

## **Introduction to the Alabama Public Service Commission**

The activities and accomplishments of the Alabama Public Service Commission during the period October 1, 2001, to September 30, 2002, 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 Public Service Commission has been charged with the responsibility for the regulation of public utilities and some aspects of the transportation industry doing business in Alabama. These include privately-owned corporations providing electric, gas, water and telecommunications service to the public, as well as railroads, buses, some trucking companies, and taxis operating outside police jurisdictions.

The 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 quasijudicial 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-02 appears in this report, which is published by the Public Affairs section of the Advisory Division.

# Commissioners

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

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

In addition to his national leadership role through NARUC, Commissioner Sullivan holds a seat on the University of Chicago Board of Governors of the Argonne National Laboratory and he currently serves on the advisory councils of the Electric Power Research Institute and the Institute of Nuclear Power Operations.

Under Commissioner Sullivan's leadership, Alabama ratepayers have enjoyed 18 reductions in BellSouth telephone rates totaling approximately \$275 million. Meanwhile, Alabama Power customers have been assured reliable electric service at rates that consistently rank less than the national average. According to data compiled by Edison Electric Institute, they are currently about 20 percent below the national average.

Commissioner Sullivan and his wife Susan have two grown daughters and one grandson.

## *Commissioner Sullivan's Staff:*

*G. Scott Morris,*

*Deputy Attorney General*

*Donna H. Dodd,*

*Executive Assistant III*

*Carolyn Denham,*

*Administrative Support*

*Assistant III*

*Wesley Barton,*

*Laborer*

## 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 and 2002.

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

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

### *Commissioner Cook's Staff:*

*Tom Whatley,*

*Chief Counsel*

*Liz Thompson,*

*Executive Secretary,*

*Rebecca Lee,*

*Assistant*

# Commissioners

**GEORGE C. WALLACE, JR.** was born in Eufaula, Alabama, in October 1951 and grew up in a well-known Alabama political family. He was elected to the Alabama Public Service Commission as Commissioner, Place 2, in November 1998 and won reelection to a second term in 2002.

Wallace was elected as State Treasurer of Alabama in 1987. During his two four-year terms he:

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

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

Wallace is the author of The Wallaces of Alabama. He has also received many awards, including the John H. Buchanan Distinguished Service Award for Contributions to Higher Education, Huntingdon College Alumni Association's Exceptional Achievement Award and the NAACP Freedom Award.

In November, 2000, Wallace married the former Elizabeth Maynor of Birmingham. Elizabeth has two daughters, Courtney and Leslie, who both attend the University of Alabama. Courtney is a 20-year-old junior, and Leslie is a 19-year-old sophomore.

Wallace spends his spare time hunting and fishing with his two sons, 18-year-old George C. Wallace, IV, and 17-year-old Robert Kelly Wallace. In addition, he is an avid jogger and an accomplished black belt in Taekwondo.

## *Commissioner Wallace's Staff:*

*Scott Whiteley,*

*Personal Assistant*

*Barbara Kelley,*

*Executive Assistant*

*Valerie Hogan,*

*Executive Secretary*

*Francy Cripple,*

*Receptionist*

## **Commission Staff**

### **Administrative Division**

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

### **Consumer Services Section**

Judi Dykema,  
Consumer Services Manager  
Cathy Cook,  
Utilities Engineering Technician  
Lee Provo,  
Utilities Engineering Technician  
Debra Jackson,  
Consumer Services Specialist  
Sue Hicks,  
Consumer Services Specialist  
Kaye Davila  
Administrative Support Assistant II  
Denise Harris  
Laborer

### **Finance Section**

Miles Gagner,  
Staff Accountant  
Sandra Steele,  
Staff Accountant  
Ernestine Huffman,  
Accounting Technician I  
Shanan Ward,  
Account Clerk

### **Secretary's Staff**

Beth Kyser,  
Administrative Support Assistant II  
Bonnie Granthum,  
Administrative Support Assistant II

### **Advisory Division**

Judy McLean,  
Director, CPA

### **Analysts**

Tom Samford,  
PSC Attorney  
Gene Pitts,  
CPA, Electricity Advisor

Rolland Casey,  
PSC Accountant  
Clarence Duncan,  
PSC Rate Analyst  
Ellen Irvine,  
Administrative Support Assistant III  
Rozetta Parker  
Administrative Support Assistant II  
Robin Chapman  
Administrative Support Assistant I

### **Data Processing**

Kay Hansen,  
IT Systems Specialist Senior  
Brenda Welcher,  
IT Systems Technician Senior  
Karen Gaston,  
Programmer

### **Federal Affairs**

Mary Newmeyer,  
Utility Rate Supervisor  
Gene Hanes,  
Utility Rate Supervisor

### **Personnel**

Dorinda Kepler,  
Personnel Assistant III  
Loy Overstreet,  
Personnel Assistant II

### **Public Affairs**

Clark Bruner,  
Public Information Specialist II

## **Energy Division**

Janice M. Hamilton,  
Director

### **Electricity Section**

John Free,  
Utility Rate Supervisor  
Robert Taylor, III,  
Public Utilities Analyst II  
Sheila Ward,  
Public Utility Analyst I  
Gregory Kelly,  
Utility Engineering Specialist I  
Linda Bowers,  
Staff Accountant  
Patricia Washington,  
Accountant  
Jo Sibley, (retired 1/1/02)  
Clerk Stenographer III

Jackie Frazier,  
Administrative Support Assistant I

**Natural Gas Section**

Robert Reed,  
Utility Rate Supervisor  
William Knight,  
Utilities Analyst II  
Joe Leverette,  
Public Utilities Auditor II  
Donald Powell,  
Utilities Analyst II  
Brenda Roberts,  
Administrative Support Assistant III

**Gas Pipeline Safety Section**

Chris Harvey,  
Gas Pipeline Safety Administrator  
Jannette Mitchell,  
Clerk Stenographer III  
Ocie Dunson,  
Pipeline Safety Investigator III  
John Paul Harris,  
Pipeline Safety Investigator III  
Spencer Brady,  
Pipeline Safety Training Officer  
Thomas Lancaster,  
Pipeline Safety Investigator III  
Gregory Meadows,  
Pipeline Safety Investigator II  
Judy Ramsey,  
Pipeline Safety Investigator II  
David Snoddy,  
Pipeline Safety Investigator II  
Hosie Powell,  
Pipeline Safety Investigator II

**Technical Section**

Rick Cleckler,  
Utilities Engineering Specialist II

**Water Section**

Stephen Bartelt,  
Utility Rate Supervisor  
Pat Dail,  
Administrative Support Assistant II  
Maverick Roberts,  
Laborer

**Legal Division**

Carl L. Evans,  
Chief Administrative Law Judge  
Eileen M. Lawrence,  
Departmental Operations Specialist

Stanley W. Foy,  
Administrative Law Judge  
John A. Garner,  
Administrative Law Judge  
Karen Rogers,  
Administrative Support Assistant III

### **Telecommunications Division**

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

### **Economic Analysis and Compliance Section**

Larry Smith,  
Utility Rate Supervisor  
Linda Jones,  
Clerk Stenographer III  
E.C. McArthur,  
Public Utilities Auditor III  
Eugene Holsenbeck,  
Public Utilities Auditor II  
Tom Jones,  
Public Utilities Analyst II  
David Peeler,  
Public Utilities Auditor III  
Evandrew Tucker,  
Staff Accountant  
Laneeta Roberts,  
Public Utilities Analyst II  
Bill Cook,  
Public Utilities Analyst II  
Janet Conway,  
Public Utilities Analyst II  
Lauvone Turner,  
Public Utilities Auditor II

### **Service Analysis and Compliance Section**

Wayne Wright,  
Utilities Engineering  
Director  
Kathy Burkett,  
Administrative Support Assistant I  
Glenn Darter,  
Utilities Engineering Technician Supervisor  
Terry Jackson,  
Utilities Engineering Technician  
Jack Cates,  
Utilities Engineering Technician

Steve Bennett,  
Utilities Engineering Technician

**Special Services Compliance Team**

Bobby Mobley,  
Utilities Engineering Technician Supervisor  
Retha Bryant,  
Administrative Support Assistant I  
Doug Dillard,  
Utilities Engineering Technician  
Arthur Seay,  
Utilities Engineering Technician  
Perry Johnson,  
Utilities Engineering Technician  
Gilbert Carlisle,  
Utilities Engineering Technician

**Transportation Division**

Rita Grantham,  
Clerk Stenographer III

**Enforcement Section**

John M. Brock,  
Transportation Enforcement Officer II  
Jack W. Clark,  
Transportation Enforcement Officer II  
Earl Reeves,  
Transportation Enforcement Officer II  
Leo Sauls, Jr.,  
Transportation Enforcement Officer II  
Terry Shirley,  
Transportation Enforcement Officer II  
Gary Shirley,  
Transportation Enforcement Officer II  
Suellen Young,  
Attorney III

**Rates and  
Services Section**

Britt Roberts,  
Transportation Rate Supervisor  
Donald Williamson,  
Transportation Rate Analyst

**Insurance and  
Registration Section**

Ronald E. Hicks,  
Supervisor  
David House,  
Public Utility Auditor III  
Larry Wingard,  
Staff Accountant  
Betty Elrod,  
Account Clerk

Will Durden,  
Account Clerk  
Tara Lawson-Frazier  
Administrative Support Assistant I  
Jennifer Samford  
Administrative Support Assistant I  
Brenda Byrd-Faire  
Administrative Support Assistant II  
Laurie Hinson  
Account Clerk  
Vanessa Averhart,  
Administrative Support Assistant I

**Railway Safety Section**

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

**Statement of Operations**  
**For the Fiscal Year Ending September 30, 2002 and 2001**

	<u>PSC Operating Fund</u>	<u>Gas Pipeline Safety Fund</u>	<u>Total Sept. 30, 2002</u>	<u>Total Sept. 30, 2001</u>
<b>Comptroller's Beg. Cash Balance:</b>	\$ 2,432,601	\$ 669,732	\$ 3,102,333	\$ 3,068,804
Inspection & Supervision Fees -				
Utility/Water Companies	\$ 6,965,642	\$ -	\$ 6,965,642	\$ 6,568,998
Telecommunications/Railroads	\$ 2,983,205	\$ -	\$ 2,983,205	\$ 3,325,551
Motor Carrier Ins. & Reg. Fees	\$ 2,404,691	\$ -	\$ 2,404,691	\$ 2,547,268
Gas Service Line Fees	-	\$ 484,748	\$ 484,748	\$ 480,405
Federal Dept. of Transportation	-	\$ 445,045	\$ 445,045	\$ 185,085
Alabama Dept. of Transportation	50,000	\$ -	\$ 50,000	\$ 50,000
Miscellaneous Receipts	20,940	\$ -	\$ 20,940	\$ 9,951
<b>Total Receipts:</b>	<u>12,424,478</u>	<u>\$ 929,793</u>	<u>\$ 13,354,271</u>	<u>\$ 13,167,258</u>
<b>Total Cash Available:</b>	<u>14,857,079</u>	<u>1,599,525</u>	<u>16,456,604</u>	<u>16,236,062</u>
<b>Disbursement of Encumbrances:</b>				
Personnel Costs	-	\$ -	\$ -	\$ (32,000)
Employee Benefits	93	\$ -	\$ 93	\$ (8,000)
Travel- In State	13,568	\$ 4,673	\$ 18,241	\$ 15,509
Travel- Out of State	3,093	\$ 2,984	\$ 6,077	\$ 5,741
Repairs & Maintenance	3,893	\$ -	\$ 3,893	\$ 4,105
Rentals & Leases	3,781	\$ 973	\$ 4,754	\$ 5,029
Utilities & Communications	22,464	\$ 701	\$ 23,165	\$ 24,831
Professional Services	390,209	\$ 253	\$ 390,462	\$ 561,272
Supplies & Operating Expenses	30,743	\$ 17,171	\$ 47,914	\$ 10,756
Transportation Equipment Operations	14,878	\$ 4,448	\$ 19,326	\$ 11,517
Grants and Benefits	-	\$ -	\$ -	\$ 40,000
Transportation Equipment Purchases	188,049	\$ -	\$ 188,049	\$ 41,082
Other Equipment Purchases	69,634	\$ 2,121	\$ 71,755	\$ 12,363
<b>Total Encumbrances:</b>	<u>740,405</u>	<u>\$ 33,324</u>	<u>\$ 773,729</u>	<u>\$ 692,205</u>
<b>Disbursement of Operating Costs:</b>				
Personnel Costs	5,122,300	\$ 484,578	\$ 5,606,878	\$ 5,493,879
Employee Benefits	1,177,169	\$ 115,575	\$ 1,292,744	\$ 1,219,023
Travel- In state	130,219	\$ 58,262	\$ 188,481	\$ 220,528
Travel- Out of State	63,679	\$ 5,102	\$ 68,781	\$ 80,435
Repairs & Maintenance	12,224	\$ -	\$ 12,224	\$ 11,076
Rentals & Leases	804,138	\$ 33,690	\$ 837,828	\$ 819,797
Utilities & Communications	152,011	\$ 14,815	\$ 166,826	\$ 152,738
Professional Services	346,430	\$ 3,281	\$ 349,711	\$ 406,019
Supplies & Operating Expenses	225,241	\$ 27,043	\$ 252,284	\$ 237,149
Transportation Equipment Operations	43,249	\$ 11,125	\$ 54,374	\$ 73,463
Grants and Benefits	-	\$ -	\$ -	\$ 53,484
Transportation Equipment Purchases	33,033	\$ 38,702	\$ 71,735	\$ 57,681
Other Equipment Purchases	124,201	\$ 12,600	\$ 136,801	\$ 62,150
<b>Total Operating Costs:</b>	<u>8,233,894</u>	<u>\$ 804,773</u>	<u>\$ 9,038,667</u>	<u>\$ 8,887,422</u>
Transfer to General Fund	2,923,000	\$ -	\$ 2,923,000	\$ 2,723,000
Transfer to General Fund: Prior year cash	992,196	\$ -	\$ 992,196	\$ 831,102
<b>Total Disbursements &amp; Transfers:</b>	<u>12,889,495</u>	<u>\$ 838,097</u>	<u>\$ 13,727,592</u>	<u>\$ 13,133,729</u>
<b>Comptroller's Cash Balance, Ending:</b>	1,967,584	\$ 761,428	\$ 2,729,012	\$ 3,102,333
Purchase Orders	92,851	\$ 3,049	\$ 95,900	\$ 388,926
<b>Unencumbered Cash Balance, Ending (1)</b>	1,874,733	\$ 758,379	\$ 2,633,112	\$ 2,713,407

(1) PSC is authorized by statute to carry over \$600,000 each fiscal year plus \$100,000 court settlement in fiscal year 2001 and \$80,328 in fiscal year 2002 and the unencumbered cash balance for Fund 325.

# Administrative Division

The Administrative Division consists of three sections-the Secretary's Office Section, the Consumer Services 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-02 are as follows:

## Secretary of the Commission

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

The Secretary maintains the Commission hearing docket and hearing calendar, assigning cases for hearing in collaboration with the Administrative Law Judges and Commissioners. He arranges the hearing room schedules and court reporter schedules, as well as prepares and mails hearing notices to the parties involved or known to have interest in the proceeding. He prepares the weekly hearing calendar for the Commissioners, staff, and press representatives.

The Secretary receives and records transcripts of testimony and approves invoices prepared by the court reporter. The Secretary prepares transcripts of Commission cases appealed to the courts and maintains files on these cases.

The Secretary takes and transcribes the minutes of each monthly Commission meeting. He attests to and maintains orders of the Commission. He 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.

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 the 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 department's telephone and data lines are working properly.

A tabulation of the principal activities of the Secretary during FY-02 is as follows:

Commission orders issued	1,224
Public hearings held	96

## Finance Section

The Finance Section plans, coordinates and directs the fiscal functions of the Commission, overseeing such activities as accounts, budgets, purchases, equipment and custodial care. Its responsibilities include maintaining the general books, consolidating operating budget requirements and preparing a budget request and operations plans. The section also prepares budgetary performance reports; monitors the budget for possible problems and makes any necessary corrections; verifies and processes invoices and expense reports for payment; coordinates the payroll and maintains payroll records; bills utilities for inspection and supervision fees; maintains records of fees collected; notifies the Legal Division of any delinquent companies; and conducts special studies or assignments as requested by the Commission. The section maintains office supplies for the Commission, develops and administers internal accounting procedures and administers a centralized purchasing service of approved materials, supplies and equipment.

## Consumer Services Section

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

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

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

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

The Consumer Services Section received and processed 8,785 complaints/inquiries during FY 02. The total consisted of complaints/inquiries in the following categories: 717 electric; 311 gas; 2,812 telecommunications; 168 no jurisdiction; 230 miscellaneous jurisdiction; and 4,547 miscellaneous inquiries. The staff made 110 field investigations.

The number of slamming complaints continued to decline in the past year compared to previous years. Consumer Services processed 304 slamming complaints during this reporting year and obtained refunds/credits for rate differentials and advised consumers on how to return to their provider of choice.

Cramming, adding charges to consumers' telephone bills for services that were not authorized, continued to be a source of complaints during FY 02. Although the companies responsible for billing these unauthorized charges are not regulated by the PSC, Consumer Services assisted in resolving cramming complaints and obtaining credits for Alabama consumers.

In addition to the above, the Consumer Services Section is responsible for maintaining Alabama's "Do-Not-Call" register. Over 46,000 Alabama residential phone numbers have been placed on the register.

# 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

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

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

### Natural Gas Advisor

The Alabama Public Service Commission has 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 analysis, operational reviews and recommendations can be used by the Commission to make the most informed judgments for the benefit of Alabamians.

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

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

### Telecommunications Advisor

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

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

Important special projects addressed in FY02 include a new statewide Telecommunications Price Regulation and Local Competition Plan. This plan will serve as the blueprint for providing telephone rates and services to Alabama citizens for the foreseeable future.

The current Telecommunications Advisor has 23 years of experience, comprising seven years at the federal regulatory level, three years at a publicly held federal and state jurisdictional utility company, and 13 years at the state regulatory level.

### Legal Advisor

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

### Data Processing

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

The Commission is presently totally electronically networked to all divisions internally and to the State of

Alabama's consolidated data center. Additionally, the Data Processing Section has a Web site at [www.psc.state.al.us](http://www.psc.state.al.us). This web site provides consumer information about utility-related issues, a schedule of PSC proceedings, access to Commission orders and other public documents as well as online enrollment in Alabama's Do-Not-Call Register.

The Commission has a LAN with three servers attached. The servers are running Windows 2000, and clients run Windows 95, 98, 2000, and XP operating systems. Programming is accomplished with the Access language and SQL database.

### **Federal Affairs**

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

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

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

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

Federal Affairs has worked with several significant regulatory issues. 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. Since the passage of the Telecommunications Act of 1996, addressing issues related to its implementation has also been a focal point for Federal Affairs.

In FY02, Federal Affairs filed numerous comments before FERC and Congress on the topic of regional electric transmission organizations.

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

Furthermore, Federal Affairs represents the Commission on the NARUC Staff Subcommittee on Telecommunications, the Federal-State Joint Board on Universal Service, and Staff Subcommittee on Nuclear Issues-Waste Disposal.

### **Personnel**

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

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

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

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

### **Public Affairs**

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

The Public Affairs coordinator serves as spokesperson for the Commission. Topics that have received a great deal of media interest during the past year include BellSouth's approval to offer long distance service in Alabama, retail energy prices and the status of state and federal telemarketing regulations.

The coordinator also produces informational materials such as the PSC's Annual Report, brochures,

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

# ENERGY DIVISION

The Energy Division oversees the operations of all investor-owned electric, natural gas and water utilities serving customers within the state of Alabama. This responsibility includes monitoring the rate stabilization and equalization (RSE) programs used by the Commission to regulate Alabama Power Company (APCo) and Alabama Gas Corporation (Alagasco). Additionally, the safety of all natural gas systems and hazardous liquid pipeline systems in Alabama is included within the Energy Division under the Gas Pipeline Safety Section's purview. The following paragraphs discuss each section's significant regulatory policies, responsibilities and other activities during FY-02.

## **Electricity Section**

This section is responsible for the regulatory examinations of Alabama Power Company as well as inquiring into the management of the company to remain informed as to the manner and method in which the company's business is conducted. This includes financial analyses, economic evaluations, compliance auditing, the design and implementation of monitoring and forecasting procedures and the assimilation of statistical data on the foregoing.

## **Significant Regulatory Policies:**

### **Rate Stabilization and Equalization (RSE)**

Under the RSE program for Alabama Power Company (APCO), the Electricity Section examines the company's books and records on a monthly basis to determine the Retail Return on Common Equity (RRCE) for the preceding 12-month period, as well as forecasts the RRCE (actualized through the current month) for the December point-of-test. The section prepares a monthly report for each Commission meeting, indicating the projected RRCE, a summary calculation of the projection and any ensuing rate adjustment.

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

The Retail Return on Common Equity for the twelve-month period ending January 31, 2002, was 12.38%, which was below the allowed range. This equated to a 2.30 percent rate increase. However, due to Rate RSE limitations, the increase was restricted to 2 percent. This amounted to a total revenue adjustment of \$54,931,010 or \$1.54 per 1000 kWh for residential customers that became effective for April 2002 billings. This was only the second base rate adjustment pursuant to Rate RSE in almost 10 years.

### **Energy Cost Recovery (ECR)**

Rate ECR is the method used to recover the retail customer's portion of energy cost. Initially established at 17.88 mills per kwh, the rate has been adjusted for temporary periods of time to reduce the under/over collections accumulated in the energy cost account. The Electricity Section prepares a report for the monthly Commission meeting reflecting the status of energy costs recovered, the accumulated over/under collection, and a current ECR projection. This projection assumes 100 percent normal hydro generation.

In October 2001, the Commission approved a revision to the Company's Rate ECR allowing for the recovery of specific costs associated with the sales of natural gas that become necessary due to operating considerations at its electric generating facilities. This revision also includes the cost of financial tools, used to hedge against market price fluctuations.

In April 2002, the Commission decreased the ECR factor from 17.88 mills per kWh to 15.18 mills per kWh. At this same time, the Commission approved Rate Rider RDF (Rate Differential Factors). This rate rider is applicable to Rate ECR and will adjust the ECR billing factor to reflect the seasonal patterns of fuel cost. The billing factor will be increased during the months of June through September and decreased for the billing months of October through May. At September 30, 2002, the accumulated balance for Rate ECR was \$9,753,476 under-recovered.

### **Certificated New Plant (CNP)**

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

Purchase Arrangements. During FY-02, APCO did not file any applications for a Certificate of Public Convenience and Necessity.

### **Flexible Contract Rate (FCR)**

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

During FY-02, the Commission evaluated and approved ten (10) separate contracts that were filed pursuant to Rate FCR.

### **Natural Disaster Reserve (NDR)**

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

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

Accruals above normal monthly amounts may continue until the reserve is restored to \$32 million and must be reported to the Commission in writing.

For the 12-month period ending September 30, 2002, the Company made one additional accrual (January 2002) of \$11,185,967 million above the normal monthly amount of \$250,000. For the same period, charges against the reserve amounted to \$1,020,150. The NDR balance at September 30, 2002, was \$13,888,671.

### **Accounting for Balance Sheet Asset Reductions**

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

Also, on April 21, 1997, the Commission granted the company the additional authority to reduce balance sheet asset items in conjunction with future reductions in retail rates (Docket U-3741).

For the period October 1, 2001, through September 30, 2002, the company made no accruals pursuant to U-3647 or U-3741.

## **OTHER ACTIVITIES:**

### **New and Revised Tariffs**

On August 13, 2002, the Commission approved Alabama Power Company's petition for Rate FDF - Family Dwelling FlatBill – Residential Service (Docket U-4430). This new rate is designed to present customers with a fixed monthly power bill for a twelve-month period. This new rate is approved for a three-year pilot program and will be aimed at residential customers who desire predictable bills for their electric service.

In addition to Rate FDF, the Commission-approved Alabama Power Company's petition to modify Rate Rider RLF (Rate Loss Factor), in Docket U-3489. The revision to Rate RLF expands the rate rider to recognize the seasonal patterns of energy cost recoverable through Rate ECR. Included with this revision, Rate Rider RLF was renamed Rate Rider RDF (Rate Differential Factor).

Also, the Commission approved the 22nd revision of Rate PAE (Purchase of Alternative Energy), in Docket 18005. This was Alabama Power Company's annual filing to update Rate PAE based on its latest avoided cost data. This revision was filed on March 27, 2002 and approved on May 7th to be effective with the June 2002 billings.

Alabama Power Company also petitioned the Commission for other minor revisions including the withdrawal of all products and services listed under Rate OPS (Optional Products and Services, Docket U-4292).

## **Federal Issues**

The Electricity Section staff monitors various Federal issues that may impact the electricity industry in some way. This includes participating in teleconference call discussions, research, and attending meetings with FERC, NARUC, and others.

The most notable issues this year have been centered on FERC's Regional Transmission Organization (RTO), Standard Market Design (SMD), and Interconnection Dockets; Federal Energy Legislation; and the Environmental Protection Agency's administration of the "New Source Review" provisions of the Clean Air Act.

## **Financing**

The Electricity Section staff reviews all financing petitions filed by Alabama Power Company and/or Southern Electric Generating Company (SEGCo). These petitions are generally filed with the Commission to request approval to engage in the issuance of securities or to assume obligations pursuant to other types of debt instruments. Upon analysis and evaluation, the staff makes recommendations to the Commission pertaining to those petitions.

For the period October 1, 2001, through September 30, 2002, the staff reviewed the following petition:

On November 5, 2001, the Commission issued an order regarding Docket U-4365 granting Alabama Power Company the authority to issue additional securities and assume obligations in connection with the issuance of preferred securities by a special purpose subsidiary or subsidiaries not to exceed \$900,000,000 and also the authority to incur short term borrowing through the issuance of promissory notes and/or commercial paper not to exceed \$1,000,000,000 at any one time outstanding; and the authority to incur obligations as guarantor in connection with the issuance of promissory notes by Southern Electric Generating Company (SEGO) for the remainder of 2001 through December 31, 2003 in an amount not to exceed \$50,000,000.

## **Auditing**

The Electricity Section's auditors conduct monthly analytical reviews and/or audits to test the completeness and accuracy of financial statements, economic models or 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 50 percent of total operations and maintenance (O&M) expense. On this monthly audit, the accounting records for fuel purchases and burns are reviewed at the corporate office and at the respective generating facilities. The site audits for each generating facility are performed on a rotating basis.

Other auditing responsibilities include staff investigations of large cost/revenue variances that are discovered as a result of the monthly monitoring and analytical process as well as billing audits to ensure the company's compliance with approved tariffs.

## **Natural Gas Section**

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

## **Rate Stabilization and Equalization (RSE)**

Each month this section examines the books and records of Alabama Gas Corporation (Alagasco), determines the return on average common equity for the preceding 12-month period and reports the financial and operational results of the previous month, including the return on average common equity, to the Commission. It also graphically summarizes the recent history of capital structure, returns and residential bills. Under the RSE plan, the only time Alagasco can receive an increase is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.15 percent, rates are increased December 1 to bring the return at the end of the fiscal year to 13.4 percent. If the projected return is more than 13.65 percent, rates are decreased to bring the return to 13.4 percent. If the projected return is between 13.15 and 13.65 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, the end of Alagasco's fiscal year, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas Section evaluated four RSE filings by Alagasco during FY-02.

Effective Date	Increase (Decrease)
December 1, 2001	\$16,282,582
April 1, 2002	0

July 1, 2002	0
October 1, 2002	0

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

### **Local Distribution Companies**

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

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

During FY-02, the Natural Gas Section was responsible for evaluating and making recommendations to the Commission on all matters pertaining to the following local distribution companies:

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

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

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

The section also attended court hearings concerning the continuing issues of the settlement of the Verbon Waters lawsuit. The court previously appointed a Special Master to review the financial performance of Wheeler Basin and make a recommendation to the court as to whether it would be in the best interests of the customers of Joe Wheeler Electric Membership Corporation, Wheeler Basin's parent, to sell the system. After soliciting bids for the system and receiving input from the Natural Gas Section, the Special Master recommended that Joe Wheeler retain ownership of the gas system. The court accepted the recommendation and concurred with the Special Master. The court will, however, continue to maintain jurisdiction over the matter.

During FY-01, Mobile Gas Service Corporation filed for a rate increase and requested to be regulated under a Rate RSE mechanism. The section conducted a rate case audit and met with Mobile Gas and the Attorney General's Office on numerous occasions. The parties were able to reach a settlement agreement that resulted in a net rate reduction to the customers of Mobile Gas and delayed a final determination on the adoption of RSE until spring 2002. As a result of that settlement, Mobile Gas provided data and reports that would be required if RSE were implemented. This section reviewed and analyzed the information and met with Mobile Gas and the Attorney General's Office on numerous occasions. The parties were able to reach a settlement agreement in the form of tariff language adopting RSE for Mobile Gas. The settlement was approved by the Commission in June 2002 and implemented an RSE program for Mobile Gas to commence October 2002.

### **Intrastate Pipeline and Storage Companies**

During FY-02, the Natural Gas Section was responsible for evaluating and making recommendations to the Commission on matters pertaining to the following intrastate pipeline and storage companies:

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

- Enbridge Pipelines (Tennessee River) L.L.C., formerly Tennessee River Intrastate Gas Company

**General**

A section member participated in the Alabama Department of Economic and Community Affairs' Weatherization Assistance Policy Advisory Council. Section members participated in the National Association of Regulatory Utility Commissioners' Staff Subcommittees on Gas.

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

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

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

Callon Petroleum Company applied for authority to abandon its certificate and to abandon its service, which authority was granted.

The staff reviewed the cast iron replacement factor for Mobile Gas Service Corporation.

The staff worked with State Personnel staff in developing, evaluation, and description for a new job classification and appeared before the State Personnel Board regarding the same.

The section 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, municipal acquisition audits, and related matters. The section also investigated requests for gas service, and responded to a large number of requests by the general public for rate information, financial data, tariff sheets, and other information.

**Gas Pipeline Safety Section**

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

The Alabama Public Service Commission currently regulates, for safety matters, 100 intrastate gas systems, 87 master meters, seven hazardous liquid systems, three liquefied petroleum systems, five gathering lines, four offshore, four direct sales lines, and six liquefied natural gas systems.

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

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

A tabulation of the section's activities in FY-02 is listed below:

I.	Inspections	
A.	Gas Pipeline Safety	1,232
1.	Enforcement Actions	51
2.	Non-compliances	105
3.	Non-compliances Corrected	46
4.	Construction Projects	249
5.	Safety Education Programs	202
6.	Pipeline Safety Incident Investigations	4

**Water Section**

The Water Section is responsible for regulating nine investor-owned and out-of-state water systems that have authority to operate in Alabama. These companies are:

- East Lowndes Water Association
- Oak Hills Water Company
- Patton Water, Inc.
- Range Line Water System
- Riverside Water Works
- Hiwannee Water Association
- Governmental Utility Service Corporation-Sherbrooke
- Tishomingo County Water District
- 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 staff, preparing reports as a result of inspections and visits, and conducting audits.

The section reviewed and evaluated two new water utilities desiring authority to operate and made recommendations on these applications. Frequently, this section investigates water systems to ascertain if they are privately owned.

The section participated in meetings, led by the Alabama Department of Economic and Community Affairs' Office of Water Resources, regarding the 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 and Tallapoosa Rivers.

During FY-02, the Commission received 140 water system complaints and questions. Patton Water System and Riverside Water Works came under the Commission's regulations; Riverside Water Works and Oak Hills Water Company changed ownership; Range Line Water System had its service area declared open territory; Riverside Water Works had a tariff change approved; and we had two inquiries about starting private water systems.

### **Technical Section**

This section assisted in the oversight of energy utility compliance with Commission rules and regulations, as well as updating rules when needed. The Technical Section provided direct assistance to utility customers through telephone and personal communications, including customer site visits.

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

This section also gave training assistance to new division engineering personnel. This section made a diligent effort to stay abreast of the latest technological developments in the electric, gas and water industries as well as relevant proceedings before federal regulatory agencies and PSCs in other states.

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

# 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.

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

During the past fiscal year, the Legal Division conducted hearings involving approximately 116 matters and processed hundreds of applications not requiring a formal hearing. The length of hearings varies from 30 minutes or so to several days.

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

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

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

# Telecommunications Division

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

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

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

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

## **Economic Analysis and Compliance Section**

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

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

During FY-02, staff in this section also participated in the arbitration of interconnection issues between BellSouth and various CLECs. The staff monitors the operations of incumbent local exchange carriers to ensure compliance with the Price Regulation and Local Competition Plan approved by the Commission on September 20, 1995.

The staff reviews all tariff filings of incumbent local exchange companies, competitive local exchange companies, long distance companies, and operator service providers. Tariff filings become effective as filed unless an interested party intervenes or the Commission investigates a particular tariff filing. The section reviewed 223 interconnection, resale, and collocation agreements during the year. Analysts examine the agreements to determine whether such agreements comply with the Telecommunications Act of 1996 as well as the rules and regulations of the Alabama Public Service Commission.

The staff ensures local exchange providers, interexchange carriers, long distance providers, and operator service providers report financial data to the Commission in a timely manner. Staff reviews incumbent local exchange carriers' Service Price Index filings for accuracy and completeness. In FY-02, the staff performed audits of the Transition Service Fund, Alabama Service Fund, Primary Carrier Plan Fund and Area Calling Service Fund in accordance with dockets 24499, 24472, 24030, 24865. Plus, staff reviewed Lifeline rates and Area Calling Service plans filed by incumbent local exchange companies. In addition, the staff monitored the access charge reduction flow-through activities of long distance companies. The staff audited telecommunications companies to assure compliance with Commission rules and regulations.

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

The staff has been actively involved in Docket 25980 which provides for implementation of Universal Service requirements of Section 254 of the Telecommunications Act of 1996 and Federal Communications Commission rules and regulations regarding Universal Service. These activities in FY-02 included the review of BellSouth and Verizon's utilization plans for non-rural federal Universal Service funding and rural federal USF utilization plans.. In addition, staff members helped set forth reporting requirements for each of these companies so the Commission could more easily monitor the expenditures of federal Universal Service funding.

Staff members reviewed BellSouth's unbundled network element filing (Docket 27821), Full Circle Promotion (Docket 27989) and Generic Proceeding Considering the Promulgation of Telephone Rules Governing Promotions

(Docket 15957). Additionally, the staff investigated the use of statewide NXX's (telephone prefixes) by carriers to determine whether such NXX's are being utilized in the manner prescribed by the North American Numbering Plan Administration.

The staff assists the Commission, consumers, and telecommunications companies in matters relating to rates and tariffs, including rate and tariff matters filed with the FCC. The staff advises the Commission of the effect of proposed tariff revisions such as rate charges and changes in terms and conditions. Changes to tariffs filed with the Commission are studied to make sure they are prepared properly, and the utilities are audited in connection with rates and tariffs to determine the basis of costs, billing determinants, and other accounting matters. Staff reviews the tariffs for compliance with Commission rules and regulations and performs detailed analyses of tariffs as needed. When necessary, investigations are carried out to prepare reports for the Commission.

Staff members also develop and administer a program of statistical, economic, and accounting analysis and evaluation of the utility's services, rates, and tariffs. The staff advises telecommunications utilities encountering tariff problems. Also, the staff holds conferences relating to procedural matters concerning rate and tariff applications. The staff received, reviewed, analyzed, and made recommendations on 664 tariff filings in FY-02.

The staff reviews the records of regulated telecommunications companies to ensure compliance with Commission rules and regulations. The staff advises the utility's personnel on current tariff matters plus analyzes and suggests solutions regarding tariff issues.

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

During FY-02, the staff received 122 applications for toll resale and competitive local service in Alabama.

### **Service Analysis and Compliance Section**

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

Here is a summary of the services performed by the Service Analysis and Compliance Section during FY-02.

#### **•Quality of Service Inspections were performed on these companies:**

Monroeville Telephone Co.  
Gulf Telephone Co.  
New Hope Telephone Co.  
Mon-Cre Telephone Co-op  
Farmers Telephone Co.  
Hayneville Telephone Co.  
National Telephone Co.  
Lamar County Telephone Co.  
BellSouth – Lexington, Maplesville, Elk River, West End,  
Ft. Deposit exchanges  
Century Telephone Co. -Samson, Opp, and Rockford exchanges

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

Mon-Cre Telephone Co-op  
Lamar County Telephone Co.  
Gulf Telephone Co.  
National Telephone Co.  
Monroeville Telephone Co.  
New Hope Telephone Co.  
Hayneville Telephone Co.  
Alltel-Leeds & Elmore-Coosa  
TDS-Oakman, Butler, Grove hill & Goshen

BellSouth – Linden, Ft. Deposit, Stevenson, and Bridge Port exchanges

- The Service Analysis and Compliance Section assisted the Consumer Services Section in the disposition of several telephone customer complaints. The Service Analysis and Compliance section made a presentation on C.O. grounding at a Siemens Conference in Nashville, Tennessee.

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

**Company/District**

- BellSouth-Mobile
- BellSouth-Montgomery
- BellSouth-North Alabama
- BellSouth-Birmingham
- Verizon-Southern
- Verizon-Northern

**Special Services Compliance Section**

The Special Services Compliance Section monitors the quality of service provided and ensures proper rates are applied by Customer-Owned Coin-Operated Telephone 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 regulation. The Compliance Section also Verifies utility boundary lines for 34 local exchange carriers. The following is a summary of the section’s activities in FY-02:

**Investigations:**

Consumer Complaints – 68

**Inspections:**

Pay Phone Service Providers’ Compliance Inspections – 3,193

Hotel/Motels – 443

**Compliance Audits:** – 48

These audits were conducted to verify tariff rates and assure compliance with PSC rules and regulations.

**Process Filings:**

The compliance section certified these companies as service providers during FY-02:

<b>Company</b>	<b>Docket</b>
Avery Communications	U-4384
Mack Batchelor d/b/a Citizen Phone, Inc.	U-4388
Public Communications Services, Inc.	U-4394
D2 Phones	U-4396
United Payphone Owners, LLP	U-4408
Court Referral Services, Inc.	U-4412
Talton Communications, Inc.	U-4416
North Coast Payphones, Inc.	U-4417
ATN, Inc.	U-4418
Alternative Financial Solutions, LLC	U-4422
CenturyTel of Alabama, LLC	U-26422
Public Payphone Company	U-4427
R & M Communications	U-4429

# Transportation Division

The Transportation Division consists of five sections: Auditing, Enforcement, Insurance and Registration, Railway Safety, and Rates and Services. As provided by law, the Transportation Division is responsible for the supervision and regulation of air, motor, and rail carriers.

## **Audit Section**

The Audit Section audits the Single State Registration System (SSRS). Motor carriers are required by law to pay for the number of motor vehicles operating in interstate commerce in a state.

## **Enforcement Section**

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

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

From October 2001 through September 2002, records indicate officers issued 365 citations and 414 warning tickets for various violations. Enforcement officers conducted 452 safety inspections (physically checked vehicles). Officers conducted 55 investigations pertaining to illegal operations and violations of rules and regulations. Forty-nine drivers were placed out of service and 19 vehicles were placed out of service.

## **Insurance and Registration Section**

The Insurance and Registration Section performs three separate but interrelated functions. First, it registers for-hire 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 all motor or air carriers of passengers or property to file and maintain proof of financial responsibility. Such carriers file forms of liability insurance, cargo insurance, bonds, self-insurance, and bonds for handling of collect-on-delivery shipments.

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

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

This section makes sure that for-hire motor carriers have insurance on file before 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 13,041  
Letters of correspondence 322

#### **Registration of Authority**

SSRS applications from other states 13,250  
SSRS applications from Alabama 2,170  
Interstate registered 50  
Intrastate registered 679

#### **Motor Carrier Vehicle Identification**

Applications processed 2,858  
SSRS receipts issued 480,270  
Stamps issued 1,630  
Numbers and decals issued 449  
Letters of correspondence 75

#### **Revocations and Reinstatement of Authority**

Revoked for no insurance 1,383  
Reinstated after compliance 410

#### **Railway Safety**

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

This section investigates railroad accidents and derailments to determine causes and to recommend action to prevent recurrence. Federally certified inspectors are called upon by the Federal Railway Administration (FRA) and the National Transportation Safety Board (NTSB) to assist in major accident investigations. This section also handles complaints from railroads, railroad employees, labor unions, other governmental agencies, and the general public in all matters pertaining to railway safety.

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

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

The following is a breakdown of the activities of the Railway Safety Section during the period covering October 2001 through September 2002:

Total Miles of Railway Track Inspected	1,469
Total Railway Accidents	0
Total Units of Rolling Stock Inspected (Railway cars)	10,052
Total Locomotives Inspected	179
Total Railroad Records Inspected	1,364
Total Complaints Investigated	11

#### **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.

# 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 railroad tracks and equipment in 1976 under the State Participation Program of the Federal Railroad Safety Act of 1970.

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

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

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

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

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

# 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 Hammond:*

*January 1973 - December 1975*

*C.C. Whatley:*

*December 1975 - January 1977*

*Juanita W. McDaniel:*

*January 1977 - February 1980*

*William J. Samford, Jr.:*

*February 1980 - January 1981*

*Billy Joe Camp:*

*January 1981 - January 1983*

**Jim Sullivan:**

**February 1983 - Present**

## **Commissioner, Place 1**

*James Crook:*

*February 1881 - February 1885*

*Levi W. Lawler:*

*February 1885 - September 1892*

*Gen. James T. Holtzclaw:*

*February 1893 - July 1893*

*Willis G. Clark:*

*August 1893 - February 1895*

*Harvey E. Jones:*

*February 1895 - February 1899*

*A.E. Caffee:*

*February 1899 - February 1903*

*William T. Sanders:*

*April 1903 - January 1907*  
*Charles Henderson:*  
*January 1907 - February 1907*  
*W.D. Nesbitt:*  
*March 1907 - January 1911*  
*Leon McCord:*  
*January 1911 - January 1915*  
*B.H. Cooper:*  
*January 1915 - January 1923*  
*Fitzhugh Lee:*  
*January 1923 - January 1943*  
*Gordon Persons:*  
*January 1943 - January 1945*  
*James Perdue:*  
*May 1945 - January 1947*  
*James Hitchcock:*  
*January 1947 - June 1959*  
*Ralph Smith, Jr.:*  
*August 1959 - August 1960*  
*Joe Foster:*  
*August 1960 - January 1963*  
*Ed Pepper:*  
*January 1963 - January 1967*  
*C.C. (Jack) Owen:*  
*January 1967 - January 1975*  
*Jim Zeigler:*  
*January 1975 - January 1979*  
*Pete Mathews:*  
*January 1979 - March 1981*  
*Lynn Greer:*  
*June 1981 - November 1990*  
**Jan Cook:**  
**November 1990 – Present**

### **Commissioner, Place 2**

*Col. Charles P. Ball:*  
*February 1881 - February 1885*  
*Wiley C. Tunstall:*  
*February 1885 - February 1895*  
*Ross C. Smith:*  
*February 1895 - February 1899*  
*Osceola Kyle:*  
*February 1899 - December 1900*  
*Wiley C. Tunstall:*  
*December 1900 - January 1907*  
*John G. Harris:*  
*January 1923 - May 1936*  
*W.C. Harrison:*  
*June 1936 - January 1947*  
*C.C. (Jack) Owen:*  
*January 1947 - January 1951*  
*T.O. Walker:*  
*January 1951 - January 1955*  
*Sibyl Pool:*  
*January 1955 - January 1971*

*Juanita W. McDaniel :*  
*January 1971 - January 1977*

*C.C. Whatley:*  
*January 1977 - January 1979*

*Jim Folsom, Jr.:*  
*January 1979 - November 1986*

*Charles B. Martin:*  
*November 1986 - November 1998*

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