:
February 1885 - February 1897

James Crook:
February 1897 - February 1901

John V. Smith:
March 1901 - March 1905

B.B. Comer:
March 1905 - January 1907

Charles Henderson:
January 1907 - January 1915

Samuel P. Kennedy:
June 1915 - January 1923

A.G. Patterson:
January 1923 - January 1927

Hugh White:
January 1927 - January 1945

Gordon Persons:
January 1945 - January 1951

C.C. (Jack) Owen:
January 1951 - January 1965

Eugene (Bull) Conner:
January 1965 - January 1973

Kenneth Hammond:
January 1973 - December 1975

C.C. Whatley:
December 1975 - January 1977

Juanita W. McDaniel:
January 1977 - February 1980

William J. Samford, Jr.:
February 1980 - January 1981

Billy Joe Camp:
January 1981 - January 1983

Jim Sullivan:
February 1983 - Present

COMMISSIONER, PLACE 1

James Crook:
February 1881 - February 1885

Levi W. Lawler:
February 1885 - September 1892

Gen. James T. Holtzclaw:
February 1893 - July 1893

Willis G. Clark:
August 1893 - February 1895

Harvey E. Jones:
February 1895 - February 1899

A.E. Caffee:
February 1899 - February 1903

William T. Sanders:
April 1903 - January 1907

Charles Henderson:
January 1907 - February 1907

W.D. Nesbitt:
March 1907 - January 1911

Leon McCord:
January 1911 - January 1915

B.H. Cooper:
January 1915 - January 1923

Fitzhugh Lee:
January 1923 - January 1943

Gordon Persons:
January 1943 - January 1945

James Perdue:
May 1945 - January 1947

James Hitchcock:
January 1947 - June 1959

Ralph Smith, Jr.:
August 1959 - August 1960

Joe Foster:
August 1960 - January 1963

Ed Pepper:
January 1963 - January 1967

C.C. (Jack) Owen:
January 1967 - January 1975

Jim Zeigler:
January 1975 - January 1979

Pete Mathews:
January 1979 - March 1981

Lynn Greer:
June 1981 - November 1990

Jan Cook:
November 1990 - Present

COMMISSIONER, PLACE 2

Col. Charles P. Ball:
February 1881 - February 1885

Wiley C. Tunstall:
February 1885 - February 1895

Ross C. Smith:
February 1895 - February 1899

Osceola Kyle:
February 1899 - December 1900

Wiley C. Tunstall:
December 1900 - January 1907

John G. Harris:
January 1923 - May 1936

W.C. Harrison:
June 1936 - January 1947

C.C. (Jack) Owen:
January 1947 - January 1951

T.O. Walker:
January 1951 - January 1955

Sibyl Pool:
January 1955 - January 1971

Juanita W. McDaniel :
January 1971 - January 1977

C.C. Whatley:
January 1977 - January 1979

Jim Folsom, Jr.:
January 1979 - November 1986

Charles B. Martin:
November 1986 - November 1998

George C. Wallace, Jr.:
November 1998 - Present