

2005
Annual Report



Alabama
Public Service Commission

Table of Contents

TABLE OF CONTENTS

Introduction.....	2
Commissioners.....	3
Commission Staff.....	6
Administrative.....	8
Advisory.....	10
Energy.....	12
Telecommunications.....	16
Legal.....	18
Transportation.....	19
History.....	21
Past Commissioners.....	22

Introduction to the Alabama Public Service Commission



The activities and accomplishments of the Alabama Public Service Commission during the period October 1, 2004, to September 30, 2005, 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 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

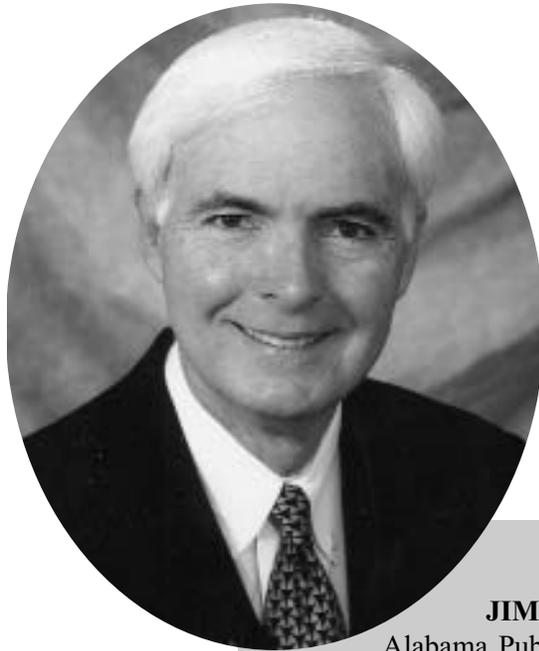
Commission. Commissioners are elected to four-year terms, with the president's term staggered by two years from the two associate commissioners.

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 decision 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-05 appears in this report, which is published by the Public Affairs section of the Advisory Division.

Commissioners



Commissioner Sullivan's Staff:

*Donna H. Dodd,
Executive Assistant III*

*Carolyn Denham,
Administrative Support
Assistant III*

*Virginia Hill,
Administrative Support
Assistant I*

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 Regulator 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 also serves on the advisory council of the Electric Power Research Institute.

Under Commissioner Sullivan's leadership, Alabama ratepayers have enjoyed 18 reductions in BellSouth telephone rates totaling approximately \$275 million. Meanwhile, Alabama Power customers have been assured reliable electric service at rates that consistently rank less than the national average.

Commissioner Sullivan and his late wife, Susan, were married for over 30 years. He has two grown daughters and one grandson.

He was unopposed and re-elected to the presidency of the Commission in 2004.

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.

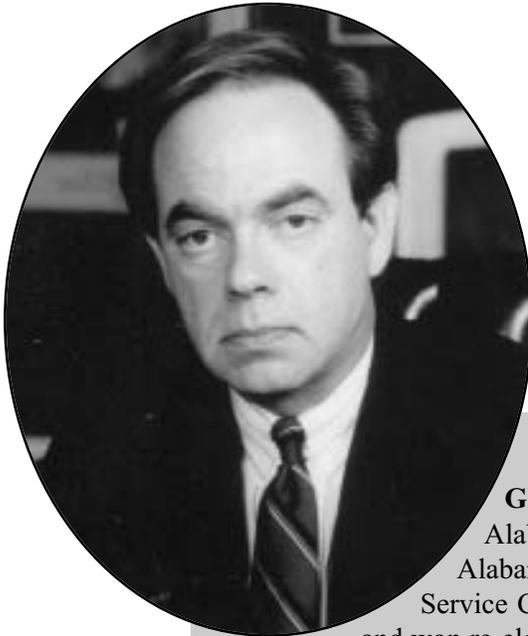
Commissioner Cook is a member of the Dozier Methodist Church and is active in various civic and charitable organizations. She is a life member of the Alabama League of Aging Citizens and holds honorary membership in the Future Homemakers of America and Delta Kappa Gamma. Cook also holds an honorary State 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:

*Kelly Mulero,
Administrative Support Assistant I*

*Candace Austin,
Student Aide*

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 re-election to a second term in 2002.

Wallace was elected as State Treasurer of Alabama in 1986. 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, 23-year-old Courtney, and 22-year-old Leslie.

Wallace spends his spare time hunting and fishing with his two sons, 22-year-old George C. Wallace, IV, and 21-year-old Robert Kelly Wallace. In addition, he is an avid jogger and an accomplished black belt in Taekwondo.

Commissioner Wallace's Staff:

*Barbara Kelley,
Technical Assistant*

*Ahna Berryhill,
Executive Assistant*

*Karen Rogers
Executive Secretary*

*Francy Cripple,
Laborer*

Commission Staff

Administrative Division

Walter L. Thomas,
Commission Secretary
Sandy Haynes,
Clerk Stenographer III
Felisa Webster,
Administrative Support Assistant III

Finance Section

Miles Gagner,
Senior Accountant
Sandra Steele,
Senior Accountant
Ernestine Huffman,
Accounting Technician
Amanda DeLong,
Account Clerk

Secretary's Staff

Denise Harris,
Administrative Support Assistant II
Valerie Hogan,
Administrative Support
Assistant III

Advisory Division

Judy McLean,
Director, CPA
Ellen Irvine,
Administrative Support Assistant III

Analysts

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

Consumer Services Section

Aquila Spivey,
Consumer Services Manager
Sue Hicks,
Consumer Services Specialist
Margaret Wilson,
Consumer Services Specialist
Liz Thompson,
Clerk Stenographer IV
Michelle Wright,
Administrative Support Assistant II

Information Systems Services

Kay Oswald,
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
Rozetta Parker,
Administrative Support Assistant III

Personnel

Dorinda Kepler,
Personnel Assistant III

Public Affairs

Clark Bruner,
Public Information Specialist

Energy Division

Janice M. Hamilton,
Director

Electricity Section

John Free,
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 Bowers,
Public Utility Analyst II
Patricia Washington,
Accountant
Jackie Frazier,
Administrative Support Assistant I

Natural Gas Section

Robert Reed,
Public Utility Analyst Manager
Donald Powell,
Public Utility Analyst III
William Knight,
Public Utility Analyst II
Joe Leverette,
Public Utility Auditor II
Tonya White, Accountant (4/19/04)
Brenda Roberts,
Administrative Support Assistant III

Gas Pipeline Safety Section

Chris Harvey,
Gas Pipeline Safety Administrator
Jannette Mitchell,
Clerk Stenographer III
Harold Dunson,
Pipeline Safety Investigations Supervisor

Spencer Brady,
Pipeline Safety Training Officer
Thomas Lancaster,
Pipeline Safety Investigations Supervisor
Gregory Meadows,
Pipeline Safety Investigator, Senior
Judy Ramsey,
Pipeline Safety Investigator, Senior
David Snoddy,
Pipeline Safety Investigator, Senior
Hosie Powell,
Pipeline Safety Investigator, Senior

Technical Section

Rick Cleckler,
Public Utility Technical Specialist, Senior

Water Section

Stephen Bartelt,
Utility Rate Supervisor
Wa'nita Folks,
Administrative Support Assistant I

Commission Staff

Legal Division

John A. Garner,
Chief Administrative Law Judge

Eileen M. Lawrence,
Departmental Operations Specialist

Scott Morris,
Administrative Law Judge

Aisha Smith,
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

Evandrew Tucker,
Public Utility Analyst II
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

Wayne Wright,
Public Utility Regulatory Advisor
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

Britt Roberts,
Director
Rita Grantham,
Clerk Stenographer III

Rates and Services Section

Larry Wingard,
Senior Accountant
Donald Williamson,
Transportation Rate Analyst

Insurance and Registration Section

Ronald E. Hicks,
Supervisor
Robin McBrayer,
Staff Accountant (9/04)

Tara Lawson-Frazier,
Administrative Support
Assistant I
Jennifer Morgan,
Account Clerk
Amy Bowden,
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

Enforcement Section

Earl Reeves,
Transportation Enforcement Supervisor
John M. Brock,
Transportation Enforcement Officer II
Jack W. Clark, (retired 12/01/03)
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

Administrative Division

Statement of Operations				
For the Fiscal Year Ending September 30, 2004 and 2005				
	PSC Operating Fund	Gas Pipeline Safety Fund	Total Sept. 30, 2005	Total Sept. 30, 2004
Comptroller's Beg. Cash Balance:	\$ 3,090,489	\$ 1,164,545	\$ 4,255,034	\$ 3,103,520
Inspection & Supervision Fees -				
Utility/Water Companies	7,693,173	-	7,693,173	7,122,545
Telecommunications/Railroads	3,255,621	-	3,255,621	3,222,106
Motor Carrier Ins. & Reg. Fees	2,412,997	-	2,412,997	2,336,660
Gas Service Line Fees	-	506,189	506,189	498,160
Federal Dept. of Transportation	-	456,432	456,432	441,859
Alabama Dept. of Transportation	50,000	-	50,000	50,000
Miscellaneous Receipts	195,599	1,913	197,512	1,385,038
Total Receipts	<u>13,607,391</u>	<u>964,534</u>	<u>14,571,924</u>	<u>15,056,368</u>
Total Cash Available:	<u>16,697,879</u>	<u>2,129,079</u>	<u>18,826,958</u>	<u>18,159,888</u>
Disbursement of Encumbrances:				
Personnel Costs	2,582	-	2,582	471
Employee Benefits	1,206	-	1,206	701
Travel- In State	5,297	1,880	7,177	11,175
Travel- Out of State	-	-	-	5,944
Repairs & Maintenance	1,025	-	1,025	9,147
Rentals & Leases	7,072	303	7,375	12,798
Utilities & Communications	17,238	847	18,084	21,037
Professional Services	101,859	131	101,990	75,837
Supplies & Operating Expenses	14,194	352	14,546	25,930
Transportation Equipment Operations	7,393	1,447	8,841	13,887
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	-	-	-	-
Other Equipment Purchases	18,449	-	18,449	9,607
Total Encumbrances:	<u>176,314</u>	<u>4,960</u>	<u>181,274</u>	<u>186,534</u>
Disbursement of Operating Costs:				
Personnel Costs	5,128,499	532,069	5,660,568	5,846,903
Employee Benefits	1,477,797	155,342	1,633,139	1,460,816
Travel- In state	85,979	35,059	121,038	131,638
Travel- Out of State	42,961	1,648	44,609	60,763
Repairs & Maintenance	8,839	22	8,861	12,562
Rentals & Leases	834,542	32,620	867,161	817,376
Utilities & Communications	151,718	16,947	168,665	168,614
Professional Services	502,318	24,803	527,121	275,691
Supplies & Operating Expenses	242,929	20,112	263,040	265,369
Transportation Equipment Operations	54,475	20,410	74,885	69,895
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	19,024	49,792	68,816	29,618
Other Equipment Purchases	33,088	3,925	37,013	79,705
Total Operating Costs	<u>8,582,167</u>	<u>892,747</u>	<u>9,474,914</u>	<u>9,218,950</u>
Transfer to General Fund	3,823,000	-	3,823,000	3,323,000
Transfer to General Fund: Prior year cash	1,584,943	-	1,584,943	1,176,370
Total Disbursements & Transfers	<u>14,166,424</u>	<u>897,706</u>	<u>15,064,130</u>	<u>13,904,854</u>
Comptroller's Cash Balance, Ending:	2,531,455	1,231,373	3,762,828	4,255,034
Purchase Orders	481,838	11,470	493,308	679,885
Unencumbered Cash Balance, Ending (1)	<u>\$ 2,049,618</u>	<u>\$ 1,219,903</u>	<u>\$ 3,269,521</u>	<u>\$ 3,575,149</u>
<i>(1) PSC is authorized by statute to carry over \$600,000 each fiscal year plus \$80,328 court settlement in fiscal years 2004 and 2005 and the unencumbered cash balance for Fund 325.</i>				

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-04 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 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-04 is as follows:

Commission orders issued	1,533
Public hearings held	73

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.

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. In addition, the appropriateness of Alabama Power Company's Energy Cost Recovery Rate, the pricing structure in the Company's rates and rate riders, and the reasonableness of contracts involving the purchase and sale of energy-related resources are reviewed on an ongoing basis.

Specific requests by the Company for rate increases related to the cost of Federal and State environmental requirements and sudden major cost associated with the restoration of service resulting from natural disasters are the types of projects in which the Electricity Advisor is involved. As a rule, the electricity Advisor's recommendations are made independently of the Commission's other divisions.

In general, the Electricity Advisor makes recommendations regarding a variety of regulatory accounting and energy-related issues impacting Alabama Power Company's ability to maintain rate stability, provide reliable service, and comply with orders officiated by the Alabama Public Service Commission.

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 judgements 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.

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 com-

petitive 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) work 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) perform an extensive Special Projects function both within the telecommunications industry and without.

Important projects addressed in FY05 were 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; involvement on the Commission implementation for the database tracking system, the new computerized information gathering and tracking system to be used at the PSC; and work on numerous arbitrations/mediations that were the responsibility of the PSC to direct.

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.

Information Systems Services

The Information Systems Services 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 Information Systems Services section has a Web site at www.psc.state.al.us. This Web site provides consumer information about utility-related issues, hearing dates, plus access to Commission orders and other public documents filed in PSC proceedings. Parties can now file electronically through the Commission's Web site.

The Commission has a LAN with eight servers attached. The servers are running Windows Server 2003 and Windows Server 2000, and clients run Windows 2000, and XP operating systems. Microsoft Access and SQL Server 2000 are used for database development, and ASP.net is used for intranet development.

Federal Affairs

The Federal Affairs section keeps the Commission abreast of federal activities affecting utility regulations 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

Advisory Division

(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 action 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 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.

The requirements of the Telecommunications Act of 1996 have been a major focal point for Federal Affairs staff. Numerous FCC orders and court decisions have been reviewed and implemented.

The 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 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 Telecommunications companies to determine how to make people aware of the program and increase participation.

In FY05 Federal Affairs filed numerous comments before FERC and Congress on the topic of regional electric transmission organizations. In addition, Federal Affairs filed comments in FCC proceedings that had a direct impact on Alabama.

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 that 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.

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 investigates complaints regarding the operation, services, and billings of regulated utility companies.

The staff consists of a supervisor, an administrative support assistant, and three 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.

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 Alabama Public Service Commission (the Commission) to regulate Alabama Power Company (APCo), Alabama Gas Corporation (Alagasco) and Mobile Gas Service Corporation (Mobile Gas). 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. Additionally, the Special Projects section addresses or coordinates issues that are non-jurisdictional or concern multiple energy commodities.

The following paragraphs discuss each section's significant regulatory policies, responsibilities and major activities covered during fiscal year 2005.

Electricity Section

This section is primarily responsible for the regulatory oversight of Alabama Power Company. This includes financial analyses, economic evaluations, compliance auditing, monitoring procedures, and the assimilation of statistical data. In addition, the staff performs management inquiries to remain informed as to the manner and method in which APCo's business is conducted.

Also, the section evaluates certain aspects of the Alabama Municipal Electric Authority (AMEA).

Alabama Power Company

Rate Stabilization and Equalization (RSE)

The Electricity section examines APCo'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 13.00 percent to 14.50 percent. When the RRCE is greater than 14.50 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 with the December 2004 point-of-test was 14.02 percent, which was within the allowed range. Therefore, no rate adjustment was necessary. As of

September 30, 2005, the projected Retail Return on Common Equity for the twelve-month period ending December 2005 is 14.44 percent, with a current month RRCE of 13.93 percent.

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

In October 2001, the Commission approved a revision to 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 allows for the recovery of the cost of financial tools when 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 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 April 2005, the Commission increased the billing factor to 17.88 mills per kWh. As of September 30, 2005, the accumulated balance for Rate ECR was \$183,111,381 under-recovered.

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-05, APCo did not file any applications for a Certificate of Public Convenience and Necessity related to generating facilities.

Rate CNP was modified in April 2000 to include a second provision (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. At this time, there are two such agreements being collected for under CNP -- Part B.

Energy Division

Rate CNP was modified in October 2004 to include a third provision (Part C) that would provide for a mechanism to recover compliance cost associated with “environmental mandates.” In January 2005, the first Part C provision went into effect.

The Electricity Section conducts the financial analysis of petitions filed pursuant to Rate CNP.

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 only applicable 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. In most cases, the need for additional rate or service flexibility for either a new customer or an existing customer who is expanding service is the reason for executing a Rate FCR contract. This rate was approved in April 1996.

During FY-05, the Commission evaluated and approved four (4) separate electric service contracts that were filed pursuant to Rate FCR. The staff also performed post contract reviews of seven (7) separate electric service agreements.

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 (NDR) 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. 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 may continue until the reserve is restored to \$32 million and must be reported to the Commission in writing.

On September 16, 2004, Hurricane Ivan made land-fall on Alabama’s Gulf Coast and then continued through the State, resulting in significant damage to the Company’s transmission and distribution 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 authority from the Commission to 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 other accounting treatments.

For the period October 1, 2004 through September 30, 2005, the Company’s service territory was impacted by Hurricanes Dennis and Katrina, 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, are estimated to be approximately \$80 million. As a result, at September 30, 2005, the NDR had a negative balance of \$69,278,301.

Other Activities:

New and Revised Tariffs

On May 3, 2005, the Commission approved the 25th revision to Rate PAE (Purchase of Alternate Energy). The charges and payment reflect updated cost and avoided cost data for the Company and are based on 2004 data. This revised rate became effective with the June 1, 2005 billings. This annual review is required by the Commission’s Order, dated March 12, 1981, in Docket No. 18005.

In July 2005, the Commission gave the approval for Rate FDF (Family Dwelling-Flat Bill) to continue, with some modifications to the usage factor, as a pilot program until August 31, 2007.

Rate FDF is an optional residential rate that has been operating under a pilot program since September 2002. The pilot has afforded the Company an opportunity to collect customer data in order to evaluate this rate and overall effectiveness. It has been determined by the Company that the usage patterns of customers on Rate FDF have exceeded its original expectations.

Federal Issues

The Electricity section staff monitors various federal issues that may impact the electricity industry in some way. This involves participating in teleconference discussion, conducting research, and attending meetings with the Federal Energy Regulatory Commission (FERC), the National Association of Regulatory Utility Commissions (NARUC), and other electric industry organizations. During FY-05, the staff monitored several Federal matters that were eventually the subject of proposed rules to be issued by FERC. They were: 1) Standards for Business Practices and Communication Protocols for Public Utilities; 2) Reporting Requirements for Changes in Status for Public

Energy Division

Utilities with Market-Based Rate Authority; 3) Revising Regulations Governing Small Power reliability standards and enforcement. In addition, the staff followed the passage of the Energy Bill 2005 and is currently evaluating the Commission's responsibilities/requirements as directed therein.

Also, during the reporting period, the staff continued to track FERC issues such as: 1) Changes to Orders Nos. 2003-A and 2003-B made in Order No. 2006-C; 2) Orders terminating proceeding in Standard Market Design (SMD) Notice of Proposed Rulemaking; and 3) Final rule issued on Interconnection for Wind Energy.

Financing

The Electricity section staff reviews all financing petitions filed by Alabama Power Company and Southern Electric Generating Company (SEGCo). SEGCo is a generating facility located in Wilsonville, Alabama, jointly owned by APCo and Georgia Power Company 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 August 2, 2005, the Commission issued an order in Informal Docket U-4687 granting APCo 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 promissory notes and commercial paper not to exceed \$2,300,000,000 prior to December 31, 2007. 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 \$1,400,000,000 prior to December 31, 2007. Upon this order the Company surrendered its remaining authority under Informal Docket U-4551.

The Company, in Informal Docket U-4688, was also granted authority to issue and sell up to 10,000,000 shares \$40 par value of its parent, the Southern Company, at a purchase price not less than the par value.

In Informal Docket U-4689 on August 2, 2005, the Commission granting SEGCo authority to borrow from lenders on its promissory notes and to issue and sell its commercial paper notes from time to time on or prior to December 31, 2007. The maximum aggregate principal amount of notes at any one time outstanding will not exceed \$60,000,000. Upon this order SEGCo surrendered its remaining authority under Informal Docket U-4550.

Auditing

The Electricity Section's auditors and analysts conduct monthly analytical reviews and/or audits to test the completeness and accuracy of financial statements, economic models or other data submitted by APCo.

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 the 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 that are identified during monthly monitoring and analytical processes. Also, the staff performs two billing audits per year to ensure the company's compliance with approved tariffs.

Engineering

The Electricity Section's engineering staff is generally responsible for providing technical assistance and analysis on various electric utility matters. Specifically, the staff is responsible for conducting monthly site visits, investigating power quality issues, responding to technical inquiries, monitoring industry operating standards, special projects (nuclear decommissioning studies, FERC Energy Policy Act, etc.) and assists with compliance and governance issues. Also, the Section's engineering staff evaluates new technologies for various applications in such matters as: environmental (scrubbers, baghouses, SCRs and SNCRs), broadband over power lines (BPL), as well as automatic meter reading (AMR). The engineering staff also researches emerging alternative energy sources such as fuel cells, solar cells, synthetic fuels, biomass, and biodiesel.

The monthly site visits to the utility plant facilities and construction projects are performed to gain an understanding of their operation and maintenance practices, plant performance, system reliability, infrastructure improvements, and project expenditures. At the same time, APCo's proprietary systems and intellectual properties such as CAD/CAM (digital drawing and mapping systems), MIMS (metering information management systems), DOES (distribution outage evaluation systems), and OASIS (open access same-time information system) are reviewed for informational content.

Energy Division

Power quality issues (outages, interruptions, voltage levels, testing procedures, and other service reliability inquiries) are investigated to determine if electric service is being provided in compliance with the Commission's General Rules and Regulations, the Commission's Special Electric Rules, APCo's Service Regulations and Rates, and other industry standards.

During FY-05, the staff visited 35 different sites 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 approves certain activities of the Alabama Municipal Electric Authority (AMEA). For the period October 1, 2004 through September 30, 2005, AMEA did not file any petitions with the Commission.

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)

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 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-05.

Effective Date	Increase (Decrease)
December 1, 2004	\$12,294,063
April 1, 2005	0
July 1, 2005	0
October 1, 2005	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 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-05, the Natural Gas Section was responsible for evaluating and making recommendation 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 officials of the respective gas companies are held to discuss the results.

Intrastate Pipeline and Storage Companies

During FY-05, the Natural Gas Section was responsible for evaluating and making recommendation to the Commission on matters pertaining to the following intrastate pipeling and storage companies:

Energy Division

Bay Gas Storage Company, Ltd.
Crosstex Alabama Gathering System LP, formerly Duke
Energy Field Services, Inc.
Enbridge Pipelines (Alabama Gathering) LLC
Enbridge Pipelines (Alabama Intrastate) LLC
Enbridge Pipelines (Bamagas Intrastate) LLC
Enbridge Pipelines (Tennessee River) LLC
Pine Energies
Southern Gas Transmission Company

General

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

A section member participated in the National Association of Regulatory Utility Commissioners' Staff Subcommittee on Gas.

A section member participated in the National Association of Regulatory Utility Commissioners' Accounting Subcommittee.

A section member served on the Alabama Department of Health Bioterrorism and Public Health Preparedness Advisory Council.

A section member participated in a Commission Homeland Security meeting.

A section member served on the Alabama Liquid Propane Gas Board.

A section member attended a meeting of the Alabama Water Resources Commission.

A section member represented the Commission at a meeting of the Southern Alliance for the utilization of Biomass Resources.

A section member attended a hearing before the Alabama Oil and Gas Board regarding Bay Gas' proposed third storage cavity.

Section members assisted the Attorney General's office in its ongoing financial review of an unregulated utility.

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

A section representative prepared a letter for Commission signatures regarding Excess Flow Valves.

Section representatives served on a Commission Task Force regarding Birmingham Water Works.

A section representative met with representatives of Enbridge and its local attorney to discuss issues pertaining to the H&W Pipeline, Magnolia, and Moores Bridge portions of its system.

A section representative served on a Commission Task Force regarding wastewater regulation and assisted in the review of an application for a Certificate of Financial

Viability to operate decentralized wastewater cluster system.

A section representative participated in ACO training and the debugging of the ACO system.

Section representatives participated in a teleconference addressing natural gas prices.

A section representative met with Mobile Gas to discuss the recent settlement with Southern Natural Gas Company regarding its rate case before FERC.

The section reviewed Alagasco's application regarding accounting treatment of the amortization of costs related to severance payments and presented it to the Commission.

The section reviewed Alagasco's proposal to establish and implement an early reconnection program and presented it to the Commission.

The section participated as a member of the NARUC/DOE LNG Partnership and in a trip to the Trunkline LNG terminal in Lake Charles, Louisiana. This partnership published three separate publications in July 2005.

The section reviewed Alagasco's filing and work papers related to its Unit of Property designation for determining capitalization and expense treatment of pipe and presented it to the Commission.

The section investigated a request by De Soto Oil and Gas, Inc. on behalf of Escambia Partners, Ltd. Pipeline Gathering System for cancellation of its Certificate of Public Convenience and Necessity. The section reviewed the pertinent information and the Commission granted the request.

The section reviewed Alagasco's request for authority to issue debt and for an increase in its short-term debt limit and presented it to the Commission.

A section representative arranged a meeting between the Commission offices and Ron Edelstein, Director of State Regulatory Programs with the Gas Technology Institute.

The Section met with Mobile Gas, the Attorney General's office and the Advisory Division to review the operation of RSE and to determine what actions need to be taken before the Commission considers the renewal of RSE. The Company filed revised tariff pages to reflect those discussions and the Commission approved the renewal of RSE.

The section met with Wheeler Basin Natural Gas to discuss its progress in finalizing its Continuing Property Records.

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

The section worked closely with the LDCs to monitor gas supply activities to ensure that the lowest possible cost for gas would be available for the winter heating season.

Energy Division

The section investigated, analyzed, and reported on approximately 80-85 separate additional matters, including special contracts, tariff changes, gas supply adjustment filings, purchased gas adjustment filings, new rates, certificates, and related matters.

The section also 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 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, 99 intrastate gas systems, 54 master meters, seven hazardous liquid systems, two liquefied petroleum systems, two 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 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-05 is listed below:

Gas Pipeline Safety	735
Enforcement Actions	42
Non-compliances	84
Non-compliances corrected	157
Construction Projects	216
Safety Education Programs	260
Pipeline Safety Incident Investigations	9

Water Section

The Water Section is responsible for regulating seven investor-owned and out-of-state water systems that

have authority to operate in Alabama. The jurisdictional water utilities are:

East Lowndes Water Association
Governmental Utility Service Corporation Sherbrooke
Hiwannee Water Association
Parker Creek Water Company
Plantation Water System
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 reviews and evaluates new water utilities seeking authority to operate under the jurisdiction of the Commission. The Birmingham Water Works filed to come under the jurisdiction of the Commission and a review of their petition is currently in progress.

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 are the Alabama/Coosa/Tallapoosa and Chattahoochee Rivers.

During FY-05, the Commission received 112 complaints and questions concerning water utility service with most of the calls concerning non-jurisdictional companies.

Commission action on Water Utilities FY-05:

Plantation Water System, Change of Ownership, Oct. 14, 2004;
East Lowndes Water Association, Rate Increase, Nov. 22, 2004;
Tishomingo County Water District, Rate Decrease, Dec. 13, 2004;
Riverside Water Works, Cancel Certificate, Feb. 1, 2005;
Water Works, Inc., Change Rate Rider, May 22, 2005;
Tishomingo County Water District, Rate Increase, Aug. 5, 2005.

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.

The staff provided engineering 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 requests and issues.

Energy Division

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 wastewater systems' management entities pursuant to a 2001 Alabama law. The staff is cooperating with the ADPH on this project under an interagency contractual arrangement. During FY-05, the section reviewed and submitted comments on six cluster system applications involving meetings and other communications with applicants.

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. 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 is the Commission's Staff for regulating 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 (toll) carriers (IXCs), long distance service resellers, payphone service providers (PSPs), and shared tenant telephone service (STS) providers. The Division also ensures that hotel/motel telephone service complies with Commission rules. Staff participates in certification hearings for new telecommunications service providers; reviews and analyzes tariffs; reviews financial reports; monitors financial performance and rate compliance; reviews service quality; and recommends telecommunication policy and rules to the Commission. The Commission does not have jurisdiction over cable television or cellular telephone service, but often assists in issues concerning customer complaints regarding these services.

The Division is comprised of two primary sections: The Rates and Policy Section and the Service Quality Section.

Rates and Policy Section

The Rates and Policy Section of the Telecommunications Division reviews financial and rate information filed by telecommunication companies with the Commission and provides recommendations to the Commission regarding telecommunication policy and rules.

The section is composed of analyst teams that review annual financial reports, applications for authority to

operate in the state of Alabama, tariff filings, local competition reports, resale/interconnection agreements, and contract service arrangements. The section also conducts audits of regulated companies and participates in hearings regarding various telecommunications issues before the Commission.

During FY-05:

1. The section continued monitoring 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. In December 2004, the Alabama Public Service Commission approved a comprehensive Alabama Telecommunications Regulatory Plan (Docket 28590) which provides for relaxed regulation of telecommunications companies. This plan was developed to allow flexibility in pricing and reporting for local telecommunications companies in the face of growing competition while maintaining regulatory authority to assure consumer protections. The plan required that incumbent local exchange companies develop more comprehensive extended local calling plans in order to qualify for pricing flexibility. The Commission also decreased the required time between the filing and effective dates for many filings. In addition, the Commission loosened requirements for competitive local exchange companies and long distance companies by allowing those companies almost complete pricing flexibility along with accelerated effective dates for tariff filings. The staff reviews all tariff filings and relative financial information of incumbent local exchange companies, competitive local exchange companies, long distance companies and operator service providers.

2. In May 2005, the Alabama Legislature passed a law which allowed telecommunication companies to opt out of regulation if those companies could verify that competitors were providing telecommunications services in their service territories. In addition, this law prohibited the Commission from regulating telecommunications which utilizes Voice Over Internet Protocol, wireless communications, and high speed Internet services (broadband services). The Commission has responded to the legislation by providing a regulatory environment which promotes consumer protection while also working with companies that opt to remain regulated by easing the regulatory burdens. The Telecommunications Staff believes that the regulatory scheme resulting from the December 2004 Order (Docket 28590) and the Commission's response to the 2005 law will promote better cooperation with companies while also providing the consumer with a forum to resolve problems associated with telecommunication services provided by regulated companies.

Telecommunications Division

3. The section reviewed 260 interconnection, resale, and collocation agreements between CLECs, wireless providers, and ILECs.

4. The Staff advises the Commission of the effect of proposed tariff revisions such as rate changes and changes in terms and conditions. Changes to tariffs filed with the Commission are analyzed and utilities are audited to determine the basis of costs, billing determinants, and other accounting matters. When necessary, investigations are conducted and results/recommendations are submitted for the Commission's consideration. The staff received, reviewed, analyzed, and made recommendation on 533 tariff filings and 871 contract service arrangements in FY-05.

5. The section analyzed filings by applicants seeking authority to provide telecommunication services in Alabama. During FY-05, the staff received 46 applications for toll resale and competitive local exchange service in Alabama.

6. Staff participated in the arbitration of interconnection issues between various telephone companies.

7. Staff verifies completeness of financial data and annual reports that utilities are required to file with the Commission.

8. Audits were performed on the Transition Service Fund and Area Calling Service Fund in accordance with Dockets 24499, 24472, 24030, and 24865.

9. Staff reviewed Lifeline rates and Area Calling Service plans filed by incumbent local exchange companies.

10. The section continued to review BellSouth's Section Part 271 filings (Docket 25835) regarding Interlata authority and service performance measures for unbundled network elements and resale of local service.

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 NXXs (telephone prefixes) by carriers to determine whether such NXXs are being utilized in the manner prescribed by the North American Numbering Plan Administration.

13. Staff continually evaluates problems associated with Voice Over the Internet Protocol, such as E911, directory listings, etc.

14. The FCC's triennial review order for BellSouth is an ongoing project which is also contingent upon FCC, Court

and the potential rewrite of the Telecommunications Act of 1996. Staff has been reviewing filings regarding change of law and nondiscriminatory pricing for UNEs in Docket 29543.

15. Staff participates in the implementation of the STAR tracking system, an online mailing system that provides for electronic filings and assignments. This system is still in the development stage and is continually updated by Staff. Currently through this system filings are available for review and comment by interested parties and the general public.

16. Staff reviewed filings regarding discounted telephone service charges for individuals displaced by Hurricane Katrina.

17. Staff continues to develop potential amendments to the Alabama Public Service Commission's General Rules and Regulations and Telecommunications Rules.

18. Staff routinely assists the Commissioners, consumers, and telecommunications companies in matters relating to rates, tariffs, and filings with the FCC.

Service Quality Section

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

During FY-05:

Service Quality inspections were performed on the following utilities:

1. ALLTEL Alabama, Inc.
2. Ardmore Telephone Company
3. Graceba Total Communications, Inc.
4. Millry Telephone Company, Inc.
5. Butler Telephone Company
6. Peoples Telephone Company
7. Union Springs Telephone Company
8. BellSouth -- Eufaula exchange
9. CenturyTel -- Scottsboro, Section, Skyline, and Banks exchanges.

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

1. CenturyTel at Faulkville, Massey and Oden Ridge.
2. Graceba Total Communications, Inc.

Telecommunications Division

3. Millry Telephone Company
4. Butler Telephone Company
5. Peoples Telephone Company
6. Union Springs Telephone Company
7. OTELCO at Oneonta
8. Pine Belt Telephone Company, Inc.

In-depth reviews were performed on BellSouth and CenturyTel UST (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

BellSouth-Gulf
BellSouth-North Alabama
CenturyTel-Southern
CenturyTel-Northern

The Section assisted the Rates and Policy Section in reviews of VOIP issues, USF analysis and the analysis of BellSouth's Part 271 filings. The section also routinely assisted the Consumer Services Section in the disposition of numerous telephone customer complaints.

The Special Services Compliance Group of the Service Quality 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. The section also verifies utility boundary lines for 32 local exchange carriers.

The following is a summary of the section's activities in FY-05:

1. Consumer Complaint Investigations - 7
2. County Jails Visited - 4 Inmate Instruments Inspected - 33
3. The Compliance Section certified the following as service providers during FY-05:

Company/Docket No.

ITI Inmate Telephone, Inc. -- U-4664
AGM Telecom Corporation -- U-4669
First American Telecommunications -- U-4681

In Memorium

Arthur Lee Seay

1952 -- 2005

Arthur Seay departed this life on May 24, 2005.

He worked at the Public Service Commission for 15 years, in the Consumer Services section and the Telecommunications Division.

The entire staff of the Public Service Commission would like to express its sincere sympathy to Mr. Seay's family and loved ones. Our thoughts and prayers are with you in your loss.

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 companies 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 80 matters and processed hundreds of applications not requiring a formal hearing. The length of hearings varies from 20 or 30 minutes to several days.

Legal Division

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.

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 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 the 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 activity follows:

Insurance Filings

Self-insurance, bonds for liability and cargo, certificates for liability and cargo, and bonds for brokers --	19,915
---	--------

Letters of correspondence --	627
------------------------------	-----

Registration of Authority

SSRS applications from other state	48,913
SSRS applications from Alabama	2,500
Interstate registered	431
Intrastate registered	178

Motor Carrier Vehicle Identification

Applications processed	3,180
SSRS receipts issued	455,012
Stamps issued	784
Numbers and decals issued	658
Letters of correspondence	80

Revocations and Reinstatements of Authority

Revoked for no insurance	836
Reinstated after compliance	306

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.

Transportation Division

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 a 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 2004 through September 2005:

Total Miles of Railway Track Inspected	1,020
Total Railway Accidents	5
Total Units of Rolling Stock Inspected (Railway Cars)	6,922
Total Locomotives Inspected	63
Total Railroad Records Inspected	604
Total Complaints Investigated	14

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, classifications, 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.

Visit the PSC on the
World Wide Web!

www.psc.state.al.us

For lots of useful information on
the Public Service Commission
and its activities:

Agendas for upcoming meetings
PSC General Rules
Special Telephone Rules
Special Electric Rules
Special Natural Gas Rules
Lists of Regulated Utilities
Gas Pipeline Safety Activities

Links to other useful sites,
including the
National Do Not Call Register
E-mail link for inquiries to the
Commission

File a complaint electronically

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 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 - Present

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

Alabama
Public Service Commission
P.O. Box 304260
Montgomery, AL 36130

APSC Consumer Services
Toll-Free Complaints Hotline:
1-800 392-8050

