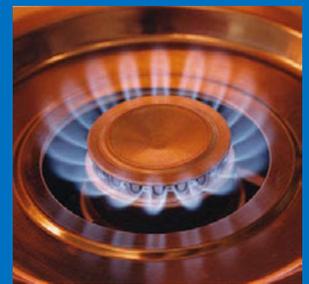
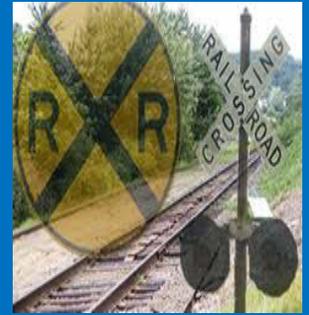


Annual Report 2013



Fostering a balance between Alabama's utility providers and consumers

Alabama

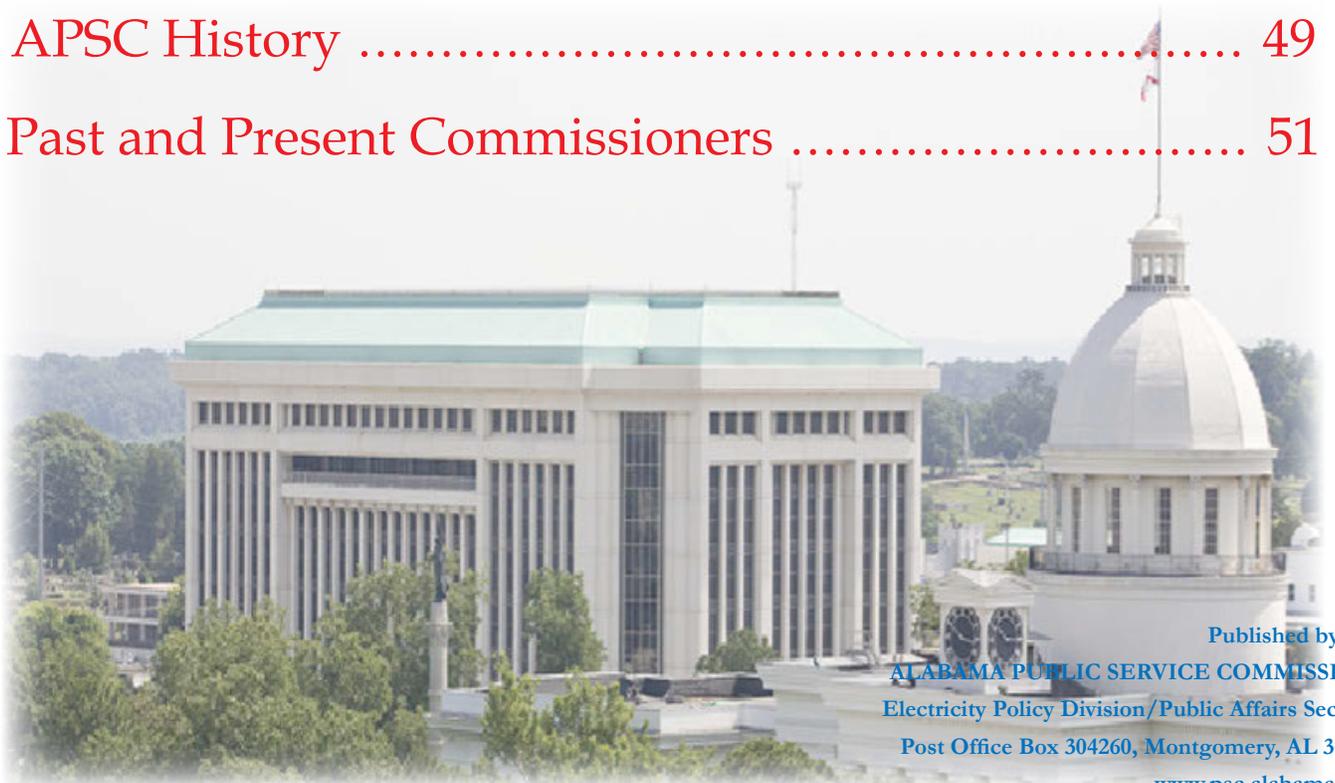


PUBLIC SERVICE COMMISSION





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President Twinkle Andress Cavanaugh (center) shown with Chief Administrative Law Judge, John Garner (left), Commissioners Jeremy H. Oden (2nd from left) and Terry L. Dunn (right) at a monthly meeting of the Commission

Since its creation over a century ago as the Railroad Commission of Alabama, the Alabama Public Service Commission (APSC) 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 APSC 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 APSC.

The APSC operates as a quasi-judicial body whose jurisdiction, powers and duties are statutory in nature. More specifically, the APSC 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 APSC 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 been chronicled among Alabama's most famous public servants.

In order to carryout 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 90 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 APSC for the period of October 1, 2012, through September 30, 2013. Although not all inclusive, this report represents a good overview of the many services and functions provided by the Commission.



*Twinkle Andress
Cavanaugh*

President Cavanaugh's Staff

- ◆ Jeff Johnston, Advisor for Regulatory/Research Analysis
- ◆ Debbie Williams, Executive Assistant
- ◆ Vickie Kelly, Executive Secretary

*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 an Ethics Policy setting the highest ethical standards for conducting business at the Alabama Public Service Commission;
- Began term as President by calling for open and transparent hearings for all three major utilities in the state. In an unprecedented move, she led the Commission through reviews of all three major utilities in a single year, resulting in lower utility rates for the citizens of Alabama while preserving the ability of these utilities to provide reliable service for their customers;
- Created a process that all interested individuals and groups could easily participate in utility hearings and refused to allow outside environmental groups to insert their anti-coal agenda and take over the process;
- Guiding the Commission to reduce expenses by \$2 million per year through the streamlining of operations and reduction of wasteful spending and demonstrating her commitment to reducing the size of government by reducing the size of the Commission by over 20% and concentrating talent within the agency by creating a standalone Electricity Policy Division;
- Completing renewal of lease agreement with RSA resulting in a \$400,000 per year reduction in lease costs by consolidating staff and eliminating unused office space;
- Saving taxpayers money by refusing a state car and all other perks associated with her office;
- Passing time-of-use rates which allow customers an additional way to achieve savings in their utility bills;



PRESIDENT TWINKLE ANDRESS CAVANAUGH'S STAFF

From left, Vickie Kelly, Debbie Williams and Jeff Johnston

- Actively working with Alabama's farmers to keep their utility costs down; and
- Offering encouragement to victims of the devastating events that have occurred in Alabama.

Twinkle brings to the Alabama 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 halt 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 and one grandchild. They are active members of First Baptist Church in Montgomery and they are involved in numerous community organizations.



Jeremy H. Oden

Commissioner Oden's Staff

- ◆ Spears Griffin, Technical Assistant
- ◆ Blake Kinney, Executive Assistant

A native of the Vinemont/Eva area in Cullman County, Jeremy H. Oden was appointed to serve as the Commissioner for Place 1 on the Alabama Public Service Commission by Governor Robert Bentley beginning December 2012. Commissioner Oden is a proven public servant evidenced through his recent 14 year tenure of service in the Alabama House of Representatives for District 11, covering portions of Cullman, Blount and Morgan counties. Commissioner Oden brings to the Public Service Commission a diverse background in public service and conservative policymaking that has already paid tremendous benefits for the people and businesses of Alabama.

Upon his appointment, Commissioner Oden committed to serving the public interest by ensuring the regulated gas, electric, rail and telecommunication industries of Alabama would provide safe, reliable and quality service at reasonable rates. In his first 10 months in office, Commissioner Oden has already honored those commitments and achieved an unprecedented level of accomplishment at the APSC. As an advocate against the federal and environmental pressures to increase energy rates on the citizens of Alabama, his tireless efforts to ensure fair rates to consumers were evidenced through the 2013 public rate reviews for Mobile Gas Service Corporation, Alabama Power Company and Alabama Gas Corporation. Commissioner Oden exhibited his dedication to the public when he called for additional public hearings to be held outside of Montgomery, to allow the Commissioners to hear from those ratepayers who are directly impacted in the differing service areas. Successful accomplishment of this milestone, through the use of open and transparent hearings, has set a new level of excellence at the APSC. The results of these public rate reviews will include:

- Reduction of utility rates to customers;
- Assurance that the regulated utilities of Alabama will be able to provide safe, dependable and affordable services to ratepayers; and
- Alabama's regulatory environment will remain stable and allow utilities the most cost efficient options for accessing operating capital.



COMMISSIONER JEREMY H. ODEN'S STAFF

Commissioner Jeremy H. Oden (center), Blake Kinney (left), and Spears Griffin (right)

Commissioner Oden is married to Samantha Nelson Oden and they have one daughter. Commissioner Oden comes from a long line of small business owners. His family owned and operates several businesses involved in construction, lumber, retail and farming. He also worked in the financial industry serving as branch manager and vice president of Eva Bank in Cullman County. He is an ordained minister at Abundant Grace Church in Cullman and is a graduate of Asbury University.

Since taking office in December 2012, Commissioner Oden has successfully ushered through several cost saving initiatives which will save state taxpayers close to \$450,000 annually. One example of these initiatives includes working with staff to consolidate and reduce any unused square footage in the current APSC office space.

In addition to his unprecedented accomplishment of holding three public rate reviews within his first year in office, Commissioner Oden serves as a representative of Alabama's regulatory commission in the National Association of Regulatory Utility Commissioners (NARUC). He has initiated efforts to draft legislation to aid the State and the Public Service Commission in complying with new federal requirements on pipeline safety infractions. He is involved in the Alabama Damage Prevention Alliance and the 811 Call Before You Dig program in the state.

With the help of Commissioner Oden's leadership in 2013, the APSC made significant efforts to keep utility rates stable and will continue to do so in the coming years. Commissioner Oden is dedicated to creating and retaining Alabama jobs and will continue to pursue measures that foster new developments while supporting existing businesses in Alabama.



Terry L. Dunn

Commissioner Dunn's Staff

- ◆ David Rountree, Chief of Staff
- ◆ Hope Curry, Executive Assistant
- ◆ Denise Harris, Executive Secretary

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 electricity and natural gas 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 54, 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.

At the end of 2012, Commissioner Dunn called for a full review of both the power and natural gas utilities' returns. He participated actively in the informal reviews preferred by his fellow Commissioners while continuing to push throughout 2013 for formal evidentiary hearings on the state's largest regulated monopolies. Commissioner Dunn has successfully pushed through several other initiatives since taking office in November 2010, including the following:

- 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 new businesses or the expansion of existing businesses;



COMMISSIONER TERRY L. DUNN'S STAFF

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

- 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 APSC'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 Company 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.



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,
Public Utility Analyst Manager

LEGAL DIVISION

John A. Garner,
Chief Administrative Law Judge and
Executive Director of the Commission
G. Scott Morris,
Administrative Law Judge
Suellen Young, Attorney III
Luke Bentley, Attorney II
Eileen M. Lawrence,
Departmental Operations Specialist
Aisha Smith,
Administrative Support Assistant III

Motor Carrier Enforcement Section

Earl Reeves,
Transportation Enforcement Supervisor
(Retired 1/1/13)
John M. Brock,
Transportation Enforcement Area
Supervisor
Terry Shirley,
Transportation Enforcement Area
Supervisor
Leo Sauls, Jr.,
Transportation Enforcement Officer
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 III
Reletta McGhee,
Administrative Support Assistant II
(Transferred 1/4/13)

Consumer Services Section

Aquilla Spivey,
Consumer Services Manager

Wanda Patterson,
Consumer Services Specialist
Stephanie Sweet,
Consumer Services Specialist
Kelly Mulero,
Executive Secretary

Finance

Miles Gagner,
Senior Accountant

Kimberly Holt,
Senior Accountant
Ernestine Huffman,
Accountant
Anthony Jackson,
Account Clerk (Transferred 9/16/13)

Motor Carrier Records Section

Valerie Hogan,
Administrative Support Assistant III

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* (Position
Eliminated)
Tanya Champion,
Public Utility Analyst I*
Blake Thomas,
Public Utility Analyst I* (Transferred 9/1/13)
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 until April 16,
2013*



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
Leveika Z. Martin,
Administrative Support Assistant III
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
Thomas W. Lancaster,
Pipeline Safety Investigations Supervisor
Judy D. Ramsey,
Pipeline Safety Investigations Supervisor
Gregory E. Meadows,
Pipeline Safety Investigations Supervisor

Daniel E. Trapp,
Pipeline Safety Investigator, Senior
Bryan C. Kichler,
Pipeline Safety Investigator, Senior
Keith Blackwood, Jr.
Pipeline Safety Investigator
E. Clark Brown,
Pipeline Safety Investigator
Randall Hammond,
Pipeline Safety Investigator
Marcus Richburg,
Pipeline Safety Investigator
Asia Stephens,
Pipeline Safety Investigator
John Paul Harris,
State Retiree (Part-Time)

Telecommunications Division

Darrell Baker,
Director

Economic Compliance Section

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
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
Linda Jones,
Clerk Stenographer III
Barbara Franklin,
Clerk Stenographer III (Retired 2/1/13)

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
(Transferred 11/16/12)
Jennifer Morgan,
Account Clerk
Kathleen McPherson,
Account Clerk

Carolyn Gaylor,
Administrative Support Assistant III
Retha Bryant,
Administrative Support Assistant I
Railway Safety Section
John C. Longcrier,
Railway Safety Administrator
Danny Arledge,
Railway Safety Inspector



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 recommen-

John A. Garner, Executive Director

dations 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

Rozetta Parker and Dorinda Kepler

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 Department (SPD) Procedures Manual, and various manuals provided by the SPD Training Division. Requests to fill vacancies in the Commission are processed by Personnel with the coordination of division directors.

The personnel manager also acts as the liaison with 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 SPD Board and the Council of Personnel Administrators.

Personnel also develops, or assists in the development, and updates 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 Alabama Public Service Commission'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 APSC divisions electronically to facilitate the sharing of data and information. The section 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 Section staff also establishes email 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.

The Information Systems Services Section created and updates the APSC website which offers the functionality of allowing consumers to file complaints online. Commission orders and filings in APSC proceedings can also be accessed through the agency's website. Similarly, video footage of each month's public meeting of the Commission can also be accessed on the agency website.

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



STATE LEGISLATIVE AFFAIRS

Clarence Duncan

it pertains to the Commission and keeping the Commission and its staff fully informed of the status of such matters in a timely manner. 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.

John A. Garner, Chief Administrative Law Judge



LEGAL DIVISION

Seated from left, Aisha Smith, Karen Rogers— Standing from left, Suellen Young, John Garner, Luke Bentley and Scott Morris

The Legal Division consists of two Administrative Law Judges, including the Chief Administrative Law Judge, a Senior Staff Attorney, an Attorney II, 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 presiding over 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 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 Alabama Public Service Commission'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.



ENFORCEMENT SUPERVISORS

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



ENFORCEMENT OFFICERS

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

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.



Walter L. Thomas, Jr., Secretary



ADMINISTRATIVE DIVISION STAFF

Seated from left, Ernestine Huffman, Aquilla Spivey and Tashenma Lawrence

Standing from left, Wanda Lowery-Geigner, Miles Gagner, Walter L. Thomas, Jr., Kim Holt, Valerie Hogan and Stephanie Sweet

The Commission Secretary receives all filings made to the Commission and distributes them to the appropriate division. The Secretary also assigns docket numbers to cases requiring public hearings and maintains an electronic file on cases to maintain status and insure expedient access of information when needed.

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 also provides public officials, attorneys, transportation and utility executives, and other interested parties, with information on the operating policies of the Commission.

The Secretary is responsible for the retention of all records of the Commission. He coordinates the transfer of records to the Alabama 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 responds to inquiries requiring research into Commission records. Lastly, the Secretary is responsible for the coordination of the departmental telecommunications services which entails ensuring that the telephone and data lines are working properly. A tabulation of the principal activities of the Secretary during FY-2013 is as follows:

OFFICE OF THE COMMISSION'S SECRETARY	
Commission Orders Issued	1,177
Public Hearings Held	30
Report and Recommended Orders Issued	4

Finance Section

The Finance Section plans, coordinates and directs the fiscal operation of the Commission, overseeing such activities as accounts, budgets, purchases, equipment and custodial care. The section's responsibilities include maintaining the general books, consolidating operating budget requirements, and preparing budget requests and operations plans.



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

The Finance Section maintains office supplies for the Commission; develops and administers internal accounting procedures and administers a centralized purchasing service of approved materials, supplies and equipment; and is responsible for maintaining property records and conducting an annual physical inventory.



Motor Carrier Records Section

The Motor Carrier Records Section is responsible for preserving the records of transportation companies. Duties of this section include maintaining an interlinking database and recordkeeping system on all motor carriers who are required to register with the Alabama 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 responds to 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. In addition,

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 Alabama Public Service Commission, this



section handles in excess of 1,000 complaints and over 3,000 inquiries annually.

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

As the pulse of the Alabama Public Service Commission, the Consumer Services Section handles in excess of 1,000 complaints and over 3,000 inquiries annually.

lature. 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 treated as a complaint and requires obtaining information about the matter from the utility which is reviewed by the staff person who makes a determination about the validity of the utility's action and communicates the Commission findings and opinion to the consumer. The Consumer Services Section additionally serves as a sounding board fielding and recording consumers' opinions and obser-

vations in response to rate actions. Investigation of complex complaints often requires coordination between the utility, Commission staff and the consumer. Written records are created to document inquiries and complaints referred to the Consumer Services Section.

The written records created result in a series of reports each month that are used to track and monitor the utilities' activities and compliance. The written complaint and inquiry records 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

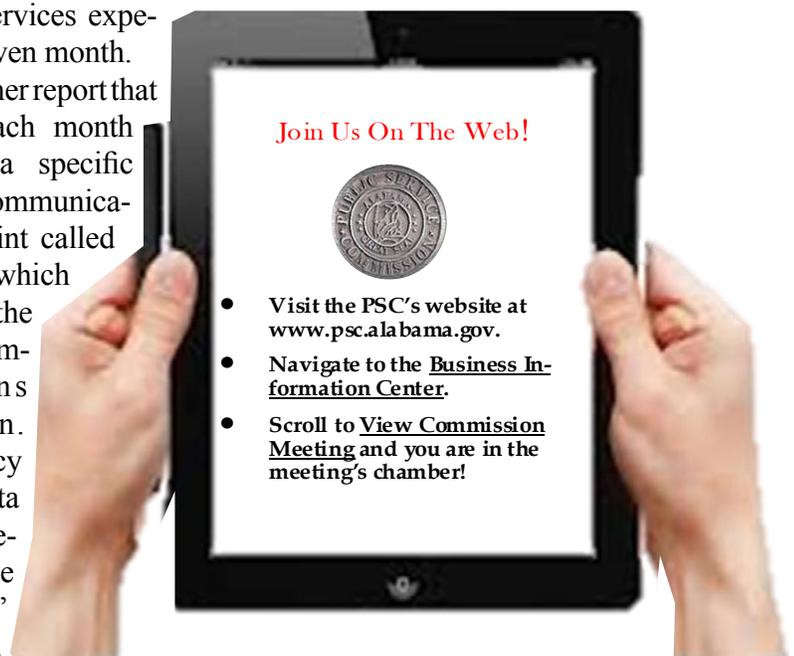
Consumer Services experience in a given month.

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. In addition, this federal agency also tracks complaints made by consumers against telemarketers who violate the Telemarketing Sales Rule.



Statement of Operations
For the Fiscal Year Ending September 30, 2012 and 2013

	<u>PSC Operating</u> <u>Fund</u>	<u>Gas Pipeline</u> <u>Safety Fund</u>	<u>Total</u> <u>Sept. 30, 2013</u>	<u>Total</u> <u>Sept. 30, 2012</u>
Comptroller's Beg. Cash Balance:	\$ 3,066,651	\$ 879,388	\$ 3,946,039	\$ 10,699,209
Inspection & Supervision Fees -				
Utility/Water Companies	10,625,459	-	10,625,459	10,925,499
Telecommunications/Railroads	3,459,452	-	3,459,452	3,441,189
Motor Carrier Ins. & Reg. Fees	2,395,549	-	2,395,549	2,595,335
Gas Service Line Fees	-	529,921	529,921	527,998
Federal Dept. of Transportation	-	576,786	576,786	265,317
Alabama Dept. of Transportation	50,000	-	50,000	50,000
Miscellaneous Receipts	20,143	-	20,143	4,781
Total Receipts:	<u>16,550,603</u>	<u>1,106,707</u>	<u>17,657,310</u>	<u>17,810,119</u>
Total Cash Available:	<u>19,617,254</u>	<u>1,986,095</u>	<u>21,603,349</u>	<u>28,509,328</u>
 Disbursement of Encumbrances:				
Personnel Costs	-	-	-	-
Employee Benefits	805	-	805	(91)
Travel- In State	2,861	5,578	8,439	8,172
Travel- Out of State	-	6,199	6,199	1,632
Repairs & Maintenance	1,385	-	1,385	879
Rentals & Leases	17,192	2,729	19,921	20,398
Utilities & Communications	12,204	1,632	13,836	10,698
Professional Services	6,731	2,267	8,998	11,278
Supplies & Operating Expenses	5,460	349	5,809	8,942
Transportation Equipment Operations	15,523	5,349	20,872	20,413
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	-	-	-	-
Other Equipment Purchases	6,573	-	6,573	10,154
Transfer to State General Fund 100	-	-	-	-
Total Encumbrances:	<u>68,734</u>	<u>24,103</u>	<u>92,837</u>	<u>92,475</u>
 Disbursement of Operating Costs:				
Personnel Costs	4,963,307	671,898	5,635,205	5,903,985
Employee Benefits	1,571,470	228,975	1,800,445	1,835,567
Travel- In state	31,365	56,451	87,816	96,293
Travel- Out of State	7,471	44,068	51,539	19,591
Repairs & Maintenance	1,874	260	2,134	3,913
Rentals & Leases	1,133,980	51,822	1,185,802	1,124,655
Utilities & Communications	58,127	14,146	72,273	78,131
Professional Services	140,830	55,601	196,431	185,803
Supplies & Operating Expenses	225,199	30,079	255,278	235,191
Transportation Equipment Operations	50,712	30,310	81,022	97,277
Grants and Benefits	50	-	50	125
Transportation Equipment Purchases	-	-	-	-
Other Equipment Purchases	14,426	-	14,426	9,257
Total Operating Costs:	<u>8,198,811</u>	<u>1,183,610</u>	<u>9,382,421</u>	<u>9,589,788</u>
Transfer to General Fund	8,823,000	-	8,823,000	6,323,000
Transfer to General Fund: Prior year cash	-	-	-	8,558,025
Total Disbursements & Transfers:	<u>17,090,545</u>	<u>1,207,713</u>	<u>18,298,258</u>	<u>24,563,288</u>
Comptroller's Cash Balance, Ending:	2,526,709	778,382	3,305,091	3,946,040
Purchase Orders	72,438	10,390	82,828	35,623
Unencumbered Cash Balance, Ending	\$ 2,454,271	\$ 767,992	\$ 3,222,263	\$ 3,910,417



**Dual Party Relay Fund
Statement of Operations
For the Fiscal Year Ending September 30, 2012 and 2013**

	<u>Total</u> <u>Sept. 30, 2013</u>	<u>Total</u> <u>Sept. 30, 2012</u>
Comptroller's Beg. Cash Balance :	\$ 2,003,056	\$ -
Dual Party Relay	2,788,111	33,295,738
Total Cash Available:	<u>4,791,167</u>	<u>33,295,738</u>
 Disbursement of Encumbrances:		
Personnel Costs	-	-
Employee Benefits	-	-
Travel- In State	-	-
Travel- Out of State	-	-
Repairs & Maintenance	-	-
Rentals & Leases	-	-
Utilities & Communications	250,458	-
Professional Services	7,865	-
Supplies & Operating Expenses	-	-
Transportation Equipment Operations	-	-
Grants and Benefits	-	-
Transportation Equipment Purchases	-	-
Other Equipment Purchases	-	-
Transfer to State General Fund 100	-	-
Total Encumbrances:	<u>258,323</u>	<u>-</u>
 Disbursement of Operating Costs:		
Personnel Costs	-	-
Employee Benefits	-	-
Travel- In state	641	1,121
Travel- Out of State	-	-
Repairs & Maintenance	-	-
Rentals & Leases	-	-
Utilities & Communications	1,254,583	1,170,997
Professional Services	86,515	63,197
Supplies & Operating Expenses	-	225
Transportation Equipment Operations	-	-
Grants and Benefits	111,464	57,142
Transportation Equipment Purchases	-	-
Other Equipment Purchases	-	-
Miscellaneous *	-	30,000,000
Total Operating Costs:	<u>1,453,203</u>	<u>31,292,682</u>
Transfer to General Fund	-	-
Transfer to General Fund: Prior year cash	-	-
Total Disbursements & Transfers:	<u>1,453,203</u>	<u>31,292,682</u>
Comptroller's Cash Balance, Ending:	3,079,641	2,003,056
Purchase Orders	313,282	235,428
Unencumbered Cash Balance, Ending	\$ 2,766,359	\$ 1,767,628

* Mandatory transfer to Education Trust Fund from Dual Party Relay Fund.



**PSC ARRA Stimulus Fund
Statement of Operations
For the Fiscal Year Ending September 30, 2012 and 2013**

	<u>Total</u> <u>Sept. 30, 2013</u>	<u>Total</u> <u>Sept. 30, 2012</u>
Comptroller's Beg. Cash Balance (1):	\$ 7,605	\$ 15,676
Federal Dept. of Energy	100,646	256,217
Miscellaneous Receipts	-	-
Total Receipts:	<u>100,646</u>	<u>256,217</u>
Total Cash Available:	<u>108,251</u>	<u>271,893</u>
 Disbursement of Encumbrances:		
Personnel Costs	-	-
Employee Benefits	-	-
Travel- In State	-	-
Travel- Out of State	-	-
Repairs & Maintenance	-	-
Rentals & Leases	-	-
Utilities & Communications	-	-
Professional Services	-	-
Supplies & Operating Expenses	194	-
Transportation Equipment Operations	-	-
Grants and Benefits	-	-
Transportation Equipment Purchases	-	-
Other Equipment Purchases	-	-
Transfer to State General Fund 100	-	-
Total Encumbrances:	<u>194</u>	<u>-</u>
 Disbursement of Operating Costs:		
Personnel Costs	56,868	136,912
Employee Benefits	25,110	62,264
Travel- In state	113	121
Travel- Out of State	4,114	176
Repairs & Maintenance	-	-
Rentals & Leases	19,208	58,981
Utilities & Communications	699	1,439
Professional Services	945	2,313
Supplies & Operating Expenses	915	1,918
Transportation Equipment Operations	85	164
Grants and Benefits	-	-
Transportation Equipment Purchases	-	-
Other Equipment Purchases	-	-
Total Operating Costs:	<u>108,057</u>	<u>264,288</u>
Transfer to General Fund	-	-
Transfer to General Fund: Prior year cash	-	-
Total Disbursements & Transfers:	<u>108,057</u>	<u>264,288</u>
Comptroller's Cash Balance, Ending:	-	7,605
Purchase Orders	-	805
Unencumbered Cash Balance, Ending	\$ -	\$ 6,800

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.

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 is organized into three sections: 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-2013 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 applicable to Alabama Power Company (“APC” or “the

Company”), the only electric IOU in the state. In the execution of its duties, staff performs financial analyses, economic evaluations, and statistical data assimilation. In addition, 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, jointly owned by APC and Georgia Power Company, and the Alabama Municipal Electric Authority.

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 oper-

ation of a formula rate that was filed and approved, to adjust its charges on a periodic basis 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. In that latter event, RSE provides that the amount by which the range is exceeded is returned to customers.

From December 1, 2006, through December 1, 2012, APC's rate of return on projected average common equity ("RRCE"), separated to retail electric service, has been computed annually for the upcoming twelve-month period ending December 31 (such twelve-month period being the "rate year"). The RRCE was 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 was 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 would be 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, 2013, the re-projected Retail Return on Average Common Equity for the twelve-month period ending December 2013 was 12.80%. As discussed below, the RRCE range has been replaced with a range reflecting weighted cost of equity (WCE), with the updated WCE approach governing the December, 2013 RSE filing and thereafter.

RSE Public Proceeding

In February 2013, the Alabama Public Service Commission established a proceeding and set forth a schedule of public meetings to consider the need for any modifications to Rate RSE. As part of this proceeding, the Commission considered the extent to which the RSE mechanism was continuing to serve its intended purpose of ensuring stable, fair, and equitable rates, reliable service and enhanced monitoring activities by the Commission staff. As part of this overall evaluation



Commissioners listen to testimony at the Alabama Power Company's public proceeding in Tuscaloosa, Alabama.

of the RSE program, the Commission also sought to determine whether the existing allowed Retail Return on Common Equity range of 13.0% to 14.5%, as prescribed in the Rate RSE tariff, continued to be fair and reasonable.

The Commission held the public meetings on May 8, 2013, June 18, 2013 and July 17, 2013, with the June 18 meeting being comprised of two sessions. The Commission and its staff participated, together with representatives of the Attorney General's office and APC. Other participants included: Alabama Industrial Energy Consumers (AIEC), AARP, Partnership for Affordable Clean Energy (PACE), JobKeeper Alliance, Generation America, Southern Environmental Law Center on behalf of GASP, Inc. and the Southern Alliance for Clean Energy (SACE), League of Women Voters of Alabama (LWVA), League of Women Voters of Mobile, Alabama Environmental Council (AEC),

National Federation of Independent Businesses (NFIB), Manufacture Alabama, 60 Plus Association, United Mine Workers (UMW), American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), Arise Citizens' Policy Project (ACPP), Alabama Policy Institute (API), Prattville Tea Party, Southern Christian Leadership Conference (SCLC), NAACP-Birmingham, Alabama Coal Cooperative (ACC), and Eagle Forum.

After evaluating all information submitted by each of the participants during the course of the four public meetings conducted by the Commission, assessing the discussions with respect to that information, and considering the positions put forth by staff from the Electricity Policy Division, the Commission found that Alabama Power's Rate RSE mechanism and all the associated components continue to be just and reasonable to customers and the Company. Nevertheless, the Commission recommended several modifications to APC's Rate RSE mechanism. Foremost among these was the replacement of the existing ROE range and the provision regarding capital structure with a range and set point based on WCE. The WCE would be established at 5.75% to

6.21%, with an adjusting point of 5.98%. In addition, APC would be eligible to receive a performance-based adder of 7 basis points (0.07%) to the WCE adjusting point when, at the time of the annual Rate RSE filing, the Company possesses an "A" credit rating equivalent with at least one of the recognized rating agencies or the Company is in the top third of the customer value benchmark survey that is examined by staff as part of its most recent annual metrics review. Notably, the established WCE range represents a downward adjust-

ment in terms of the company's allowed return range.

The Commission also set forth several augmentations to staff's ongoing oversight of Rate RSE. First, the Commission recommended the use of an objective, self-executing mechanism associated with the Company's allowed return. Using a baseline interest rate equal to the 12-month average 30-year Treasury Bond as of a date specified, the potential for additional review would be triggered in the event the 30-year Treasury Bond rate increases by more than 350 basis points or decreases by more than 200 basis points. The established baseline rate will be tested against the most recent twelve month average of the same 30-year Treasury Bond on a quarterly basis. Upon the occurrence of a circumstance prompting additional review, staff will notify the Commission and report whether and to what extent staff believes the economic developments necessitate further examination of the range. Next, the Commission recommended that APC make biannual filings of its income statement and balance sheet. The first filing would include information for the most recent year, along with comparable information for the prior year. The

second filing would include information for the most recent January through June period, along with comparable information from the prior year for the same period. These biannual filings would be made within a reasonable period after the corresponding release of this information and in accordance with applicable requirements of the Securities and Exchange Commission. Finally, the Commission recommended that the financial and operational components of the Company be subject to a detailed examination every six years.



Filled to capacity seating at Alabama Power Company's public proceeding in the Moot Hearing Room at the University of Alabama in Tuscaloosa during the Summer 2013.

The form of examination should be comparable to the historical analysis presented by the Company in the proceedings and would evaluate all elements of the capital structure including the Company's WCE and overall return, as compared to a group of peer utilities derived through the cluster methodology. The time frame covered by this analysis would include at least the most recent five years for which the necessary data is publicly available. The Company also would be expected to include performance metrics demonstrating its operational performance as well as any additional information it deemed instructive to the analysis. Notwithstanding the Company's analysis, staff may also perform its own analysis for consideration before notifying the Commission whether or not, in staff's view, any further review or action is needed.

All of the recommendations of the Commission were promptly accepted by APC and incorporated into Rate RSE, the associated special rules and other affected rates and practices. In this regard, it should be noted that the expansion of staff's oversight under Rate RSE is in addition to, and not in lieu of, all the existing authority of the Commission, and will not impair the rights of the Company to make filings or petitions with the Commission as allowed by law.

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 certain energy-related 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 January 2013 through December 2013 is 26.81 mills per kWh (2.681 cents/kWh). As of September 30, 2013, the actual energy cost recovery balance was \$42,506,061 over-collected, with a projected energy cost recovery balance of \$17,557,989 over-recovered at December 31, 2013.

Certificated New Plant (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 rate recovery of the revenue requirement related to the capital cost of such facilities. During FY-2013, 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 ("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. Part B is also referred to as Rate CNP-PPA.

In accordance with the provisions of Part B, APC filed with the Commission on February 1, 2013, certain information and calculations for the CNP Purchase Factor associated with the Company's certificated purchase power agreements. Although the new calculations supported an increase in the factor, APC consented to leave the current CNP Purchase Factor in effect for the affected cost year, which is April 1, 2013 - March 31, 2014.

At this time, APC has five PPAs that have been certified for purposes of Part B, which are detailed as follows:

1. By Commission Order dated November 7, 2000, under Docket number 27785, the Commission authorized APC, for a term to expire May 31, 2011, to acquire the rights and assume payment obligations under a PPA with Calhoun Power Company, LLC, involving 630 MW of

combustion turbine capacity. In April 2009 the PPA was further extended 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 APC, for a term of ten (10) calendar years, to acquire the rights and assume payment obligations under a PPA with Westervelt Renewable Energy, LLC, 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 APC, for a term of five (5) calendar years, to acquire the rights and assume payment obligations under a PPA with Resolute Forest Products (formerly AbiBow US Inc.), 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 APC, 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, involving 202 MW of wind energy supplied from a wind farm being developed by Chisholm View in Grant and Garfield Counties, Oklahoma.
5. By Commission Order dated September 17, 2012, under Docket number 31859, the Commission authorized APC, 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, involving 202 MW of wind energy supplied from a wind farm being developed by Buffalo Dunes in Grant, Haskell and Finney Counties, Kansas.

It should be noted that under the described PPAs associated with renewable generation, the Company has obtained rights to the environmental attributes, including Renewable Energy Credits (RECs) associated with the energy. Under the terms of those PPAs, APC retains the flexibility to retire RECs and serve its customers with renewable energy, or to sell RECs, either bundled with energy or separately, to third parties.

Rate CNP was further modified in October 2004, to include a third provision, Rate CNP - Part C (“Part C”) that would provide a mechanism to recover compliance costs associated with “environmental mandates.” 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 Part C. The first rate adjustment under the Part C provision went into effect in January 2005.

In accordance with the provisions of Part C, APC filed with the Commission on November 26, 2012 the calculations associated with its cost of complying with environmental mandates. Although the filing reflected a projected under-recovery of costs associated with such environmental compliance that normally would be recoverable in the billing months of January 2013 through December 2013, APC consented to leave the current factors associated with its environmental compliance costs under Part C of Rate CNP for the year 2012 in effect for the year 2013.

By Commission Order, dated August 13, 2013, the Commission approved APC’s petition seeking approval of proposed revisions to Part C. In 2004, when Part C was developed and filed, the Company had already spent approximately \$500 million dollars over the prior two decades in response to environmental laws, regulations and other mandates. Primarily for ease of implementation, Part C did not include environmental-related capital additions placed in service before its effective date (“pre-2005 capital”). The revisions consolidated all such cost recovery under Part C, to facilitate consistency in cost recovery and make the Company’s total cost of environmental compliance more readily ascertainable. Since both Rate RSE and

Part C are forward-looking in terms of the costs they are designed to recover, the revisions also modified the allocation formula for the CNP Environmental Factor to reflect projected base rate revenues and kilowatt-hour sales for the upcoming environmental cost year, similar to Rate RSE.

Natural Disaster Reserve (NDR)

By Commission Order, dated October 3, 1994, the Commission granted APC 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 Reserve to deal with negative balances resulting from extraordinary disasters. In December 1995, the Commission authorized APC to



Visions of Alabama’s devastation during the April 2011 tornado in Tuscaloosa.

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 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.

Also, on July 12, 2011, the Commission approved the elimination of the income tax adjustment applicable to Rate T, effective October 2011, to, among other things, fund certain costs resulting from the April 2011 tornadoes.

In 2013, as a result of storm damages, APC incurred additional operation and maintenance costs of \$8,914,691, while charges to the Reserve totaled \$9,803,315. The difference between the additional operation and maintenance costs and the expenditures charged to the Reserve was due to charges related to storm damages from previous years. As of September 30, 2013, the Reserve had a positive balance of \$95,191,485.

Other Activities

Commission Orders in Dockets U-5017 and U-5016, the Commission approved and extended Rate Riders EDI (Economic Development Incentive) and CRI (Community Redevelopment Incentive). Both rate riders provide potential customers with a discount for meeting requirements defined within such rates, and the Commission continues to monitor their progress.

By Commission Order, dated November 6, 2012, under Docket number U-5080, the Commission approved certain accounting authorizations related to: (i) operation and maintenance (O&M) expenditures for enhanced security for critical infrastructure assets; (ii) readiness at nuclear facilities; and (iii) operation and maintenance expenditures for change in pension plan costs. Specifically, the Commission authorized the establishment of a regulatory asset account in which the

Company would record these compliance-related O&M expenses for the period 2013 through 2017, together with the 2013 incremental pension costs, and then amortize the projected accumulated balance in the account over a three year period beginning in 2015.

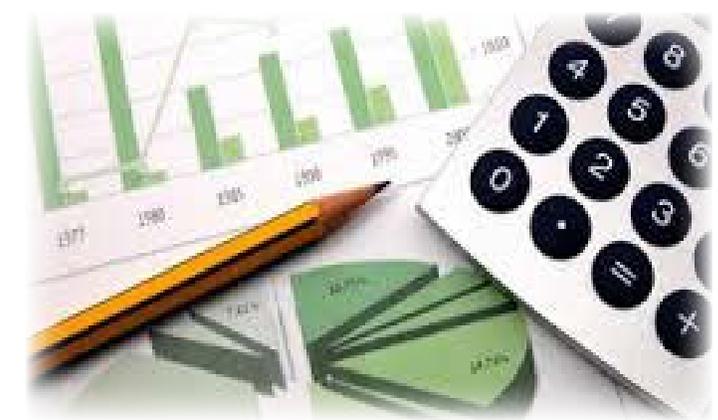
By Commission Order, dated January 10, 2013, under Docket number U-4226 and Docket number 18126, the Commission approved revisions to Rate Rider RGB (Supplementary, Back-Up, or Maintenance Power) and the Special Rules Governing the Application of Rate Rider RGB, effective with May 2013 billings. The revision expands the number of rate options eligible to take service under Rate Rider RGB. The revisions also include clarification of applicable customers, updated rate definitions, and updated options to reflect technology changes and system costs. The revisions to the Special Rules Governing the Application of Rate Rider RGB reflect updated interconnection standards and administrative program guidelines related to operations occurring in parallel to the Company's electric system. The changes will not impact existing RGB customers.

By Commission Order, dated April 2, 2013, under Docket number U-3445, the Commission approved amendments to Rate SG (Standby Generator Capacity), effective with September 2013 billings. The amendments were in response to an emission standard rule-change issued by the Environmental Protection Agency, which limits the time a generator may operate for emergency demand response. With the amendments, Rate SG now includes two customer generator categories - one for Emergency Generators and one for Non-Emergency Generators. Existing Rate SG customers had until September 2013 to decide if they would participate as an Emergency Generator, Non-Emergency Generator or withdraw from participating in the SG program.

By Commission Order, dated April 2, 2013, under Docket number U-4917, the Commission approved amendments to Rate Rider DLC (Direct Load Control), effective with May 2013 billings. The Cent-sable Switch program is a Demand Side Management program that allows APC to curtail participating customers' central air conditioning usage for up to 5 hours

on weekdays, during the peak demand period of June through September, but no more than 150 hours per year. Controlled equipment (air conditioning) is cycled off up to approximately 20 out of every 30 minutes during curtailment events. In exchange for participating in the program, customers receive an annual \$25.00 bill credit. This is an increase of \$5.00 over the previously approved credit of \$20.00 per year. The credit is applied to participating customers' November billings, immediately following the summer season.

By Commission Order, dated May 7, 2013, un-



der Docket number 18005, the Commission approved the 34th revision to Rate PAE (Purchase of Alternate Energy). The charges and payments under this rate were revised to reflect updated avoided costs for the Company, based on 2012 actual cost data and 2013 forecasted avoided cost data. The revisions also include the addition of Option C for customers taking service under one of APC's Time Advantage rates.

By Commission Order, dated August 13, 2013, under Docket number U-5096, the Commission approved an order authorizing regulatory accounting treatment for the deferral of expenditures associated with planned maintenance outages at the Company's non-nuclear generating units. The planned outages are scheduled for 2014. Under the accounting treatment, the Company is authorized to record in a regulatory asset account those costs associated with such planned maintenance outages occurring in 2014. These costs will then be amortized and recovered through Rate RSE over a three-year period, beginning in 2015. This authority does not include any costs related to nuclear generating facilities.

Financing

The Electricity Section staff reviews all financing petitions filed by APC and Southern Electric Generating Company (“SEGCo”). SEGCo is a corporation owned, in equal shares, by APC 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 2, 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 2, 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.

By Commission Order, dated April 2, 2013, under Docket number U-5030, the Commission amended its prior Order issued in this docket on August 02, 2011. The amendment increased SEGCo’s authority to borrow upon the issuance of promissory notes and to issue and sell commercial paper notes, from \$80 million to \$150 million outstanding, at any one time. SEGCo currently has authority in place to issue \$150 million in short-term borrowing authority through 2013. An increase in its borrowing authority up to \$150 million will enable SEGCo to utilize Commercial Paper (a less costly short-term funding source) to fund a \$50 million long-term debt maturity due in May 2013, together with other operating costs as they are incurred. Subsequent to September 30, 2013, SEGCo converted a portion of the short-term borrowings to long-term notes by issuing \$100 million of long-term debt on November 22, 2013.

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/or other data submitted by APC. For this activity, staff’s monthly fuel audit is particularly important because the Company’s fuel-related 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 facilities. Site audits for each generating facility are performed on a rotating basis.

In addition to the fuel audit, 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

for each affected rate to be applied to each kilowatt-hour, along with appropriate supporting documents. Staff completes an analytical review of the environmental factors 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, a preliminary draft of the Environmental Compliance Plan for the next five (5) years, along with the estimated cost associated with the implementation of that plan. 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. Staff also 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 request appropriate explanations for significant budget variances; 4) confirm that 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, staff performs two other annual compliance audits directed to: 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.

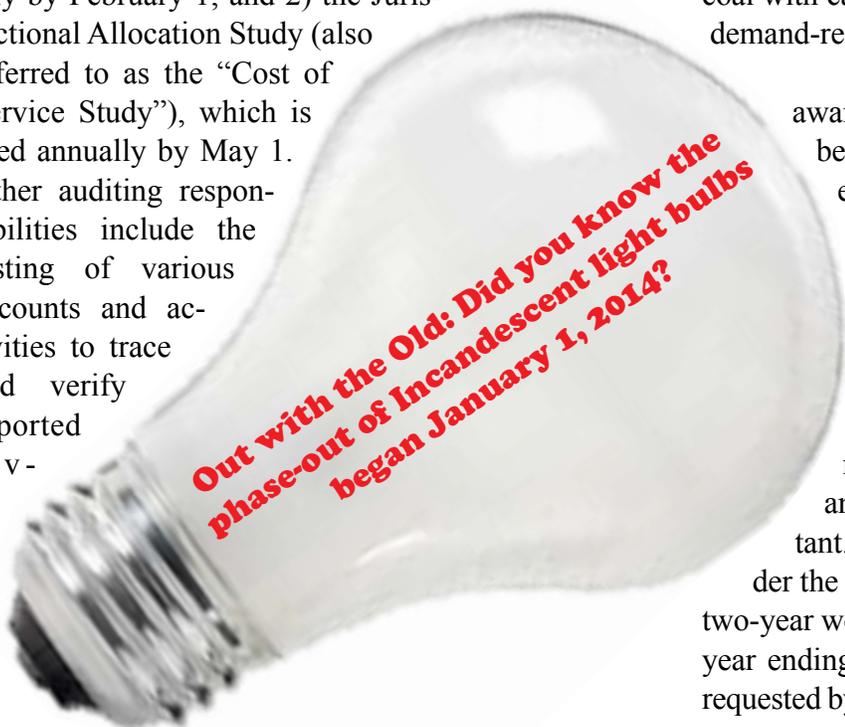
Other auditing responsibilities include the testing of various accounts and activities to trace and verify reported rev-

enues 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, staff performs annual random billing audits to test APC's compliance with approved tariffs.

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 were 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 was 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 included, but were 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.

In April 2010, the Commission was awarded a grant in the amount of \$868,824, 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 outlined 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 hired and trained four public utility analysts and one administrative support assistant. The ARRA team members were hired under the condition that they would be employed for a two-year work term on the ARRA project, with the two-year ending date based on their employment dates, as requested by the Commission and approved by the DOE.



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 were no longer financed through ARRA funds. The three remaining analysts (referred to as “the ARRA team”) continued to participate in educational opportunities and conducted 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 required them to study the status of these same topics for other states. In addition, the grant provided training to the ARRA team on a variety of other regulatory issues that supported the normal operational activities of the Electricity Policy Division.

As the project proceeded, several changes and events transpired within the Commission that resulted in delaying the progress of the ARRA project. 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 and complete the modified list of electricity-related ARRA topical areas. The DOE approved the modifications to the project and extended the end date of the project to April 6, 2013.

The ARRA team was supervised by the section’s supervisor, a full-time state merit system employee on the Commission’s staff. The public utility

analysts were 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 also researched other states’ energy efficiency programs and regulatory best practices to identify how those programs and regulatory structures might be used to benefit APC’s customers. This additional research was made possible due to the acquisition of this grant. In addition, this grant enabled 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.

During 2013, the ARRA team completed the research and compilation of the milestone reports pertaining to solar, energy efficiency/conservation/demand-side-management, smart meters and smart grid, renewable energy, electric vehicle tariffs and infrastructure, and carbon capture and sequestration. In addition to completing the milestone reports, the ARRA team participated in the review, research, analysis, and presentations that supported numerous electricity-related topics and was responsible for the revision of certain monitoring reports to ensure continued due diligence in the review of APC’s operations.

The ARRA project reached the end of its project life on April 6, 2013 and the Commission was able to retain four of the ARRA team members in full-time merit positions with the Commission.

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”). During FY-2013, the AMEA did not file any petitions with the Commission.

Federal Affairs

The Federal Affairs Section monitors the activities of various federal agencies and other industry groups such as: the Federal Energy Regulatory Com-



mission (FERC), the Environmental Protection Agency (EPA), the Nuclear Regulatory Commission (NRC) and the Department of Energy (DOE).

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. In some cases, the appropriate action involves filing comments, on behalf of the Commission, in a particular federal proceeding.

During this past year, the Federal Affairs staff has monitored numerous energy/electricity matters, of which many of these are presented in the table below.

EPA		DOE	FERC	NERC	NRC
Cross-State Air Pollution Rule	Coal Ash Rule	2012 Transmission Congestion Study	Orders 1000, 1000-A and 1000-B	Critical Infrastructure Protection Standards	Mandamus Litigation (Yucca Mountain)
Mercury and Air Toxics Standards	Cooling Water Intake Structures Section 316(b)		Bulk Electric System Definitions	Find, Fix, Track and Report (non-compliance with reliability standards)	Fee Adequacy Litigation (Nuclear Waste Fund)
National Ambient Air Quality Standards	Green House Gas New Source Performance Standards				Waste Confidence Proceeding (Spent Fuel Storage)

Glossary for Table Above

EPA – Environmental Protection Agency; DOE – Department of Energy; FERC – Federal Energy Regulatory Commission; NERC – North American Electric Reliability Corporation; NRC – Nuclear Regulatory Commission; National Ambient Air Quality Standards – nitrogen dioxide, ozone, particulate matter, carbon monoxide, lead and sulfur dioxide; FERC Order 1000 – Series of FERC orders concerning regional and inter-regional transmission planning and cost allocation, right of first refusal for new transmission projects and consideration of public policies in transmission planning



Public Affairs

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

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

Janice M. Hamilton, Director



ENERGY DIVISION'S REGULATORY STAFF

From left, Rick Cleckler, Robert Taylor, III, Jodie Byrd, Marquita Lennon, Joe Leverette, Bob Reed, Brenda Roberts, Donald Powell and Tonya Williams. Not shown: Janice Hamilton, Stephen Bartelt and Leveika Martin

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 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 2013.

Natural Gas Section

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

Rate Stabilization and Equalization

The APSC regulates the rates of the two largest investor-owned gas utilities in the state under a Rate Stabilization and Equalization (Rate RSE) plan. Rate RSE has been in use for 30 years as a method of keeping rates as low as possible while assuring quality service.

Alabama Gas Corporation

Each month, the Natural Gas Section examines the books and records of Alabama Gas Corporation, 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 (the midpoint of the authorized return range). 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-2013.

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.

The Commission instituted a series of informal public hearings in 2013 that began in September and is expected to continue into October. So far, the section has participated in this process, including extensive discussions with the company, evaluation of potential tariff revisions, and the development and analysis of detailed financial models.

ALAGASCO

Effective Date	Increase (Decrease)
December 1, 2012	\$7,769,546
April 1, 2013	\$0
July 1, 2013	(\$2,960,193)
October 1, 2013	(\$3,726,067)

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 (the midpoint of the authorized return range). If the projected return



MOBILE GAS

Effective Date	Increase (Decrease)
December 1, 2012	\$980,326
April 1, 2013	\$0
July 1, 2013	\$0
October 1, 2013	\$0

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-2013.

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.

The Commission instituted a series of informal public hearings in 2013 that began in January and ended in April. The section participated fully in this process, including extensive discussions with the company, evaluation of potential tariff revisions, and the development and analysis of detailed financial models. The section produced a complete recommendation and recommended order, which were adopted extensively. The Commission-approved modifications to RSE, which go into effect for FY-2014, adjust some operating parameters and financial metrics but do not fundamentally alter the basic premise and mechanics of RSE. Importantly, however, the allowed return on average common equity range for Mobile Gas was lowered to 10.45 percent to 10.95 percent with an adjusting point of 10.8 percent.

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-2013, 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, with recommendation, to the Commission.

Alabama Gas Corporation

Regarding Alabama Gas Corporation, the section:

- Examined 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 Rate Year (RY) 2013;
- Reviewed the Rate Stabilization and Equalization filing for RY- 2013;
- Reviewed the company's Cost Control Measure for RY-2013;

- Requested and obtained a suspension of the research and development accruals until the balance was reduced to a more reasonable level;
- Met with the company to discuss how best to accomplish the Commission's goal of flat rates for the next two years;
- Met with the company regarding its new eXceptional Customer Service (XCS) project, that went live in July 2013; and
- Reviewed the company's annual report and requested and received clarification of certain portions of the report.

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;
- Attended a presentation concerning the company's gas purchasing practices and plans for the future;
- Worked extensively with the company regarding a mercaptan odor in Eight Mile;
- Evaluated a Cast Iron Main Replacement (CIMR) Factor filing;
- Evaluated a Cost Control Measurement filing;
- Evaluated a Weather Impact Normalization filing;
- Evaluated Purchased Gas Adjustment filings;
- Met with the company to discuss how best to accomplish the Commission's goal of flat rates for the next two years;
- Participated in the informal public hearings to consider the renewal of the company's RSE tariff and produced a summary

- of the positions taken by each party;
- Produced two reports detailing a survey the section had conducted entitled "Return on Equity Data" and "Return on Capital"; and
- Worked with the company to develop a workable and appropriate CIMR factor and the accompanying tariff language.

Wheeler Basin Natural Gas Company

Regarding Wheeler Basin Natural Gas Company, the section:

- Reviewed a special contract for a firm and interruptible transportation agreement for Magnolia Investments of Alabama dba Jack Daniels Cooperage;
- Toured the proposed route and location for the new Jack Daniels Cooperage plant; and
- Reviewed the company's annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

Intrastate Storage and Pipeline Companies

During FY-2013, 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
- Bay Gas Storage Company, Inc.
- 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 (Alabama Gathering), LLC

The section reviewed the annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

American Midstream (Tennessee River), LLC

The section reviewed the annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

American Midstream (Alabama Intrastate), LLC

The section reviewed the annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

American Midstream (Bamagas Intrastate), LLC

The section reviewed the annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

Arapaho Communications

The section:

- Participated in discussions with the company regarding a potential expansion of the scope of the service it provides;
- Met with the company's personnel to discuss various matters;

- Coordinated with the Legal Division concerning Arapaho's petition to be released from Commission jurisdiction for rates and services;
- Corresponded with the US Bureau of Prisons to ascertain whether or not they had a position regarding Arapaho's request; and
- Reviewed the annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

Bay Gas Storage Company, Incorporated

The section:

- Evaluated the company's annual report format and determined that its operations had progressed to the point that it met the revenue threshold for a different format; and
- Reviewed the company's annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

Genesis Pipeline, LLC

The section reviewed the annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

Pine Energies, Incorporated

The section:

- Evaluated the company's annual reporting requirements; and
- Reviewed the company's annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

Southcross Alabama Gathering System, LP

The section reviewed the annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

Southcross Alabama Pipeline, LLC

The section reviewed the annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

Southern Gas Transmission Company

The section reviewed the annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

Support of Commission Offices

The section:

- On numerous occasions briefed Commissioners Cavanaugh, Oden, and Dunn and their assistants about natural gas 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 U.S. 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, Baltimore, MD, and Denver, CO and conducted the Subcommittee's monthly conference calls;
- Served as Secretary for the National Association of Regulatory Utility Commissioners' Gas Committee at meetings in Washington, DC, Baltimore, MD, and Denver, CO and monthly conference calls;
- Served as Vice Chairman of the Alabama Liquefied Petroleum Gas Board as President Cavanaugh's designee, investigated numerous alleged violations of law for

the Board and made recommendations to the Board, all of which were accepted;

- Participated in the monthly conference calls to discuss the FERC Southeastern Snapshot Report and other energy items of interest;
- Served as a member of the Research Advisory Committee of the National Regulatory Research Institute; and
- Served on the Alabama Department of Economic and Community Affairs' Weatherization Advisory Policy Council.

Training Activities

Section Representatives:

- Participated in numerous webinars, conference calls and teleseminars; and
- Received SNL training on the new expanded data and information services.

Miscellaneous

The section:

- Evaluated approximately 25 FERC filings pertaining to Alabama entities to determine their relevance to this Commission;
- Investigated requests for gas service, and responded to hundreds of requests by the general public for rate information, financial data, tariff sheets, and other information;
- Developed a new report that will be issued weekly during the heating season showing the current heating degree days (HDD) and the recent gas futures prices; and
- Participated in a survey for the National Regulatory Research Institute (NRRI) regarding lost and unaccounted for gas, and how various LDCs account for it.



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
Not shown: Marcus Richburg and Asia Stephens*

Gas Pipeline Safety Section

The Gas Pipeline Safety (GPS) 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 33 resident courses and completed 21 Web-Based Training (WBT) courses in an effort to become qualified to conduct gas and hazardous liquid system inspections. 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.

GPS staff closed out FY-2013 consisting of one Administrator, one Administrative Support Assistant III, three Pipeline Safety Investigations Supervisors, one Gas Pipeline Safety Investigator, Senior, one Training Coordinator, and five Gas Pipeline Safety Investigators. One retired Pipeline Safety Investigations Supervisor returned to part-time duty for seven months to assist in training new Investigators.

At the end of FY-2013, the Commission regulated, for safety matters on natural gas systems, 74 intrastate natural gas distribution systems, 29 intrastate natural gas transmission systems, one liquefied natural gas (LNG) system, two intrastate natural gas gathering systems, two intrastate hydrogen transmission systems, three offshore natural gas transmission systems, and 30

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 hazardous liquid transmission system and one intrastate 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-2013 is listed below:

GAS PIPELINE SAFETY INSPECTIONS	
Gas Pipeline Safety	995*
Enforcement Actions	40
Non-compliances	70
Non-compliances Corrected	33
Construction Projects	112*
Safety Education Programs	89*
Investigator Education	326*
Pipeline Safety Incident Investigations	7**

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

**Two incidents were reported to PHMSA during FY-2013. Five other incidents were investigated after telephonic notification and were determined to be non-reportable.

Damage prevention continues to be a major concern of GPS. Involvement of GPS staff in the Alabama Damage Prevention Alliance (ADPA) helped to steer the state toward a more aggressive posture in the area of damage prevention. New legislation is being formulated to address the entity exemptions in the current law, and talks are underway to determine the appropriate authority to coordinate the enforcement of the damage prevention law. This enforcement authority would eventually be used to penalize violators of the damage prevention law.

Due to increased pressure from PHMSA to

use civil penalties for violations of *Title 49, Code of Federal Regulations (CFR)*, Part 192 (natural gas) and Part 195 (hazardous liquids), GPS has re-evaluated its procedures and is in the process of administering civil penalties to repeat offenders and operators that do not timely make the necessary revisions to their operations



Safe Digging Month— From center, Commissioners Jeremy Oden and Twinkle Cavanaugh join Governor Robert Bentley in the proclamation signing for Safe Digging Month. From left, staff Jeff Johnston, Blake Kinney, Robert Reed and Wallace Jones, back row, Annette Reburn, Executive Director of Alabama 811 witness.

to address safety concerns that are reported during the course of system investigations.

The amount of civil penalties to be levied is also being addressed in the State Legislature. PHMSA has required states to increase their civil penalty limits to align with the federal limits. This would require a change to the Code of Alabama. This change was introduced in the 2013 legislative session, but did not garner enough support to pass. This will be re-introduced in the 2014 Legislative session.

GPS staff also became more involved in the National Association of Pipeline Safety Representatives (NAPSR). Alabama was represented on several NAPSR and PHMSA task forces and committees during FY-2013. This helps to keep Alabama current with changes to federal regulations and involved with making decisions that impact pipeline safety, not only in Alabama, but throughout the country.

Water and Wastewater Section

This section reviews and evaluates applications and petitions submitted by water utilities and wastewa-

ter Management Entities (MEs).

The Water and Wastewater Section is responsible for regulating four investor-owned intrastate water utilities and four out-of-state water companies that have authority to operate in Alabama. During FY-2013, Parker Creek Water Company, LLC elected not to be subject to the regulation of the Alabama Public Service Commission (APSC) pursuant to **Code of Alabama §37-4-2.1** which allows that any private water system that purchases its water from a water system owned by a Class 8 municipality may elect to be exempt from all regulation of the APSC. Thus, the company's Certificate of Public Convenience and Necessity and tariff were cancelled by the Commission.

The eight jurisdictional water utilities at the end of FY-2013 were:

- Central Water Works, Incorporated (FL)
- East Lowndes Water Association (MS)
- Hiwannee Water Association, Incorporated (MS)
- Integra Water Creola, LLC
- Lakeside Leisure, LLC
- Plantation Water System
- Tishomingo County Water District (MS)
- Water Works, Incorporated



Shown - Magnolia Crest Subdivision's decentralized wastewater treatment facility in west Mobile county.

This section is also responsible for regulating eight jurisdictional Wastewater Management Entities with a goal of ensuring their financial viability. Southwest Water Alabama-Onsite System Services, LLC transferred all its wastewater systems along with associated plant assets to a new management entity, Integrated Wastewater Management, Incorporated.

The jurisdictional MEs at the close of FY-2013 were:

- Alabama Wastewater Systems, Incorporated
- Arbor Utility Management, LLC
- Bio-Flow, Incorporated
- Canaan Systems, Incorporated
- Integra Watersound, LLC
- Integrated Wastewater Management, Incorporated
- O'Brien Environmental Services, LLC
- Utility Management, LLC

These MEs operate decentralized wastewater systems throughout Alabama, mostly serving new residential subdivisions.

During FY-2013, three Certificate of Financial Viability Modification applications were evaluated for Utility Management, LLC, as well as a bond reduction petition and a Certificate Renewal application. A bond reduction petition and Certificate Renewal application were evaluated for Canaan Systems, Inc. Certificate Renewal applications were also evaluated for Bio-Flow, Inc., Integra Watersound, LLC and O'Brien Environmental Services, LLC.

The duties of the Water and Wastewater Section include analyzing rate, financing and service petitions, making spot checks of 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 addressing customer complaints, preparing reports as a result of audits and site visits, keeping abreast of and reporting congressional, legislative and regulatory issues affecting water and wastewater utilities and conducting compliance and accounting audits.



*Darrell Baker
Director*

The Alabama Legislature grants the Commission regulatory authority for intrastate landline (also known as wireline) communications. The Commission does not exercise authority for cable

television, Internet Service, Voice-Over-Internet-Protocol phone service (VOIP), or wireless telephone service. Telecommunication providers subject to the Commission's jurisdiction include:

1. Incumbent Local Exchange Carriers (ILEC) - the traditional providers of local telephone service;
2. Competitive Local Exchange Carriers (CLEC);
3. Interexchange (toll) Carriers (IXC);
4. Long Distance (toll) Service Resellers;
5. Payphone Service Providers (PSP);
6. Inmate Calling Service (ICS) providers; and,

Darrell Baker, Director
7. Shared Tenant Telephone Service (STS) providers.

The Legislature's Communications Reform Act of 2005 ("the 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 was eliminated for bundled service offerings, services offered under contract, broadband internet services, and most retail telecommunications services. The Commission retained pricing jurisdiction for stand-alone basic service optional telephone features, emergency telephone (911) services billing, consumer complaints, Fed-



ECONOMIC COMPLIANCE SECTION

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

eral Universal Service Fund (USF) administration, and all wholesale service pricing. As of September 30, 2013, eight (8) independent telephone companies in Alabama have not opted for regulation under the Act. Pricing for the services offered by those carriers remain wholly the Commission's regulatory jurisdiction.

In 2009, the Legislature amended the Communications Reform Act to eliminate the Commission's pricing jurisdiction over stand-alone basic service and optional telephone features for BellSouth, CenturyLink, and any rural telephone company agreeing to surrender their rural exemption from competition. As of September 30, 2013, only Windstream Commu-

nications, and Frontier Telephone Company have agreed to end their rural exemption claim while twenty-five (25) incumbent telephone companies remain regulated under either the 2005 Act or the Commission's price regulation plan that existed prior to its passage.

The Telecommunications Division's responsibilities include, but are not limited to:

1. Participation in certification hearings for new telecommunications service providers;
2. Regulation of all services for the ILECs and CLECs who did not choose to be regulated under the Act. Regulation of wholesale landline service

and some retail services for the remainder of providers;

3. Analysis of telecommunications retail tariffs and intercompany wholesale agreements;
4. Review and analysis of carrier petitions for Eligible Telecommunications Carrier (ETC) designation;
5. Review and analysis for ETC utilization of USF high-cost allocations, and implementation of the Federal, Low-Income, Lifeline Program rules under the USF;
6. Investigation of consumer and utility billing and service inquiries;
7. Service quality analysis and on-site service inspections;



SERVICE COMPLIANCE SECTION

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

8. Intrastate numbering resources management;
9. Regulation of Inmate Calling Service (ICS), Payphone Service, and Shared Tenant Service;
10. Monitoring Federal Communications Commission (FCC) rulemaking procedures, and reviewing federal and state legislation for purposes of recommending telecommunications policy and rule revisions.

The Division is organized into 2 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.

During FY-13:

1. Processed 155 tariff filings, 15 name changes, 4 cancellations, and 83 interconnection, resale, and collocation agreements for CLECs, wireless providers, and ILECs.
2. Processed 7 applications for certificates of public convenience and necessity (CPCN) to provide toll resale and/or competitive local exchange service in Alabama.
3. Reviewed and verified accuracy of intrastate terminating access rate reductions and associated tariff filings for local exchange carriers (LEC). The filings are in compliance with the FCC comprehensive reform and modernization of the universal service and inter-carrier compensation systems.
4. Reviewed and verified accuracy of the Alabama Transition Service Fund in accordance with Dockets 24499, 24472, 24030, 24865, 28642 and 31816.
5. Received and reviewed LEC toll carriers Family Violence Shelter Confidentiality plans in accordance with the *Code of Alabama Sections 37-2A-4 and 30-6-1* and Commission Docket 29878.
6. In accordance with Docket 25980 and FCC USF

rules and regulations, conducted financial analysis of ILEC and CLEC plans supporting the utilization of rural and non-rural USF high cost fund allocations.

7. Participated with the Legal and Administrative Divisions to ensure that telecommunications companies are compliant with required submission of Inspection and Supervision (I&S) fees. Participated in Show Cause proceedings and processed Commission Orders for revoking CPCNs, for dismissal of companies from revocation proceedings, and for reinstating revoked CPCNs of companies that subsequently complied with the I&S submission requirements.
8. Processed 4 petitions of carriers seeking ETC designation and eligibility for federal USF high-cost support.
9. Maintained a database of approximately 574 third-party service providers approved by the Commission for LEC billing of their services.
10. Staff investigated and resolved 560 consumer inquiries associated with telephone service and/or billing.



Service Compliance Section

The Service Compliance Section monitors the quality of service for LECs. In coordination with the North American Numbering Plan Administrator (NANPA), the section is responsible for intrastate telephone numbering resources management. Staff conducts on-site inspections to verify compliance with Commission service quality rules and to ensure USF high-cost funds are utilized for construction projects in accordance with approved plans.



The Service Compliance Section monitors and inspects the quality of service and rates charged by Customer-Owned Coin-Operated Telephone Services (CO-COTS) providers, Inmate Calling Service (ICS), Local Exchange Carriers (LECs), pay telephone service providers, Shared Tenant Service (STS) providers, and Hotels/Motels.

During FY-13:

1. The Commission initiated a generic proceeding, under Docket 15957, to consider staff recommendations for changes to the Telephone Rules governing ICS. In support of the proceeding, the staff developed data requests for submission to ICS providers and subsequently drafted detailed recommendations for ICS reform, which were presented September 10, 2013, at the monthly Commission meeting. The Commission is currently awaiting the submission of comments from interested parties on the proposed ICS reforms.
2. Submitted a Cease and Desist letter to an ICS provider and subsequently required customer refunds of over \$21,000.
3. Conducted 11 on-site visits at the residences of consumers for purposes of investigating service-related inquiries and to assist telephone company personnel in isolating and correcting the source of the service-related troubles.
4. Investigated and processed 2 ICS provider certification requests.
5. Conducted 5 on-site staff investigations associated with ICS service inquiries.
6. Conducted 11 ICS on-site inspections at confinement facilities.
7. Investigated 6 petitions from ILECs requesting the Commission overturn denials by NANPA for the issuance of additional numbering resources. Four petitions were approved and 2 were ultimately withdrawn based on staff investigation.
8. On-site service compliance inspections were performed for: Butler Telephone Company, Blountsville Telephone Company, National Telephone Company of Alabama, and GTC, Inc. d/b/a Fairpoint Communications.
9. Service Compliance follow-up inspections were performed for: Ragland Telephone Company, New Hope Telephone Company, and Moundville Telephone Company.
10. Conducted in-depth analysis of AT&T Alabama and CenturyLink Universal Service Fund (USF) high cost allocation construction proposals.
11. Conducted on-site inspections of USF high cost, utility construction projects within the following service districts: AT&T-Gulf, AT&T-North Alabama, CenturyLink-Southern, and CenturyLink-Northern.

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*

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

Insurance and Registration Section

The Insurance and Registration Section performs three separate but interrelated functions. First, it registers for-hire transportation companies that are not exempted by law. It also registers commercial motor carriers, private motor carriers, freight forwarders, and brokers from the United States, Canada, and Mexico under the Unified Carrier Registration Act. Secondly, it requires such intrastate carriers to file verifiable forms of liability insurance, cargo insurance, bonds and self-insurance.

Thirdly, it 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 payments 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 payments received and deposited.

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 Commission’s website is a clearinghouse for Transportation Division information including application forms for registration and non-fee based annual report forms for motor and rail carriers. A tabulation of the section’s activities is reflected in the following table:

INSURANCE AND REGISTRATION SECTION	
Insurance Filings	
Self-Insurance, bonds for liability and cargo, certificates for liability and cargo, bonds for brokers	6,614
Insurance Correspondence	469
Registration of Authority	
Intrastate registered	132
Motor Carrier Vehicle Identification	555
UCR Registrations	9,761
UCR Audits	195
Applications processed	3,268
Revocations and Reinstatement of Authority	
Revoked for no insurance	442
Reinstated after compliance	283

Railway Safety Section

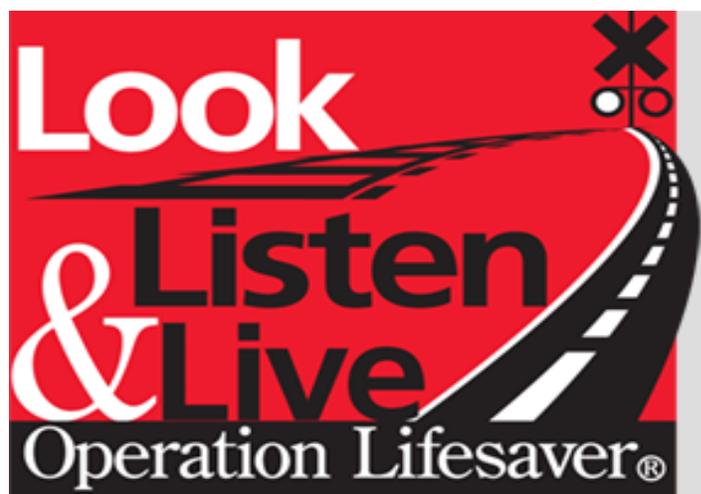
The Railway Safety Section conducts safety compliance inspections on all railroad common carriers’ track and equipment in Alabama in accordance with state and federal standards. These inspections also monitor compliance with regulations subject to Railroad Workplace Safety.

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. Additionally, the section handles complaints from railroads, railroad employees, labor

unions, other governmental agencies, and the general public in all matters pertaining to railway safety. The following table provides a breakdown of the activities of the Railway Safety Section during the period covering October 2012 through September 2013:

RAILWAY SAFETY SECTION	
Total Miles of Railway Track Inspected	816
Total Railway Accidents	5
Total Units of Rolling Stock Inspected (Railway Cars)	4,301
Total Locomotives Inspected	133
Total Railroad Records Inspected	403
Total Complaints	8

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.



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, 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 analyze 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 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.





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 oper-

ating over regular routes. Intrastate air carriers were made subject to the Commission's jurisdiction in 1945.

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

cordingly 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 Commissions 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.

REFLECTIONS OF THOSE WHO HAVE SERVED

Pictured below— a display of former members who served on the Alabama Public Service Commission





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
Twinkle Andress Cavanaugh:
November 2012 – Present

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 – November 2012
Jeremy H. Oden:
December 2012 – 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*



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