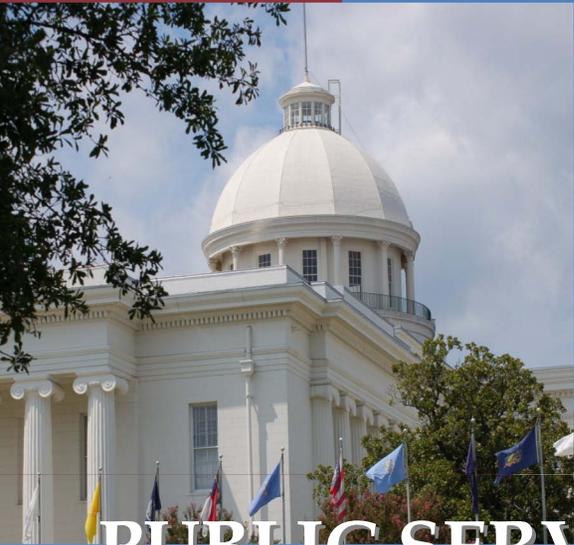


# Alabama



PUBLIC SERVICE COMMISSION



*Annual Report*

2012

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# INTRODUCTION



*President Lucy Baxley (center) shown with Commissioners Twinkle Andress Cavanaugh (left) and Terry L. Dunn (right) at a Commission meeting*

Since its creation over a century ago as the Railroad Commission of Alabama, the Alabama Public Service Commission (PSC or Commission) has remained committed to ensuring that the citizens of Alabama receive reliable and affordable utility and transportation services at rates that are fair and reasonable. The agency's role has evolved throughout the years from the regulation of railroad transportation services to the regulation of all facets of public utility and transportation services. The entities regulated by the Alabama Public Service Commission include privately owned corporations providing electric, gas and water service to the public as well as select providers of telecommunications services. Additionally, railroads, buses, trucking companies and taxis operating outside police jurisdictions on a for-hire basis remain under the oversight of the Alabama Public Service Commission to varying degrees.

The Alabama Public Service Commission operates as a quasi-judicial body whose jurisdiction, powers and duties are statutory in nature. More specifically, the Alabama Public Service Commission derives its authority from the *Code of Alabama 1975*, as amended, 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, 11-50A-25, 37-1-32, 37-2-3, 37-2-171, 37-3-7, 37-4-60, 37-4-82, 37-4-108, 37-8-8 and 37-9-9.

The Alabama Public Service Commission is governed by a president and two associate commissioners who are elected on a statewide basis. Each commissioner is elected to serve a four-year term with the president's term staggered by two years from the terms of the associate commissioners. A complete listing and historical record of past commissioners is included at the end of this report. The list includes some of the men and women who have historically been recognized as among Alabama's most famous public servants.

In order to carry out its vast responsibilities, the Commission generates its principal funding from inspection and supervision fees received from companies regulated by the agency. Those funds are, however, appropriated by the Alabama Legislature. The work of the Commission is performed by a staff of approximately 97 competent and dedicated professionals who serve in the various divisions and offices of the Commission.

Presented in this report is a summary of the regulated activities, accomplishments and financial results for the Alabama Public Service Commission for the period of October 1, 2011, through September 30, 2012. Although not all inclusive, this report represents a good overview of the many services and functions provided by the Commission.

# COMMISSIONERS



## *Lucy Baxley*

### Commissioner Baxley's Staff

- ◇ April Pugh, Esq., Technical Assistant
- ◇ Lisa Parrish, Executive Assistant III
- ◇ Leveika Martin, Executive Secretary
- ◇ Nancy Bivens, Office Assistant

*L*ucy Baxley's top priority as President of the Alabama Public Service Commission is to keep electricity rates as low as possible in order to attract and maintain industry and jobs in Alabama. Lucy is particularly well-positioned to provide citizen oversight on key issues such as energy, telecommunications, and transportation. Not only has she presided over every Commission meeting, she has testified before the state legislature on telecommunications and fiscal policy, attended national and state energy conferences, and worked to influence energy policy in Congress.

Lucy brings leadership and integrity to the Public Service Commission. Her accomplishments include the following:

- Since June 2009, Lucy has reduced Alabama Power rates four times. This includes a historic rate reduction of 7.4% in January 2010;
- In June 2010, Lucy voted to refund more than \$25 million to Alabama Gas customers in the form of a bill credit. For the next nine years, gas customers will see bill reductions thanks to Lucy's work on the company's depreciation study;
- Lucy co-authored a Consumer Bill of Rights to put key PSC rules into language that everyone can understand;
- Under Lucy's leadership, the Commission has intervened extensively on behalf of Alabama consumers whose bills included unauthorized charges from providers other than their own local and long distance phone companies;
- Lucy approved a 2010 plan to allow Alabama Power Company to use stockholder money to increase the Natural Disaster Reserve fund in preparation for any natural disaster. This involved no ratepayer money and proved crucial when the tornados hit in April 2011;

# COMMISSIONERS



## COMMISSIONER LUCY BAXLEY'S STAFF

*From left, Nancy Bivens, Leveika Martin, Lisa Parrish and April Pugh*

- Lucy supports energy efficiency rates so customers can save money when they adjust their usage patterns. After an extensive study, Lucy voted in favor of new Time-of-Use Rates that allow both residential and commercial customers the opportunity to save on their power bills;
- In an effort to create new jobs, Lucy voted for a package of electric power incentives designed to encourage current businesses to expand and new business to locate in Alabama;
- Under Lucy's leadership, charges for inmate phone service have been capped and mandatory service quality standards implemented; and
- She continues to actively oppose unfair federal regulations that will raise power bills and reduce jobs.

Her impressive record and extensive experience in state government includes two previous terms as State Treasurer and one term as Lt. Governor. Having spent her early public life in city, county and state government service, Lucy went on to earn a coveted reputation in Birmingham real estate. In 1994, as her youngest child was starting college, she launched a remarkable and stunningly successful career in public life beginning with her first election as Alabama's State Treasurer.

Re-elected in 1998, she received the highest number of votes cast for any candidate for constitutional office in that election. Four years later, the citizens of Alabama gave her more votes than either candidate running for Governor that year, as they ushered her into the Lt. Governor's Office.

Lucy grew up on a farm in Houston County where her faith and simple rural upbringing helped shape the values she maintains today. She is married to Jim Smith, also a native of South Alabama. She has two children, Becky Nichols and Louis Baxley, and two grandchildren. Lucy and Jim are active members of Frazer Memorial United Methodist Church of Montgomery.



## *Twinkle Andress Cavanaugh*

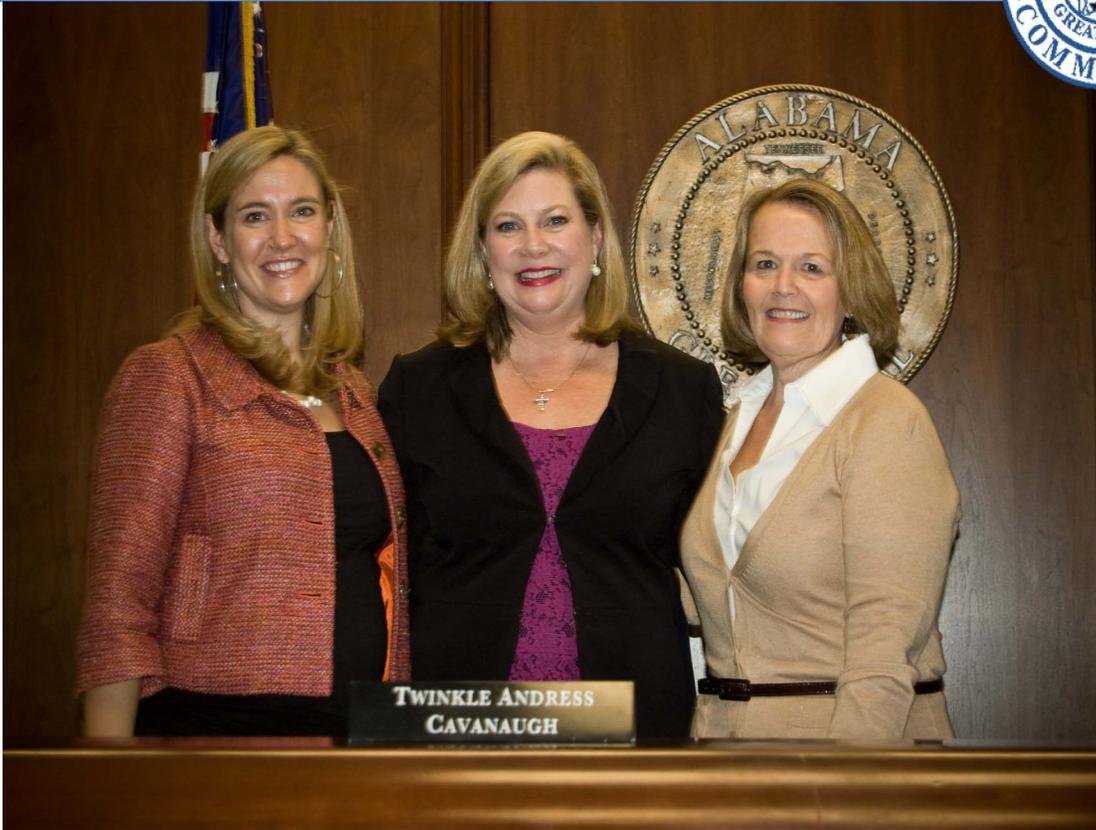
### Commissioner Cavanaugh's Staff

- ◇ Sally R. Corley, Chief of Staff/Legal Counsel
- ◇ Debbie Williams, Executive Assistant
- ◇ Danyal Jones, Clerk (Transferred 3/17/12)

*T*winkle Andress Cavanaugh is called the “Working Commissioner” because she comes to work each day striving to keep Alabama’s utility rates some of the lowest in the nation. She has a three pronged approach to regulating utilities. Twinkle insists on reasonable rates and reliable utilities for consumers, which facilitates recruiting jobs to our Great State. During her term in office she has achieved many accomplishments, some of which include:

- Sponsoring and passing a strong Ethics Policy;
- Demonstrating her commitment to reducing the size of state government by reducing the size of the Commission by about 20% and concentrating the talent within the agency by creating a stand alone Electricity Division;
- Saving tax payers money by refusing a state car and all other perks associated with her office;
- Promoting business incentives that help small businesses thrive and encourage development of new businesses in Alabama;
- Consistently taking the Environmental Protection Agency (EPA) to task on their over-reaching regulations;
- Pushing for time-of-use rates that allow customers an additional way to achieve savings in their home utility bills;
- Actively working with Alabama’s farmers to keep their utility costs down; and
- Offering encouragement to victims of the devastating storms that occurred in Alabama.

# COMMISSIONERS



## COMMISSIONER TWINKLE ANDRESS CAVANAUGH'S STAFF

*Commissioner Twinkle Address Cavanaugh (center), shares a moment with staff, Sally Corley (left), and Debbie Williams (right)*

Twinkle brings to the Public Service Commission a diverse background in public service, conservative policy-making, and small business. Twinkle has been active in public service for many years. She served in Governor Bob Riley's cabinet as Senior Advisor and also developed extensive experience in dealing with national issues while working for former Congressman Sonny Callahan. A deep-rooted commitment to conservative causes and policy is prevalent throughout Twinkle's work experience. She worked at the Republican National Committee in Washington, D.C. She served as Executive Director of the Alabama Republican Party and later became the first female Chairman of the Alabama Republican Party.

Twinkle also served as the State Director of Citizens for a Sound Economy (CSE), a national organization promoting lower taxes for American families. At CSE, she worked to push President George Bush's tax cuts through Congress. During her tenure at CSE, she also helped cities and towns across Alabama stop tax increases and fought for tougher tort reform laws. Having owned several small businesses, Twinkle understands the challenges facing small businesses and Alabama families.

Twinkle is a graduate of Auburn University. She and her husband have three children. They are active members of First Baptist Church in Montgomery and they are involved in numerous community organizations.

# COMMISSIONERS



## *Terry L. Dunn*

### Commissioner Dunn's Staff

- ◇ David Rountree, Chief of Staff
- ◇ Hope Curry, Executive Assistant
- ◇ Denise Harris, Executive Secretary
- ◇ Chandra Lewis (Transferred 1/24/12)

*A* native of Southside, Alabama, in Etowah County, Commissioner Dunn was elected to the Alabama Public Service Commission in November 2010, carrying 55% of the statewide vote. He is committed to serving the public interest by ensuring that financially sound electric, natural gas and telecommunications companies provide safe, reliable and quality utility services at reasonable rates for Alabamians.

Commissioner Dunn is married to the former Alicia Horne, and they have one daughter, Andrea. He is the owner of Dunn Development Corporation and Dunn Investment Group, and has held the state license in municipal utilities contracting for the past 25 years.

Having started his general contracting and development firm with only \$500, Commissioner Dunn knows what it means to navigate the highs and lows of owning a small business. That experience taught him to make prudent financial decisions and enabled him to reach his goal of early retirement at age 45. Today, at 53, he is fully committed to serving the public interest.

Among other volunteer activities, Commissioner Dunn is co-chairman of the Alabama Institute for Deaf and Blind Board of Trustees. He has long been active in the Republican Party, serving on both the State and Etowah County Republican Executive Committees. He was a delegate to the Republican National Convention in 2004, 2008 and 2012. During his campaign for the PSC, Commissioner Dunn was endorsed by Karl Rove, former chief of staff and longtime advisor to President George W. Bush.

Commissioner Dunn ended each of his first two years in office by announcing that Alabama Power Company rates would remain flat in the coming year. At the end of 2012, Dunn called for a full review of both the power and natural gas utilities' returns.

Commissioner Dunn has successfully pushed through several other initiatives since taking office in November 2010, including the following:

# COMMISSIONERS



**COMMISSIONER TERRY L. DUNN'S STAFF**

*From left, Denise Harris, David Rountree, Hope Curry and Commissioner Terry L. Dunn*

- Created an incentive rate package with Alabama Power Company to encourage job growth for small, medium and large companies. The Commissioner crafted his proposal to ensure the incentive rate would also encourage job growth by limiting the special discounts to existing businesses opening new locations;
- Restructured the PSC's Energy Division by establishing the Electricity Policy Division, with no additional hiring;
- Pushed successfully for the appointment of a second assistant attorney general to represent utility customers before the Commission;
- Created an internship program with Auburn University's College of Engineering to bring electrical engineering students to the PSC's Electricity Policy Division; and
- Voted to approve more stringent ethics rules for commission members and employees.

Commissioner Dunn was instrumental in the successful conclusion of contract negotiations between Alabama Power Company and the Goodyear Tire and Rubber Company manufacturing plant in Gadsden. Under the contract, Alabama Power will provide steam to the Goodyear plant for the next five years. The signing of a new contract, which Commissioner Dunn began working toward the week he took office, reassures the people of northeast Alabama that Goodyear – a key employer for the region – plans to stick around.

While fighting potential rate increases caused by federal regulations, Commissioner Dunn has been supportive of the power company's pilot projects in the area of renewable energy, including biofuels and wind energy. The Commissioner supports only those renewable projects in which the price of the electricity to be produced is the same or less than the power generated at conventional plants.

# COMMISSION STAFF



## Executive Director Of The Commission/Legal Division

### OFFICE OF THE EXECUTIVE

#### DIRECTOR OF THE COMMISSION

John A. Garner,  
Chief Administrative Law Judge and  
Executive Director of the Commission

#### *Personnel Section*

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

#### *Information Technology Section*

Kay Oswald,  
IT Systems Specialist Senior  
Debra Jackson,  
IT Systems Technician  
Karen Gaston,  
Programmer/Analyst Associate

### *State Legislative Affairs*

Clarence Duncan,  
PSC Rate Analyst Manager

### LEGAL DIVISION

John A. Garner,  
Chief Administrative Law Judge and  
Executive Director of the Commission

G. Scott Morris,  
Administrative Law Judge

Suellen L. Young,  
Attorney III

Eileen M. Lawrence,  
Departmental Operations Specialist

Aisha Smith,  
Administrative Support Assistant III

### *Motor Carrier Enforcement Section*

Earl Reeves,  
Transportation Enforcement Supervisor

John M. Brock,  
Transportation Enforcement Area Supervisor  
Terry Shirley,  
Transportation Enforcement Area Supervisor  
Leo Sauls, Jr.,  
Transportation Enforcement Officer  
Gary Shirley,  
Transportation Enforcement Officer  
(Retired 6/1/11)  
Samuel B. Peacock,  
Transportation Enforcement Officer  
Michael L. Lawson,  
Transportation Enforcement Officer  
Wade Brinson,  
Transportation Enforcement Officer  
Karen Rogers,  
Administrative Support Assistant III

## Administrative Division

Walter L. Thomas,  
Commission Secretary  
Tashenma Lawrence,  
Administrative Support Assistant II

Reletta McGhee,  
Administrative Support Assistant II

### *Consumer Services Section*

Aquilla Spivey,  
Consumer Services Manager  
Wanda Patterson,  
Consumer Services Specialist

Stephanie Sweet,  
Consumer Services Specialist  
Kelly Mulero,  
Executive Secretary  
Michelle Smith,  
Administrative Support Assistant III  
(Transferred 8/16/12)

### *Finance*

Miles Gagner,  
Senior Accountant  
Kimberly Holt,  
Senior Accountant

Ernestine Huffman,  
Accountant  
Anthony Jackson,  
Account Clerk  
*Motor Carrier Records Section*  
Valerie Hogan,  
Administrative Support Assistant III  
Amber Gladson,  
Administrative Support Assistant II  
(Transferred 7/16/12)

## Electricity Policy Division

John D. Free,  
Director  
*Electricity Section*  
Patricia W. Smith,  
Public Utility Analyst III  
Linda D. Gardner,  
Public Utility Analyst II

George Brown,  
Public Utility Analyst I \*  
Tanya Champion,  
Public Utility Analyst I \*  
Blake Thomas,  
Public Utility Analyst I \*  
Jerry Delancey,  
Administrative Support Assistant II

### *Federal Affairs Section*

John D. Free  
*Public Affairs Section*  
Angier S. Johnson,  
Public Information Manager

*\* Positions funded by the American Recovery and Reinvestment Act Grant*

# COMMISSION STAFF



## Energy Division

Janice M. Hamilton,  
Director

### ***Natural Gas Section***

Robert E. Reed,  
Public Utility Analyst Manager  
Brenda P. Roberts,  
Administrative Support Assistant III  
Ira Joe Leverette,  
Public Utility Analyst III  
Donald C. Powell, CPA,  
Public Utility Analyst III  
Robert Taylor III,  
Public Utility Analyst III  
Marquita D. Lennon,  
Public Utility Analyst I  
Tonya L. Williams,  
Accountant

### ***Water and Wastewater Section***

Stephen D. Bartelt,  
Public Utility Analyst Manager  
Jodie C. Byrd,  
Administrative Support Assistant I  
(Transferred 4/1/12)  
J. Rick Cleckler,  
Public Utility Technical Specialist, Senior  
***Gas Pipeline Safety Section***  
Wallace R. Jones, Sr.,  
Gas Pipeline Safety Administrator  
Felisa A. Webster,  
Administrative Support Assistant III  
O. Harold Dunson,  
Pipeline Safety Investigations Supervisor  
(Retired 7/1/12)  
Keith Blackwood, Jr.  
Pipeline Safety Investigator

John Paul Harris,  
Pipeline Safety Investigations Supervisor  
Thomas W. Lancaster,  
Pipeline Safety Investigations Supervisor  
Judy D. Ramsey,  
Pipeline Safety Investigations Supervisor  
Bryan C. Kichler,  
Pipeline Safety Investigator, Senior  
Gregory E. Meadows,  
Pipeline Safety Investigations Supervisor  
Hosie E. Powell,  
Pipeline Safety Investigator, Senior  
(Retired 12/1/11)  
E. Clark Brown,  
Pipeline Safety Investigator  
Daniel E. Trapp,  
Pipeline Safety Investigator  
Randall Hammond,  
Pipeline Safety Investigator

## Telecommunications Division

Darrell Baker,  
Director  
***Economic Compliance Section***  
Larry Smith,  
Public Utility Analyst Manager  
(Retired 4/1/12)  
E. C. McArthur,  
Public Utility Analyst III  
Tom Jones,  
Public Utility Analyst III  
Laneeta Roberts,  
Public Utility Analyst III

Bill Cook,  
Public Utility Analyst III  
Janet Conway,  
Public Utility Analyst II  
Linda Jones,  
Clerk Stenographer III  
Cynthia Allen,  
Administrative Support Assistant I  
***Service Compliance Section***  
David Peeler,  
Public Utility Analyst Manager

Terry Jackson,  
Public Utility Field Technician, Senior  
Bobby Mobley,  
Public Utility Field Technician, Senior  
Gilbert Carlisle,  
Public Utility Field Technician  
Doug Dillard,  
Public Utility Field Technician  
Barbara Franklin,  
Clerk Stenographer III

## Transportation Division

Britt Roberts,  
Director  
Rita Grantham,  
Clerk Stenographer III  
***Rates and Services Section***  
Donald Williamson,  
Transportation Regulatory Manager  
***Insurance and Registration Section***  
Ron Hicks,  
Transportation Regulatory Manager

Amanda Shehane,  
Staff Accountant  
Tara Frazier,  
Administrative Support Assistant II  
Jennifer Morgan,  
Account Clerk  
Kathleen McPherson,  
Account Clerk  
Carolyn Gaylor,  
Administrative Support Assistant II

Retha Bryant,  
Administrative Support Assistant I  
***Railway Safety Section***  
John C. Longcrier,  
Railway Safety Administrator  
Danny Arledge,  
Railway Safety Inspector  
Larry Coleman,  
Railway Safety Inspector  
(Retired 10/1/11)

# Executive Director To The Commission



*John Garner, Executive Director*

In December 2010, the Commission created the position of Executive Director of the agency in order to facilitate more efficient day-to-day operations. The Chief Administrative Law Judge was named as Executive Director and was delegated the responsibility for the overall management of the Commission's daily functions per the direction of the Commissioners. To that end, the Commission directed the Executive Director to report directly to the Commissioners with each division director within the Commission reporting to the Executive Director.

The Executive Director was particularly given responsibility for recommending courses of action to the Commission regarding all personnel matters brought before the Executive Director by the various divisions and was delegated the authority to act on all such personnel matters except matters involving the separation of employees from service through suspension or termination. This delegated responsibility regarding personnel matters is, however, subject to consultation with the Commissioners where non-routine matters are concerned.

The Executive Director was also delegated the responsibility of uniformly implementing and enforcing the administrative policies established in the Commission's Employee Guidelines and Procedures Manual as well as other policies recommended by the Commission. The Executive Director was further charged with recommending any policy changes appearing necessary for the betterment of the agency.

The Executive Director was also given the responsibility for managing the day-to-day administrative functions of the agency including the approval of purchases and/or travel requests subject to general guidelines established by the Commission. The Executive Director was further charged with overseeing all other duties assigned by the Commission on a case-by-case basis including the formulation of recommendations on regulatory issues when requested to do so.

In order to assist the Executive Director in the fulfillment of all assigned responsibilities, the agency employees with responsibility in the areas of personnel matters, information services and state legislative affairs were assigned to report directly to the Executive Director. The functions performed by these personnel complement the primary areas of responsibility of the Executive Director and involve all divisions of the agency.

## Personnel Section

The Personnel Section is responsible for all actions affecting the employment status of Commission employees and maintaining all records of those actions. One of its primary functions is to identify and implement changes in payroll expenditures resulting from appointments, resignations, promotions, terminations, etc., through the use of the Government Human Resource System, an automated payroll/



### PERSONNEL SECTION

*From left, Dorinda Kepler and Rozetta Parker*

personnel system. Personnel oversees the in-processing and orientation of new employees and the out-processing of employees who separate from service at the Commission. As the source for state and departmental rules, regulations and benefits that apply to employees, Personnel provides information through the agency handbook, the State Personnel Procedures Manual, and various manuals provided by the State Personnel Training Division. Requests to fill vacancies in the Commission are processed by Personnel with the co-

# Executive Director To The Commission



ordination of division directors.

The personnel manager also acts as the liaison with the State Personnel Department (SPD), checking to see that all personnel transactions are in line with state laws and SPD rules and regulations. Additionally, the personnel manager represents the Commission at meetings of the State Personnel Board and the Council of Personnel Administrators.

Personnel also develops, or assists in the development, and updates of job descriptions for Commission 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.



## INFORMATION SYSTEMS SERVICES SECTION

*From left, Karen Gaston, Kay Oswald and Debra Jackson*

## Information Systems Services Section

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

There are several systems in place for consumer and users' needs. These include small-scale database applications tracking regulated motor carrier registrations, consumer complaints, information technology help desk requests, and some telecommunications data. The section also coordinates and

oversees the maintenance of the agency's document imaging system with an outside vendor.

The Information Services staff establishes e-mail and network user accounts and provides help desk support for hardware and software issues experienced by end users. Custom applications are also designed, primarily using Microsoft Access. Information Systems creates and updates the PSC's website which offers the functionality of allowing consumers to file complaints online. Commission orders and filings in PSC proceedings can also be accessed through the agency's website, as can video footage of each month's public meeting of the Commission.



**LEGISLATIVE AFFAIRS**  
*Clarence Duncan*

## State Legislative Affairs

The Commission's state legislative affairs' functions are performed by a Public Utility Analyst Manager whose responsibilities include researching and recommending changes in law deemed necessary to enable the Commission to effectively perform its duties and functions. The state legislative affairs' liaison is also responsible for monitoring all state legislative activity as it pertains to the Commission and keeping the Commission and its staff fully informed of the status of such matters in a timely fashion. The state legislative affairs' liaison additionally produces and distributes documents that reflect the status of legislation pending before the Alabama Legislature and performs assignments regarding matters of interest to the Commission as directed by the Commission's Executive Director.

# Legal Division



*John Garner, Chief Administrative Law Judge*



## LEGAL DIVISION

*Seated from left, Eileen Lawrence, Karen Rogers – Standing from left, Judge Scott Morris, Aisha Smith and Judge John Garner*

The Legal Division consists of two Administrative Law Judges, including the Chief Administrative Law Judge, a Senior Staff Attorney, a Departmental Operations Specialist and an Administrative Support Assistant III. In addition, the Motor Carrier Enforcement Section operates as part of the Legal Division due to the significant volume of motor carrier functions the Legal Division performs on a day-to-day basis. The Motor Carrier Enforcement Section is comprised of the Transportation Enforcement Chief, two Area Enforcement Supervisors, five Enforcement Officers and an Administrative Support Assistant III.

The Administrative Law Judges of the Legal Division serve as hearing officers in all cases before the Commission. These hearings involve motor carrier cases, utility cases, and other matters. The Legal Division additionally provides legal advice to the Commissioners, the Commission staff and the public.

Although much of the advice provided by the Legal Division is verbal, the Legal Division also prepares opinions and memoranda on legal questions involving the Commission's jurisdiction when necessary. The Legal Division additionally prepares written reports and recommended orders, drafts many of the final orders of the Commission, and reviews orders prepared by other divisions within the Commission. The Legal Division also spends a considerable amount of time handling rulemaking proceedings which entail the promulgation of new rules and/or revisions to existing rules. The Legal Division also works with other divisions in drafting and reviewing legislation impacting the Commission and appears on behalf of the Commission in legislative hearings when necessary.

Many issues arise with telecommunications companies now that competition is active. The Legal Division has responsibilities with respect to mediations, arbitrations and other proceedings involving



### ENFORCEMENT SUPERVISORS

*From left, John M. Brock, Earl Reeves and Terry Shirley*

disputes between telecommunications companies and the relationship between such carriers.

During the past fiscal year, the Legal Division conducted hearings involving approximately 54 matters and processed hundreds of applications not requiring a formal hearing. The length of hearings varies from 20 or 30 minutes to several days and involve matters ranging from certification hearings to formal investigations.

A tabulation of the total 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 attorneys of the Legal Division also represent the Commission and assist outside attorneys in cases involving the Commission before the courts of Alabama, federal courts, federal agencies and state agencies. The Legal Division additionally handles personnel proceedings which arise at the Commission from time-to-time and range from grievance hearings to pre-suspension/termination proceedings.

### Motor Carrier Enforcement Section

The PSC's Motor Carrier Enforcement Section conducts and carries out investigative, monitoring, and enforcement activities of the Commission to assure and obtain compliance with the provisions of the Alabama Motor Carrier Act and associated rules and regulations. These activities extend to audits and other measures aimed at ensuring compliance with the registration requirements associated with the Unified Carrier Registration Program.

When motor carriers are found to be operating without proper authority or are conducting their operation in violation of established rules and regulations, steps are taken to require compliance. If conditions warrant, violators are arrested and prosecuted in the courts with proper jurisdiction.

Enforcement officers also conduct investigations involving illegal operations and violations of rules and regulations, issuing citations and warning tickets when appropriate. These officers additionally conduct safety inspections of vehicles and have the authority to place vehicles and/or drivers out of service for safety/regulatory violations.



### ENFORCEMENT OFFICERS

*From left, Michael Lawson, Sam Peacock, Wade Brunson and Leo Sauls*

# Administrative Division



*Walter L. Thomas, Jr., Secretary*



## ADMINISTRATIVE DIVISION STAFF

*Seated from left, Ernestine Huffman, Reletta McGhee, Kim Holt, Aquilla Spivey, Wanda Lowery-Geigner, Stephanie Sweet, Standing from left, Miles Gagner, Kelly Mulero, Walter Thomas, Jr., Valerie Hogan, Anthony Jackson and Tashenna Lawrence*

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

The Commission Secretary takes and distributes the minutes of each monthly Commission meeting. He attests to and files orders of the Commission and certifies copies of orders and other documents of record in the official files of the Commission. The Secretary files Commission oaths of office, surety bonds covering each railway policeman appointed by the Governor, furnishing certification of the policeman's appointment along with the oath and bonding to the Secretary of State. The Secretary signs orders

for the Commission to authorize transportation companies to place reduced rates into effect on less than statutory time, in order to meet an emergency. The Secretary receives public officials, attorneys, transportation and utility executives, and other interested people, providing them with information on the procedural practices of the Commission.

The Secretary is responsible for the retention of all records of the Commission. He coordinates the transfer of records to the Department of Archives and History as well as destruction of records. The Secretary acknowledges receipt of filings advising parties of the requirements of the *Rules of Practice* and statutes governing proceedings in which they are involved. He gives general procedural information and answers inquiries requiring research into Commission records. The Secretary is responsible for the coordination of the departmental telecommunications services.

# Administrative Division



This task primarily entails ensuring that the telephone and data lines are working properly. A tabulation of the principal activities of the Secretary during FY-2012 is as follows:

<i>Commission orders issued</i>	1,297
<i>Public hearings held</i>	52
<i>Report and Recommended orders issued</i>	18

## 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.

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

This section maintains office supplies for the Commission. It develops and administers internal accounting procedures and a centralized purchasing service for approved materials, supplies and equipment; and is responsible for maintaining property and conducting an annual physical inventory.

## Motor Carrier Records Section

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

changes, transcripts, revocation and reinstatement orders, and insurance filings on both active and inactive motor carriers.

## Consumer Services Section

The Consumer Services Section serves as the complaint resolution center of the Commission. This Section resolves consumers' disputes with the utility as well as answers general utility questions about regulated utilities. Staff in this section consult with the various utility service providers, consumers and the various divisions within the Commission to mediate disputes, clarify action taken by the utility and respond to general and often complex inquiries made regarding a utility and/or the Commission's rules. The Consumer Services Section provides education to consumers.

Consumer Services is staffed by four professionals, the majority of whom have utility-related work experience. There are three Consumer Service Specialists who have the responsibility to gather information from the consumer, document the issue, research, and respond to the consumer. Each Specialist has knowledge of the Commission's rules, the utility-specific rules and industry practices necessary to address complaints and inquiries. Support personnel help to manage the workgroup's day-to-day operations. These employees are responsible for screening incoming calls, processing mail, maintaining complaint files, managing the complaint database and responding to general requests for information. The group manager provides advice to staff on complex issues, develops talking points to address current issues, arranges training sessions and advocates for rule changes as necessary. As the pulse of the Public Service Commission, this section handles in excess of 1,000 complaints and over 3,000 inquiries annually.

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

# Administrative Division



Alabama Attorney General's Office and the Alabama State Legislature.

The staff has the responsibility of responding to general questions about a utility's practices or a Commission rule which is generally handled as an inquiry. A dispute involving a billing or a service-related matter is initially treated as an informal complaint which triggers an inquiry to the applicable utility by staff. The information obtained from such inquiries is reviewed by the staff representative who makes a determination about the validity of the utility's action and communicates their findings and assessments to the consumer. Consumer Services additionally serves as a point of contact for consumers' to express their opinions and observations in response to actions undertaken by the Commission and/or utilities.

Investigations involving complex complaints often requires co-

ordination between the utility, Commission staff and the consumer. Written records are created to document such inquiries and complaints referred to the Consumer Services Section.

The written records created result in a series of reports each month that are used to track and monitor the utilities' activities and compliance. The written complaint and inquiry records are summarized into a report that becomes an official record of the Commission. This report summarizes the complaints taken during the month by the utility's name and the nature of the complaint. It is reviewed for trends and patterns which are discussed with the utilities in an effort to improve its service offerings and to suggest changes in its practices or policies. This information is also considered when a utility makes a request to expand its service offerings. Utilities also rely on this information to gauge customer billing and service issues. This report is a snapshot of issues the utilities and Consumer Services are experiencing in a given month. Another report

that is created each month centers on a specific type of telecommunications complaint called "Slamming" which is tracked by the Federal Communications Commission. This agency collects data about telephone service providers that change a consumer's service without permission or authorization. This report details the company that made the unauthorized change and the number of incidences per company.

This section also responds to Do Not Call queries. The Alabama State Legislature authorized the Commission to establish a Do Not Call Registry. This registry is now a collaborative effort between the Federal Communications Commission and the Commission. Consumers that contact the Commission receive advice on how to register their phone numbers on the national registry which is maintained by the Federal Trade Commission. Consumers may also follow complaints made by others against telemarketers who violate the Telemarketing Sales Rule on the Federal Trade Commission's website.



# Administrative Division



## Statement of Operations For the Fiscal Year Ending September 30, 2011 and 2012

	<u>PSC Operating Fund</u>	<u>Gas Pipeline Safety Fund</u>	<u>Total Sept. 30, 2012</u>	<u>Total Sept. 30, 2011</u>
<b>Comptroller's Beg. Cash Balance:</b>	\$ 9,333,445	\$ 1,365,764	\$ 10,699,209	\$ 6,860,447
Inspection & Supervision Fees -				
Utility/Water Companies	10,925,499	-	10,925,499	11,259,556
Telecommunications/Railroads	3,441,189	-	3,441,189	3,381,415
Motor Carrier Ins. & Reg. Fees	2,595,335	-	2,595,335	2,228,931
Gas Service Line Fees	-	527,998	527,998	527,564
Federal Dept. of Transportation	-	265,317	265,317	870,221
Alabama Dept. of Transportation	50,000	-	50,000	50,000
Miscellaneous Receipts	4,768	13	4,781	241,154
<b>Total Receipts:</b>	<u>17,016,791</u>	<u>793,328</u>	<u>17,810,119</u>	<u>18,558,841</u>
<b>Total Cash Available:</b>	<u>26,350,236</u>	<u>2,159,092</u>	<u>28,509,328</u>	<u>25,419,288</u>
<b>Disbursement of Encumbrances:</b>				
Personnel Costs	-	-	-	-
Employee Benefits	(107)	16	(91)	-
Travel- In State	3,068	5,104	8,172	8,613
Travel- Out of State	1,149	483	1,632	5,009
Repairs & Maintenance	879	-	879	86
Rentals & Leases	18,151	2,247	20,398	3,016
Utilities & Communications	9,614	1,084	10,698	26,900
Professional Services	7,306	3,972	11,278	12,513
Supplies & Operating Expenses	8,018	924	8,942	24,441
Transportation Equipment Operations	13,905	6,508	20,413	17,519
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	-	-	-	66,384
Other Equipment Purchases	10,154	-	10,154	4,229
Transfer to State General Fund 100	-	-	-	-
<b>Total Encumbrances:</b>	<u>72,137</u>	<u>20,338</u>	<u>92,475</u>	<u>168,710</u>
<b>Disbursement of Operating Costs:</b>				
Personnel Costs	5,128,916	775,069	5,903,985	6,508,495
Employee Benefits	1,602,186	233,381	1,835,567	2,232,074
Travel- In state	36,583	59,710	96,293	89,444
Travel- Out of State	7,135	12,456	19,591	44,731
Repairs & Maintenance	2,965	948	3,913	4,098
Rentals & Leases	1,071,263	53,392	1,124,655	1,125,233
Utilities & Communications	63,785	14,346	78,131	113,879
Professional Services	130,873	54,930	185,803	156,801
Supplies & Operating Expenses	215,079	20,112	235,191	295,372
Transportation Equipment Operations	64,292	32,985	97,277	100,346
Grants and Benefits	50	75	125	100
Transportation Equipment Purchases	-	-	-	17,843
Other Equipment Purchases	7,295	1,962	9,257	39,953
<b>Total Operating Costs:</b>	<u>8,330,422</u>	<u>1,259,366</u>	<u>9,589,788</u>	<u>10,728,369</u>
Transfer to General Fund	6,323,000	-	6,323,000	3,823,000
Transfer to General Fund: Prior year cash	8,558,025	-	8,558,025	-
<b>Total Disbursements &amp; Transfers:</b>	<u>23,283,584</u>	<u>1,279,704</u>	<u>24,563,288</u>	<u>14,720,079</u>
<b>Comptroller's Cash Balance, Ending:</b>	3,066,652	879,388	3,946,040	10,699,209
Purchase Orders	27,550	8,073	35,623	37,837
<b>Unencumbered Cash Balance, Ending</b>	\$ 3,039,102	\$ 871,315	\$ 3,910,417	\$ 10,661,372



**Dual Party Relay Fund  
Statement of Operations  
For the Fiscal Year Ending September 30, 2011 and 2012**

	<u>Total</u> <u>Sept. 30, 2012</u>	<u>Total*</u> <u>Sept. 30, 2011</u>
<b>Comptroller's Beg. Cash Balance (1):</b>	\$ -	\$ -
Dual Party Relay	33,295,738	-
<b>Total Cash Available:</b>	33,295,738	-
 <b>Disbursement of Operating Costs:</b>		
Personnel Costs	-	-
Employee Benefits	-	-
Travel- In state	1,121	-
Travel- Out of State	-	-
Repairs & Maintenance	-	-
Rentals & Leases	-	-
Utilities & Communications	1,170,997	-
Professional Services	63,197	-
Supplies & Operating Expenses	225	-
Transportation Equipment Operations	-	-
Grants and Benefits	57,142	-
Transportation Equipment Purchases	-	-
Other Equipment Purchases	-	-
Miscellaneous **	30,000,000	-
<b>Total Operating Costs:</b>	31,292,682	-
Transfer to General Fund		-
Transfer to General Fund: Prior year cash	-	-
<b>Total Disbursements &amp; Transfers:</b>	31,292,682	-
<b>Comptroller's Cash Balance, Ending:</b>	2,003,056	-
Purchase Orders	235,428	-
<b>Unencumbered Cash Balance, Ending</b>	\$ 1,767,628	\$ -

\*The State Dual Party Relay Fund was not established until Fiscal Year 2012.

\*\* Transfer to the Treasurer's Office/Special Education Trust Fund, as mandated by law.

# Administrative Division



**PSC ARRA Stimulus Fund  
Statement of Operations  
For the Fiscal Year Ending September 30, 2011 and 2012**

	<u>Total</u> <u>Sept. 30, 2012</u>	<u>Total</u> <u>Sept. 30, 2011</u>
<b>Comptroller's Beg. Cash Balance (1):</b>	\$ 15,676	\$ 2
Federal Dept. of Energy	256,217	231,293
Miscellaneous Receipts	-	-
<b>Total Receipts:</b>	<u>256,217</u>	<u>231,293</u>
<b>Total Cash Available:</b>	<u>271,893</u>	<u>231,295</u>
 <b>Disbursement of Operating Costs:</b>		
Personnel Costs	136,912	124,552
Employee Benefits	62,264	61,364
Travel- In state	121	919
Travel- Out of State	176	3,292
Repairs & Maintenance	-	-
Rentals & Leases	58,981	18,237
Utilities & Communications	1,439	1,331
Professional Services	2,313	1,176
Supplies & Operating Expenses	1,918	3,854
Transportation Equipment Operations	164	894
Grants and Benefits	-	-
Transportation Equipment Purchases	-	-
Other Equipment Purchases	-	-
<b>Total Operating Costs:</b>	<u>264,288</u>	<u>215,619</u>
Transfer to General Fund	-	-
Transfer to General Fund: Prior year cash	-	-
<b>Total Disbursements &amp; Transfers:</b>	<u>264,288</u>	<u>215,619</u>
<b>Comptroller's Cash Balance, Ending:</b>	7,605	15,676
Purchase Orders	<u>805</u>	<u>-</u>
<b>Unencumbered Cash Balance, Ending</b>	\$ 6,800	\$ 15,676

*The Federal Department of Energy awarded the Alabama Public Service Commission the State Electricity Regulators Assistance grant through the American Recovery and Reinvestment Act of 2009.*

# Electricity Policy Division



*John D. Free, Director*



## ELECTRICITY POLICY DIVISION

*From left, (standing), Jerry Delancey, John Free, Angier Johnson, George Brown, Blake Thomas, (seated) Linda Gardner, Patricia Smith and Tanya Champion*

The Electricity Policy Division was created in August of FY-2011. The division is organized into three sections, consisting of: 1) Electricity, 2) Federal Affairs, and 3) Public Affairs. The primary responsibilities of this division are to oversee the regulation of investor-owned electric utilities in Alabama, while also monitoring and participating in federal policy issues affecting the electric industry. In addition, the Electricity Policy Division is responsible for all duties surrounding the Public Affairs function of the Commission. Additional details regarding the functions and activities of each section during FY-2012 are identified in the following pages.

### Electricity Section

The Electricity Section is responsible for regulatory oversight of the rates and services of investor-owned electric utilities (“IOUs”) in the state, as prescribed in Title 37, *Code of Alabama 1975*, as

amended. In the State of Alabama, this jurisdiction is limited to Alabama Power Company (“APC” or “the Company”), the only electric IOU in the state. In the performance of duties, the staff conducts financial analyses, economic evaluations, auditing, and statistical data assimilation. In addition, the staff performs management and technical inquiries to remain informed as to the manner and methods in which APC’s business is conducted.

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

### ALABAMA POWER COMPANY

#### Rate Stabilization and Equalization (RSE)

Rate RSE, the rate approved by the Commission under docket numbers 18117 and 18416, was designed to lessen the impact, frequency and size of retail rate increase requests by permitting APC,



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

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

The Electricity Section examines APC's books and records on a monthly basis to determine the RRCE for the current 12-month period. The section's staff prepares a summary report of this information for presentation at each monthly Commission meeting. As of September 30, 2012, the re-projected Retail Return on Average Common Equity for the twelve-month period ending December 2012 was 13.16%.



## Energy Cost Recovery (Rate ECR)

Rate ECR, the rate approved by the Commission under docket number 18148, is the mechanism used to recover retail customers' portion of energy costs. Currently, the established ECR factor is 59.10 mills per kWh. The rate has been adjusted for temporary periods of time to reduce the over/under collections accumulated in the energy cost recovery account. The Electricity Section evaluates the monthly filings by APC and prepares a summary report for the monthly Commission meetings. The report identifies the status of the Company's energy costs recovery, the accumulated over/under collections, and the ECR projection for December 31 of the current year.

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

The approved interim factor for the billing months of April 2011 through December 2012 is 26.81 mills per kWh (2.681 cents/kWh). As of September 30, 2012, the actual accumulated recovery of energy costs was \$1,419,377 over-collected, with a projected accumulated energy costs recovery of \$12,156,127 under-recovered for December 31, 2012.

## Certificated New Plant (Rate CNP)

Rate CNP – Part A was originally approved in 1982 in conjunction with Rate RSE, under docket numbers 18117 and 18416. The original rate provided for the certification of generating facilities and the recovery of the related capital cost for such facilities. During FY-2012, Alabama Power Company did not file for an application for a Certificate of Public Convenience and Necessity related to generating facilities.

Rate CNP was modified in April 2000, to include a second provision, Rate CNP - Part B, that would allow for the certification of Purchase Power



Agreements “PPAs” and the recovery of the total costs (excluding fuel) associated with each agreement. Rate CNP - Part B is also referred to as Rate CNP-PPA. At this time, APC has five approved PPAs which are detailed as follows:

1. By Commission Order dated November 7, 2000, under docket number 27785, the Commission authorized Alabama Power Company, for a term to expire May 31, 2011, to acquire the rights and assume payment obligations under a PPA with Calhoun Power Company, LLC (“Calhoun”), involving 630 MW of combustion turbine capacity. The PPA was further extended in March 2009 to an additional eleven (11) years continuing through December 31, 2022.
2. By Commission Order dated October 22, 2010, under docket number 31301, the Commission authorized Alabama Power Company, for a term of ten (10) calendar years, to acquire the rights and assume payment obligations under a PPA with Westervelt Renewable Energy, LLC (“Westervelt”), involving approximately 7.5 MW of electric capacity from a small-scale renewable energy (“biomass”) generating facility operated by Westervelt.
3. By Commission Order dated July 12, 2011, under docket number 31301, the Commission authorized Alabama Power Company, for a term of five (5) calendar years, to acquire the rights and assume payment obligations under a PPA with AbiBow US Inc. (“AbiBow”), involving up to 15 MW of electric capacity and energy from a renewable energy (“black liquor”) generating resource.
4. By Commission Order dated September 9, 2011, under docket number 31653, the Commission authorized Alabama Power Company, for a term of twenty (20) calendar years, to acquire the rights and assume payment obligations

under a PPA with Chisholm View Wind Project, LLC (“Chisholm View”), involving 202 MW of wind energy supplied from a wind farm being developed by Chisholm View in Grant and Garfield Counties, Oklahoma (collectively, the “Chisholm View PPA”).

5. By Commission Order dated September 17, 2012, under docket number 31859, the Commission authorized Alabama Power Company, for a term of twenty (20) calendar years, to acquire the rights and assume payment obligations under a PPA with Buffalo Dunes Wind Project, LLC (“Buffalo Dunes”), involving 202 MW of wind energy supplied from a wind farm being developed by Buffalo Dunes in Grant, Haskell and Finney Counties, Kansas (collectively, the “Buffalo Dunes PPA”).

Rate CNP was further modified in October 2004, to include a third provision, Rate CNP - Part C, that would provide a mechanism to recover compliance costs associated with “environmental mandates”. Rate CNP - Part C is also referred to as Rate CNP-ECP (“Environmental Compliance Plan”). Beginning in December 2004, and each December thereafter, Alabama Power is required to file its annual Environmental Compliance Plan subject to Rate CNP - Part C. The first rate adjustment under the Part C provision went into effect in January 2005.

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

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



positive benefit to all ratepayers over the term of the contract.

During FY-2012, the Commission staff evaluated fifteen (15) electric service contracts that were filed pursuant to Rate FCR. These included 2 new contracts, 10 amended contracts and 3 contract audits.

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

By Commission Order, dated October 3, 1994, the Commission granted Alabama Power Company authority to establish a Natural Disaster Reserve (“NDR” or “the Reserve”) of \$32 million against which extraordinary operation and maintenance expenses, resulting from natural disasters, would be charged. The Reserve was established to help mitigate the disruptive effects of significant natural disasters occurring in APC’s service territory.

The Commission has, from time to time, made modifications to the establishment of the Reserve to deal with negative balances resulting from extraordinary disasters. In December 1995, the Commission authorized APC to make additional accruals, without further order by the Commission, above the normal monthly amount of \$250,000 whenever the balance in the Reserve declines below \$22.4 million. Accruals above normal monthly amounts could continue until the Reserve was restored.

By Commission Order, dated December 6, 2005, under docket number U-3556, the Commission approved Rate Rider NDR, and increased the authorized disaster reserve balance from \$32 million to \$75 million, effective January 2006. Rate Rider NDR was designed to address a negative balance in the Natural Disaster Reserve and to re-establish a reserve balance sufficient to address potential costs associated with future natural disasters. In order to accomplish this, Rate Rider NDR places a small monthly charge to each account served under the Company’s retail rate schedules until the approved balance is restored.

By Commission Order, dated August 20, 2010, APC was authorized to make discretionary accruals to the Reserve above the existing authorized limit (\$75 million) and to include reliability related expenditures among the category of costs that can be charged against the Reserve.

On July 12, 2011, the Commission approved the elimination of the income tax adjustment applicable to Rate T, effective October 2011, to expediently fund certain costs resulting from the April 2011 tornadoes.

In 2012, as a result of storm damages, APC incurred additional operation and maintenance costs of \$9.7 million. As of September 30, 2012, the Natural Disaster Reserve had a positive balance of \$102,178,995.

### **Other Activities: New and Revised Tariffs**

By Commission Order, dated April 5, 2011, under docket number U-5017, effective with May 2011 billings, the Commission approved a petition by APC to establish a new Rate Rider EDI (Economic Development Incentive). The new Rate Rider EDI provides a 24-month incentive for new or expanding customers that meet the specified criteria determined by the Alabama Department of Revenue for capital investments and job creation. In addition, the customer must meet the criteria of providing new or additional load of 1,000 kVa, as established by the Company. This Rate Rider is available to qualifying customers who enter into a Contract for Electric Service for service commencing prior to January 1, 2014. Under this new Rate Rider EDI, the customer receives a ten percent (10%) discount on estimated base rate charges related to the additional incremental load for the first year and receives a five percent (5%) discount on estimated base rate charges related to the additional incremental load for the second year. The new Rate Rider EDI targets commercial and industrial customers and promotes economic recovery, economic development, and job creation for the State of Alabama.

In Commission Order, dated September 11, 2012, the Commission approved an extension of the



availability of Rate Rider EDI to qualifying customers that enter into a contract for electric service commencing prior to January 1, 2016.

By Commission Order, dated April 5, 2011, under docket number U-5016, effective with July 2011 billings, the Commission approved a petition by APC to establish a new Rate Rider CRI (Community Redevelopment Incentive). The new Rate Rider CRI provides a 12-month incentive for customers who establish a new account in an existing building with Heating, Ventilation and Air Conditioning (HVAC) that has been unoccupied for at least six (6) months. Under this new Rate Rider CRI, the customer will receive a fifteen percent (15%) discount on monthly base rate charges for a period of twelve (12) consecutive months. This Rate Rider is available to qualifying customers who enter into a Customer Service Agreement for service commencing prior to January 1, 2013. The new Rate Rider CRI targets small commercial and industrial customers and promotes economic recovery, economic development, and job creation for the State of Alabama.

In Commission Order, dated September 11, 2012, the Commission approved an extension of the availability of Rate Rider CRI to qualifying customers that enter into a customer service agreement for electric service commencing prior to January 1, 2014.

By Commission Order, dated May 1, 2012, under docket number 18005, the Commission approved the 33<sup>rd</sup> revision to Rate PAE (Purchase of Alternate Energy). The charges and payments under this rate were revised to reflect updated costs and avoided costs for the Company and are based on 2011 actual data and 2012 forecasted data.

By Commission Order, dated, March 6, 2012, under Docket U-5055, the Commission approved Rate Rider PEV (Plug-In-Electric Vehicle - Optional). Rate Rider PEV provides customers with a new optional rate rider for use in connection with the charging of an electric vehicle. Specifically, customers who own a qualifying plug-in-electric vehicle—which is a vehicle manufactured primarily for use on public streets, roads, and highways (and is not an electric scooter, electric bicycle, golf cart, or motor-

ized electric wheelchair)—and who otherwise satisfy the terms and conditions of the rate rider, are eligible to receive a discounted rate for the charging period designated between the hours of 9 p.m. to 5 a.m.

By Commission Order, dated November 1, 2011, under Docket U-5040, the Commission approved a new Rate LED (Light-Emitting Diode Lighting), to be effective with November 2011 billings. The rate is available to any county, municipality or to the State of Alabama in which the Company operates the local distribution system. This rate provides customers with a new optional rate for use in connection with street and highway lighting. Light-emitting diodes are a more efficient source of illumination than incandescent and compact fluorescent light (CFL).

By Commission Order, dated July 12, 2011, under docket number 18148, the Commission approved Alabama Power Company's proposal to revise the current Income Tax Adjustment (ITA) mechanism applicable to Rate T (Tax), to be effective for October, 2011 billings, and thereafter. Alabama Power anticipates the elimination of this adjustment will result in additional revenues of approximately \$150 million annually, beginning in 2012. APC projects that the additional revenues will preclude the need for a rate adjustment under the Rate RSE mechanism, and thereby agreed that there will be no Rate RSE adjustment for 2012 and 2013.

## Financing

The Electricity Section staff reviews all financing petitions filed by Alabama Power Company and Southern Electric Generating Company ("SEGCo"). SEGCo is a corporation owned, in equal shares, by Alabama Power Company and Georgia Power Company. SEGCo has electric generating facilities located in Wilsonville, Alabama. SEGCo's financing 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 these types of petitions.



By Commission Order, dated August 02, 2011, under docket number U-5029, the Commission granted APC the authority (i) to issue and sell preferred stock, preference stock, and promissory notes, subordinated debentures, and other debt instruments and incur obligations in connection with the issuance of industrial development revenue bonds with an aggregate principal amount or stated value of such preferred stock, preference stock, industrial development revenue bonds, and subordinated debentures, promissory notes, and other debt instruments not exceeding \$2,000,000,000 (long-term borrowing) at times and in amounts deemed by it to be appropriate; and (ii) to borrow upon the issuance of promissory notes and to issue and sell commercial paper notes from time to time and to be renewed from time to time in an aggregate principal amount not to exceed \$2,250,000,000 (short-term borrowing) at any one time outstanding and having maturity dates of not more than ten years after the date of issue and prior to December 31, 2013.

By Commission Order, dated August 02, 2011, under docket number U-5030, the Commission granted SEGCo the authority through December 31, 2013 (i) to issue and sell and incur obligations in connection with the issuance of not more than \$100,000,000 in aggregate principal amount of promissory notes, subordinated debentures and other debt instruments and industrial development revenue bonds, (ii) to borrow upon the issuance of promissory notes and to issue and sell commercial paper notes to third-party lenders and to APC and Georgia Power Company from time to time and to be renewed from time to time in aggregate principal amount not to exceed \$80,000,000 at any one time outstanding and (iii) to assume obligations in connection with the issuance of promissory notes, subordinated debentures and other debt instruments.

## **Auditing**

The Electricity Section's analysts conduct monthly analytical reviews and/or audits to test the completeness and accuracy of financial statements, economic models and other data submitted by Alabama Power Company. For this activity, the staff's

monthly fuel audit is particularly important because the Company's energy costs are a major portion of total operation and maintenance (O&M) expense. During the monthly fuel audits, the accounting records for fuel purchases and burns are reviewed at the corporate office and at the respective generating facility. Site audits for each generating facility are performed on a rotating basis.

In addition to the fuel audit, the staff also engages in a detailed audit of APC's compliance activities with environmental regulations. This involves the audit of both the CNP Environmental Factor and the Environmental Compliance Plan. APC, in accordance with Rate CNP-Part C, files with the Commission, by December 1 of each year, the CNP Environmental Factor to be applied to each kilowatt-hour, along with appropriate supporting documents. The staff completes an analytical review of the environmental factor filed for the upcoming rate year to provide reasonable assurance of the accuracy of the amounts reported in the filing. In addition, APC files, at least thirty (30) days prior to the December 1 deadline for filing the CNP Environmental Factors, the Environmental Compliance Plan for the next five (5) years, along with the estimated cost associated with the implementation of that plan. The staff engages in meetings and interviews with APC staff to discuss pending environmental laws, regulations or other mandates relevant to APC's environmental compliance activities. The staff performs a detailed audit of relevant documents and records to: 1) verify the accuracy of amounts reported in the environmental compliance plan; 2) ensure compliance with Rate CNP-Part C; 3) identify and attain appropriate explanations for significant budget variances; 4) determine if reported expenses are qualifying environmental expenses; and 5) request and review any additional supporting documentation, as needed, for a complete and thorough analysis of the filing.

In addition, the staff performed two other annual compliance audits, which included the audit of: 1) Rate CNP-Part B ("Purchase Power Agreement"), which is filed annually by February 1, and 2) the Jurisdictional Allocation Study (also referred



to as the “Cost of Service Study”), which is filed annually by May 1. Other auditing responsibilities included the testing of various accounts and activities to trace and verify reported revenues and expenses, to review APC’s compliance with the FERC Uniform System of Accounts, and to investigate significant variances identified during monthly monitoring and analytical processes.

Also, the staff performs annual random billing audits to test APC’s compliance with approved tariffs.



**ARRA**  
American Recovery and  
Reinvestment Act of 2009

## **American Recovery and Reinvestment Act (ARRA) of 2009**

As part of the ARRA initiative, the Department of Energy (“DOE”) presented funding opportunities through the State Electricity Regulators Assistance initiative. The objectives of this initiative are to: 1) increase the capacity of the state public utility commissions (“PUCs”) to manage a significant increase in dockets and other regulatory actions resulting from ARRA electricity-related topical areas; 2) facilitate timely consideration by PUCs of regulatory actions pertaining to ARRA electricity-related topical areas; and 3) create jobs. The initiative is focused on building state PUC capacity to ensure timely consideration by appropriate regulatory processes for ARRA electricity-related topical areas. Electricity-related ARRA topical areas include, but are not necessarily limited to: energy efficiency, electricity-based renewable energy, energy storage, smart grid, electric and hybrid-electric vehicles, coal with carbon capture and storage, transmission, and demand-response equipment.

The Commission was awarded a grant in the amount of \$868,824, in April 2010 to be expensed over a two-year period to support efforts to promote a number of electricity-related initiatives and to enhance its regulatory capacity. After receiving the grant, the Commission proceeded to outline the details of specific tasks and outcomes for job descriptions, as well as goals and tracking mechanisms. To meet the goals and objectives, the Commission proceeded to hire and train four public utility analysts and one administrative support assistant.

Subsequently, one of the public utility analysts, effective August 2011, and the administrative support assistant, effective July 2012, were hired in state merit positions with the Commission and are no longer financed through ARRA funds. The three remaining analysts (referred to as “the ARRA team”) are participating in educational opportunities and conducting research in many areas, such as new efficiency and demand-response programs, smart grid, carbon capture, and renewable energy technologies. The ARRA team’s research projects also require them to study the status of these same topics for other states. In addition, the grant provides training to the ARRA team on a variety of other regulatory issues that support the normal operational activities of the Electricity Policy Division.

The ARRA team is supervised by the section’s supervisor, who is a state merit system employee on the Commission’s staff. The public utility analysts are instrumental in researching new efficiency and demand-response programs made possible by APC’s installation of smart meters and the software and communications technologies used by this new infrastructure. The ARRA team is researching other states’ energy efficiency programs and regulatory best practices to identify how those programs and regulatory structures might benefit APC’s customers. This additional research is made possible due to the acquisition of this grant. In addition, this grant enables the Commission to provide training to current staff on regulatory issues related to energy efficiency efforts, carbon capture and storage technologies and other electricity-related topical areas.



Since the submittal of the original ARRA Project Management Plan to the DOE, several changes and events transpired that resulted in delaying the progress of the ARRA project. As a result, it became a concern that all the milestones might not be completed by the project end date. Management performed an extensive evaluation and determined that the remaining funds could adequately support the project for an additional twelve (12) months after the originally planned end date of the project. Therefore, management contacted the DOE and requested an extension of the ARRA project to meet the stated project objectives.

Effective April 6, 2012, the DOE granted the Commission's request to amend the ARRA Agreement with the following changes: 1) The period of performance was extended by twelve months, at no additional cost to the government from April 6, 2012 to April 6, 2013; 2) The budget was modified accordingly, to account for the additional twelve months; and 3) The milestones were modified to allow the ARRA team additional opportunity to complete the milestones by the end of the ARRA project.

Milestone 7.0 of the Project Management Plan, Electric Utility Policy Review, is 100% complete. The research and compilation in this milestone report is available as an internal data resource document to be utilized by the staff to perform analyses and to make comparisons to measures taken in other jurisdictions.

The next three milestones - Milestone 9.0-Carbon Capture and Sequestration Projects, Milestone 5.0-Energy Efficiency, Conservation, and Demand Side Management Programs, and Milestone 4.0-Solar Initiatives and DOE State Technical Assistance Partnership, have been submitted to management and are undergoing final review and revisions.

The ARRA team is actively working on the last three milestones – Milestone 6.0-Smart Meters and the Smart Grid Development, Milestone 8.0-Renewable Energy Generation, and Milestone 9.0-Electric Vehicles, Tariffs and Infrastructure. Deadlines have been established for the completion of each milestone, initial drafts have been submitted to

the supervisor for review, and peer reviews have begun.

During FY-2012, the ARRA team actively participated in the review, research, and analysis of a new proposed Rate LED (Light-Emitting Diode Lighting). As a result of the review and analysis by the Electricity staff, assisted by the ARRA team, a new docket was opened and an Order was issued approving this petition.

The ARRA team also actively participated in the review, research, and analysis of APC's petition for approval of Rate Rider PEV. The ARRA staff attended Alabama Power's "Electric Vehicle Transportation and Infrastructure" presentation held at APC's corporate headquarters in Birmingham, Alabama. This presentation provided an overview and status update of the utility's efforts in this area. The Commission opened a new docket and issued an Order approving the new Rate Rider PEV.

In addition, the ARRA team participated in the economic and financial evaluations and cost-benefit analyses of a petition filed by APC to acquire the rights and assume payment obligations under a PPA with Buffalo Dunes Wind Project, LLC for 202 MW of wind energy supplied from a wind farm in Kansas. The Commission opened a new docket and issued an Order approving the PPA.

Also during FY-2012, the ARRA team attended Alabama Power Company's "Advanced Metering Infrastructure (AMI)" presentation held at APC's Meter Test Facility located in Varnons, Alabama. This presentation provided an overview and status update of APC's Smart Metering Program.

As part of the training in the section's normal operational activities, during FY-2012, the ARRA team was responsible for the revision of certain monitoring reports to ensure due diligence in the review of the operations of APC.

## **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 (“the AMEA”).

On June 11, 2012, the Commission issued Informal Docket U-3013 approving two (2) petitions by the AMEA, which included 1) Amendment No. 4, dated as of June 7, 2012, to the Power Supply Agreement (“PSA”) between APC and the AMEA, dated as of December 20, 2001 and 2) Amended and Restated Power Supply Agreement, between APC and the AMEA, dated as of June 7, 2012 (the “Amended and Restated Power Supply Agreement”).

On December 20, 2001, the AMEA and APC entered into the Power Supply Agreement, whereby, APC supplies the bulk of the AMEA’s net electric load during the period 2006 – 2015. The proposed revisions as a result of the fourth amendment and the Amended and Restated Power Supply Agreement were as follows:

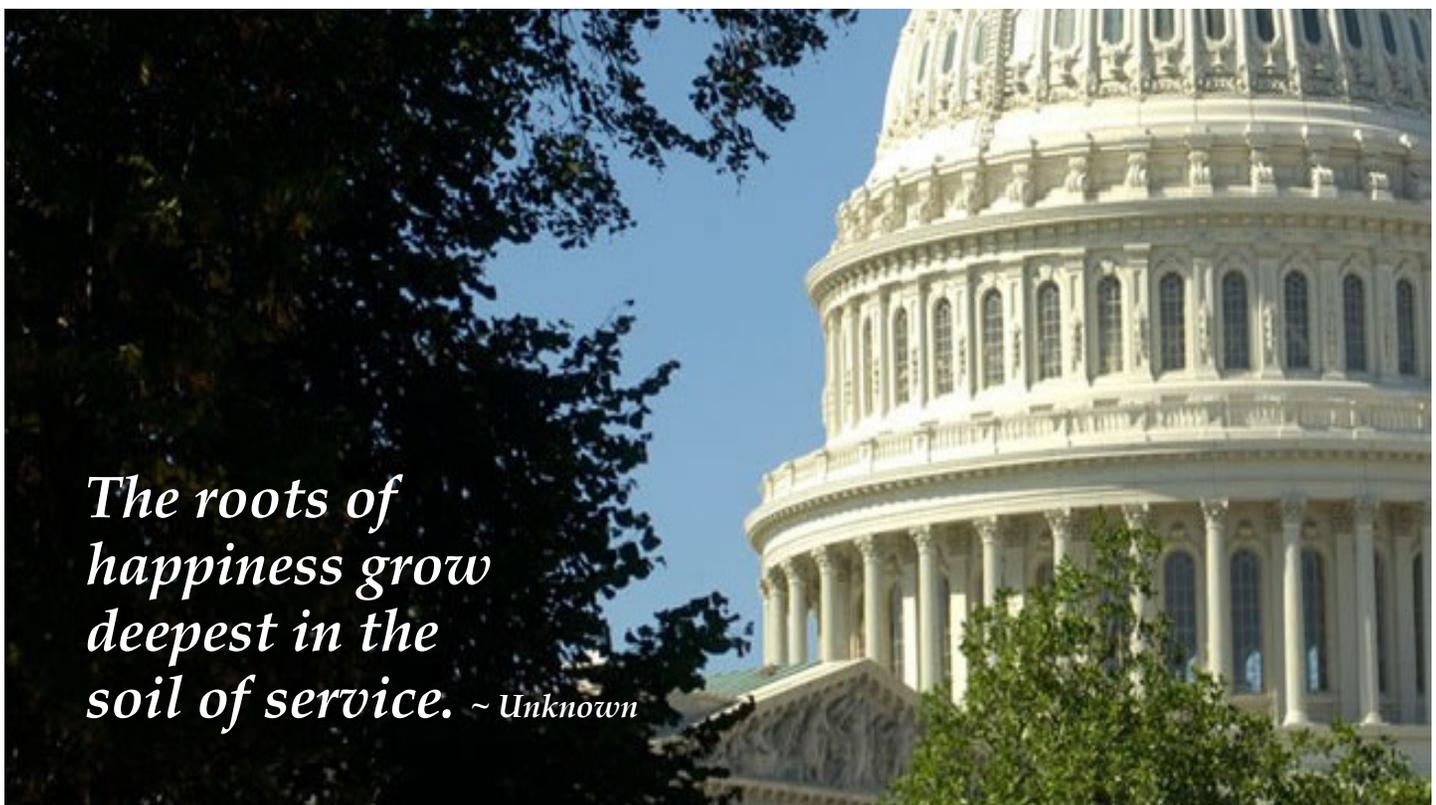
1) Amendment No. 4 modified the PSA by adjusting the total contract capacity for the contract year 2012.

2) The Amended and Restated Power Supply Agreement:

- A) Extended the term from January 1, 2016 to December 31, 2025;
- B) Modified the basis for determining the total contract capacity, beginning on January 1, 2015 (i.e., Contract Year 2015);
- C) Modified capacity prices and the method for determining increases or decreases in the price of capacity from year-to-year, beginning June 1, 2013;
- D) Modified the aggregate amount of alternate resource generation that the AMEA may substitute for generation supplied by APC; and
- E) Modified the method for pricing energy.

## Federal Affairs

The Federal Affairs section monitors the activities of various federal agencies and other industry groups such as: the Federal Energy Regulatory Commission (FERC), the Environmental Protection Agency (EPA), the Nuclear Regulatory Commission (NRC) and the Department of Energy (DOE).



*The roots of happiness grow deepest in the soil of service. ~ Unknown*



Federal Affairs also reviews federal court appeals and decisions on electric utility issues and, if appropriate, makes recommendations to the Commission regarding appropriate actions to be taken. In addition, this section reviews proposed federal legislation affecting the electric industry and Alabama electric consumers and prepares summary documentation for the Commission's review as needed. The Federal Affairs Section also monitors and reports to the Commission the various positions taken by other state commissions, and NARUC (National Association of Regulatory Utility Commissions) on issues affecting electric utility regulation in Alabama.

In an effort to remain informed of these matters, the Federal Affairs staff conducts research, monitors news briefings, participates in conference calls and attends various industry conferences/meetings such as the NARUC meetings.

During this past year, the Federal Affairs staff has monitored numerous energy/electricity matters and assisted with the development of appropriate Commission action as needed. In some cases, the appropriate action involved filing comments, on behalf of the Commission, in a particular federal proceeding. Some of the more important issues monitored during this past year are summarized below:

- *FERC's Notice of Proposed Rulemaking issued on June 17, 2010, regarding Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities in Docket No. RM 10-23-000. The Commission filed comments on September 21, 2010.*
- *The U.S. Environmental Protection Agency's (EPA) Proposed Rule issued on June 21, 2010, concerning the regulation of coal combustion byproducts (CCBs), particularly coal ash and gypsum, as either hazardous waste under Resource Conservation and Recovery Act (RCRA) Subtitle C or non-hazardous waste under RCRA Subtitle D, under Docket No. EPA-HQ-RCRA-2009-0640. The Commission filed comments on November 19, 2010.*

- *The U.S. Environmental Protection Agency's proposed rule, issued on March 16, 2011, concerning national emissions standards for hazardous air pollutants from coal-and oil-fired electric generating units and standards of performance for fossil-fuel-fired electric utility, industrial-commercial-institutional, and small industrial-commercial-institutional steam generating units (Air Toxics Rule). The Commission filed comments on August 3, 2011.*
- *The U.S. Environmental Protection Agency's proposed rule, issued on April 20, 2011, concerning the regulation of cooling water intake structures at existing facilities and Phase I facilities. The Commission filed comments on August 18, 2011.*
- *Federal legislation concerning climate policy, particularly attempts to mandate renewable portfolio standards, clean energy standards and carbon cap and trade programs.*
- *Federal legislation concerning financial reform and the effect of such reform on utility hedge programs.*
- *EPA's Proposed Carbon Pollution Standard - 77 Federal Register 22392 (April 13, 2012) Docket ID No.: EPA-HQ-OAR-2011-0660, June 25, 2012.*



## Public Affairs

The Public Affairs Section 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 section also produces informational materials such as the PSC's Annual Report, brochures, presentation aids, and other graphic materials. This section also provides information to be posted to the PSC's website, attends Commission hearings and meetings and monitors media coverage of the PSC.

# Energy Division



*Janice M. Hamilton, Director*



## ENERGY DIVISION STAFF

*From left, Rick Cleckler, Robert Taylor, III, Jodie Byrd, Marquita Lennon, Joe Leverette, Bob Reed, Brenda Roberts, Donald Powell and Tonya Williams*

The Energy Division oversees the operation of investor-owned natural gas and water utilities and wastewater management entities serving consumers 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 Gas Corporation (Alagasco) and Mobile Gas Service Corporation (Mobile Gas). The safety of all natural gas and hazardous liquid pipeline systems in Alabama is included within the Energy Division’s scope of responsibility under the Gas Pipeline Safety section’s purview.

The subsequent paragraphs discuss each section’s significant regulatory policies, duties and major activities that occurred during fiscal year 2012.

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 RSE and related programs for Alabama Gas Corporation and Mobile Gas Service Corporation.

### RATE STABILIZATION AND EQUALIZATION

The Commission regulates the rates for the two largest gas utilities in the state under a RSE plan. RSE has been in use for almost 30 years as a method of keeping rates as low as possible while assuring quality service.





## Alabama Gas Corporation

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

Under the RSE plan, the only time Alagasco can increase its base rates is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.15 percent, rates are increased December 1 to bring the return at the end of the rate 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-2012.

<i>Effective Date</i>	<i>Increase (Decrease)</i>
<b>December 1, 2011</b>	<b>\$13,350,076</b>
<b>April 1, 2012</b>	<b>\$0</b>
<b>July 1, 2012</b>	<b>(\$2,091,424)</b>
<b>October 1, 2012</b>	<b>(\$4,214,655)</b>

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

## Mobile Gas Service Corporation

Each month this section examines the books and records of Mobile Gas, 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 Mobile Gas' recent operating history.

Under the RSE plan, the only time Mobile Gas can increase its base rates 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 rate 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' rate 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-2012.

<i>Effective Date</i>	<i>Increase (Decrease)</i>
<b>December 1, 2011</b>	<b>\$2,724,918</b>
<b>April 1, 2012</b>	<b>\$0</b>
<b>July 1, 2012</b>	<b>\$0</b>
<b>October 1, 2012</b>	<b>\$0</b>

Mobile Gas also has an incentive program, the Cost Control Measure, under which it must keep growth in operation and maintenance expenses below a specified range, or face penalties. The utility has a temperature adjustment that tracks 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 of 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-2012, the Natural Gas Section was responsible for evaluating and making recommendations to the Commission on all matters relating to the following local distribution companies:

*Alabama Gas Corporation*  
*Mobile Gas Service Corporation*  
*Wheeler Basin Natural Gas Company*

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. For matters requiring Commission approval, the section presents them to the Commission with a recommendation.

## Alabama Gas Corporation

Regarding Alabama Gas Corporation, the section:

- Monitored the company's gas purchases, hedging, and storage activities;
- Inspected the company's manufactured gas plant site in Huntsville;
- Investigated the company's research and development expenditures;
- Participated in Consumer Roundtable meetings;
- Evaluated Gas Supply Adjustment filings;
- Worked with the Commission's Consumer Services Section to review changes in the company's policies regarding disconnects, reconnects, and collecting arrearages;
- Reviewed the Negative Salvage Reserve filing for FY 2012;

- Reviewed the company's Enhanced Stability Reserve filing;
- Evaluated the discontinuation of the company's Air Conditioning Rate and recommended to the Commission a course of action;
- Reviewed a gas procurement and transportation agreement between Hyundai Power Transformers and the company and recommended to the Commission a course of action;
- Reviewed an amendment to a gas procurement and transportation agreement between Berman Bros. Iron & Metal and the utility and recommended to the Commission a course of action;
- Reviewed an amendment to a transportation agreement between Kronospan, LLC and the company and recommended to the Commission a course of action;
- Reviewed a base contract and transaction confirmation between the City of Florence and the company and recommended to the Commission a course of action;
- Investigated the company's proposed Natural Gas Vehicle Rate and recommended to the Commission a course of action; and
- Reviewed the company's annual report and requested and received clarification of certain portions of the reports.

## Mobile Gas Service Corporation

Regarding Mobile Gas Service Corporation, the section:

- Monitored the company's gas purchases, hedging, and storage activities;
- Met with the company to discuss the purchase of Willmut Gas Company by Mobile Gas' parent, EnergySouth;
- Met with the company to discuss climate data and its impact on rate development;
- Attended a presentation concerning the company's hedging practices and plans for the future;
- Worked extensively with the company regarding a mercaptan odor in Eight Mile;
- Evaluated a Cast Iron Replacement Factor filing;
- Evaluated a Cost Control Measurement filing;



- Evaluated Weather Impact Normalization filing;
- Evaluated Purchased Gas Adjustment filings;
- Inspected the old manufactured gas plant site and discussed the remediation of the site;
- Worked extensively with the company to develop a self-insurance reserve mechanism and recommended to the Commission a course of action; and
- Reviewed the company's annual report.

## **Wheeler Basin Natural Gas Company**

Regarding Wheeler Basin Natural Gas Company, the section:

- Met with the company to discuss a proposed industrial park near Hartselle;
- Reviewed ongoing construction of a line to serve a new coopeage plant near Trinity;
- Reviewed a revised letter of credit with Regions Bank; and
- Reviewed the company's annual report.

## **Intrastate Storage and Pipeline Companies**

During FY-2012, 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:

- American Midstream (Alabama Gathering) LLC *formerly Enbridge Pipelines (Alabama Gathering) LLC*
- American Midstream (Alabama Intrastate) LLC *formerly Enbridge Pipelines (Alabama Intrastate) LLC*
- American Midstream (Bamagas Intrastate) LLC *formerly Enbridge Pipelines (Bamagas Intrastate) LLC*
- American Midstream (Tennessee River) LLC *formerly Enbridge Pipelines (Tennessee River) LLC*
- Arapaho Communications, L.P.
- Bay Gas Storage Company, Ltd.
- Genesis Pipeline, LLC
- Pine Energies, Inc.

- Southcross Alabama Gathering System, L.P. *formerly Crosstex Alabama Gathering System, L.P.*
- Southcross Alabama Pipeline LLC *formerly Enterprise Alabama Intrastate LLC*
- Southern Gas Transmission Company

## **American Midstream (Tennessee River), LLC**

The section:

- Reviewed a transportation agreement between Northwest Alabama Gas District and the company and recommended to the Commission a course of action; and
- Reviewed a transportation agreement between PolyPlex USA, LLC and the company and recommended to the Commission a course of action.

## **Arapaho Communications, LP**

The section:

- Participated in discussions with the company regarding a potential expansion of the scope of the service it provides;
- Held numerous conversations with the company regarding its reporting requirements; and
- Met with the company's personnel to discuss various matters.

## **Bay Gas Storage Company, Ltd.**

The section:

- Evaluated the company's annual report format and determined that its operations had progressed to the point that it met the threshold for a different format; and
- Reviewed the company's annual report.

## **Pine Energies, Inc.**

The section:

- Evaluated the company's annual reporting requirements; and
- Reviewed the company's annual report.

## **Support of Commission Offices**

The section:

- Briefed Commissioners Baxley, Cavanaugh, and Dunn on several issues;
- Prepared letter responses and documents concerning natural gas issues; and
- Assisted the Consumer Services section with various complaints.



## Interagency Activities

Various section members:

- Met with the Deputy Assistant Secretary for Oil and Natural Gas in the Office of Fossil Energy of the US Department of Energy regarding liquefied natural gas;
- Served as Chair of the National Association of Regulatory Utility Commissioners' Staff Subcommittee on Gas presiding over meetings in Washington, DC, St. Louis, MO, and Portland, OR;
- Served as Secretary of the Gas Committee at the National Association of Regulatory Utility Commissioners' meetings in Washington, DC, St. Louis, MO, and Portland, OR;
- Served as Vice Chairman of the Alabama Liquefied Petroleum Gas Board as President Baxley's designee;
- Spoke at the Alternative Climate Normals and Impacts to the Energy Industry workshop in Asheville, North Carolina;
- Assisted in drafting comments in FERC Docket AD 12-12, "Coordination Between Gas and Electric Markets";
- Participated in a Fuel Efficiency and Alternative Fuels conference;
- Provided input to a National Regulatory Research Institute paper on "What State Commissions Should Know about LNG Exports";
- Chaired NARUC Natural Gas Staff Subcommittee's monthly conference calls;
- Participated in the monthly conference calls to discuss the FERC Southeastern Snapshot Report and other energy items of interest; and
- Investigated numerous alleged violations of law for the Alabama Liquefied Petroleum Gas Board and made recommendations to the Board, all of which were accepted.

## Training Activities

Section representatives:

- Received computer training;
- Received training in Gas Company Emergency Response Planning;
- Received training in Leak Investigation and participated in a Safety Roundtable conducted by the Alabama Natural Gas Association;
- Attended a meeting of the Alabama Damage Prevention Alliance;
- Hosted a conference call regarding utility best practices for low-income customer assistance programs; and
- Attended the Alabama Gas Pipeline Safety Seminar.

## Miscellaneous

The section:

- Researched the question of whether the provisions of Section 404(b) of the U.S. Energy Policy Act of 1992, as applied to the laws of the State of Alabama, exempts the sale of natural gas as a motor vehicle fuel by a person not otherwise a public utility under Alabama law from the scope of Section 37-4-1(4) et seq. of the *Code of Alabama* and requested a ruling from the Commission that resulted in such a finding;
- Implemented an integrated data management plan;
- Evaluated approximately 25 FERC filings pertaining to Alabama entities to determine their relevance to this Commission; and
- Investigated requests for gas service, and responded to a significant number of requests by the general public for rate information, financial data, tariff sheets, and other information.



## Gas Pipeline Safety Section

The Gas Pipeline Safety Section conducts and carries out the inspection and monitoring activities of all natural gas and hazardous liquid intrastate 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 personnel charged with this responsibility must meet all the training requirements set forth by the Pipeline and Hazardous Materials Safety Administration (PHMSA). Over the course of the last year, the investigators and the administrator attended 14 resident courses and completed 26 Web-Based Training (WBT) courses in an effort to become qualified to conduct gas and hazardous liquid system inspec-

tions. Several of the investigators attended refresher and other courses to maintain their qualifications. With the incorporation of Distribution Integrity Management Programs (DIMP), Public Awareness Program Effectiveness Evaluations (PAPEE) and Control Room Management (CRM) into the inspection process, additional classes will be required of the investigators over the course of the next several years.

At the end of FY-2012, the Commission regulated, for safety matters on natural gas systems, 74 intrastate natural gas distribution systems, 27 intrastate natural gas transmission systems, five liquefied natural gas (LNG) systems, two intrastate natural gas gathering systems, two intrastate hydrogen transmission systems, three offshore natural gas transmission systems, and 32 master meter systems. The Commission regulated, for safety matters, five on-shore hazardous liquid transmission systems, one on-shore hazardous liquid gathering system, one off-shore



### GAS PIPELINE SAFETY SECTION

*Front row from left, Bryan Kichler, Gregory Meadows, Felisa Webster, Judy Ramsey and Wallace Jones  
Back row from left, Thomas Lancaster, Keith Blackwood, Daniel Trapp, Randall Hammond, and Edmond Clark Brown*



hazardous liquid transmission system and one intra-state carbon dioxide transmission system.

The Gas Pipeline Safety Section developed and presented programs to promote safe operations by natural gas transmission and distribution systems. When a system was found to be in noncompliance, immediate, corrective action was taken.

An important function of this section is accident prevention. The section conducted safety seminars around the state, as well as fire schools and plastic pipe qualification classes. A tabulation of the section's activities in FY-2012 is listed below:

GAS PIPELINE SAFETY INSPECTIONS	
Gas Pipeline Safety	919
Enforcement Actions	55
Non-compliances	97
Non-compliances Corrected	42
Construction Projects	166*
Safety Education Programs	131*
Investigator Education	157*
Pipeline Safety Incident Investigations	4**

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

\*\*Only one incident was reported to PHMSA. After further investigation, it was determined to not be a reportable incident by PHMSA standards (not over \$50,000 in damages and no fatalities or hospitalizations). Three other incidents were investigated after telephonic notification and were determined to be non-reportable.

## Water and Wastewater Section

The Water and Wastewater Section is responsible for regulating five investor-owned water utilities and four out-of-state water companies that have authority to operate in Alabama. During FY-2012 a new water system came under the jurisdiction of the Commission. The nine jurisdictional water utilities are:

- *Central Water Works, Inc. (FL)*
- *East Lowndes Water Association (MS)*
- *Hiwannee Water Association, Inc. (MS)*
- *Integra Water Creola, LLC*
- *Lakeside Leisure, LLC*
- *Parker Creek Water Company, LLC*

- *Plantation Water System*
- *Tishomingo County Water District (MS)*
- *Water Works, Inc.*

This section is also responsible for regulating nine jurisdictional Wastewater Management Entities (MEs) with a goal of ensuring financial viability. The jurisdictional MEs are:

- *Alabama Wastewater Systems, Inc.*
- *Arbor Utility Management, LLC*
- *Bio-Flow, Inc.*
- *Canaan Systems, Inc.*
- *Integra Watersound, LLC*
- *Integrated Wastewater Management, Inc.*
- *O'Brien Environmental Services, LLC*
- *Southwest Water Alabama-Onsite System Services, LLC*
- *Utility Management, LLC*

These MEs operate de-centralized wastewater systems throughout Alabama, mostly serving new residential subdivisions.

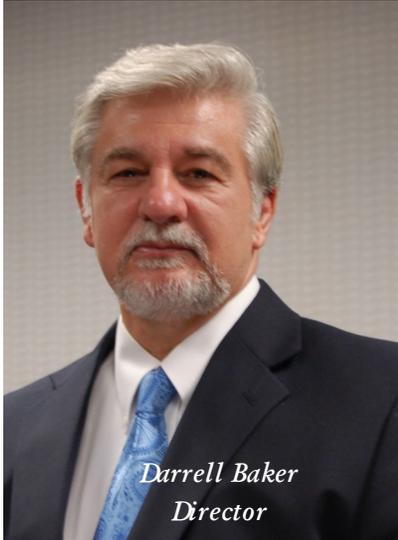
The duties of the Water and Wastewater Section include analyzing rate, financing and service petitions, inspecting the plant facilities, reviewing company books and records, working with the Alabama Public Health Department and Alabama Department of Environmental Management's staff, assisting the PSC's Consumer Services section in handling customer complaints, preparing reports as a result of inspections and site visits, keeping abreast of Congressional, legislative and regulatory issues affecting water and wastewater and conducting compliance and accounting audits.

The section reviews and evaluates applications from new water utilities and wastewater management entities seeking authority to operate under the jurisdiction of the Commission. During FY-2012, three such evaluations took place which resulted in Lakeside Leisure, LLC, a water utility, being granted a CPCN (Certificate of Public Convenience and Necessity) in Docket 31660 and Arbor Utility Management, LLC and Integrated Wastewater Management, Inc., receiving Certificates of Financial Viability to provide wastewater service in Dockets 31802 and 31803, respectively.

# Telecommunications Division



*Darrell Baker, Director*



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

The Alabama Legislature’s Communications Reform Act of 2005 (‘Act’) curtailed the Commission’s authority over pricing for most retail telecommunication services. For those providers electing regulation under the Act, the Commission’s pricing jurisdiction for bundled service offerings, services offered under contract, broadband internet services and broadband enabled services, and for most retail telecommunications services was eliminated. The Commission retained pricing jurisdiction for stand-alone basic service, optional telephone features, emergency telephone (911) services, Lifeline service, and all wholesale services. As of September 30, 2011, nine (9) independent telephone companies in Alabama have not opted for regulation under the Act and remain fully under the Commission’s price regulation authority.



## ECONOMIC COMPLIANCE SECTION

*Seated from left - Laneeta Roberts, Cynthia Allen, Janet Conway - Standing from left, William Cook, E.C. McArthur and Tom Jones*

# Telecommunications Division



## SERVICE COMPLIANCE SECTION

*Seated from left - David Peeler, Linda Jones, Doug Dillard – Standing from left, Terry Jackson, Bobby Mobley and Gilbert Carlisle*

The 2009 amendments to the Communication Reform Act provided the Commission with additional obligations regarding Lifeline Services. Lifeline Services provide financial discounts for low income consumers. The Commission implemented procedures with the Alabama Medicaid Agency, the Alabama Department of Community and Economic Development, the Alabama Department of Human Resources, and the Office of Attorney General for routine data transfers of information extracted from the applications of those enrolling in Lifeline qualifying public assistance programs. The data will be used to streamline the process for enroll-

ing eligible participants in the federally subsidized Lifeline and Link up discounted telephone service program. Additionally, the Commission provides the Department of Revenue Lifeline information contained in Alabama Individual Income Tax Publications.

Charges other than those from the consumer's local and long distance providers or their affiliates (such as wireless or internet service affiliates) may be added to a consumer's monthly telephone bill. These are known as third-party charges; providers of the goods or services are referred to as third-party providers. Typically, these providers



# Telecommunications Division



contract with an intermediary that aggregates charges from numerous third-party providers. The intermediaries, also known as billing aggregators, have contracts with local telephone companies to include their client's charges on consumer telephone bills. A toll-free number to the billing aggregator customer service line is shown with the third-party charge for any



charges questioned or disputed by the consumer. Billing aggregators must then investigate consumer inquiries with their third-party clients. This process can be time intensive and intimidating for telephone subscribers. Previously, there was no verification of the third-party provider's service offerings and subscription procedures to ensure that consumers were not being subject to deceptive marketing. Consequently, the Telecommunications Division requires all third-party providers to register with the Commission before telephone companies may allow their

charges on consumer telephone bills. The staff monitors the marketing practices of the third-party providers, maintains a database of all providers and their contact information, and assists any Alabama consumer with inquiries about and/or disputes over charges. Pursuant to Docket 30934, the Commission requires notice of billing aggregator and third-party provider requests to bill for their services on regulated telephone company customer bills and may subsequently revoke such approval for cause.

The Telecommunication Staff's other duties include: participation in certification hearings for new telecommunications service providers; review and analysis of tariffs and intercompany wholesale agreements for which we retain jurisdiction; oversight for Universal Service Fund (High Cost Fund) utilization; resolving inquiries and complaints from telecommunications industry personnel, consumers, and other government agencies; review of service quality performance; numbering resources management; and recommending actions regarding telecommunication policy and rules to the Commission. The Commission does not have jurisdiction over cable television, Internet Service; Voice-Over-Internet-Protocol phone service (VOIP), or cellular telephone service.

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

## **Economic Compliance Section**

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

This section is composed of analysts that review federal and state policies/rules, tariff filings, applications for authority to operate in the State of Alabama, intercompany wholesale agreements, Lifeline enrollment procedures, Federal Universal Service Fund Administration, and third-party billing compliance. Analysts are extensively involved in re-



solving consumer inquiries and complaints and participate in hearings and workshops regarding various telecommunications issues before the Commission to include provider certification.

## During FY-12:

1. Staff continues to monitor telephone company filings regarding the Communications Reform Act of 2005 and subsequent amendment to the Act in 2009. The Division has worked extensively with the Legal Division in the interpretation of the Act in order to comply with requirements of the Act.
2. Staff is implementing comprehensive intrastate reform and modernization of the Lifeline Program pursuant to the Federal Communication Commission's (FCC) Lifeline Reform Order approved January 31, 2012. The section continues to implement rules, procedures and Memorandums of Understanding with other State agencies regarding the expansion of Lifeline services and automatic enrollment and is actively assisting with establishment of an Alabama Lifeline eligibility database.
3. Staff continues to monitor rules regarding Truth-in-Billing issues. The rules require companies to provide full disclosure of actual and estimated charges which a customer can expect to pay on an average monthly bill when quoting prices for services.
4. The section reviewed/ processed 397 tariff filings and 62 interconnection, resale, and collocation agreements between CLECs, wireless providers, and ILECs.
5. The Staff processed 19 applications for toll resale and competitive local exchange service in Alabama.
6. Staff monitored the Federal Communication Commission (FCC) comprehensive reform and modernization of the universal service and inter-carrier compensation systems. The section implemented rules and procedures to verify and analyze this major comprehensive reform.
7. In accordance with FCC requirements, staff analyzed the 2012 local exchange carrier intrastate terminating access reductions in Alabama and verified carrier data supporting proposed access recovery charges (ARC) assessed against end users. Further, the staff reviewed supplemental carrier requests for revenue recovery through the federal Connect America Fund. Calendar year 2012 is the initial year of Interexchange Carrier Compensation (ICC) Reform. The process will be repeated until access charges are transitioned to "bill-and-keep" (approximately 2028).
8. Staff continues to review the Transition Service Fund in accordance with Dockets 24499, 24472, 24030, and 24865.
9. The section maintains websites in compliance with the *Code of Alabama* Section 11-98-5.1 regarding emergency telephone service charges (E911).
10. Staff ensures compliance with the *Code of Alabama*, Sections 37-2A-4 and 30-6-1 regarding Family Violence procedures and the associated Alabama Public Service Commission Docket 29878 which aid in the protection of individuals in Family Shelters.
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, Rural ILEC and Competitive LECs' plans for utilization of rural and non-rural Federal Universal Service high cost fund allocations.
12. Staff maintains a database for Third Party Providers. The database contains approximately 574 companies. Staff processed 16 Third Party Providers during the year.
13. Staff routinely assists the Commissioners, consumers, and telecommunications companies in matters relating to rates, tariffs, and filings with the FCC. Staff assisted in resolving 545 inquiries and complaints from telecommunications industry personnel, consumers, and other governmental agencies.

# Telecommunications Division



## Service Compliance Section

The Service Compliance Section monitors the quality of service for incumbent and competitive local exchange telephone companies and, in coordination with the North American Numbering Plan Administrator (NANPA), is responsible for telephone numbering resources management. Staff conducts inspections



to compare existing levels of service with required APSC and FCC rules, industry standards and electrical safety codes. Staff also monitors construction projects involving plant upgrades and additions plus reviews construction projects funded by the federal Universal Service Fund.

The Service Compliance Section monitors the quality of service and rates charged by Customer-Owned Coin-Operated Telephone Services (COCOTS) providers, Inmate Phone Service (IPS), Local Exchange Carrier (LEC) pay telephone service providers, Shared Tenant Service (STS) providers, and Hotels/Motels to ensure compliance with Commission rules and regulations.

### During FY-12:

Service Compliance inspections were performed on the following utilities:

1. Ragland Telephone Company
2. New Hope Telephone Company
3. Moundville Telephone Company

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

1. New Hope Telephone Company
2. Farmers Telephone Company
3. Roanoke Telephone Company
4. Hopper Telecommunications, Inc.

In-depth reviews were performed on AT&T Alabama and CenturyLink 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

- AT&T-Gulf
- AT&T-North Alabama
- CenturyLink-Southern
- CenturyLink-Northern

Numbering assignments from current inventories have risen slightly during FY-2012 due to increased demand from wireless providers and number assignments in support of the Lifeline program. Numbering resource usage continues to be closely monitored while numbering conservation and reclamation activities are ongoing. These activities ensure that Alabama's finite numbering assets remain stable and prevent premature number exhaust in the states five area codes.

The following is a summary of the Service Compliance Section IPS activities for FY-12:

- Consumer Complaint Investigations – 4
- Three (3) special services providers were certified with a certificate to include IPS authority and one (1) special services provider was cancelled
- Conducted fifteen (15) Inmate Phone Services Investigations

# Transportation Division



*Britt Roberts, Director*



## TRANSPORTATION DIVISION

*Seated from left - Kathleen McPherson, Tara Frazier, Rita Grantham, Carolyn Gaylor, Jennifer Morgan, Standing from left - Danny Arledge, Chris Longcrier, Amanda Shehane, Britt Roberts, Retha Byrant, Ron Hicks, Donald Williamson*

*T*he 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 commercial motor carriers, private motor carriers, freight forwarders, and brokers from the United States, Canada, and Mexico under the Unified Carrier Registration Act.

Secondly, the Insurance and Registration Section requires intrastate motor and air carriers of passengers or property granted authority to file and maintain proof of liability insurance. In protection of the public, such carriers must file verifiable forms of liability insurance, cargo insurance, bonds and self-insurance.

Thirdly, the Insurance and Registration Section issues intrastate for-hire motor carrier vehicle identification numbers and issues to all qualified Alabama based interstate companies the Unified Carrier Registration receipts. It also collects, accounts for, and processes the monies to be deposited into the State Treasury or a federal depository. It is responsible for maintaining journals, ledgers, receipts and various other records and reports of monies received and deposited.



## Insurance Filings

Self-Insurance, bonds for liability  
and cargo, certificates for liability  
and cargo, bonds for brokers 7,726

Letters of correspondence 669

## Registration of Authority

Intrastate registered 147

## Motor Carrier Vehicle Identifica-

UCR Registrations 6,697

UCR Audits 282

Applications processed 3,439

Numbers and decals issued 601

Letters of correspondence 1,057

## Revocations and Reinstatement of Authority

Revoked for no insurance 462

Reinstated after compliance 270

This section requires all intrastate motor carriers to have verifiable insurance on file before credentials to operate are issued. It also processes orders of revocation for failure to maintain proof of insurance and orders of reinstatement after proof has been received as prescribed by law.

In addition to the above-mentioned regulations of motor carriers, the Insurance and Registration Section is called upon to provide information to the general public, permitting services, attorneys, insurance companies, transportation companies and other state and federal agencies concerning regulatory matters. The PSC website lists all active motor carrier companies with current insurance and this information is updated daily. A tabulation of the section's activities is reflected in the table left.

## Railway Safety Section

The Railway Safety Section conducts safety compliance inspections on all railroad common carriers' track and equipment in Alabama in accordance with state and federal standards. Inspections also 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 (ALDOT). Agreements between the railroads and ALDOT 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 table to the right provides a breakdown of the activities of the Railway Safety Section during the period covering October 2011 through September 2012.

### Railway Safety Section

Total Miles of Railway Track Inspected	839
Total Railway Accident Investigations	1
Total Units of Rolling Stock Inspected (Railway Cars)	4,918
Total Locomotives Inspected	179
Total Railroad Records Inspected	546
Total Complaints Investigated	7

# Transportation Division



lyze tariff changes to determine the effected outcome to the public. The revised tariffs and supplements are either permitted to become effective on the proposed effective date or they are suspended and investigated by the Commission.

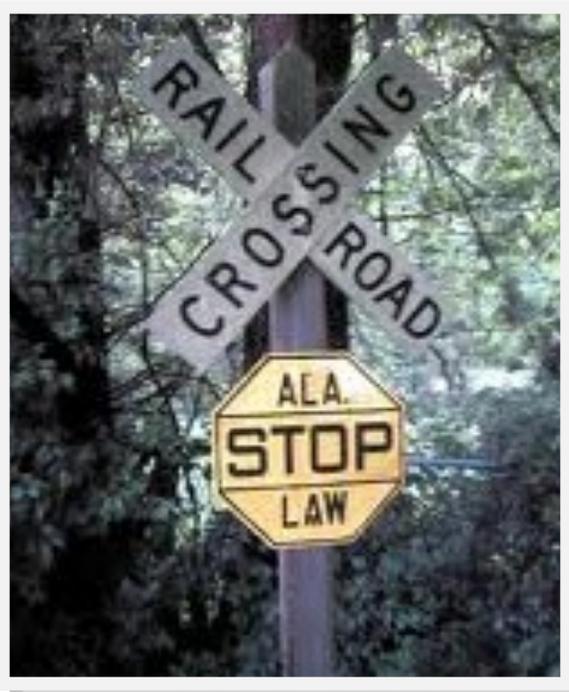
When the Commission institutes a formal investigation, a public hearing is held. When the record is complete, the examiner and other members of the staff study and analyze the evidence of record and make recommendations to the Commission. After a Commission decision is made, an order of the Commission is prepared for signatures.

The Rates and Services Section receives and

## 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.

This section maintains a file of all tariffs setting forth rates, fares, charges, classification, and rules and regulations for intrastate transportation companies. Staff members check issued, re-issued and supplements filed to ensure compliance with Commission rules and regulations. They also ana-



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. 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.

Lastly, this section handles and resolves transportation complaints filed by the public and industry representatives.

# APSC History



The Alabama Public Service Commission was designated as such in 1915 by the Alabama Legislature. The Commission evolved from the Railroad Commission of Alabama, which was created in 1881 to regulate railroads. The Commission has always been composed of three elected members: a president and two associate commissioners.

Between 1881 and 1915, the Legislature extended the Railroad Commission's jurisdiction to include express companies, sleeping car companies, railroad depots and terminal stations. In addition, the Commission's jurisdiction was broadened to include the regulation of telephone and telegraph companies, transportation companies operating as common carriers over water and operators of toll bridges, toll ferries, and toll roads. The Commission was also 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 already subject to regulation by the former Railroad Commission. The newly constituted agency thus became known as the Alabama Public Service Commission. The Commission's authority was extended to approving the sale or lease of utility property or franchises and was broadened again in 1920 when the Legislature made the Commission responsible for regulating 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 and/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. In-trastate air carriers were made subject to the Commission's jurisdiction in 1945.

Natural gas transmission and distribution systems were placed under the Commission's jurisdic-



tion for safety purposes in 1968. Additionally the Minimum Safety Standards outlined in the Natural Gas Pipeline Safety Act were adopted.

In 1971, the Commission's authority over motor carriers was broadened yet again as transportation enforcement officers were empowered to enforce the rules and regulations of the Commission. Similarly, 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.

In 1977, the Legislature recognized the need to have an advocate charged exclusively with representing utility consumers before the Commission. The Legislature accordingly empowered the office of the Attorney General of Alabama to represent consumers and the state in proceedings before the Commission during the 1977 legislative session.

In recent years, sweeping federal and state statutory changes have significantly altered the Commission's jurisdiction and authority over transportation and telecommunications utilities. Title IV in the Federal Aviation Administration Act of 1994 provides for federal preemption of the states in matters of motor carrier pricing, routes, and services for all but household goods carriers. As a result, Commission certification and tariff approval is no longer required for those motor carriers whose state Commis-

# APSC History



## APSC HISTORY, continued from page 47

sions are federally preempted from regulating beyond minimal initial requirements. The Commission continues to regulate carriers of passengers and household goods, ensures all motor carriers maintain appropriate cargo and liability insurance, and ensures that all regulated carriers comply with applicable safety standards.

With the passage of the Telecommunications Act of 1996, Congress opened up the local exchange telephone markets to competition. Large incumbent local exchange companies (ILECs) such as BellSouth and CenturyTel, who previously operated as the only local carrier within their Commission certified service areas, must now make their services available for resale and lease components of their embedded network to new entrants. New entrants into the local

telephone market may also petition the Commission to open independent telephone company local service areas to competition. The introduction of local competition forced the Commission to set utility prices for retail telecommunication services using market based rather than cost based methodology. In 2005, the Alabama Legislature passed the Communications Reform Act. That Act, citing the competition that exists in the local telephone market, eliminated much of the Commission's authority over retail telecommunication services. Additionally, Commission jurisdiction was eliminated for all broadband services used for Internet delivery. The Commission did, however, retain full jurisdiction over wholesale telecommunications services, most consumer telecommunications complaints and matters concerning Universal Service.

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# Past and Present 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 – November 2008

## **Lucy Baxley:**

**November 2008 – November 2012**

## **COMMISSIONER, Place 1**

James Crook:  
February 1881 – January 1885  
Levi W. Lawler:  
February 1885 – September 1892  
Gen. James T. Holtzclaw  
February 1893 - July 1983  
Willis G. Clark:  
August 1893 – February 1899  
A.E. Cafee:  
February 1899 – February 1903  
William T. Sanders:  
April 1903 – January 1907  
Charles Sanders:  
January 1907 – February 1907  
W. D. Nesbit:  
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 Matthews:  
January 1979 – March 1981  
Lynn Greer:  
March 1981 – November 1990  
Jan Cook:  
November 1990 – November 2010

## **Twinkle Andress Cavanaugh:**

**November 2010 – Present**

## **COMMISSIONER, Place 2**

Colonel 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 McDaniel:  
January 1971 – January 1977  
C.C. Whatley:  
January 1977 – January 1979  
Jim Folsom, Jr.:  
January 1979 – November 1986  
Charles B. Martin:  
November 1986 – November 1998  
George C. Wallace, Jr.:  
November 1998 – November 2006  
\*\*Susan D. Parker, PhD.:  
November 2006 – November 2010

## **Terry L. Dunn:**

**November 2010 – Present**

*\*Also served as President of the National Association of Regulatory Utility Commissioners (NARUC)*

*\*\*Also served as President of the Southeastern Association of Regulatory Utility Commissioners, and Second Vice-President of NARUC*





**Have a question regarding a utility?**

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