

# ALABAMA PUBLIC SERVICE COMMISSION



# 2008

Annual Report for Fiscal Year 2008



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# Introduction to the Alabama Public Service Commission



The activities and accomplishments of the Alabama Public Service Commission during the period October 1, 2007, to September 30, 2008, 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, 10-2B-15.13, 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 Alabama 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 certain telecommunications service to the public, as well as railroads, buses, some trucking companies and taxis operating outside police jurisdictions.

Three elected Commissioners – a

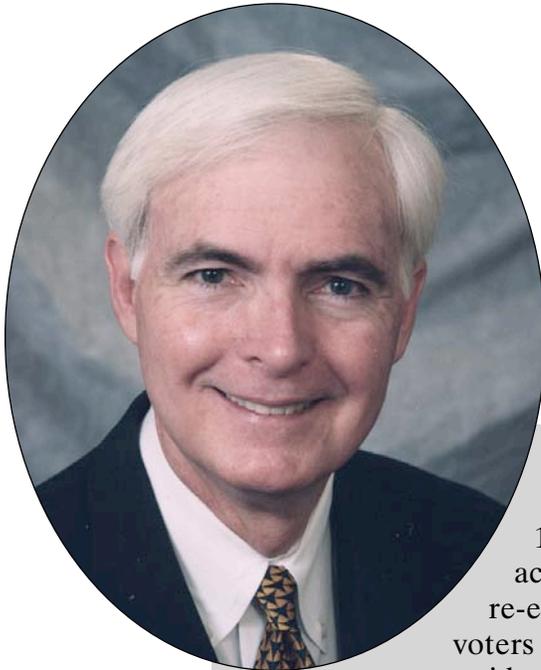
president and two associate commissioners – administer all functions of the Commission. Commissioners are elected to four-year terms, with the president's term staggered by two years from the two associate commissioners.

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-08 appears in this report, which is published by the Advisory Division.

## Commissioners



### *Commissioner Sullivan's Staff:*

*David P. Rountree,  
Executive Assistant III*

*Donna H. Dodd,  
Technical Assistant*

*Carolyn Denham,  
Executive Secretary*

*Virginia Hill,  
Administrative Support  
Assistant I*

*Kelly Tuck,  
Laborer*

*Motor Carrier  
Enforcement Section  
(See page 27.)*

**JIM SULLIVAN** has been President of the Alabama Public Service Commission since 1983, making him the country's longest serving active public utility commissioner. 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 2004, he made history

in Alabama when he was re-elected while facing no opposition. 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. He also served as Chairman of NARUC's Committee on Critical Infrastructure.

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 to the University of Alabama, earning a Master's Degree in Banking and Finance in 1969 and his Juris Doctor in 1973. He remains a member in good standing of the Alabama State Bar.

In addition to his national leadership role through NARUC, Commissioner Sullivan recently held a seat on the University of Chicago, Board of Governors of the Argonne National Laboratory, and he also served on the advisory council of the Electric Power Research Institute (EPRI) in Palo Alto, California.

Other professional affiliations have included membership on the advisory boards of the Keystone Energy Board, the Institute of Nuclear Power Operations (INPO), the Nuclear Electric Insurance Limited (NEIL), and the National Regulatory Research Institute (NRRI).

Since 2004, Commissioner Sullivan has served as a dedicated member of the Board of Directors of Glenwood Mental Health Services, Inc., a renowned health care facility serving children, adolescents, and adults who are affected by autism or severe mental, emotional and behavioral disorders.

Commissioner Sullivan and his late wife, Susan, were married for over 30 years. He has two daughters and three grandchildren.

## Commissioners



**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, 1998, 2002 and 2006.

Commissioner Cook has always been a consumer-minded Commissioner and has sponsored several initiatives, including antislamming 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 and 2007 droughts. The Alabama Farmers Federation honored Commissioner Cook with its Service to Agriculture award in 2008.

*Commissioner Cook's Staff:*

*Kelly Mulero,  
Executive Secretary*

*Karen Rogers,  
Administrative Support  
Assistant III*

*Tamika Reed,  
Executive Assistant*

*Virginia Hill,  
Administrative Support  
Assistant I*

## Commissioners



*Commissioner  
Parker's Staff:*

*John Nixon Jr.,  
Chief of Staff*

*Brad Williams,  
Executive Assistant III*

*Angier Johnson,  
Director of Media  
Relations*

*Denise D. Harris,  
Executive Secretary*

*Kelly Reynolds,  
Student Assistant*

**SUSAN D. PARKER, Ph.D.** was elected to the Alabama Public Service Commission, Place 2, November 2006. During her term, Parker has quickly become a leader in regional and national professional utility organizations. She is serving the Southeastern Association of Regulatory Utility Commissioners (SEARUC) as First Vice-President.

Parker also serves on the National Association of Regulatory Utility Commissioners (NARUC) Executive Committee, Energy Resources and Environment (ERE) Committee and the Sub-Committee for Education.

Commissioner Parker champions energy efficiency and renewable energy. She has established the Consumer Education Initiative to educate Alabamians on measures to conserve energy and lower their utility bills.

Parker's political career also includes being elected as State Auditor of Alabama in 1998, and she was the first woman in Alabama ever nominated for the U. S. Senate in 2002.

Prior to becoming involved in public service, Parker had a 25-year career in public education. In 1972, at the age of 16, she started working at Calhoun Community College as a file clerk and rose through the ranks to become an Associate Dean. Parker worked her last eight years in higher education at Athens State University where she served as Development Officer and Assistant to the President.

Perhaps Parker's greatest achievement is that she completed four college degrees by attending college at night and working full-time during the day. It took her 13 years but Parker persevered and completed her associates, bachelors, masters and Ph.D. — all with honors.

Throughout her career, community service has been important to Parker. She has served as president of numerous non-profit organizations including Boys and Girls Clubs, Heart Association, Cancer Society, Leukemia Society, Big Brothers/Big Sisters, and United Way. She has also chaired leadership programs for both Athens and Decatur Chambers of Commerce. Parker has provided training programs throughout the country for non-profits on board development, management, communication and fund-raising.

Susan Parker was the first woman in Alabama to receive the coveted TOYA Award (Ten Outstanding Young Americans) by the U. S. Jaycees. She also has been recognized by the Boys and Girls Clubs of Alabama as Outstanding Volunteer in the State of Alabama.

Parker and her husband of 28 years, Paul Parker, enjoy golf and travel. They are members of the Cumberland Presbyterian Church where Susan teaches Sunday School.

### **Highlights:**

Born in Eva, Alabama in Morgan County  
Completed 4 college degrees attending night classes and working full-time  
Ph. D. in Administration of Higher Education, University of Alabama 1985  
Masters degree, UAB  
B.S., Athens State College  
Associates degrees, Calhoun Community College  
Successful career in Higher Education, 1972-1996  
State Auditor 1998-2002  
First Woman in Alabama nominated for the U. S. Senate  
Elected to Alabama Public Service Commission, Place 2 in November 2006.

# Commission Staff

## Administrative Division

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Walter L. Thomas, Jr.,  
Commission Secretary

Sandy Haynes,  
Clerk Stenographer III

Felisa Webster,  
Administrative Support Assistant III

Tashenma Lawrence,  
Administrative Support Assistant II

### Finance Section

Miles Gagner,  
Senior Accountant  
Kimberly Holt,  
Senior Accountant  
Ernestine Huffman,  
Accountant  
Anthony Jackson,  
Account Clerk

### Motor Carrier Records Section

Valerie Hogan,  
Administrative Support Assistant III

Leveika Martin,  
Administrative Support Assistant II

## Advisory Division

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Judy McLean,  
Director, CPA  
Ellen Irvine,  
Administrative Support Assistant III  
Jodie Byrd,  
Administrative Support Assistant I

### Analysts

Tom Samford,  
PSC Attorney  
Gene Pitts,  
PSC CPA  
Rolland Casey,  
PSC Accountant  
David House,  
Public Utility Analyst III  
Clarence Duncan,  
PSC Rate Analyst

### Consumer Services Section

Aquilla Spivey,  
Consumer Services Manager  
Sue Hicks,  
Consumer Services Specialist  
Wanda Lowery-Geiger,  
Consumer Services Specialist  
Stephanie Sweet,  
Consumer Services Specialist  
Liz Thompson,  
Clerk Stenographer IV  
Michelle Wright,  
Administrative Support Assistant III

### Information Systems Services

Kay Oswalt,  
IT Systems Specialist Senior  
Debra Jackson,  
IT Systems Technician

Karen Gaston,  
Programmer /Analyst Associate

### Federal Affairs

Mary Newmeyer,  
Public Utility Analyst Manager  
Gene Hanes,  
Public Utility Analyst Manager

### Personnel

Dorinda Kepler,  
Personnel Assistant III  
Rozetta Parker,  
Administrative Support Assistant III

### Public Affairs

Clark Bruner,  
Public Information Specialist  
(Transferred 2/1/2008)

## Energy Division

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Janice M. Hamilton,  
Director

### Electricity Section

John Free, CPA  
Public Utility Analyst Manager  
Robert Taylor, III,  
Public Utility Analyst III  
Sheila Ward,  
Public Utility Analyst II  
Gregory Kelly,  
Public Utility Technical Specialist, Senior  
Linda Gardner,  
Public Utility Analyst II  
Patricia Smith,  
Public Utility Analyst II  
Jacqueline Frazier,  
Administrative Support Assistant II

### Natural Gas Section

Robert Reed,  
Public Utility Analyst Manager  
Donald Powell,  
Public Utility Analyst III

Joe Leverette,  
Public Utility Analyst III  
Tonya Williams,  
Accountant  
Brenda Roberts,  
Administrative Support Assistant III

### Gas Pipeline Safety Section

Christopher J. Harvey,  
Gas Pipeline Safety Administrator  
(Retired 1/1/2008)  
Wallace R. Jones Sr.,  
Gas Pipeline Safety Administrator  
Jannette Mitchell,  
Clerk Stenographer III  
Harold Dunson,  
Pipeline Safety Investigations Supervisor  
John Paul Harris,  
Pipeline Safety Investigations Supervisor  
Thomas Lancaster,  
Pipeline Safety Investigations Supervisor  
Spencer Brady,  
Pipeline Safety Training Officer

Gregory Meadows,  
Pipeline Safety Investigator, Senior  
Judy Ramsey,  
Pipeline Safety Investigator, Senior  
Hosie Powell,  
Pipeline Safety Investigator, Senior  
David Snoddy  
Pipeline Safety Investigator, Senior  
(Retired 1/1/2008)  
Daniel Trapp,  
Pipeline Safety Investigator  
Clark Brown,  
Pipeline Safety Investigator

### Special Projects Section

Rick Cleckler,  
Public Utility Technical Specialist, Senior

### Water Section

Stephen Bartelt,  
Utility Analyst Manager  
Maverick D. Roberts,  
Administrative Support Assistant II

# Commission Staff

## Legal Division

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John A. Garner,  
Chief Administrative Law Judge

Suellen L. Young,  
Attorney III

Aisha Smith,  
Administrative Support Assistant III

G. Scott Morris,  
Administrative Law Judge

Eileen M. Lawrence,  
Departmental Operations Specialist

## Telecommunications Division

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Darrell Baker,  
Director  
Barbara Franklin,  
Clerk Stenographer III  
Deboraha Thornton,  
Administrative Support Assistant III  
Cynthia Allen,  
Administrative Support Assistant I

Laneeta Roberts,  
Public Utility Analyst III  
Bill Cook,  
Public Utility Analyst II  
Janet Conway,  
Public Utility Analyst II

### Special Services Compliance Team

Bobby Mobley,  
Public Utility Field Technician, Senior  
Doug Dillard,  
Public Utility Field Technician  
Perry Johnson,  
Public Utility Field Technician  
Gilbert Carlisle,  
Public Utility Field Technician

### Economic Analysis and Compliance Section

Larry Smith,  
Public Utility Analyst Manager  
E.C. McArthur,  
Public Utility Analyst III  
Eugene Holsenbeck,  
Public Utility Analyst II  
Linda Jones,  
Clerk Stenographer III  
Tom Jones,  
Public Utility Analyst III  
David Peeler,  
Public Utility Analyst III

### Service Analysis and Compliance Section

Glenn Darter,  
Public Utility Field Technician, Senior  
Jack Cates,  
Public Utility Field Technician  
Terry Jackson,  
Public Utility Field Technician, Senior  
Steve Bennett,  
Public Utility Field Technician

## Transportation Division

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Britt Roberts,  
Director

Tara Lawson,  
Administrative Support Assistant II

Larry Coleman,  
Railway Safety Inspector

Rita Grantham,  
Clerk Stenographer III

Jennifer Morgan,  
Account Clerk

### Enforcement Section

#### Rates and Services Section

Ron Hicks,  
Transportation Regulatory Manager

Amy Bowden,  
Account Clerk

Donald Williamson,  
Transportation Rate Specialist

Natasha Fields,  
Administrative Support Assistant II

Earl Reeves,  
Transportation Enforcement Supervisor  
John M. Brock,  
Transportation Enforcement Officer  
Leo Sauls, Jr.,  
Transportation Enforcement Officer  
Terry Shirley,  
Transportation Enforcement Officer  
Gary Shirley,  
Transportation Enforcement Officer  
Samuel B. Peacock,  
Transportation Enforcement Officer  
Michael L. Lawson,  
Transportation Enforcement Officer

#### Insurance and Registration Section

Larry Wingard,  
Transportation Regulatory Manager

Retha Bryant,  
Administrative Support Assistant I

#### Railway Safety Section

Robin McBrayer,  
Staff Accountant

John C. Longcrier,  
Railway Safety Inspector  
Danny Arledge,  
Railway Safety Inspector

# Administrative Division

## Statement of Operations For the Fiscal Year Ending September 30, 2007 and 2008

	<b>PSC Operating Fund</b>	<b>Gas Pipeline Safety Fund</b>	<b>Total Sept. 30, 2008</b>	<b>Total Sept. 30, 2007</b>
<b>Comptroller's Beg. Cash Balance:</b>	\$ 1,622,079	\$ 961,167	\$ 2,583,246	\$ 5,188,955
Inspection & Supervision Fees -				
Utility/Water Companies	9,937,429	—	9,937,429	9,262,465
Telecommunications/Railroads	3,113,638	—	3,113,638	3,215,676
Motor Carrier Ins. & Reg. Fees	2,711,647	—	2,711,647	104,313
Gas Service Line Fees	—	522,670	522,670	518,051
Federal Dept. of Transportation	—	440,170	440,170	300,228
Alabama Dept. of Transportation	50,000	—	50,000	50,000
Miscellaneous Receipts	<u>503,477</u>	<u>3,340</u>	<u>506,817</u>	<u>218,261</u>
<b>Total Receipts:</b>	<u>16,316,191</u>	<u>966,180</u>	<u>17,282,371</u>	<u>13,668,994</u>
<b>Total Cash Available:</b>	<u>17,938,270</u>	<u>1,927,347</u>	<u>19,865,617</u>	<u>18,857,949</u>
 <b>Disbursement of Encumbrances:</b>				
Personnel Costs	—	—	—	—
Employee Benefits	1,625	—	1,625	1,670
Travel- In State	8,261	3,690	11,951	12,195
Travel- Out of State	3,605	—	3,605	3,298
Repairs & Maintenance	562	—	562	374
Rentals & Leases	4,584	293	4,877	9,052
Utilities & Communications	23,026	927	23,953	13,305
Professional Services	21,613	182	21,795	76,902
Supplies & Operating Expenses	54,578	7,971	62,549	50,944
Transportation Equipment Operations	6,419	3,299	9,718	21,025
Grants and Benefits	—	—	—	—
Transportation Equipment Purchases	—	—	—	—
Other Equipment Purchases	—	—	—	11,459
Transfer to State General Fund 100	<u>955,750</u>	<u>—</u>	<u>955,750</u>	<u>955,750</u>
<b>Total Encumbrances:</b>	<u>1,080,023</u>	<u>16,362</u>	<u>1,096,385</u>	<u>1,155,974</u>
 <b>Disbursement of Operating Costs:</b>				
Personnel Costs	6,027,765	716,224	6,743,989	6,404,503
Employee Benefits	1,923,662	218,360	2,142,022	1,972,168
Travel- In state	76,981	48,694	125,675	118,498
Travel- Out of State	75,469	11,186	86,655	67,764
Repairs & Maintenance	6,511	384	6,895	6,707
Rentals & Leases	899,722	35,026	934,748	918,091
Utilities & Communications	170,899	16,270	187,169	159,717
Professional Services	215,747	11,615	227,362	125,893
Supplies & Operating Expenses	295,829	54,039	349,868	242,375
Transportation Equipment Operations	75,659	32,768	108,427	92,181
Grants and Benefits	5,000	—	—	—
Transportation Equipment Purchases	249,983	39,300	289,283	124,388
Other Equipment Purchases	<u>49,031</u>	<u>4,768</u>	<u>53,799</u>	<u>49,989</u>
<b>Total Operating Costs:</b>	<u>10,072,258</u>	<u>1,188,634</u>	<u>11,255,892</u>	<u>10,282,274</u>
Transfer to General Fund	3,823,000	—	3,823,000	2,867,250
Transfer to General Fund: Prior year cash	—	—	—	1,969,205
<b>Total Disbursements &amp; Transfers:</b>	<u>14,975,281</u>	<u>1,204,996</u>	<u>16,175,277</u>	<u>16,274,703</u>
<b>Comptroller's Cash Balance, Ending:</b>	2,962,989	722,351	3,685,340	2,583,246
Purchase Orders	<u>141,860</u>	<u>8,127</u>	<u>149,987</u>	<u>106,488</u>
<b>Unencumbered Cash Balance, Ending (1)</b>	<u>\$ 2,821,129</u>	<u>\$ 714,224</u>	<u>\$ 3,535,353</u>	<u>\$ 2,476,758</u>

(1) PSC is authorized by statute to carry over \$600,000 each fiscal year plus \$80,328 court settlement in fiscal years 2007 and 2008 and the unencumbered cash balance for Fund 325.

# Administrative Division

The Administrative Division consists of three sections – the Secretary’s Office Section, the Finance Section, and the Motor Carrier Section. A description of each section’s responsibilities and a detailed report of its activities during FY-08 are as follows:

## SECRETARY OF THE COMMISSION

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

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

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 advising 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 the departmental telecommunications services. This task primarily entails ensuring that the telephone and data lines are working properly.

A tabulation of the principal activities of the Secretary during FY-08 is as follows:

Commission orders issued .....	1,364
Public hearings held .....	43
Report and Recommended Orders issued .....	11

## 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 budget requests and operations plans.

This 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.

This 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; and is responsible for maintaining property records and conducting an annual physical inventory.

## MOTOR CARRIER SECTION

The Motor Carrier Records Section is responsible for preserving the records of transportation companies. This includes maintaining a complex database and record-keeping system on all motor carriers who are required to register with the Public Service Commission according to applicable state and federal laws and motor carrier rules and regulations of the Commission. Records retained by this section include, but are not limited to, motor carrier applications, vehicle identifications, transfers, name changes, transcripts, revocation and reinstatement orders, and insurance filings on both active and inactive motor carriers.

This section assigns docket numbers for all informal motor carrier cases that come before the Public Service Commission and prepares revocation and reinstatement orders on motor carriers who failed to maintain proper proof of insurance coverage as required by law. The Motor Carrier Records Section provides copies of documents and answers inquiries as requested by the general public and other governmental agencies.

## ACO Tracking Database

The Public Service Commission implemented a new automated system to improve the processing of tariffs, applications and other filings made with the Commission. In this new system, most filings are submitted electronically via the PSC website. The Secretary’s Office receives several types of filings electronically. These include applications for a Certificate of Public Convenience and Necessity, tariffs, interventions, arbitration requests, certified document requests, complaints, Inspection and Supervision Fees, and various other agreements and contracts from regulated companies. Once the documents are in electronic format, the filings are routed to the appropriate sections electronically for review and processing.

The new system has allowed the Commission Secretary to maintain the Commission hearing docket book and hearing calendar electronically, assigning cases for hearing in collaboration with the Administrative Law Judges and Commissioners. The Secretary prepares the weekly hearing calendar for the Commissioners, staff, and press representatives through the tracking system. The Secretary also receives and records transcripts of testimony in the tracking database.

The new tracking database allows for faster access to all filings received by the Public Service Commission.

## Advisory Division



The Advisory Division touches almost all aspects of the Commission, but 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

The Electricity Advisor reviews on a periodic basis Alabama Power Company's accounting methodology governing the Company's treatment of regulatory assets and liabilities. Regulatory Assets and Liabilities are authorized by the Alabama Public Service Commission when such accounting treatment promotes rate stability.

The Energy Cost Recovery Rate Factor and Forecast of the Company's Energy Cost Recovery are analyzed on a monthly basis. Rate ECR provides for the recovery by Alabama Power Company of defined energy costs using an ECR Factor derived pursuant to the Rate ECR and applied to all of Alabama Power Company's retail rate schedules. Energy costs consist primarily of the cost of natural gas, fossil fuel, nuclear fuel, emission allowances, and purchased power contracts.

A public hearing was held on September 23, 2008 related to the necessary revisions to the Rate ECR factor. The public hearing resulted in a joint settlement being reached between Alabama Power Company and representatives of the ratepayers which allows for Alabama Power Company to properly recover its fuel cost in an orderly manner such that ratepayers would not experience sudden economic hardship or rate shock.

The Electricity Advisor reviews on an ongoing basis Alabama Power Company's pricing structure in the Company's rates and rate riders, and the reasonableness of contracts involving the purchase and sale of energy-related resources.

Throughout the year Alabama Power Company's RSE (Rate Stabilization and Equalization) performance and special projects such as Alabama Power Company's common, preferred, and preference stock activity are studied. Another major special project review was undertaken to report on the inter-company relationships and transactions between Mobile Gas Service Corporation, Inc. and EnergySouth, Inc., and the Subsidiaries of EnergySouth, Inc.

#### Natural Gas Advisor

The Alabama Public Service Commission has 12 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 analyses, 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 with the Commission.

Monthly, the Natural Gas Advisor monitors the Rate Stabilization and Equalization (RSE) and related programs for Alabama Gas Corporation (Alagasco) and Mobile Gas Corporation (Mobile Gas). Each month this section monitors the books and records of Alagasco and Mobile Gas to determine the return on average common equity for the preceding twelve-month period and reports the financial and operational results of the previous month, including the return on average common equity to the Commission.

Also, included in these reports are graphical summaries of Alagasco's and Mobile Gas' recent operating histories.

The Natural Gas Advisor also acts as one of the PSC's legislative liaisons within the Advisory Division.

#### Telecommunications/Special Projects Advisor

The Telecommunications/Special Projects Advisor has two specific responsibilities within the Advisory Staff. The first is to provide verifiable, independent recommendations to the Director of the Advisory Staff and to the Commissioners on all matters relating to telecommunications companies that impact the citizens of our state. These companies include incumbent and competitive local exchange carriers, long distance companies, Voice Over Internet providers (VoIP), and cellular providers. To accomplish this, the Advisor reviews all telecommunications filings made to the Commission to ensure these filings comply with the established policies of the Commission; works closely with the Advisory Division's Director, Telecommunications Division personnel and the Legal Division, participating in the development of the telecommunications policies and procedures to be implemented by the Commission; and maintains a working knowledge of non-jurisdictional yet highly significant areas of telecommunications service such as VoIP and cellular service.

The second function of this Advisor is to manage Special Projects assignments from the Advisory Director and the Commissioners. These assignments cover any area or activity in which the Director or Commissioners request additional information or analysis.

## Advisory Division

Important projects addressed in FY08 were the continuing implementation of the Telecommunications Reform Act of 2005, the most fundamental change in Public Service Commission authority over jurisdictional telephone service since the passage of the Telecommunications Act of 1996; the continuing application of the Alabama Telecommunications Regulation Plan on customers and jurisdictional companies; participation on the Commission team implementing the database tracking system, the new computerized information gathering and tracking system to be used at the PSC; work on numerous arbitrations/mediations that were the responsibility of the PSC to direct, review of natural gas rates and pricing, and numerous information requests and customer complaints of interest to the Director or Commissioners.

### Legal Advisor

The Legal Advisor reviews dockets and issues before the Commission for legal implications and provides job-related 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, administrative proceedings, and the updating of various manuals and handbooks governing the conduct of Commission activities. The Legal Advisor also participates in state and federal legal proceedings, both in-state and out-of-state, in which the Commission has an interest.

### Information Systems Services



The PSC's Information Systems Services section provides a variety of information technology services to the agency. The section operates a local area network which links the Commission's divisions electronically to facilitate sharing data and information. The department operates a bank of servers, including the primary file server where users store information in secure folders that are backed up daily. This section is responsible for running virus protection software and following best practices procedures for information security and disaster preparedness.

There are several systems in place for consumer and users' needs. These include small-scale database applications tracking regulated motor carrier registrations, consumer complaints, information technology help desk requests, and some telecommunications data. The section also coordinates and oversees the maintenance of the agency's document imaging system with an outside vendor.

IT staff establish e-mail and network user accounts and provide help desk support for hardware and software issues experienced by end users. Custom applications are also designed, primarily using Microsoft Access. Information Systems created and updates the PSC's Web site which offers the functionality of allowing consumers to file complaints online. Commission orders and filings in PSC proceedings can also be accessed through the agency's site.

### 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, at a minimum 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 and telecommunications issues and, if appropriate, makes recommendations on actions to be taken. The section also looks at proposed federal legislation affecting Alabama utilities and telecommunications providers and prepares documentation to express the Commission's views.

Keeping the Commission abreast of state legislation is another function of Federal Affairs. The section assists in drafting legislation and tracks its progress. In this capacity, Federal Affairs is a member of the Permanent Joint Legislative Committee on Energy, created by the 2007 Legislature to develop a state policy on energy. Federal Affairs has participated as a member of the standing subcommittees of the full Committee as they attempt to craft legislation to accomplish this goal. 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. 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 extensively monitored on a national basis by the section. The state requirements of the Energy Policy Act of 2005, Sections 1251, 1252 and 1254, have required Federal Affairs, in conjunction with the Energy and Legal Divisions, to investigate and make determinations regarding net metering, fuel diversity, fossil generation efficiency, time based metering and distributed generation interconnection. In addition, Federal Affairs has begun work on the same process for the Energy Independence and Security Act of 2007.

## Advisory Division

In 2008, Federal Affairs worked with the Energy Division to prepare comments for the Commission's participation in the Department of Energy's Transmission Workshop, and filed formal comments for the triennial 2009 DOE Transmission Congestion Study.

The requirements of the Telecommunications Act of 1996 have been a major focal point for Federal Affairs. Numerous FCC orders and court decisions have been reviewed and implemented. In addition, Federal Affairs filed comments in FCC proceedings that had a direct impact on Alabama.

A Federal Affairs staff member, while serving on the Federal/State Universal Service Joint Board, participated in the analysis of issues and drafted proposed recommended decisions for the Federal and State Commissioners on the Joint Board. Recommended decisions were released on the Lifeline and Linkup program for low income subscribers; Universal Service Portability; and modification to the high-cost support mechanisms for non-rural carriers in response to the Tenth Circuit Court's decision. The Federal Affairs staff member initiated a review of the utilization of the Federal Lifeline/Link-Up needs-based telephone service discount programs in Alabama.

As a result, meetings and workshops were held with representatives of Medicaid, the Department of Human Resources and the Alabama telecommunication companies to determine how to make people aware of the program and increase participation. The meetings resulted in the formation of a committee of industry representatives and Commission staff to pursue implementing an aggressive plan to better inform the consumers who are on a limited income and participate in the qualifying federal assistance programs about the availability of the discounts on telephone service and installation.

The committee developed a colorful poster with the information about the program and how to apply for participation that the telephone companies will display in their offices and at social service agencies, and other areas. They also created brochures explaining the program and how to apply for the subsidy that will be available at their offices and at the social agencies if permitted by the agency.

The Federal Affairs staff member is reviewing and following the progress of a telecommunications industry sponsored "Missoula" intercarrier compensation reform plan filed with the Federal Communications Commissions. The plan represents the culmination of a 3-year process led by the National Association of Regulatory Utility Commissioners (NARUC). There will be an extensive review of the analysis of the plan and its effects on the industry and consumers.

In FY08, Federal Affairs filed numerous comments before FERC and Congress on the topic of regional electric transmission organizations. This subject is still being closely followed by Federal Affairs, as FERC implements changes under Order 890 ("Preventing Undue Discrimination and Preference in Transmission Services") that are a direct extension of those policies.

The Federal Affairs Section monitors and reports on positions taken by other state commissions and 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 Telecommunications, and Staff Subcommittee on Nuclear Issues-Waste Disposal.

## Personnel

The Personnel Section maintains the records of Commission employees. One of its primary functions is to identify and implement changes in payroll expenditures that are incurred by appointments, resignations, promotions, terminations, etc., through the use of the Government Human Resource System, an automated payroll/personnel system.



Personnel oversees the in-processing and orientation of new employees and the out-processing of employees who separate from service at the Commission. As the source for state and departmental rules, regulations and benefits that apply to employees, Personnel provides information through the agency handbook, the State Personnel Procedures Manual, and various manuals provided by the State Personnel Training Division. 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 that personnel transactions are 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, or assists in the development, and updates of 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 coordinator also produces informational materials such as the PSC's Annual Report, brochures, presentation aids, other graphic materials, plus, the coordinator provides information to be posted to the PSC's web site. In addition, the coordinator attends Commission hearings and meetings and monitors media coverage of the PSC.

## Consumer Services Section

The Consumer Services Section is an extension of the Advisory Division that serves as the complaint resolution center

## Advisory Division



for the Commission. This Section helps consumers resolve disputes with utilities and answers general utility questions about regulated utilities. Staff in this section consult with the various utility service providers, the consumer and the Commission's divisions' staff to resolve disputes, clarify action taken by the utility and respond to general and often complex inquiries made regarding a utility and the Commission's rules. The Consumer Services Section provides education to consumers and is an integral part of the Public Service Commission.

Consumer Services is staffed by six professionals, the majority of whom have utility-related work experience. There are three Consumer Service Specialists who have the responsibility to gather information from the consumer, document the issue, research, and respond to the consumer. Each Specialist has knowledge of the Commission's rules, the utility-specific rules and industry practices necessary to address complaints and inquiries. There are two support persons in this workgroup who manage the day-to-day operations for the staff who are responsible for screening incoming calls, processing mail, maintaining complaint files, managing the complaint database and responding to general requests for information. The group manager provides advice to staff on complex issues, develops talking points to address current issues, arranges training sessions and initiates rule changes as necessary. As the pulse of the Public Service Commission, this section handles in excess of 2,000 complaints and over 3,000 inquiries annually.

This workgroup is generally the first point of contact for consumers with the Commission. General inquiries and complaints are reported to the Commission by telephone, electronic filing, letters and fax transmission. This office also handles consumer issues referred from the Governor's Office, U. S. Con-

gress, the Federal Communications Commission, Alabama Attorney General's Office and the Alabama State Legislature. The staff has the responsibility of responding to general questions about a utility's practices or a Commission rule which is generally handled as an inquiry. A dispute involving a billing or a service-related matter is held as a complaint and requires information about the matter from the utility which is reviewed by the staff person who makes a determination about the validity of the utility's action and finally a decision is communicated to the consumer supporting the action taken or recommending a course of action to resolve the dispute. Consumer Services additionally serves as a sounding board to record consumers' opinions and observations in response to rate cases. Investigation of complex complaints often requires coordination between the utility, Commission staff and the consumer. Written records are created to document inquiries and complaints referred to the Consumer Services Section.

The written records created result in a series of reports each month that are used to track and monitor the utilities' activities and compliance. The written complaint and inquiry records that are created are summarized into a report that is an official record of the Commission. This report summarizes the complaints taken during the month by the utility's name and the nature of the complaint. It is reviewed for trends and patterns and recommendations are made to the various utilities and are considered when a utility makes a request to expand its certificate. Utilities also rely on this information to gauge customer billing and service issues. This report is a snapshot of issues the utilities and Consumer Services are dealing with in a given month. Another report that is created each month is a compilation of information that is requested by the Federal Communications Commission. This agency requests data about telephone service providers that change a consumer's service without permission or authorization; this report documents the company that made the unauthorized change and the number of charges made.

This section also fields Do Not Call queries. The Alabama State Legislature authorized the Commission to establish a Do Not Call Registry. This registry is now a collaborative effort between the Federal Communications Commission and the Commission. Consumers are advised about registering a phone number. This data is maintained by the Federal Trade Commission, and complaints are registered through a federal collection site.

## Energy Division



The Energy Division oversees the operations of all investor-owned electric, natural gas and water utilities serving consumers within the state of Alabama. This responsibility includes monitoring the rate stabilization and equalization programs used by the Alabama Public Service Commission (“the Commission”) to regulate Alabama Power



### ALABAMA POWER COMPANY

#### Rate Stabilization and Equalization (RSE)

RSE was designed to lessen the impact, frequency and size of retail rate increase requests by permitting the Company, through the operation of a rate that was filed and approved, to adjust its charges more readily to achieve the rate of return allowed by the rate order of the Commission. By provisions in the rate, the charges are increased if projections for the upcoming year show that the designated rate of return range will not be met and are decreased if such projections show that the designated rate of return range will be exceeded. Other provisions limit the impact of any one adjustment (as well as the impact of any consecutive increases), and also test whether actual results exceeded the equity return range.

Beginning December 1, 2006, and by December 1 of each year thereafter, the Company’s rate of return on projected average common equity (“RRCE”), separated to retail electric service, shall be computed annually for the upcoming twelve-month period ending December 31 (such twelve-month period being the “rate year”). The RRCE shall be computed on the basis of cost estimates and budgets prepared by the Company in the ordinary course of its business and in a manner consistent with the Uniform System of Accounts. If the resulting RRCE is less than 13.0% or more than 14.5% (13.0% – 14.5% being “the equity return range”), then monthly bills under the respective rate schedules subject to Rate RSE shall be increased or decreased by amounts per kilowatt-hour (kWh) necessary, in total, to restore the RRCE to 13.75% (the “adjusting point” in the equity return range).

The Electricity Section examines the Company’s books and records on a monthly basis to determine the RRCE for the current 12 month period. It also actualizes the December forecast using the most recent accounting data. The section’s staff prepares a summary report of this information and presents it at each monthly Commission meeting. As of August 31, 2008, the re-projected Retail Return on Average Common Equity for the twelve-month period ending December 2008 was 13.55%.

#### Energy Cost Recovery (ECR)

Rate ECR is the rate approved by the Commission to recover retail customers’ portion of energy cost. Initially established at 17.88 mills per kWh, the rate has been adjust-



Company, Alabama Gas Corporation and Mobile Gas Service Corporation. The safety of all natural gas and hazardous liquid pipeline systems in Alabama is included within the Energy Division’s scope of responsibility under the Gas Pipeline Safety section’s purview. Additionally, the Special Projects section addresses and coordinates issues that are non-jurisdictional or concern multiple energy commodities.

The subsequent paragraphs discuss each section’s significant regulatory policies, responsibilities and major activities that occurred during fiscal year 2008.

### Electricity Section

The Electricity Section is primarily responsible for the regulatory oversight of Alabama Power Company (“the Company” or “APCo”). This includes financial analyses, economic evaluations, auditing, and statistical data assimilation. In addition, the staff performs management inquiries to remain informed as to the manner and method in which APCo’s business is conducted.

This section also evaluates certain aspects of Southern Electric Generating Company (SEGC), jointly owned by Alabama Power Company and Georgia Power Company, and the Alabama Municipal Electric Authority (AMEA).

# Energy Division

ed for temporary periods of time to reduce the over/under collections accumulated in the energy cost recovery account. The Electricity Section prepares a summary report for the monthly Commission meetings reflecting the status of the Company's energy costs recovery, the accumulated over/under collections, and the ECR projection for December 31 of the current year.

In April 2002, the Commission approved Rate Rider RDF (Rate Differential Factors). This rate rider is applicable to Rate ECR and adjusts the ECR billing factor to reflect the seasonal patterns of fuel cost. The billing factor is increased during the months of June through September and decreased for the billing months of October through May.

In December 2005, the ECR billing factor was increased to 24.00 mills per kWh, effective January 1, 2006. This interim energy cost recovery factor was intended to remain in effect until December 31, 2007, at which time the company's fuel cost was expected to be fully recovered. However, as of June 2007, the accumulated balance under Rate ECR had not declined, but instead had grown to a deficit of approximately \$360 million. As a result, the Company filed a petition with the Commission seeking to increase the factor from 24.00 mills per kWh to 31.00 mills per kWh. After a thorough review, the staff recommended approval of the company's petition. The Commission approved the requested interim ECR factor of 31.00 mills, effective for July 2007 billings, and thereafter for a period of 30 months. At the end of this period, the interim factor would have been re-evaluated.

As of August 31, 2008, the under-recovered energy cost was \$257,544,178 and had been steadily rising since May 2008. In addition, the Company estimated that by October 2008, the cumulative under-recovery was projected to exceed \$361,000,000 and, by October 2009, the under-recovered energy cost was projected to be approximately \$1,000,000,000. The escalating cost was primarily attributable to the increased costs of coal and natural gas.

Therefore, in August 2008, prior to the expiration of the 30-month interim ECR factor of 31.00 mills, Alabama Power Company filed with the Commission a proposed revision to the Rate ECR Factor (ECRF). The Company proposed an interim factor of 46.62 mills per kWh for a 12-month period and a post interim factor of 59.10 mills to be effective thereafter. A special hearing was held on September 23, 2008, whereby a joint recommendation was made by Alabama Power and all Interveners. The joint recommendation included an interim 24-month factor of 39.83 with an effective date for customer's billings beginning on October 9, 2008. The post-interim ECR factor would remain at 59.10 mills per kWh. At its October meeting, the Commission approved the joint recommendation.

## Certificated New Plant (CNP)

Rate CNP—Part A was originally approved in 1982 in conjunction with Rate RSE under Dockets 18117 & 18416. The original rate provided for the certification of generating

facilities and the recovery of the related capital cost for such facilities. During FY-2008, Alabama Power Company did not file any applications for a Certificate of Public Convenience and Necessity related to adding generating facilities.

Rate CNP was modified in April 2000, to include a second provision, Rate CNP—Part B, that would allow for the certification of Purchase Power Agreements (PPAs) and the recovery of the total cost (excluding fuel) associated with each agreement. Rate CNP—Part B is also referred to as Rate CNP-PPA. At this time, Alabama Power Company has two (2) seven-year PPA contracts. The first PPA contract, effective in 2003, for 939 MW will expire in 2010 and the second PPA contract, effective in 2004, for 312 MW will expire in 2011.

Rate CNP was further modified in October 2004, to include a third provision, Rate CNP—Part C, that would provide a mechanism to recover compliance costs associated with "environmental mandates." Rate CNP—Part C is also referred to as Rate CNP-ECP. Beginning in December 2004, and each December thereafter, the Company must file its annual Environmental Compliance Plan subject to Rate CNP—Part C. The first Part C provision went into effect in January 2005.

## Flexible Contract Rate (FCR)

By Order dated April 1, 1996, the Commission approved the Company's petition for a new Flexible Contract Rate (Rate FCR). Rate FCR was designed to be applicable only to commercial and industrial customers who have a need for flexibility in rates and/or service and who have an account for no less than one megawatt of electricity. For contracts with commercial and industrial customers utilizing this rate, an economic evaluation must be made in accordance with methods accepted by the Commission. The economic evaluation must prove that the pricing under each contract will promote a positive benefit to all ratepayers over the term of the contract.

During FY-2008, the Commission staff evaluated two (2) electric service contracts that were filed pursuant to Rate FCR. In addition, the staff performed a post-contract review of three (3) electric service agreements.

## Natural Disaster Reserve (NDR)

By Order, dated October 3, 1994, the Commission granted Alabama Power Company authority to establish a Natural Disaster Reserve of \$32 million against which extraordinary operation and maintenance expense, resulting from natural disasters, would be charged. The reserve was established to help mitigate the disruptive effects of significant natural disasters in the company's service territory.

However, the Natural Disaster Reserve (NDR) was substantially depleted in October 1995, due to 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.

# Energy Division

Therefore, in December 1995, the Commission authorized APCo 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 could continue until the reserve was restored to \$32 million and must be reported to the Commission in writing.

On September 16, 2004, Hurricane Ivan made landfall on Alabama's Gulf Coast and continued on through the state, resulting in significant damage to the Company's transmission and distribution equipment and facilities. The total O&M related expenses were \$57,565,583. This amount was in excess of the reserve balance and therefore prompted the Company to request that the Commission allow the reserve to carry a negative balance. The Commission approved this request on October 19, 2004, effectively deferring cost recovery through the normal accrual method, additional accruals, and/or by other accounting treatments. In July and August 2005, the Company's service territory was impacted by Hurricanes Dennis and Katrina, once again causing significant damage to the transmission and distribution system. Together, the O&M expenses related to these two major storms, as well as other small storms, were estimated to be approximately \$80 million. As a result, on September 30, 2005, the NDR had a negative balance of \$69,278,301.

Because of the significant negative balance, the Commission approved Rate Rider NDR in December 2005, and increased the authorized disaster reserve balance from \$32 million to \$75 million, effective January 2006. Rate Rider NDR was designed to address the negative balance in the Natural Disaster Reserve and to re-establish a reserve balance sufficient to address potential costs associated with future natural disasters. In order to accomplish this, Rate Rider NDR added a small monthly charge to each account served under the Company's retail rate schedules. As a result of Rate Rider NDR, the negative balance in the reserve was fully recovered by June 30, 2007. As of September 30, 2008, the Natural Disaster Reserve had a positive balance of \$30,070,183.

## Other Activities:

### New and Revised Tariffs

In 2006, the Commission approved Rate Rider CPP (Critical Peak Pricing) as a demand-side management pilot program for residential customers. The program, also known as a "SmartPower Program", was tested during the summer months of 2006 and 2007. Based upon the success of the program, Alabama Power petitioned the Commission to remove the pilot program expiration date and, with certain revisions to Rate CPP, continue the program as a permanent rate rider. The SmartPower program promotes energy efficiency through a mutually beneficial arrangement between the Company and the customer. In addition, the customer has the potential to reduce their electricity costs by modifying their electricity consumption behavior in response to the SmartPower price signals. Under Rate Rider CPP, APCo is allowed

to designate a "Critical Peak" period and it can only be called during the defined on-peak period and cannot exceed 120 hours per year. CPP is available only to customers who are served under Rate FDT (Family Dwelling Time-Of-Use) and within the Company's Automated Metering Infrastructure (AMI). In May 2008, the Commission approved Rate Rider CPP to become effective for June 2008, billings.

In June and July of this year, the Commission approved the 28th and 29th revisions to Rate PAE (Purchase of Alternate Energy). In June 2008, the charges and payments under this rate were revised to reflect updated costs and avoided costs for the Company and are based on 2008 forecasted data. In July 2008, modifications to the Special Rules Governing Application of Rate PAE were approved by the Commission. The revisions to the Special Rules (PAE) eliminated (1) the requirement that customers with a capacity of 25 kW or less carry at least \$1 million of liability insurance and (2) the requirement that a customer-generator be a "qualifying facility" (or QF) under PURPA to take service under Rate PAE. Other modifications included: (a) A customer may change their election between two pricing schedules (Standard or Time of Day) once a year; (b) when a customer's credits for energy delivered exceed APCo's charges, the customer may choose to have the account credited or receive a check for the amount due; (c) amending the contract term from three years to one year; and (d) if an inverter meets the requirements of UL standard 1741, it is deemed to have met Alabama Power's requirements for interconnection. All changes were effective with August 2008, billings.

## Federal Issues

The Electricity Section staff monitors various Federal issues that may impact the electric industry. This includes participating in teleconferences, conducting research, and attending meetings with the Federal Energy Regulatory Commission (FERC), the National Association of Regulatory Utility Commissioners (NARUC), and other electric industry organizations.

During FY-2008, the staff monitored several Federal matters that reaffirmed final rules previously issued by FERC. They were: 1) Open Access Transmission Tariff Reform; 2) Mandatory Reliability Standards for the Bulk-Power System; 3) Electric Transmission Siting Rule; and 4) Prohibition of Energy Market Manipulation.

In September 2006, the Commission opened three dockets for consideration of Sections 1251 (Docket 30066), 1252 (Docket 30067), and 1254 (Docket 30068) of the Energy Policy Act of 2005 (EPA 2005). In Docket 30067, the Commission determined that the standards to be considered under Section 1252 have been met with prior state action; therefore, no further action was needed. In Docket 30068, the Commission determined that the standards to be considered under Section 1254 should be considered in conjunction with Docket 30066. In Docket 30066, the Commission determined that the standards to be considered in Sections 1251

# Energy Division

and 1254 had not been met. Therefore, the standards under both sections were set for further review, with a schedule of proceedings to be established. In addition to the Commission proceedings in Docket 30066, the Alabama Legislature also passed HB234/SB305 entitled the “Alternative and Renewable Energy Act of 2008.” Under this bill, “no utility shall be liable to any person, group of persons, or legal entity, directly or indirectly, for damage to or loss of property, injury, or death that arises in any way from the interconnection or operation of a distributed generation facility.” As a result of the new legislation, Alabama Power filed proposed revisions to its Rate PAE removing the liability insurance requirement previously included in the rate and thereby removing a huge barrier for customers wanting to interconnect to Alabama Power’s electric distribution system.

Also, staff reviewed and prepared documents for Commission President Jim Sullivan to be used for a presentation at the 2009 Pre-Congestion Study Regional Workshop held in Atlanta, GA.

## Financing

The Electricity Section staff reviews all financing petitions filed by Alabama Power Company and Southern Electric Generating Company (SEGCo). SEGCo is a fossil-fueled generating facility located in Wilsonville, Alabama, jointly owned by Alabama Power and Georgia Power, in equal shares. 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.

On November 09, 2007, the Commission issued an Order in Informal Docket U-4860 granting Alabama Power Company the authority to issue additional securities and incur obligations in connection with the issuance of industrial development revenue bonds, assume obligations in connection with the issuance of preferred securities by a special subsidiary or subsidiaries, and borrow upon issuance of promissory notes and commercial paper not to exceed \$2,300,000,000 (long-term borrowing) prior to December 31, 2009. Additionally, the Company was granted authority to borrow from lenders on its promissory notes and to issue and sell its commercial paper notes from time to time not to exceed \$2,000,000,000 (short-term borrowing) prior to December 31, 2009. Upon issuance of this order, the Company surrendered its remaining authority under Informal Docket U-4687 and Informal Docket U-4688. As of September 30, 2008, the remaining long-term borrowing authority was \$1,361,000,000 and the remaining short-term borrowing authority was \$1,905,000,000.

The Company, in Informal Docket U-4860, was also granted authority to issue and sell up to 16,000,000 shares of its \$40.00 par value common stock to its parent, the Southern Company, at a purchase price not less than the par value. As

of September 30, 2008, the remaining authority for common stock issuance was 8,150,000 shares.

On November 9, 2007, the Commission issued an Order in Informal Docket U-4861 granting SEGCo the authority to issue, sell and incur obligations in connection with the issuance of not more than \$100,000,000 (long-term borrowing) in aggregate principal amount of promissory notes, subordinated debentures and other debt instruments and industrial development revenue bonds; and borrow from lenders on its promissory notes and to issue and sell its commercial paper notes from time to time (short-term borrowing) on or prior to December 31, 2009. The maximum aggregate principal amount of notes at any one time outstanding will not exceed \$60,000,000. Upon issuance of this order, SEGCO surrendered its remaining authority under Informal Docket U-4689. As of September 30, 2008, the remaining long-term borrowing was \$100,000,000 and the remaining short-term borrowing authority was \$35,000,000.

## Auditing

The Electricity section’s auditor and analysts conduct monthly analytical reviews and/or audits to test the completeness and accuracy of financial statements, economic models and other data submitted by Alabama Power Company.

For this activity, the staff’s monthly fuel audit is particularly important because the Company’s energy costs are approximately 66 percent of total operation and maintenance (O&M) expense. During this monthly audit, the accounting records for fuel purchases and burns are reviewed at the corporate office and at the respective generating facilities. Site audits for each generating facility are performed on a rotating basis.

The staff also audits the annual filing of Rate CNP-ECP (Environmental Compliance Plan). The Commission requires the Company to submit, as part of the modified Rate CNP, a detailed annual summary report of the Environmental Compliance Plan. This summary identifies the previous year’s environmental expenses incurred and projected expenses for upcoming years. This information is reviewed thoroughly during the audit procedure. The staff performs two separate audits of this filing – one audit is of the filing itself and the second audit is of the environmental compliance plan. During the audits, the staff 1) reviews and verifies the accuracy of amounts reported in the filing; 2) ensures that the filing is in accordance with Rate CNP; 3) compares and researches significant budget variances; 4) determines if reported expenses are qualifying environmental expenses; and 5) requests and reviews additional information, as needed for a complete and thorough analysis of the filing.

In addition, the staff performs an annual compliance audit of the Rate CNP-PPA (Purchase Power Agreement) filing. Other auditing responsibilities include testing of various accounts and activities to trace and verify reported revenues and expenses, to review APCo’s compliance with the FERC Uniform System of Accounts, and to investigate significant variances identified during monthly monitoring and analytical

# Energy Division

processes. Also, the staff performs random billing audits to test the Company's compliance with approved tariffs.

## Engineering

The section's staff engineer performs monthly site visits, investigates service quality issues, responds to technical inquiries and works on special projects as assigned. From time to time, the staff engineer has also assisted with research regarding the application of various environmental technologies such as: flue gas desulfurization (FGD) systems, i.e., scrubbers, baghouses, selective catalytic reduction (SCRs), selective non-catalytic reduction (SNCRs), electrostatic precipitators (ESPs) and low nitrous oxide (NOx) burners. The staff also stays abreast of utility automation systems (AMR, AMI, SCADA, etc).

Monthly site visits to utility plant facilities and construction projects were performed to review maintenance, repairs and operating (MRO) practices, infrastructure improvements, capital projects, electric safety and construction standards and power quality issues.

Power system maintenance, repairs and operating activities include performing routine duties which keep the system and/or equipment in good working order. Projects such as vegetation management, turbine inspection supervision, pole replacement administration and system study analysis are good examples of proactive and preventative MRO programs.

Safety, reliability and power quality standards are reviewed and discussed with utility personnel. Operating tests and reports are also reviewed.

Occasionally, the staff engineer participates in training and educational activities relevant to the performance of his duties.

During FY-2008, the staff visited 24 different plant sites and facilities with an emphasis on power quality issues and environmental technologies.

## ALABAMA MUNICIPAL ELECTRIC AUTHORITY

Pursuant to the provisions of Section 11-50A-25, Code of Alabama, 1975, as amended, the Commission reviews and acts on certain activities of the Alabama Municipal Electric Authority (AMEA). On April 8, 2008, the Commission issued an order in Informal Docket U-3013 approving an Amendment No. 2 to the Power Supply Agreement (PSA) between AMEA and Alabama Power Company (APCo) and approving an Agreement for the Supply of Supplemental Capacity and Energy between APCo and AMEA. Amendment No. 2 improved upon the "pricing mechanisms" in the contract in such a way as to reduce price volatility. Under the provisions of the Supplemental PSA, APCo will supply the bulk electric power and energy to serve AMEA's load growth during the period from 2011-2015.

## 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 and Mobile Gas Service Corporation.

## Rate Stabilization and Equalization (RSE)

The Commission regulates the rates for the two largest natural gas utilities in the state under a Rate Stabilization and Equalization (RSE) plan. RSE has been in use for more than 20 years as a method of keeping rates as low as possible while assuring quality service.

## ALABAMA GAS CORPORATION

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 Alagasco's recent operating history. Under the RSE plan, the only time Alagasco can receive an increase in rates 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, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas Section evaluated four RSE filings by Alagasco during FY-2008.

- Effective Date. . . . . Increase (Decrease)
- December 1, 2007. . . . . \$10,729,148
- April 1, 2008 . . . . . 0
- July 1, 2008 . . . . . 0
- October 1, 2008. . . . . 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 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.

## MOBILE GAS SERVICE CORPORATION

Each month this section examines the books and records of Mobile Gas Service Corporation (Mobile Gas),

# Energy Division

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.

Under the RSE plan, the only time Mobile Gas 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 13.35 percent, rates are increased on December 1 to bring the return at the end of the fiscal year to 13.6 percent. If the projected return is more than 13.85 percent, rates are decreased to bring the return to 13.6 percent. If the projected return is between 13.35 and 13.85 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, the end of Mobile Gas' fiscal year, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas section evaluated four RSE filings by Mobile Gas during FY-2008.

- Effective Date . . . . . Increase (Decrease)
- December 1, 2007 . . . . . (\$333,043)
- April 1, 2008 . . . . . 0
- July 1, 2008 . . . . . 0
- October 1, 2008 . . . . . 0

Mobile Gas 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 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-2008, 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.
- 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 offi-

cial of the respective gas companies are held to discuss the results.

## ALABAMA GAS CORPORATION

Regarding Alabama Gas Corporation, the section:

- Participated in numerous meetings concerning the renewal of Alagasco's RSE;
- Participated in a Consumer Roundtable in Anniston, Alabama;
- Met with Alagasco and the Commission's Consumer Services Section concerning a service connection delay experienced by a group of customers and reached a resolution so that no customer was denied or delayed service beyond what was absolutely necessary;
- Reviewed Alagasco's proposed tariff pages for compliance with the Commission's RSE renewal order and presented them to the Commission;
- Investigated Alagasco's application to revise Rate Schedule P and presented it to the Commission;
- Evaluated Alagasco's Precedent Agreement with Transco arising from FERC action and presented it to the Commission;
- Investigated Alagasco's proposed regulatory treatment of certain tax benefits and presented it to the Commission;
- Worked extensively with the Commission's Consumer Services Section on several issues related to Alagasco's bills; and
- Analyzed Alagasco's filing to modify its Temperature Adjustment Rider and presented it to the Commission.

## MOBILE GAS SERVICE CORPORATION

Regarding Mobile Gas Service Corporation, the section:

- Examined Mobile Gas' application for approval of a Revolving Credit Agreement with EnergySouth and presented it to the Commission;
- Coordinated a response relating to a complaint against Mobile Gas;
- Reviewed the Cast Iron Main Replacement Factor for Mobile Gas Service Corporation;
- Had discussions with Mobile Gas to ascertain the true effects, if any, on the regulated utility caused by the pending acquisition of EnergySouth by Sempra Energy;
- Attended the EnergySouth stockholders' meeting, where the a sale of EnergySouth to Sempra was approved by a vote of the shareholders; and
- Evaluated a financing issue related to Sempra Energy's buyout of EnergySouth and presented it to the Commission.

## WHEELER BASIN NATURAL GAS COMPANY

Regarding Wheeler Basin Natural Gas Company, the section:

- Met to discuss its financial condition, potential customer growth, and community relations; and

# Energy Division

- Reviewed and presented Wheeler Basin's line of credit application to the Commission.

## Intrastate Pipeline and Storage Companies

During FY-2008, 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.
- Crosstex Alabama Gathering System LP,
- Enbridge Pipelines (Alabama Gathering) LLC
- Enbridge Pipelines (Alabama Intrastate) LLC
- Enbridge Pipelines (Bamagas Intrastate) LLC
- Enbridge Pipelines (Tennessee River) LLC
- Enterprise Alabama Intrastate LLC
- Genesis Pipeline, LLC
- Pine Energies, Inc.
- Southern Gas Transmission Company

## BAY GAS STORAGE COMPANY, LTD.

The section:

- Examined Bay Gas' application for approval of a Revolving Credit Agreement with EnergySouth and presented it to the Commission;
- Visited Bay Gas' facilities to receive briefings on ongoing construction; and
- Investigated Bay Gas' application for a revision of its Certificate of Public Convenience and Necessity to build an interconnect with Transco and participated in the hearing on the matter.
- Had discussions with Bay Gas to ascertain the true effects, if any, on the regulated utility caused by the pending acquisition of EnergySouth by Sempra Energy;
- Attended the EnergySouth stockholders' meeting, where the a sale of EnergySouth to Sempra was approved by a vote of the shareholders; and
- Evaluated a financing issue related to Sempra Energy's buyout of EnergySouth and presented it to the Commission.

## GENESIS PIPELINE, LLC

The section:

- Reviewed Genesis' application for a Certificate of Public Convenience and Necessity, conducted an investigation, and participated in the hearing;
- Inspected the intended route to be used by Genesis for the pipeline and gathering system; and
- Analyzed Genesis' application for approval of a crude oil gathering and transportation contract with Midroc Operating Company and presented it to the Commission.

## Support of Commission Offices

The section:

- Prepared letter responses and documents concerning natural gas issues;
- Participated on the PSC Consumer Education Project;
- Assisted in the financial review of Parker Creek Water Company, LLC;
- Participated in a public hearing concerning Parker Creek Water Company; and
- Served on a Commission Task Force regarding wastewater regulation and assisted in the review of applications for Certificates of Financial Viability to operate decentralized wastewater cluster systems.

## Interagency Activities

A section member:

- Served as Vice Chairman of the Alabama Liquefied Petroleum Gas Board as President Sullivan's designee;
- Led the National Association of Regulatory Utility Commissioners and the National Regulatory Research Institute undertaking to update the Natural Gas Toolkit for utility commissions nationwide to use this heating season;
- Served as Vice Chair of the National Association of Regulatory Utility Commissioners' Staff Subcommittee on Gas;
- Participated in the NARUC Winter Committee Meetings in Washington, DC and Summer Committee Meetings in Portland, Oregon;
- Participated in the Energy Efficiency and Conservation Subcommittee recommendation process;
- Provided accounting assistance for the 2009 National Association of Pipeline Safety Representatives Southern region conference in Alabama;
- Attended the Energy Efficiency and Renewable Energy Conference conducted by the Alabama Department of Economic and Community Affairs;
- Served on the Alabama Department of Economic and Community Affairs' Weatherization Assistance Policy Advisory Council;
- Attended the NARUC Annual Convention in Anaheim, California;
- Made a presentation to the National Association of State Utility Consumer Advocates;
- Participated in the National Association of Regulatory Utility Commissioners' Accounting Subcommittee; and
- Served on and participated fully in the Alabama Department of Public Health Bioterrorism and Public Health Preparedness Advisory Council.

## Training Activities

Section representatives:

- Received training concerning the operation of Southern Natural Gas' and Transco's Electronic Bulletin Boards;
- Participated in a Regulator Webinar presented by Planalytics;
- Attended the PSC's annual Gas Pipeline Safety Seminar held in Montgomery; and

# Energy Division

- Attended several classes conducted by State Personnel.

## Miscellaneous

The section:

- Collected and graphed data on regional LDCs;
- Worked closely with the LDCs to monitor gas supply activities to ensure the lowest possible cost gas would be available for the winter heating season;
- Investigated, analyzed, and reported on approximately 85-90 separate additional matters, including special contracts, tariff changes, gas supply adjustment filings, purchased gas adjustment filings, new rates, certificates, and related matters; and
- Investigated requests for gas service, and responded to a significant 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 natural 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 Commission currently regulates, for safety matters, 91 intrastate gas systems, 35 master meters, seven hazardous liquid systems, one liquefied petroleum system, four offshore, 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 with rules and regulations, 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-08 is listed below:

### Inspections

Gas Pipeline Safety .....	996*
Enforcement Actions .....	48
Non-compliances .....	74
Non-compliances Corrected .....	37
Construction Projects .....	166
Safety Education Programs .....	243*
Pipeline Safety Incident Investigations .....	5

\* These figures represent "person-days" that were expended in the inspection/education processes.

# Water Section

The Water Section is responsible for regulating seven investor-owned and municipal water systems including four located out-of-state that have authority to operate in Alabama. The jurisdictional water utilities are:

- Central Water Works (Florida)
- East Lowndes Water Association (Mississippi)
- Hiwannee Water Association (Mississippi)
- Parker Creek Water Company
- Plantation Water System
- Tishomingo County Water District (Mississippi)
- Water Works, Inc.

The duties of the Water Section include inspecting the facilities, reviewing the financial books and records, working with the Alabama Department of Environmental Management's staff, assisting the PSC's Consumer Services section in handling customer complaints, preparing reports as a result of inspections and visits, and conducting compliance and accounting audits.

The section reviews and evaluates new water utilities seeking authority to operate under the jurisdiction of the Commission. The Governmental Utility Service Corporation – Sherbrooke was transferred to the Northeast Morgan County Water and Sewer Authority and its certificate to operate in Alabama was cancelled on February 13, 2008. Central Water Company was granted a Certificate of Convenience and Necessity (CPCN) to operate in south Alabama in December 2007. A new, private water system, Lake Mitchell Water Company, is under construction and should be completed in early 2009.

The section participated in meetings, led by the Alabama Department of Economic and Community Affairs' Office of Water Resources, regarding the continuing study of two river basins in a dispute over water needs for the city of Atlanta, Georgia. The two river basins include the Alabama, Coosa, Tallapoosa and Chattahoochee Rivers.

During FY-08, the Commission received 138 inquires and questions concerning water utility service with most of the calls concerning non-jurisdictional companies.

### Commission Action on Water Utilities in FY-2008:

<u>Action</u>	<u>Order Date</u>
Central Water Company	
CPCN	December 4, 2007
Hiwannee Water Association	
Rate Increase	June 10, 2008
Parker Creek Water Company	
Tariff Change	September 10, 2008

## Special Projects Section

This section assisted in the oversight of energy utility compliance with Commission rules and regulations, as well as updating various sections of the rules when needed. The Special Projects section provided direct assistance to utility customers through telephone and personal communications.

## Energy Division

The staff provided engineering and technical support with special projects to other sections and divisions within the Commission, as well as led in the performance of multi-discipline requests and issues.

This section is involved in an on-going project to assist the Alabama Department of Public Health (ADPH) with the evaluation of the financial viability of on-site wastewater systems' management entities pursuant to a 2001 Alabama law. The staff cooperates with the ADPH on this project under an interagency contractual arrangement. During FY-2008, the section reviewed and submitted comments on 21 cluster system applications, two certificate renewal applications, and one initial certification application, all involving meetings and

other communications with applicants. The staff also assisted ADPH with general administrative matters related to the interagency contractual arrangement.

This section also gave assistance to other division engineering personnel. This section made a diligent effort to stay abreast of the latest technological developments in the electric, gas and water utility industries as well as relevant proceedings before federal regulatory agencies and PSCs in other states. Results of this research are provided to appropriate staff members on a timely basis.

This section's personnel also reviewed research and development projects undertaken by utility companies, and made on-site visits when appropriate.

# Telecommunications Division

The Telecommunications Division maintains limited jurisdiction for the regulation of telephone service providers in the State of Alabama. Utilities that fall under the Commission's jurisdiction include; Incumbent Local Exchange Carriers (ILECs) – the traditional providers of local telephone service; Competitive Local Exchange Carriers (CLECs); Interexchange Carriers (IXCs); Long Distance Service Resellers (Toll); Payphone Service Providers (PSPs); and Shared Tenant Telephone Service (STS) providers.

With passage of the Alabama Communications Reform Act of 2005, the Commission's jurisdiction over prices for telecommunications services other than basic service, Emergency Reporting Services, access service and inter-company wholesale pricing, was curtailed. Beginning in 2008, basic service rates are allowed to increase in accordance with the Consumer Price Index as reported by the U.S. Department of Labor Bureau of Labor Statistics. The Commission no longer has pricing authority over bundled offerings, new contract offerings, and other retail services.

Staff participates in certification hearings for new telecommunications service providers; reviews and analyzes tariffs and intercompany wholesale agreements for which we retain jurisdiction; reviews service quality performance; is involved in numbering resources management; and recommends telecommunication policy and rules to the Commission. The Commission does not have jurisdiction over cable television, Internet Service; Voice Over Internet Protocol (VOIP) phone service, or cellular telephone service.

The Division is comprised of two primary sections: the Economic Compliance Section and the Service Compliance Section.

## Economic Compliance Section

The Economic Compliance Section of the Telecommunications Division reviews financial and rate information filed by telecommunication companies with the Commission and provides telecommunication policy and rule recommendations to the Commission.

The Section is composed of analysts that review federal and state policies/rules, tariff rates, applications for authority to operate in the state of Alabama, intercompany wholesale agreements, and are extensively involved in resolving consumer inquiries and complaints. Analysts also participate in hearings and workshops regarding various telecommunication issues before the Commission.

### **During FY-08:**

1. Staff continues to work on the implementation of the Communications Reform Act of 2005. The Division has worked extensively with the Legal Division in the interpretation of the Act in order to comply with requirements of the Act.
2. The section implemented rules regarding the expansion of Lifeline/Linkup services and domestic violence shelter

security. The staff also began the development of a third party billing database.

3. Staff implemented rules regarding Truth and Billing issues in Docket 15957. The rules require companies to provide full disclosure of actual and estimated charges which a customer can expect to pay on an average monthly bill when quoting prices for services.
4. Staff proposed new and received telephone rules for the regulation of Inmate Phone Service. Comments were received and a final Commission Order is pending.
5. The section reviewed 100 interconnection, resale, and collocation agreements between CLECs, wireless providers, and ILECs.
6. The staff received 8 applications for toll resale and competitive local exchange service in Alabama.
7. Staff participated in the four (4) mediations/arbitrations of interconnection issues between various telephone companies.
8. Audits were performed on the Transition Service Funds and Area Calling Service Funds in accordance with Docket 24499, 24472, 24030, and 24865.
9. The section developed programs to comply with recent legislation pursuant to the Code of Alabama, Section 11-98-5.1 regarding emergency telephone service charges (E911) and constantly maintains applicable websites.
10. Staff ensures compliance with the Code of Alabama, Sections 37-2A-4 and 30-6-1 regarding Family Violence procedures and the associated Alabama Public Service Commission Docket (29878).
11. Staff participated extensively 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. The review included analysis of BellSouth, CenturyTel, and Rural ILECs' plans for utilization of rural and non-rural federal Universal Service high cost fund allocations. Additionally, detailed monitoring plans were developed and Staff performed on-site inspections to verify that funds were utilized as approved by the Commission.
12. 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.
13. Staff continually evaluates issues associated with Voice Over the Internet Protocol, e.g. E911, directory listings, etc.
14. Staff continues the implementation of the STAR tracking system, an online tracking system that provides for electronic filings and assignments. Certain sections of this sys-

# Telecommunications Division

tem are still in the development stage and continually updated by Staff. Currently through this system, filings are available for review and comments by interested parties and the general public.

15. Staff continues to develop potential amendments to the Alabama Public Service Commission's General Rules and Regulations and Telecommunications Rules.
16. Staff routinely assists the Commissioners, consumers, and telecommunications companies in matters relating to rates, tariffs, and filings with the FCC.
17. Staff assisted in resolving 244 issues and complaints from telecommunications industry personnel, consumers, and other governmental agencies.

## Service Compliance Section

The Service Compliance Section also monitors the quality of service of incumbent and competitive local exchange telephone companies certificated in Alabama and is responsible for numbering resources optimization. Staff conducts inspections to compare existing levels of service with required APSC rules, industry standards and electrical and safety codes. Staff also monitors construction work involving plant upgrades and additions plus reviews construction work funded by the Universal Service Fund.

The Service Compliance Section also monitors the quality of service and rates charged by Customer-Owned Coin-Operated Telephone Services (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.

### During FY-08:

The Service Compliance Section staff has been working closely with the North American Numbering Plan Administrator (NANPA) and telecommunications representatives in the state to actively promote conservation measures in Alabama's four area codes. Numbering assets are finite resources and usage has increased at a rapid pace. In Alabama, Area Code 256 is currently in jeopardy status and relief planning has commenced. Staff has actively monitored number assignment and usage in Area Code 256 and taken steps to reclaim unused numbering resources. Because of increased monitoring and effective conservation measures, numbering assignments in Area Code 256 have shown a significant decrease over the last fiscal year. The latest Numbering Resource Utilization Forecast (NRUF) figures show positive results from the ongoing number conservation and pooling measures in Area Code 256.

Area Code 205 is rapidly approaching relief status and staff is monitoring numbering assignments and usage while actively promoting numbering resource conservation efforts to forestall premature exhaustion of numbering assets in this area.

Service Compliance inspections were performed on the following utilities:

1. Castleberry Telephone Company
2. (TDS) Butler Telephone Company
3. AT&T Alabama (Jackson Exchange)
4. Century Tel of Alabama LLC (Luverne Exchange)
5. Hayneville Telephone Company, Inc.
6. Camellia Communications
7. Pine Belt Telephone Company, Inc.
8. Interstate Telephone Company
9. Valley Telephone Company, LLC
10. Fairpoint Communications

Service Quality follow-up inspections were performed on the following utilities:

1. Castleberry Telephone Company
2. Ragland Telephone Company
3. Frontier Communications of Alabama, LLC

In-depth reviews were performed on AT&T Alabama and CenturyTel USF (universal service funds) high cost allocation construction proposals. On-site inspections were performed within the following service districts to ensure that construction projects complied with those approved by the Commission:

- Company/District
1. BellSouth/Gulf
  2. BellSouth/North Alabama
  3. CenturyTel/Southern
  4. CenturyTel/Northern

Utility boundary lines were verified for 6 local exchange carriers. The Service Compliance Section assists the Economic Compliance Section in USF analysis/audits.

The following is a summary of the Special Services Group activities during FY-08:

1. Consumer Complaint Investigations - 6
2. County Jails Visited – 6; Independent Jails Visited – 1; Inmate Instruments Inspected – 127
3. Four special services providers were certified and ten were decertified during FY-08.



# Transportation Division

The Transportation Division consists of three sections: 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.

## Insurance and Registration Section

The Insurance and Registration Section performs three separate but interrelated functions. First, it registers for-hire transportation companies that are not exempted by law. It also registers motor carriers from the United States, Canada, and Mexico that have been granted authority by the Federal Motor Carrier Safety Administration or those exempt from federal regulation. Secondly, it requires 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 intrastate motor carrier vehicle identification decals, numbers, and Unified Carrier 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. 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 all intrastate motor carriers have insurance on file before credentials to operate are issued. 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. 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	13,876
Letters of correspondence	113
Registration of Authority	
Intrastate registered	405

Motor Carrier Vehicle Identification	
Applications processed	573
Numbers and decals issued	2,337
Letters of correspondence	600
Revocations and Reinstatement	
of Authority Revoked for no insurance	546
Reinstated after compliance	255

## Railway Safety Section

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 2007 through September 2008:

Total Miles of Railway Track Inspected	1,126
Total Railway Accidents	7
Total Units of Rolling Stock	
Inspected (Railway cars)	10,426
Total Locomotives Inspected	136
Total Railroad Records Inspected	965
Total Complaints Investigated	16

# Transportation Division

## 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 regulated 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.

## Motor Carrier Enforcement Section

*(assigned to Commissioner Sullivan's office)*

The APSC's Motor Carrier 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 associated rules and regulations. When motor 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. Enforcement officers conduct investigations involving illegal operations and violations of rules and regulations, issuing citations and warning tickets when appropriate. These officers also conduct safety inspections of vehicles and have the authority to place vehicles and/or drivers out of service for safety/regulatory violations.

## Legal Division



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 involving rulemaking and revision of rules, and works with other divisions in drafting and reviewing legislation for the Commission.

Many issues arise with telecommunications com-

panies now that competition is active. The Legal Division has been involved in several proceedings concerning disputes between telecommunications companies and the relationship between telecommunications companies.

During the past fiscal year, the Legal Division conducted hearings involving approximately 60 matters and processed hundreds of applications not requiring a formal hearing. The length of hearings varies from 20 or 30 minutes 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 and state agencies of Alabama and other states, and all types of business regulated by the Commission.

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

## APSC History

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 rail-

road 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, sweeping federal and state statutory changes significantly altered the Commission's jurisdiction and authority over transportation and telecommunications utilities. Title IV in the Federal Aviation Administration Act of 1994 provides for federal preemption of the states in matters of motor carrier pricing, routes, and services for all but household goods carriers. As a result, Commission certification and tariff approval is no longer required for those motor carriers for whom regulatory jurisdiction has been federally preempted. The Commission continues regulating carriers of passengers and household goods, ensures all motor carriers maintain appropriate cargo insurance, and ensures that all comply with applicable safety standards. With passage of the Telecommunications Act of 1996, Congress opened up the local exchange telephone market to competition. Large incumbent local exchange companies (ILECs) such as BellSouth and CenturyTel, who previously operated as the only local carrier within their Commission certified service areas, must now make their services available for resale and lease components of their embedded network to new entrants. New entrants into the local telephone market may also petition the Commission to open independent telephone company local service areas to competition. The introduction of local competition forced the Commission to set utility prices for retail telecommunication services using market based rather than cost based methodology. Thereafter, the Alabama Legislature passed the Communications Reform Act of 2005. The Act, citing the competition that exists in the local telephone market, eliminated much of the Commission's authority over retail telecommunication services. Additionally, Commission jurisdiction was eliminated for all broadband services used for Internet delivery.

# Past Commissioners

## 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 A. 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 – January 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 1907 – July 1908  
John A. Lusk:  
August 1908 – January 1911  
Frank N. Julian:  
January 1911 – January 1915  
S.P. Gaillard:  
January 1915 – January 1923  
Frank P. Morgan\*:  
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 – November 2006  
**Susan D. Parker, Ph.D.:**  
**November 2006 – Present**

**\*Also served as president of the  
National Association of  
Regulatory Utility  
Commissioners.**









**Alabama**  
**Public Service Commission**

**P.O. Box 304260**

**Montgomery, AL 36130**

**[www.psc.alabama.gov](http://www.psc.alabama.gov)**

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