

Alabama Public Service Commission

2003 Annual Report

Introduction to the Alabama Public Service Commission

The activities and accomplishments of the Alabama Public Service Commission during the period October 1, 2002, to September 30, 2003, 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-03 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 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.

Commissioner Sullivan's Staff:

G. Scott Morris,

Deputy Attorney General

Donna H. Dodd,

Executive Assistant III

Carolyn Denham,

Administrative Support

Assistant III

Virginia Hill,

Administrative Support

Assistant I

Wesley Barton,

Laborer

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*

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 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, 21-year-old Courtney, and 20-year-old Leslie.

Wallace spends his spare time hunting and fishing with his two sons, 19-year-old George C. Wallace, IV, and 18-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 (Deceased 2/24/03),
Personal Assistant
Barbara Kelley,
Executive Assistant
Valerie Hogan,
Executive Secretary
Ahna Berryhill,
Administrative Support Assistant III
Francy Cripple,
Laborer

Commission Staff

Administrative Division

Walter L. Thomas,
PSC Secretary
Sandy Haynes,
Clerk Stenographer III
Felisa Webster,
Administrative Support Assistant III
Sandra Leser,
Administrative Support Assistant III, *resigned*
Quintince Waites,
Laborer
Melvin Griffin,
Laborer, *transferred to Energy Division*

Finance Section

Miles Gagner,
Senior Staff Accountant
Sandra Steele,
Senior Staff Accountant
Ernestine Huffman,
Accounting Technician
Secretary's Staff
Beth Kyser,
Administrative Support Assistant II
Deborah Brown,
Administrative Support Assistant II
Bonnie Granthum, *retired 10/01/02*
Administrative Support Assistant II

Advisory Division

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

Analysts

Tom Samford,
PSC Attorney
Gene Pitts,
CPA, Electricity Advisor
Rolland Casey,
PSC Accountant
David House,
Public Utility Auditor III
Clarence Duncan,
PSC Rate Analyst
Rozetta Parker,
Administrative Support Assistant II
Robin Chapman, *resigned*
Administrative Support Assistant I

Information Systems Services

Kay Oswald,
IT Systems Specialist
Senior
Brenda Welcher,
IT Systems Technician
Senior
Karen Gaston,
Programmer Analyst, Associate

Public Affairs

Clark Bruner,
Public Information Specialist II

Consumer Services Section

Aquilla Spivey,
Consumer Services Manager
Judi Dykema, *retired 03/01/03*
Consumer Services Manager
Cathy Cook, *retired 03/01/03*
Utility Engineering
Technician,
Lee Provo,
Utility Engineering
Technician
Debra Jackson,
Consumer Services Specialist
Sue Hicks,
Consumer Services Specialist
Michelle Wright,
Administrative Support
Assistant II
Kaye Davila, *transferred*
Administrative Support
Assistant II
Denise Harris, *transferred*
Laborer

Federal Affairs

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

Personnel

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

Energy Division

Janice M. Hamilton,
Director

Electricity Section

John Free,
Utility Rate Supervisor
Robert Taylor, III,
Public Utility Analyst II
Sheila Ward,
Public Utility Analyst II
Gregory Kelly,
Utility Engineering Specialist I
Linda Bowers,
Staff Accountant
Patricia Washington,
Accountant
Jackie Frazier,
Administrative Support
Assistant I

Natural Gas Section

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

Technical Section

Rick Cleckler, Utility Engineering Specialist II

Legal Division

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

Gas Pipeline Safety Section

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

Water Section

Stephen Bartelt,
Utility Rate Supervisor
Pat Dail, *retired 01/01/03*
Administrative Support Assistant II
Wa'nita Folks,
Administrative Support Assistant I
Melvin Griffin,
Laborer
Maverick Roberts, *transferred*
Laborer

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

Public Utility Analyst II

Janet Conway,
Public Utility Analyst II

Service Analysis and Compliance Section

Wayne Wright,
Utility Engineering Director
Kathy Burkett, *transferred*
Administrative Support Assistant I
Glenn Darter,
Utility Engineering Technician Supervisor
Terry Jackson,
Utility Engineering Technician
Jack Cates,
Utility Engineering Technician
Steve Bennett,
Utility Engineering Technician
Special Services Compliance Team
Bobby Mobley,
Utility Engineering Technician Supervisor
Retha Bryant,
Administrative Support Assistant I
Doug Dillard,
Utility Engineering Technician
Arthur Seay,
Utility Engineering Technician
Perry Johnson,
Utility Engineering Technician
Gilbert Carlisle,
Utility Engineering Technician

Transportation Division

Britt Roberts,
Director
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

Donald Williamson,
Transportation Rate Analyst

Insurance and Registration Section

Ronald E. Hicks,
Supervisor
David House, *transferred to Advisory Division*
Public Utility Auditor III
Larry Wingard,
Staff Accountant
Betty Elrod,
Account Clerk
Will Durden, *transferred*
Account Clerk
Tara Lawson-Frazier,
Administrative Support Assistant I
Jennifer Samford,
Administrative Support Assistant I
Brenda Byrd-Faire, *transferred*
Administrative Support Assistant II
Laurie Hinson, *resigned*
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

Statement of Operations
For the Fiscal Year Ending September 30, 2003 and 2002

	PSC Operating Fund	Gas Pipeline Safety Fund	Total Sept. 30, 2003	Total Sept. 30, 2002
Comptroller's Beg. Cash Balance:	\$ 1,967,585	\$ 761,432	\$ 2,729,016	\$ 3,102,333
Inspection & Supervision Fees -				
Utility/Water Companies	6,664,627	-	6,664,627	6,965,642
Telecommunications/Railroads	3,307,808	-	3,307,808	2,983,205
Motor Carrier Ins. & Reg. Fees	2,366,369	-	2,366,369	2,404,691
Gas Service Line Fees	-	492,490	492,490	484,748
Federal Dept. of Transportation	-	642,559	642,559	445,045
Alabama Dept. of Transportation	50,000	-	50,000	50,000
Miscellaneous Receipts	666,712	5,156	671,868	20,940
Total Receipts:	<u>13,055,516</u>	<u>1,140,206</u>	<u>14,195,721</u>	<u>13,354,271</u>
Total Cash Available:	<u>15,023,101</u>	<u>1,901,637</u>	<u>16,924,738</u>	<u>16,456,604</u>
Disbursement of Encumbrances:				
Personnel Costs	-	-	-	-
Employee Benefits	934	-	934	93
Travel- In State	8,108	3,364	11,471	18,241
Travel- Out of State	6,411	689	7,100	6,077
Repairs & Maintenance	2,962	1,000	3,962	3,893
Rentals & Leases	4,236	486	4,722	4,754
Utilities & Communications	18,157	526	18,682	23,165
Professional Services	248,657	241	248,899	390,462
Supplies & Operating Expenses	52,056	1,917	53,974	47,914
Transportation Equipment Operations	9,438	2,956	12,394	19,326
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	-	-	-	188,049
Other Equipment Purchases	14,648	-	14,648	71,755
Total Encumbrances:	<u>365,606</u>	<u>11,179</u>	<u>376,785</u>	<u>773,729</u>
Disbursement of Operating Costs:				
Personnel Costs	5,299,221	519,825	5,819,047	5,606,878
Employee Benefits	1,243,234	122,209	1,365,443	1,292,744
Travel- In state	120,549	46,479	167,028	188,481
Travel- Out of State	60,560	5,970	66,530	68,781
Repairs & Maintenance	18,533	105	18,639	12,224
Rentals & Leases	819,546	34,264	853,810	837,828
Utilities & Communications	157,737	15,464	173,201	166,826
Professional Services	319,267	3,258	322,525	349,711
Supplies & Operating Expenses	211,827	13,762	225,589	252,284
Transportation Equipment Operations	41,254	12,790	54,044	54,374
Grants and Benefits	15,000	-	15,000	-
Transportation Equipment Purchases	-	38,842	38,842	71,735
Other Equipment Purchases	72,132	7,952	80,084	136,801
Total Operating Costs:	<u>8,378,861</u>	<u>820,921</u>	<u>9,199,782</u>	<u>9,038,667</u>
Transfer to General Fund	3,323,000	-	3,323,000	2,923,000
Transfer to General Fund: Prior year cash	921,650	-	921,650	992,196
Total Disbursements & Transfers:	<u>12,989,117</u>	<u>832,100</u>	<u>13,821,217</u>	<u>13,727,592</u>
Comptroller's Cash Balance, Ending:	2,033,983	1,069,537	3,103,521	2,729,012
Purchase Orders	58,239	2,471	60,710	95,900
Unencumbered Cash Balance, Ending (1)	\$ 1,975,744	\$ 1,067,066	\$ 3,042,811	\$ 2,633,112

(1) PSC is authorized by statute to carry over \$600,000 each fiscal year plus \$80,328 court settlement in fiscal years 2002 and 2003 and the unencumbered cash balance for Fund 325.

Administrative Division

The Administrative Division consists of three sections-the Secretary's Office Section, the Finance Section, and the Motor Carrier Section. A description of each section's responsibilities and a detailed report of its activities during FY-03 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 also 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-03 is as follows:

Commission orders issued	1,693
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.

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 evaluates Alabama Power Company's Integrated Resource Planning Model and the Company's significant financial arrangements. The Electric Advisor reviews on an ongoing basis Alabama Power Company's Application of its 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.

Energy-related issues such as the electric industry restructuring are the types of projects in which the Electricity Advisor is involved. The Electricity Advisor corroborates research with organizations within and outside of the Commission. As a rule, the Electricity Advisor's recommendations are made independently of the Commission's other divisions.

Natural Gas Advisor

The Alabama Public Service Commission has 12 natural gas companies under its jurisdiction. The Natural Gas Advisor works independently of the Commission's other divisions to analyze natural gas industry issues before the Commission. This gives the Commissioners a separate recommendation for their review.

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

Specifically, the Advisor reviews ratemaking methodologies, gas supply contracts, accounting matters, operational issues, municipal acquisitions and other filings made 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 FY03 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.

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, a schedule of PSC proceedings, access to Commission orders and other public documents.

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. Microsoft Access and SQL Server 2000 are used for database development.

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 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. In August of 2003, the FCC issued its Triennial Review order that requires extensive investigations and findings by the State Commissions to ascertain the effectiveness of the present rules in developing a competitive market in telecommunication services.

The Federal Affairs staff member 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; modification to the high-cost support mechanisms for non-rural carriers in response to the Tenth Circuit Court's decision.

In FY03, 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 every Personnel action is in line with state laws and SPD rules and regulations. The Personnel manager also represents the Commission at meetings of the State Personnel Board and the Council of Personnel Administrators.

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

Public Affairs

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

The Public Affairs coordinator serves as spokesperson for the Commission. Topics that have received a great deal of media interest during the past year include the National Do Not Call Register administered by the Federal Trade Commission, 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.

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 10,071 complaints/inquiries during FY 03. The total consisted of complaints/inquiries in the following categories: 770 electric; 318 gas; 2,579 telecommunications; 127 no jurisdiction; 223 miscellaneous jurisdiction; and 5,997 miscellaneous inquiries. The staff made 57 field investigations.

The number of slamming complaints continued to decline in the past year compared to previous years. Consumer Services processed 277 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 03. 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 worked in cooperation with the Federal Trade Commission to ensure that Alabama citizens on the state's "Do-Not-Call" register were included in the national register. More than 878,000 Alabama residential phone numbers have been placed on the register.

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). 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 for FY-03.

Electricity Section

This section is 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.

Significant Regulatory Policies:

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 12-month period ended December 31, 2002 was 14.29%, which was within the allowed range. Therefore, no rate adjustment was necessary. As of September 30, 2003, the projected Retail Return on Common Equity for the 12-month period ending December 31, 2003 was 14.18%.

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. As of September 30, 2003, the accumulated balance for Rate ECR was \$9,655,719 over-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, APCo may file to certificate both Generating Facilities and/or Power Purchase Arrangements (PPAs). During FY-03, 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 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-03, the Commission evaluated and approved two (2) separate electric service contracts that were filed pursuant to Rate FCR. The staff also performed post contract reviews of six (6) 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.

For the 12-month period ending September 30, 2003, APCo made accruals totaling \$3,000,000. For the same period, charges against the reserve amounted to \$5,039,514. The NDR balance as of September 30, 2003 was \$11,849,158.

Other Activities:

New and Revised Tariffs

On November 7, 2002, the Commission approved Alabama Power Company's petition for the temporary and optional "Rate Value 2002" in Docket U-4454. This rate was designed to provide a cost benefit for increased energy consumption during the winter period. This optional rate was offered from November 2002 thru January 2003.

On December 16, 2002, the Commission approved in Docket U-4460 the revision of certain fees and charges set forth in APCo's Schedule of Service Regulations and Rates for Electric Service (Service Regulations). These revisions affected fees and charges associated with the following activities: collection on delinquent accounts, reconnection of service, reimbursement for returned checks, and the establishment of an account.

On May 6, 2003, the Commission approved the 23rd revision of Rate PAE (Purchase of Alternative Energy) in Docket 18005. These revisions incorporated 2002 avoided cost data into Rate PAE. In addition, the Commission approved Rate Rider RE (Renewable Energy), which is an optional rate for customers who want to support renewable energy resources.

Federal Issues

The Electricity section staff monitors various federal issues that may impact the electricity industry in some way. This involves participating in teleconference discussions, conducting research, and attending meetings with the Federal Energy Regulatory Commission (FERC), the National Association of Regulatory Utility Commissioners (NARUC), and other electric industry organizations.

During FY-03, FERC issued final rules on: 1) Large Generator Interconnection; 2) Critical Energy Infrastructure; 3) Asset Retirement Obligations; and 4) Hydroelectric Licensing. Also, during this reporting period, FERC updated its website, renamed its online document search from FERRIS to eLibrary, and published a White Paper on Bulk Power Market Design (formerly known as SMD). Federal energy legislation and the Yucca Mountain Project are ongoing issues.

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 October 1, 2002, the Commission issued an order in Docket U-4442 granting APCo 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 \$2,070,000,000 prior to December 31, 2004.

Auditing

The Electricity section staff conducts 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 significant in that APCo's energy costs are approximately 50 percent of total operations and maintenance (O&M) expense. On this monthly audit, the accounting records for fuel purchased and expensed are reviewed at the corporate office and at the generating facility sites. The site audits for each generating facility are performed on a rotating basis.

Other auditing responsibilities include verifying various reported expense and revenue accounts, confirming the use of FERC Uniform System of Accounts, and investigating significant variances discovered as a result of the monthly monitoring and analytical process. Also, the staff performs random billing audits to ensure APCo's compliance with approved tariffs.

Engineering

The Electricity section's engineer is generally responsible for providing technical assistance and analysis of various electric utility matters. Specifically, the section engineer is responsible for conducting monthly site visits, investigating power quality issues, responding to technical inquiries, and monitoring industry operating standards. Also, the section engineer maintains statistical records related to transmission and distribution expenses.

The monthly site visits to APCo's utility plant facilities and construction projects are performed to gain an understanding of its operation and maintenance practices, plant performance, system reliability, infrastructure improvements, and project expenditures. At the same time, APCo's proprietary systems – 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 purposes.

Power quality issues (outages, interruptions, voltage levels, test procedures, etc.) 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.

ALABAMA MUNICIPAL ELECTRIC AUTHORITY (AMEA)

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). During FY-03, AMEA submitted two filings for review by the Commission.

In March 2003, the Commission reviewed and approved AMEA's petition for a Certificate of Convenience and Necessity authorizing the construction and installation by AMEA of approximately 100 MW of combustion generating capacity at a site in Sylacauga, Alabama.

During August-September 2003, the Commission reviewed a bond resolution that would authorize the issuance and sale of \$45,550,000, principal amount of Power Supply System Revenue Bonds, 2003 Series A. The Commission reviewed the resolution to determine if the rates to be charged by the authority pursuant to such resolution are reasonable and in the public interest. In September 2003, the Commission voted to not disapprove the associated rates.

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-03.

Effective Date Increase (Decrease)

December 1, 2002	\$12,673,684
April 1, 2003	0
July 1, 2003	0
October 1, 2003	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.

MOBILE GAS SERVICE CORPORATION

As a result of the rate case settlement reached in FY-02 between Mobile Gas Service Corporation (Mobile Gas) and the Attorney General's Office, Mobile Gas began operating under an RSE program which commenced October 2002.

Under the RSE plan, the only time Mobile Gas can receive an increase is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.35 percent, rates are increased December 1 to bring the return at the end of the fiscal year to 13.6 percent. If the projected return is more than 13.85 percent, rates are decreased to bring the return to 13.6 percent. If the projected return is

between 13.35 and 13.85 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, the end of Mobile Gas' fiscal year, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas section evaluated four RSE filings by Mobile Gas during FY-03.

Effective Date Increase (Decrease)

December 1, 2002	\$2,204,873
April 1, 2003	0
July 1, 2003	0
October 1, 2003	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-03, 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.

CoGasCo required additional regulatory activity as it filed an application with the Commission to abandon service and transfer its assets to the Marshall County Gas District. The section reviewed the application, prepared data requests, assisted in the preparations for the hearing, and participated in the hearing. The Commission issued an Order at its September meeting approving CoGasCo's application.

During FY-03, Mobile Gas reached an agreement with the town of Mount Vernon to purchase its gas system. The section reviewed the application and supporting testimony and work papers, prepared data requests, and toured the town as part of its analysis. The section participated in the hearing. The purchase of the Mount Vernon Gas System was approved at the Commission's September meeting.

Intrastate Pipeline and Storage Companies

During FY-03, the Natural Gas section was responsible for evaluating and making recommendations to the Commission on matters pertaining to the following intrastate pipeline and storage companies:

- Bay Gas Storage Company, Ltd.
- Crosstex Alabama Gathering System LP, formerly Duke Energy Field Services, Inc.
- Enbridge Pipelines (Alabama Gathering) L.L.C.
- Enbridge Pipelines (Alabama Intrastate) L.L.C.
- Enbridge Pipelines (Bamagas Intrastate) L.L.C.

- Enbridge Pipelines (Tennessee River) L.L.C.
- Escambia Partners, Ltd.
- 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 served on the Alabama Chemical/Bioterrorism Program Advisory Council.

A section member chaired the Homeland Security Task Force.

The section developed the COOG/COP Plan for the Commission.

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

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

A section representative served on a Commission Task Force regarding wastewater regulation.

A section representative attended a public meeting in Mobile concerning the proposed use of the Home Port facility as an LNG terminal by ExxonMobil.

The section received a briefing from the President of Bay Gas Storage concerning the status of its current filing before FERC and pending special contracts.

The section reviewed a request by Pine Energies for clarification concerning its operating authority. It was determined that Pine Energies was operating within its granted authority and did not require additional action.

The section met with Alagasco concerning its infrastructure security plans, particularly as they relate to LNG.

The section reviewed the Trussville Utilities Experimental Test Facility which is evaluating the feasibility of a ship-mounted LNG vaporization terminal parked offshore to receive incoming tankers loaded with LNG.

The section met with Wheeler Basin Natural Gas and Joe Wheeler Electric Municipal Corporation to discuss the status of the regulatory agreement. No changes were made as a result of the meeting.

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

The section received a briefing from Alagasco concerning its new software system.

The staff continued to work with State Personnel staff in developing, evaluation, and description for a new job classification

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

The section investigated, analyzed, and reported on approximately 90-95 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, 101 intrastate gas systems, 60 master meters, seven hazardous liquid systems, two liquefied petroleum systems, four 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-03 is listed below:

Inspections

➤	Gas Pipeline Safety	795
	▪ Enforcement Actions	65
	▪ Non-compliances	105
	▪ Non-compliances Corrected	100
	▪ Construction Projects	280
	▪ Safety Education Programs	224
	▪ Pipeline Safety Incident Investigations	7

Water Section

The Water section is responsible for regulating eight 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
- Patton Water, Inc.
- Riverside Water Works
- 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. The review of this 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 include the Alabama, Coosa, Tallapoosa and Chattahoochee Rivers.

During FY-03, the Commission received 140 complaints and questions concerning water utility service. A tariff change was approved for Riverside Water Works; a rate increase was approved for Patton Water Works; and there were two inquiries regarding the creation of new privately owned water systems.

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 on a predetermined schedule and when needed in the interim. The Special Projects section provided direct assistance to utility customers through telephone and personal communications, including customer site visits.

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 special projects.

One new special project was initiated during this fiscal year involving the regulation of on-site waste water cluster systems. This assignment is expected to be an on-going project to assist the Alabama Department of Public Health (ADPH) with the evaluation of the financial viability of these wastewater systems' management entities pursuant to a new Alabama law. The staff is cooperating with the ADPH on this project under an interagency contractual arrangement.

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.

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

A tabulation of the number and types of inquiries handled by the Division is not feasible. Such inquiries are numerous and cover subjects as broad as the Commission's jurisdiction and beyond. These inquiries come from the public in general, the Commissioners, staff members, attorneys, the legislature of Alabama, federal agencies, 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 is the Commission's primary staff for regulating telephone service providers in the state of Alabama. The utilities that fall under the Division'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. Further, the Division ensures that hotel/motel telephone service complies with Commission rules. The staff is involved in 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 and recommending telecommunication policy and rules to the Commission. The PSC does not have jurisdiction over cellular telephone service in Alabama.

The division is 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 and provides recommendations to the Commission with regard to telecommunication policy and rules.

The section is composed of teams that include auditors and analysts who review annual financial reports, applications for authority to operate in the state of Alabama, tariff filings, local competition reports, and resale/interconnection agreements. The section conducts audits of regulated companies and participates in hearings regarding various telecommunications issues before the Commission.

During FY-03:

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. The staff reviews all tariff filings of incumbent local exchange companies, competitive local exchange companies, long distance companies, and operator service providers.
2. The section reviewed 238 interconnection, resale, and collocation agreements between CLEC, wireless providers, and ILECs.
3. 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 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 submitted in reports for the Commission's consideration. The staff received, reviewed, analyzed, and made recommendations on 654 tariff filings in FY-03.
4. The section analyzed filings by applicants seeking authority to provide telecommunication services in Alabama. During FY-03, the staff received 82 applications for toll resale and competitive local service in Alabama.
5. Staff participated in the arbitration of interconnection issues between BellSouth and various CLECs.
6. Staff verified the completeness of financial data that utilities are required to file with the Commission to include annual reports and Service Price Index filings.
7. Audits were performed on the Transition Service Fund and Area Calling Service Fund in accordance with dockets 24499, 24472, 24030, 24865.

8. Staff reviewed Lifeline rates and Area Calling Service plans filed by incumbent local exchange companies.
9. The section reviewed BellSouth's Section Part 271 filings (Docket 25835) regarding interlata authority and service performance measures for unbundled network elements and resale of local services.
10. Monthly data from CLECs regarding ILEC wholesale ordering systems and performance was received, tabulated and reviewed.
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 and CenturyTel's 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. The section continued its review of BellSouth's unbundled network element filing (Docket 27821).
13. 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.
14. Other items staff reviewed include intercarrier compensation for private line, cellular traffic, and originating responsibility plan (Docket 28642); Voice over the internet protocol (Docket (29016); the FCC's triennial review order for BellSouth; potential amendments to the Alabama Public Service Commission's General and Telecommunications Rules; revisions to the Price regulation and local competition plan (Docket 28590).
15. Staff routinely assists the Commissioners, consumers, and telecommunications companies in matters relating to rates and tariffs, including rate and tariff matters filed with the FCC.

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. 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 and monitors construction work involving plant upgrades and additions and reviewed construction work funded by the USF.

During FY-03:

Quality of Service Inspections were performed on the following utilities:

1. Century Telephone Company at Orrville, Alberta, Greenville, Lecta, Chulafinne, Dozier, Forest Home, Clio and Louisville
2. BellSouth at Sylacauga, Columbiana
3. Moundville Telephone Company
4. Roanoke Telephone Company
5. Ragland Telephone Company
6. Valley/Interstate Telephone Company
7. OTELCO at Brindlee Mountain, Oneonta, Hopper & Blountsville
8. Frontier of the South at Atmore and Camden

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

1. Century Telephone Company at Orrville, Alberta, Greenville, Forest Home, Dozier, Clio & Louisville
2. Roanoke Telephone Company
3. Ragland Telephone Company
4. BellSouth at Columbiana, Sylacauga, Vincent, Lexington and Elk River
5. Moundville Telephone Company

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

Company/District

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

The section assisted routinely the Consumer Services Section in the disposition of numerous telephone customer complaints.

Special Services Compliance Section

The Special Services Compliance Section 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 regulation. The section also verifies utility boundary lines for 34 local exchange carriers.

The following is a summary of the section's activities in FY-03:

1. Consumer Complaint Investigations - 49
2. Pay Phone Service Provider compliance inspections - 4,970
3. Hotel/Motels rates compliance verifications - 163
4. STS Provider inspections - 20
5. Compliance Audits to verify tariff rates and assure compliance with PSC rules and regulations - 53
6. The compliance section certified the following as service providers during FY-03:

Company/Docket No

Verizon South, Inc. U-4458
Phillips & Brooks /Gladwin, Inc. U-4463
West Alabama Payphone Service LLC U-4464
Moody's Pay Phone Service U-4475
Inmate Phone Systems d/b/a IPS U-4477
Adam Anderson d/b/a Action Investments U-4484
Happy Valley Productions d/b/a PTS U-4502
Nukem Coin-Tel U-4503

Gulf Coast Telecom U-4504
Jackson Hospital Communications U-4505
KIMCO U-4511
Coastal Payphones U-4517
Caton Communications U-4518
MC3 Telecom, Inc. U-4523
Future Talk U-4531
JAROTH, Inc. U-4537

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.

When 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 2002 through September 2003, records indicate officers issued 327 citations and 209 warning tickets for various violations. Enforcement officers conducted 416 safety inspections (physically checked vehicles). Officers conducted 101 investigations pertaining to illegal operations and violations of rules and regulations. Sixteen drivers were placed out of service and 48 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	8,605
Letters of correspondence	1,972

Registration of Authority

SSRS applications from other states	12,720
SSRS applications from Alabama	1,996
Interstate registered	119
Intrastate registered	635

Motor Carrier Vehicle Identification

Applications processed	2,582
SSRS receipts issued	470,460
Stamps issued	1,283
Numbers and decals issued	552
Letters of correspondence	68

Revocations and Reinstatement of Authority

Revoked for no insurance	1,888
Reinstated after compliance	511

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 2002 through September 2003:

Total Miles of Railway Track Inspected	2,014
Total Railway Accidents	3
 Total Units of Rolling Stock Inspected (Railway cars)	 10,591

Total Locomotives Inspected	131
Total Railroad Records Inspected	1,402
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 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