

ANNUAL REPORT 2019



ALABAMA

Public Service Commission



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STATE OF ALABAMA
PUBLIC SERVICE COMMISSION
P.O. BOX 304260
MONTGOMERY, ALABAMA 36130

TWINKLE ANDRESS CAVANAUGH, PRESIDENT

JOHN A. GARNER, EXECUTIVE DIRECTOR

JEREMY H. ODEN, ASSOCIATE COMMISSIONER

January 10, 2020

CHRIS "CHIP" BEEKER, JR., ASSOCIATE COMMISSIONER

The Honorable Kay Ivey
Governor of Alabama
600 Dexter Avenue
Montgomery, Alabama 36130

Dear Governor Ivey:

Attached for your review is the Annual Report of the Alabama Public Service Commission (the "APSC" or the "Commission") for the fiscal year commencing October 1, 2018, and ending September 30, 2019. Said Annual Report details the operations of the APSC for the noted period as required by the provisions of the *Code of Alabama*, 1975, §37-1-41.

Additional copies are available and will be hand delivered upon request. The report may also be accessed as a PDF file on the APSC's website at www.psc.alabama.gov.

Thank you for your attention to this matter. Should you have any questions, please do not hesitate to contact me at (334)242-5200.

Sincerely,

A handwritten signature in blue ink, appearing to be "John A. Garner", written over a circular stamp or seal.

John A. Garner
Executive Director

JAG:klr
Attachment

Introduction To The Commission



Twinkle Andress Cavanaugh

President

Jeremy H. Oden

Commissioner, Place 1

Chris "Chip" Beeker, Jr.

Commissioner, Place 2



To provide a balance between regulated companies and consumers in order to provide consumers with safe, adequate and reliable services at affordable rates.

Since its creation over a century ago as the Railroad Commission of Alabama, the Alabama Public Service Commission (“APSC” or “the Commission”) has remained committed to ensuring that the citizens of Alabama receive reliable and affordable utility and transportation services at rates that are fair and reasonable. The agency’s role has evolved throughout the years from the regulation of railroad transportation services to the regulation of all facets of public utility and transportation services. The entities regulated by the APSC include privately owned corporations providing electric, gas, and water service to the public, as well as select providers of telecommunications services and wastewater services. Additionally, railroads, buses, trucking companies, and taxis operating outside police jurisdictions on a for-hire basis remain under the oversight of the APSC. Effective July 1, 2018, Transportation Network Companies were placed under the jurisdiction of the APSC pursuant to Alabama Legislative Act 2018-127.

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 22-25B-6, 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 carry out its vast responsibilities, the APSC 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 66 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, 2018, through September 30, 2019 (FY-2019). Although not all inclusive, this report represents a good overview of the many services and functions provided by the Commission.

Twinkle Andress CAVANAUGH



Twinkle 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 time at the Commission, some of her notable

accomplishments for the people of our state 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. All three utilities have undergone additional reviews which again resulted in lowering of the return the utilities can earn and reducing the burden on ratepayers;*
- *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 \$3.0 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 39%. Through these savings the Commission has sent \$71.5 million to the General Fund since 2010;

- Renewal of lease agreement with RSA resulting in a \$420,000 per year reduction in lease costs by eliminating unused office space and reducing her office space by 67%;*
- Actively working with Alabama's farmers to keep their utility costs down; and*
- Offering encouragement to residents of the devastating events that have occurred in Alabama.*

Twinkle brings to the APSC 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 the Governor'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 W. 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 two grandchildren. They are active members of First Baptist Church in Montgomery and they are involved in numerous community organizations.



PRESIDENT TWINKLE ANDRESS CAVANAUGH'S STAFF

*From left: Debbie Williams, Executive Assistant; Rachel Archer, Executive Secretary;
and Jeff Johnston, Advisor for Regulatory/Research Analysis*

Jeremy H. ODEN



Cullman, Blount and Morgan counties.

Over the past year, Commissioner Oden continued increasing his role in the national debate on energy policy, storage, pipeline safety, electricity transmission, utility services and transportation issues. The Commissioner has active roles on the National Association of Regulatory Utility Commissioners (NARUC), where he serves as a member of the Board of Directors, the Electricity Committee leadership team, and is the Chairman of the Subcommittee on Clean Coal and Carbon Management. In 2019, Commissioner Oden was appointed to the U.S. Department of Energy Secretary's National Coal Council. As the outgoing President of the Southeastern Association of Regulatory Utility Commissioners (SEARUC), Commissioner Oden was reelected as Treasurer and will remain as an executive member.

Commissioner Oden met with various industry associations, schools and local municipality groups to discuss issues on energy, gas pipeline safety, railway safety, intrastate ports, rural broadband development and large economic development projects. In May, Commissioner Oden hosted guests from the Department of Energy's Fossil Fuel and Clean Coal Committee along with NARUC's Clean Coal and Carbon Management Sub-Committee for a tour of Alabama. Guests were

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 (APSC) beginning December 2012. Commissioner Oden was first elected by the people of Alabama in 2014, and again in 2018. Commissioner Oden is a proven public servant evidenced through his 14-year tenure of service in the House of Representatives for District 11, covering portions of

able to visit the Carbon Capture facility in Wilsonville, tour an underground coal mine and learn about technology advances in clean coal at the Southern Research campus in Birmingham.

The State of Alabama hosted the SEARUC conference which took place in June and was held at the new Lodge at Gulf State Park, A Hilton Hotel. Participants included regulators, consumer advocates and representatives from the electricity, gas, water, and telecommunications industries from the southeast. Commissioner Oden welcomed guests to kickoff the multiday event, followed by keynote speaker, Katie Britt, Chief Executive Officer of the Business Council of Alabama. Over several days participants attended breakout sessions on various topics from electric vehicles, rural broadband, energy policies in Puerto Rico and Nuclear Waste. The event was considered by all to be a resounding success and accurately portrayed Alabama's economic development and business climate as poised for continued growth in the future.

Commissioner Oden also participated in a national panel discussion at the Southern States Energy Board annual meeting in Kingsport, Tennessee, where he and his fellow commissioners from across the U.S. discussed the future of fossil fuels and specific concerns in each state. Commissioner Oden served as a panelist at the Southeastern Renewable Energy Summit in Atlanta, GA where the future of alternative energy in Alabama was discussed. The Commissioner led a discussion on coal plants of the future and the possibilities of using coal ash as a valuable commodity at the NARUC conference in San Antonio.

Commissioner Oden continued to show his willingness to serve his constituents, on both the national and local levels in 2019. Jeremy H. Oden vows to continue fighting for fuel diversity in power generation and promoting safety along Alabama's roads, pipelines and railways.



COMMISSIONER JEREMY H. ODEN'S STAFF

*From left: Spears Griffin, Technical Assistant; Aisha Smith, Executive Secretary;
and Commissioner Jeremy H. Oden*

Chris "Chip" BEEKER, JR.



A native of Greene County, Alabama, Commissioner Chris "Chip" Beeker, Jr., was elected to the Alabama Public Service Commission in November 2014. He received nearly 60 percent of the vote in the primary runoff and was unopposed in the general election. Commissioner Beeker was again elected in 2018, allowing him to continue serving the state through 2022.

Commissioner Beeker brings a lifelong commitment to service and a successful business record to the Commission. Following graduation from Greene County High School, Commissioner Beeker served in the National Guard for eight years. He attended the University of West Alabama, where he was a member of Phi Kappa Phi, and graduated with a degree in Commerce and Business. After graduation, he worked at the James M. Barry Steam Plant and the William Crawford Gorgas Electric Generating Plant. Working at these plants afforded Commissioner Beeker the opportunity to see first-hand how vital reliable energy is to our state's economy.

After working for a couple of companies in the timber industry, Commissioner Beeker started the Beeker Timber Company, which managed, bought and sold timber. Additionally, he oversaw and owned three logging crews. He also founded Beeker Catfish and the Beeker Cattle Company. His farms received national acclaim for achieving high standards of quality.

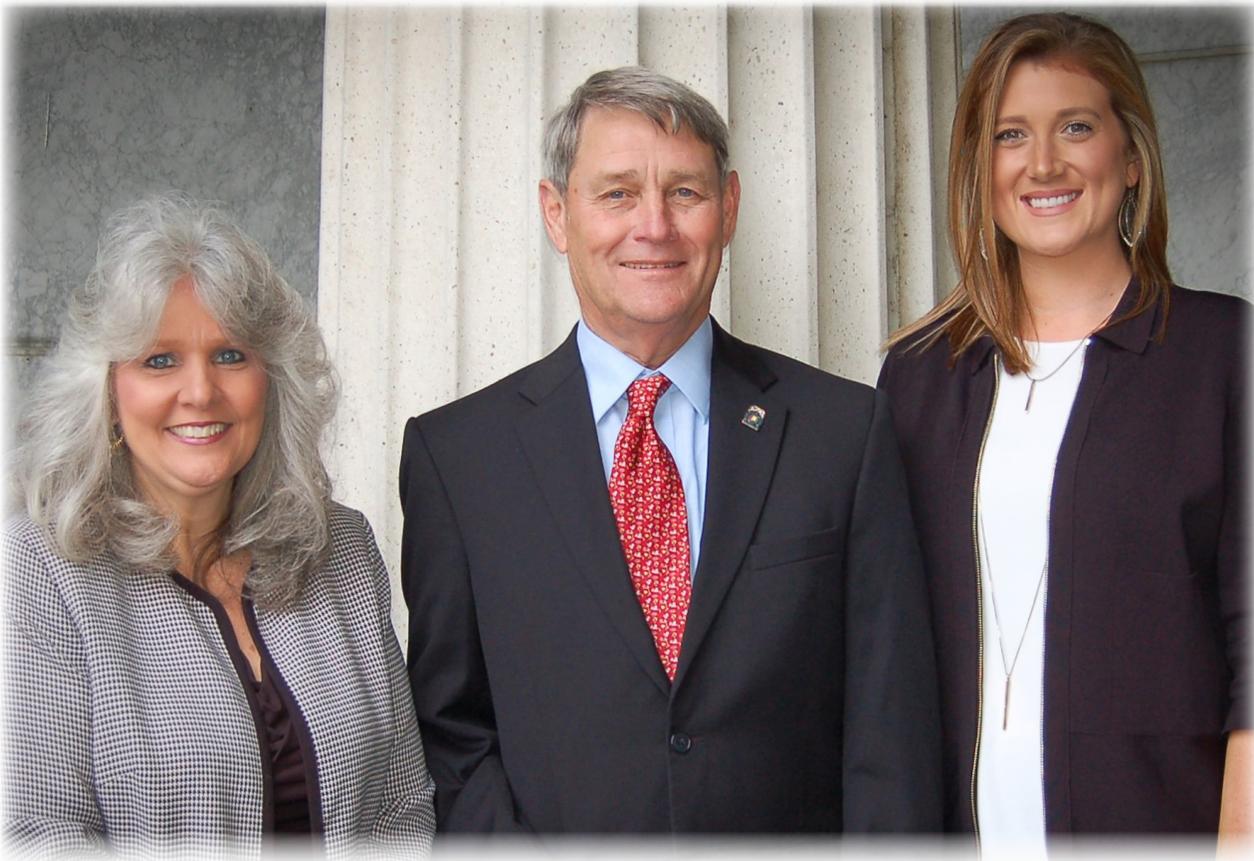
From 1986 through 2006 Commissioner Beeker served as a member of the Greene County Commission, serving as chairman for the last ten of those years. During Commissioner Beeker's tenure, the Greene County Commission achieved great success in economic development.

In addition to serving on the county commission, Commissioner Beeker has been an integral part of his community over the years. He served on numerous advisory boards throughout the area and was the head junior varsity coach in basketball and head varsity coach in baseball at Warrior Academy. In 2012, The Community Foundation of West Alabama selected Commissioner Beeker as a Pillar of West Alabama.

Commissioner Beeker received a degree from the New Covenant School of Ministry. He currently serves as an elder at the First Presbyterian Church in Eutaw where he also teaches Sunday School and has served in both of those roles for over 30 years. Commissioner Beeker began and serves in a prison ministry at the Greene County Jail.

He has been married to Teresa Beeker for more than forty years. They have three children: Diana Beeker Browning (Brandon), Inge Beeker (Elizabeth), and Chris Beeker, III (Carley). Commissioner and Mrs. Beeker have been blessed with eleven grandchildren.

When he campaigned for his current position, Commissioner Beeker promised to oppose crippling federal mandates and he has consistently lived up to that commitment. During his time on the Commission, he has established a conservative voting record, promoted and protected industries, and worked to ensure that Alabama citizens do not pay excessive amounts for the utilities they enjoy. Commissioner Beeker will continue to work to not only oppose the federal government's reckless environmental agenda, but also make sure that Alabamians receive the most reliable and affordable energy possible.



COMMISSIONER CHRIS "CHIP" BEEKER, JR.'S STAFF

*From left: Valerie Hogan, Executive Secretary; Commissioner Chris "Chip" Beeker, Jr.;
and MaryCaitlyn Montgomery, Executive Assistant*

Commission Staff

Executive Director of the Commission/Legal Division

OFFICE OF THE EXECUTIVE

DIRECTOR OF THE COMMISSION

John A. Garner,
Executive Director of the Commission

Personnel Section

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

Information Systems Services Section

Kay Oswalt, IT Systems Specialist,
Senior
Debra Jackson, IT Systems Technician,
Senior
Chalandra Tolliver, IT Systems Technician

State Legislative Affairs

Clarence Duncan,
Public Utility Analyst Manager

LEGAL DIVISION

John A. Garner,
Chief Administrative Law Judge
G. Scott Morris, Administrative Law
Judge
Suellen Young, Attorney III
Luke Bentley, Attorney III
Eileen M. Lawrence, (retired 9/1/19)
Departmental Operations Specialist
Karen Rogers, Administrative
Support Assistant, III

Administrative Division

Walter L. Thomas, Jr.,
Commission Secretary

Tashenna Lawrence,
Administrative Support Assistant III

Logan Bone, Administrative Support
Assistant III, (transferred 3/2/19)

Finance Section

Miles Gagner, Senior Accountant
Kimberly Holt, Senior Accountant

Ernestine Huffman, Staff Accountant
Kathleen McPherson, Administrative
Support Assistant III

Motor Carrier Records Section

Vacant

Electricity Policy Division

John D. Free, Director
Jerry Delancey,
Administrative Support Assistant III

Electricity Section

Patricia W. Smith,
Public Utility Analyst Manager

Tanya Champion,
Public Utility Analyst II
Chad Mason, Attorney II

Federal Affairs Section

John D. Free, Director
Chad Mason, Attorney II

Public Affairs Section

Angier S. Johnson,
Public Information Manager

Utility Services Division

Darrell Baker, Director

Telecommunications Section
Tom Jones, Public Utility Analyst
Manager

Laneeta Roberts, Public Utility
Analyst Manager
Janet Conway, Public Utility Analyst III
G. Dee Stroud, Public Utility Analyst I

Cynthia Allen, Administrative Support
Assistant I

Commission Staff

Utility Services Division

Services Section

David Peeler, Public Utility
Analyst Manager

Rick Cleckler, Public Utility Technical
Specialist, Sr., (retired 4/1/19)
Aquilla Spivey, Consumer Services
Manager

Stephanie Sweet, Consumer Services
Specialist

Natural Gas Section

Donald C. Powell, Public Utility
Analyst Manager

Marquita D. Lennon, Public Utility
Analyst II
Tonya L. Williams, Staff Accountant

Utility Enforcement Division

Janice M. Hamilton, Director and
State Rail Safety Program Manager
G. Dee Stroud, Administrative Support
Assistant III, (transferred 2/1/19)
Monica J. White, Administrative Support
Assistant II

Motor Carrier Services Section

Amanda D. Shehane, Transportation
Regulatory Manager
Devon D. Beaty, Public Utility Analyst I
Jennifer S. Morgan, Account Clerk
Retha K. Bryant, Administrative Support
Assistant I

Railway Safety Section

Chris W. Hester, Railway Safety
Administrator
J. Eddie Nix, Railway Safety Inspector
Heath G. Thompson, Railway Safety
Inspector

Field Services Section

H. Terry Jackson,
Public Utility Field Technician, Senior

Gas Pipeline Safety Division

Wallace R. Jones, Director
Felisa A. Webster,
Administrative Support Assistant III

Gas Pipeline Safety Section

Gregory E. Meadows,
Pipeline Safety Investigations Supervisor
Judy D. Ramsey,
Pipeline Safety Investigations Supervisor

Daniel E. Trapp,
Pipeline Safety Investigations Supervisor
Jamar F. Robinson, Pipeline Safety
Engineer
Asia D. Skillman, Pipeline Safety
Engineer
Randall D. Hand, Pipeline Safety
Investigator, Senior

Randall H. Hammond,
Pipeline Safety Investigator, Senior
Jonathan M. Kimbril, Pipeline Safety
Investigator, Senior
Michael McVay, Gas Pipeline Safety
Investigator

Executive Director Of The Commission

John A. Garner
EXECUTIVE DIRECTOR



John A. Garner
Executive Director

In December 2010, the Commission created the position of Executive Director of the agency in order to facilitate more efficient day-to-day operations. Chief Administrative Law Judge, John A. Garner 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 determined that the Executive Director would report directly to the Commissioners with each division director within the Commission reporting to the Executive Director.

In addition to being delegated the responsibility for managing the day-to-day administrative functions of the agency, the Executive Director was also given the responsibility of acting on all personnel matters brought before the Executive Director by the various divisions, except those involving the separation of employees from service through suspension or termination.

The Executive Director was also charged with 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.

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 technology 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 consists of Personnel Assistant III/Personnel Manager, Dorinda Kepler and Administrative Support Assistant III, Rozetta Parker who perform the many day-to-day functions that are necessary to

implement the requirements of the State Merit System. Specifically, the Personnel Section is responsible for all actions affecting the employment status of Commission employees and maintaining all records of those actions. One of the Personnel Section's primary functions is to identify and implement changes in payroll expenditures resulting from appointments, resignations, promotions, terminations, etc., through the use of the Government

Executive Director Of The Commission



PERSONNEL SECTION

Dorinda Kepler and Rozetta Parker

Human Resource System, an automated payroll/personnel system.

The Personnel Section also 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, the Personnel Section 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, ensuring 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. The Personnel Section also develops and assists in the development and

updating of job descriptions for Commission employees when necessary. 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

The Information Systems Services Section (“IT Section”) is another important section organized under the Executive Director. IT Systems Specialist, Sr., Kay Oswald, is the supervisor of the IT Section. Along with Mrs. Oswald, IT Systems Technician, Chalandra Tolliver, and IT Systems Technician, Senior, Debra Jackson, provide a variety of information technology services to the agency, including the operation of a local area network which links the APSC divisions electronically to facilitate the sharing of data and information.

The IT Section also operates a bank of servers, including the primary file server where users store information



INFORMATION SYSTEMS SERVICES SECTION

From left: Debra Jackson, Kay Oswald and Chalandra Tolliver

Executive Director Of The Commission

in secure folders that are backed up daily. This section is also responsible for running virus protection software and following best practices for information security and disaster preparedness.

There are several systems in place for consumer information established and are maintained by the IT Section. These include database applications tracking regulated motor carrier complaints, information technology help desk requests, communications data. The section also coordinates the maintenance of the agency's document imaging system with an outside vendor.

The Information Systems 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, the IT Section captures the video footage of each month's public meeting of the Commission and makes it available for viewing on the agency's website.



State Legislative Affairs Section

The State Legislative Affairs Section consists of Public Utility Analyst Manager, Clarence Duncan, whose responsibilities include

researching and recommending changes in law deemed necessary to enable the Commission to effectively perform its duties and functions. The state legislative affairs liaison is also responsible for monitoring all state legislative activity as it pertains to the Commission and keeping the Commission and its staff fully informed of the status of such matters in a timely 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.



LEGISLATIVE AFFAIRS
Clarence Duncan

Legal Division

John A. Garner
CHIEF ADMINISTRATIVE LAW JUDGE



LEGAL DIVISION

Seated from left: Eileen Lawrence and Karen Rogers. Standing from left: Scott Morris, Luke Bentley, John A. Garner, and Suellen Young.

The Legal Division consists of Chief Administrative Law Judge John A. Garner, Administrative Law Judge Scott Morris, Senior Staff Attorney Suellen Young, Attorney III Luke Bentley, Departmental Operations Specialist Eileen Lawrence, and Administrative Support Assistant III Karen Rogers. The Legal Division's Administrative Law Judges preside over all legal proceedings before the Commission and make recommendations for the disposition of the cases they hear. Those recommendations are presented at the monthly meetings of the Commission for a decision. The Commission can adopt the recommendations of the Administrative Law Judges in their entirety, or vote to effectuate other outcomes when supported by appropriate evidence. Once the Commissioners render a decision, the Administrative Law Judges typically draft the orders which reflect the decision of the Commission and are signed by the Commissioners.

In addition to hearing cases and making recommendations for the disposition of pending cases, the Legal Division's Administrative Law Judges and other attorneys provide legal advice and guidance to the Commissioners, Commission staff, representatives of the utilities regulated by the Commission, and the general public on a daily basis. The Legal Division's Administrative Law Judges and attorneys also handle any other legal responsibilities which arise. Such matters can range from representing the Commission in court cases and personnel proceedings to representing the agency in administrative proceedings conducted by other state agencies and federal agencies.

Administrative Division

Walter Thomas, Jr.
SECRETARY

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

The Secretary's office takes and distributes the minutes of each

monthly Commission meeting and 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's office files the 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's office also provides public officials, attorneys, transportation and utility executives, and other interested parties, with information on the operating policies of the Commission.



ADMINISTRATIVE DIVISION

Front from left: Kim Holt, Kathleen McPherson, and Walter Thomas, Jr.

Back row from left: Miles Gagner, Tashenma Lawrence, and Ernestine Huffman

Administrative Division

The Secretary's office is responsible for the retention of all records of the Commission and coordinates the transfer of records to the Department of Archives and History as well as destruction of records. The Secretary's office acknowledges receipt of filings advising parties of the requirements of the *Rules of Practice* and statutes governing proceedings in which they are involved and gives general procedural information and answers inquiries requiring research into Commission records. Lastly, the Secretary's office is responsible for the coordination of the parking deck cards and 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-2019 is as follows:

| OFFICE OF THE COMMISSION'S SECRETARY | |
|--------------------------------------|-----|
| Commission Orders Issued | 776 |
| Public Hearings Held | 47 |
| Report and Recommended Orders Issued | 6 |



Finance Section

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

This 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 Section

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

Administrative Division

Dual Party Relay Fund Statement of Operations For the Fiscal Year Ending September 30, 2018 and 2019

| | <u>Total</u> <u>Sept. 30, 2019</u> | <u>Total</u> <u>Sept. 30, 2018</u> |
|---|---------------------------------------|---------------------------------------|
| Comptroller's Beg. Cash Balance : | \$ 6,736,012 | \$ 6,081,741 |
| Dual Party Relay | 936,846 | 1,522,440 |
| Total Cash Available: | 7,672,858 | 7,604,181 |
| Disbursement of Encumbrances: | | |
| Utilities & Communications | 48,115 | 115,811 |
| Grants and Benefits | - | - |
| Total Encumbrances: | 48,115 | 115,811 |
| Disbursement of Operating Costs: | | |
| Travel In-State | - | - |
| Utilities & Communications | 417,156 | 550,574 |
| Grants and Benefits | 203,735 | 201,784 |
| Total Operating Costs: | 620,891 | 752,358 |
| Transfer to General Fund | - | - |
| Transfer to General Fund: Prior year cash | - | - |
| Total Disbursements & Transfers: | 669,006 | 868,169 |
| Comptroller's Cash Balance, Ending: | 7,003,852 | 6,736,012 |
| Purchase Orders | 52,844 | 60,437 |
| Unencumbered Cash Balance, Ending | <u>\$ 6,951,008</u> | <u>\$ 6,675,575</u> |

Administrative Division

Alabama Public Service Commission Operating Fund and Gas Pipeline Safety Fund Statement of Operations For the Fiscal Year Ending September 30, 2018 and 2019

| | PSC Operating Fund | Gas Pipeline Safety Fund | Total Sept. 30, 2019 | Total Sept. 30, 2018 |
|---|-------------------------------|-------------------------------------|---------------------------------|---------------------------------|
| Comptroller's Beg. Cash Balance: | \$ 3,908,130 | \$ 1,119,932 | \$ 5,028,062 | \$ 8,092,453 |
| Inspection & Supervision Fees - | | | | |
| Utility/Water Companies | 11,533,556 | - | 11,533,556 | 11,540,305 |
| Telecommunications/Railroads | 2,203,011 | - | 2,203,011 | 2,606,412 |
| Motor Carrier Ins. & Reg. Fees | 2,451,990 | - | 2,451,990 | 2,745,252 |
| Gas Service Line Fees | - | 543,694 | 543,694 | 539,478 |
| Federal Dept. of Transportation | - | 925,061 | 925,061 | 504,396 |
| Alabama Dept. of Transportation | 50,000 | - | 50,000 | 50,000 |
| TNC Local Assessment Fees | 233,616 | - | - | - |
| Miscellaneous Receipts | 11,286 | 3,000 | 14,286 | 27,882 |
| Total Receipts: | <u>16,483,459</u> | <u>1,471,755</u> | <u>17,721,598</u> | <u>18,013,725</u> |
| Total Cash Available: | <u>20,391,589</u> | <u>2,591,687</u> | <u>22,983,276</u> | <u>26,106,178</u> |
| Disbursement of Encumbrances: | | | | |
| Personnel Costs | - | - | - | - |
| Employee Benefits | - | - | - | - |
| Travel- In State | 2,107 | 7,092 | 9,199 | 6,420 |
| Travel- Out of State | - | 1,813 | 1,813 | 4,990 |
| Repairs & Maintenance | 199 | - | 199 | 467 |
| Rentals & Leases | 13,066 | 5,008 | 18,074 | 27,377 |
| Utilities & Communications | 4,906 | 1,447 | 6,353 | 6,616 |
| Professional Services | 6,574 | - | 6,574 | 10,010 |
| Supplies & Operating Expenses | 2,225 | - | 2,225 | 5,867 |
| Transportation Equipment Operations | 1,654 | 1,975 | 3,629 | 8,612 |
| Grants and Benefits | - | 2,500 | 2,500 | 2,500 |
| Transportation Equipment Purchases | - | - | - | - |
| Other Equipment Purchases | - | - | - | 26,602 |
| Transfer to State General Fund 100 | - | - | - | - |
| Total Encumbrances: | <u>30,731</u> | <u>19,835</u> | <u>50,566</u> | <u>99,461</u> |
| Disbursement of Operating Costs: | | | | |
| Personnel Costs | 3,904,840 | 770,160 | 4,675,000 | 4,690,055 |
| Employee Benefits | 1,410,607 | 301,144 | 1,711,751 | 1,721,439 |
| Travel- In state | 28,191 | 43,256 | 71,447 | 58,700 |
| Travel- Out of State | 9,959 | 33,990 | 43,949 | 46,333 |
| Repairs & Maintenance | 4,309 | - | 4,309 | 3,217 |
| Rentals & Leases | 752,348 | 58,642 | 810,990 | 865,726 |
| Utilities & Communications | 84,521 | 21,386 | 105,907 | 59,848 |
| Professional Services | 201,746 | 24,497 | 226,243 | 169,456 |
| Supplies & Operating Expenses | 177,769 | 15,699 | 193,468 | 189,823 |
| Transportation Equipment Operations | 24,526 | 23,219 | 47,745 | 47,024 |
| Grants and Benefits | - | - | - | 25 |
| Transportation Equipment Purchases | - | 44,386 | 44,386 | 89,976 |
| Other Equipment Purchases | 37,200 | 9,316 | 46,516 | 37,033 |
| Total Operating Costs: | <u>6,636,016</u> | <u>1,345,695</u> | <u>7,981,711</u> | <u>7,978,655</u> |
| Transfer to General Fund / Other Agencies | 9,000,000 | - | 9,000,000 | 13,000,000 |
| Transfer to General Fund: Prior year cash | - | - | - | - |
| Total Disbursements & Transfers: | <u>15,666,747</u> | <u>1,365,530</u> | <u>17,032,277</u> | <u>21,078,116</u> |
| Comptroller's Cash Balance, Ending: | 4,724,842 | 1,226,157 | 5,950,999 | 5,028,062 |
| Purchase Orders | 18,772 | 8,003 | 26,775 | 19,571 |
| Unencumbered Cash Balance, Ending | <u>\$ 4,706,070</u> | <u>\$ 1,218,154</u> | <u>\$ 5,924,224</u> | <u>\$ 5,008,491</u> |

Electricity Policy Division

John D. Free
DIRECTOR

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 (“IOU”) 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-2019 are identified in the following pages.

Electricity Section

The Electricity Section is responsible for regulatory oversight of the rates and services of electric 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, the Staff performs financial analyses, economic evaluations, and statistical data



ELECTRICITY POLICY DIVISION

*Standing from left: Chad Mason, Tanya Champion, John Free,
Angier Johnson, Patricia Smith, and Jerry Delancey*

Electricity Policy Division

assimilation. In addition, the Staff presents financial, operational, and management-related inquiries to remain informed as to the manner and methods in which the Company conducts its business.

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

ALABAMA POWER COMPANY Rate Stabilization and Equalization (Rate RSE)

Rate RSE, the rate approved by the Commission under Dockets 18117 and 18416, is designed to lessen the impact, frequency and size of retail rate increase requests by permitting APC, through the operation of a formula rate that was filed and approved, to adjust its charges on a periodic basis to provide a reasonable opportunity 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 exceed the return range. In the latter event, RSE provides for the calculation of the amount that is returned to customers.

From December 1, 2006 through December 1, 2012, APC’s rate of return on projected average common equity, separated to retail electric service (“RRCE” being the Retail Return on Common Equity), was computed annually for the upcoming twelve-month period ending December 31 (such twelve-month period being the “rate year”). The RRCE was computed based on 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).

In February 2013, the 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 of the RSE program, the Commission also sought to determine whether the existing allowed RRCE range of 13.0% to 14.5%, as prescribed in the Rate RSE tariff, continued to be fair and reasonable.

Electricity Policy Division

The Commission held public meetings on May 8, 2013, June 18, 2013 and July 17, 2013, with the June 18 meeting comprising two sessions. The Commission and its Staff participated, together with representatives of the Attorney General's office, APC, and other interested agencies/organizations. After evaluating all information submitted by each of the participants during the four public meetings, the Commission found that APC's Rate RSE mechanism and all the associated components continue to be just and reasonable to customers and the Company. Nevertheless, the Commission recommended, in the Report and Order dated August 21, 2013, several modifications to APC's Rate RSE mechanism. Foremost among these was the replacement of the existing

Return on Equity (ROE) range and the provision regarding capital structure with a range and set point based on Weighted Return on Average Retail Common Equity ("WRRCE"). The WRRCE range was established at 5.75% to 6.21%, with an adjusting point of 5.98%. In addition, APC is eligible to receive a performance-based adder of 7 basis points (0.07%) to the WRRCE 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 the Staff as part of its most recent annual metrics review. Notably, the established WRRCE range represented a downward adjustment

in terms of the Company's allowed return range.

The Commission also set forth several augmentations to the 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 is 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 is tested against the most recent twelve-month average of the same 30-year Treasury Bond on a quarterly basis. Upon the occurrence



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of a circumstance prompting additional review, the Staff will notify the Commission and report whether and to what extent the Staff believes the economic developments necessitate further examination of the WRRCE 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 includes information for the most recent January through June period, along with comparable information from the prior year for the same period. These biannual filings are 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 detailed examination every six years.

All the recommendations of the Commission were accepted by APC, in Consent Order dated August 21, 2013, 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 the Staff's oversight under Rate RSE is in addition to, and not in lieu of, all the existing authority of the Commission, and the Company's right to make filings or petitions with the Commission, as allowed by law, are in no way impaired.

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act of 2017 ("TCJA") with most provisions taking effect January 1, 2018. The TCJA reduced the federal income tax rate from 35% to 21%, effective January 1, 2018. Because the TCJA became effective after the Company filed its annual information and calculations under Rate RSE, the Company applied an Income Tax Adjustment Percentage ("ITAP") to customer billings, in accordance with Rate T (Tax Adjustment) under Docket 18148. The ITAP equated to a credit of approximately \$267 million. This adjustment commenced with July 2018 billings and terminated after December 2018 billings.

On April 17, 2018, APC submitted several proposed revisions to Rate RSE. The purpose of the revisions was to enable the Company to take steps to mitigate the credit quality

impacts resulting from the passage of the TCJA, while preserving rate stability for customers. The changes retain the opportunity for customers to realize an immediate benefit associated with revenues exceeding the top of the designated weighted equity return range, while also enabling a portion to be used for their longer-term benefit through the protection of the Company's credit quality. In this way, the Company would be able to reduce growth in its total debt by increasing its equity, with corresponding reductions in debt issuances, thereby countering the impact of reduced cash flows and improving its Funds From Operations-to-Debt Ratio (or "FFO-to-Debt Ratio").

The changes and other provisions approved by the Commission by Order dated May 7, 2018 under Dockets 18117 and 18416 included the following:

- Lowered the top of the weighted equity return range from 6.21% to 6.15%.
- Revised the refund mechanism related to prior year actual results by allowing a portion of future refunds to be used to increase the Company's equity component and thereby

Electricity Policy Division

improve its credit metrics. There are restrictions in place for any cost year in which there is an upward adjustment under Rate RSE, along with a ceiling on the amounts the Company will be allowed to utilize for protection of its credit quality.

- Made various ministerial revisions to clarify existing provisions of the rate and specify certain additional accounts to be reflected in the determinations under the formula rate.
- All revisions became effective June 1, 2018, for application to January 2019 billings and thereafter.
- In conjunction with the described modifications to Rate RSE, the Company committed to a moratorium on any upward adjustments under Rate RSE for 2019 and 2020.
- The Company issued \$50 million in bill credits to customers in 2019.

For the twelve-month period ended December 31, 2018, the Rate RSE calculation produced a weighted return on average retail common equity of 6.75%. The amount of revenue that caused the WRRCE to exceed the designated range was approximately \$109 million. According to the applicable terms of Rate RSE (prior to the changes approved on May 7, 2018), this revenue was returned to the benefit of customers and in the manner directed by the Commission. As a result, the Company's final weighted return on average retail common equity, for the twelve months ended December 31, 2018, was 6.21%. For purposes of the refund required under Rate RSE related to the 12-months ended December 31, 2018, the Company was directed to refund \$34 million to customers during the months of July – September 2019 and to apply the remainder of approximately \$75 million to the under-recovered balance in Rate ECR (Energy Cost Recovery).

On November 30, 2018, APC filed the 2019 Information and Calculations Required by Appendix B to Rate RSE and the Special Rules Governing Operation of Rates RSE and CNP, which included the approved modifications (sixth revision) to Rate RSE. Based on this filing, the projected WRRCE for the 12-months ending December 31, 2019 was 6.12%.

In accordance with the Report and Order dated August 21, 2013, Alabama Power scheduled a meeting in October 2019 to perform the first 6-year

review of Rate RSE and discuss the financial and operational components of the Company with the staff and representatives from the Attorney General's Office.

The Electricity Section examines APC's books and records on a monthly basis to determine the WRRCE 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, 2019, the re-projected WRRCE for the twelve-month period ending December 31, 2019 was 6.93%. This is not a point-of-test. The point-of-test for Rate RSE is December 31 of each year. Because this is a fiscal year report, the most current and available return, as of September 30, is provided.

Energy Cost Recovery (Rate ECR)

Rate ECR, the rate approved by the Commission under Docket 18148, is the mechanism used to recover retail customers' portion of certain energy-related costs. The ECR factor is 59.10 mills/kWh (5.910 cents/kWh), as established under the Commission's Order dated October 8, 2008. With the consent of the Company, the

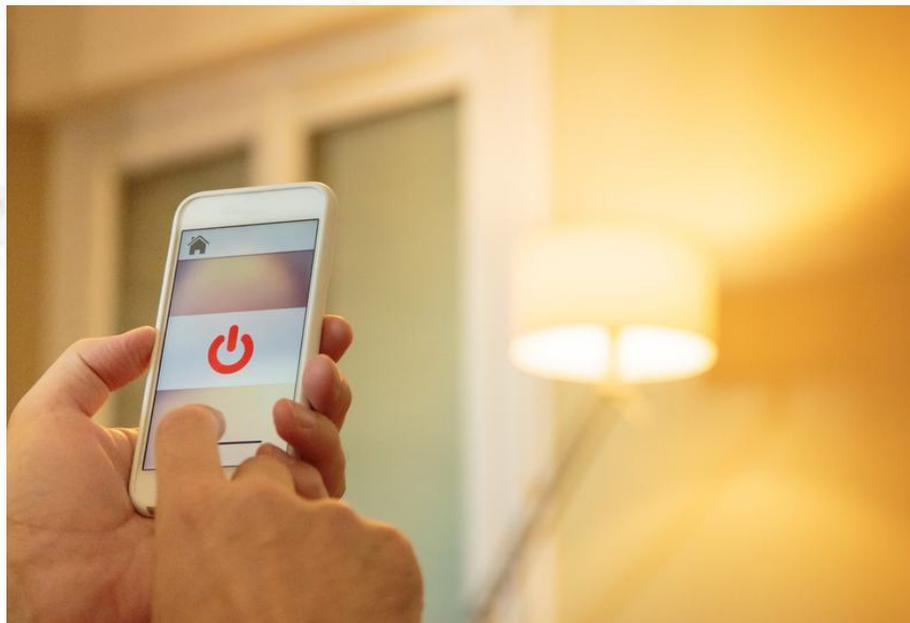
Electricity Policy Division

factor has been adjusted for temporary periods of time to reduce the over/under collections accumulated in the energy cost recovery account. The Electricity Section staff evaluates the monthly Rate ECR reports filed by APC and prepares a summary report for the monthly Commission meetings.

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

reduce the under-collected balance in Rate ECR, which in turn, reduced costs pressures on customers.

By Order dated March 7, 2017, the Commission approved a revision to Rate ECR filed by APC to implement the Commission's Order dated February 14, 2017, in Dockets 31653 and 31859. In that February 14 Order, the Commission authorized APC to use Rate ECR to capture all costs and credits associated with two PPAs ("power purchase arrangements" or "purchased power agreements") certified in the referenced dockets (Chisholm View and Buffalo Dunes). Prior to the February and March 2017 Orders, cost recovery for each of these wind PPAs was bifurcated under Rate ECR and Rate CNP, Part B. To better align cost recovery with the intended purposes of the two PPAs (i.e. potentially lower energy costs), the Commission approved the Company's request to consolidate such cost recovery under Rate ECR. See the Rate CNP, Part B section for more information on the referenced dockets.



The rise of home energy devices are increasing energy efficiency.

for the billing months of October through May.

By Order dated December 1, 2015, under Docket U-5128, the Commission approved APC's petition for approval to cease the accounting treatment of recording a regulatory liability account associated with the spent nuclear fuel and transfer such balance back to the liability account recorded under Rate ECR.

By Order dated February 17, 2017, under Docket U-5208, the Commission authorized APC to create a regulatory asset with a balance of up to \$142 million. As part of the authorization granted in this docket, the Commission approved the use of approximately \$36 million of that regulatory asset to

As previously noted, the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law on December 22, 2017 and reduced the federal income

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tax rate from 35% to 21%, effective January 1, 2018. See the Rate RSE section for more details.

By Order dated May 1, 2018, under Docket U-5266, the Commission authorized APC to establish a regulatory liability for the flow back of excess federal deferred income taxes for the calendar year ending December 31, 2018. The excess deferred income taxes resulted from the TCJA and are estimated to be between \$30-\$50 million. APC was further authorized to create a regulatory asset in which to record up to \$30 million of the under-recovered balance that would otherwise be included in the calculation of Rate ECR, thereby reducing the under-recovered balance in Rate ECR. If the actual amount of excess federal deferred income taxes exceeds \$30 million, APC will record the additional amount in the regulatory liability account, pending Commission direction as to its disposition.

By Consent Order dated December 4, 2018, the Commission approved an extension of the interim ECR factor of 23.53 mills/kWh (2.353 cents/kWh) (previously established by Commission Consent Order dated May 7, 2018) for the billing months of January 2019 through December 2019; and 59.10

mills/kWh (5.910 cents/kWh) for the billing months beginning January 2020, and thereafter, unless a further change is agreed to sooner as a result of monitoring of operations or until changed by Commission order pursuant to Rate ECR and applicable Rules and Regulations.

As part of its routine oversight, the Staff performs a monthly review of the Over and Under Recovery of APC's energy-related costs. At September 30, 2019, the accumulated over/under recovered energy cost balance was approximately \$21 million over-recovered.

Certificated New Plant (Rate CNP)

Rate CNP, Part A

Rate CNP, Part A ("Part A") was established in 1982 in conjunction with Rate RSE, under Dockets 18117 and 18416. The original rate provided for the certification of newly-constructed generating facilities and rate recovery of the revenue requirement related to the capital cost of such facilities.

By Order dated December 14, 2015, the Commission approved the Anniston Army Depot Solar Project and the Fort Rucker Army Solar Project, which are consistent with the requirements of the Certificate of Convenience and Necessity ("Certificate") granted in Commission Order dated September 16, 2015, under Docket 32382. As certified, the Anniston Army Depot Solar Project and the Fort Rucker Army Solar Project were each planned to encompass 10.6 megawatts ("MW") AC solar generation resource to operate over a 29-year term. These projects involve the construction of new solar generating facilities at the referenced Army installations. On November 10, 2016, APC gave notice that the Anniston Army Depot Solar Project had been reduced in size to 7.4 MW due to the discovery of previously unknown site challenges.

On March 9, 2017, under Dockets 18117 and 18416, the Commission approved certain revisions to Part A. The modifications include: (i) the addition of plant acquisitions (as opposed to only self-build projects) to the scope of facilities eligible for rate treatment under Part A; (ii) incorporating

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12-month projections for capital, O&M, and depreciation expenses in the development of the rate factor; and (iii) adding the option to apply either an energy-based or revenue-based allocation to the revenue requirement incorporated in the rate factor, as deemed appropriate by the Commission.

On May 2, 2017, under Dockets 18117 and 18416, the Commission approved APC's petition concerning the operation of Rate CNP, Part A for the Fort Rucker Army Solar Project and the Anniston Army Depot Solar Project (both projects under Docket 32382). The Fort Rucker Solar Project was placed in service April 1, 2017 and the Anniston Army Depot Solar Project was placed in service July 14, 2017. At the Commission's request, APC considered and determined that it would be feasible to forego the operation of Part A for these two solar projects. Accordingly, no Plant Factor Filing was made for either of these projects. However, all costs related to both projects are included in APC's retail cost of service for all other purposes.

On September 6, 2019, Alabama Power Company filed with the Alabama Public Service Commission a petition, under Docket 32953, pursuant to Alabama Code § 37-4-28 and Rate CNP—Adjustment for Commercial Operation of Certificated New Plant, for a Certificate of Convenience and Necessity ("Certificate"). The petition is currently under review by the Commission. A public hearing in this cause has been scheduled for January 29, 2020 at 9:00 a.m. in the Main Hearing Room of the Carl L. Evans Chief Administrative Law Judge Hearing Complex in the RSA Union Building in Montgomery, Alabama

Rate CNP, Part B

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.

By Order dated November 7, 2000, under Docket 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 I, LLC, involving 630 MW of combustion turbine capacity. In April 2009, the PPA was extended an additional eleven (11) years, continuing through December 31, 2022. The energy cost associated with the Calhoun PPA is recovered under Rate ECR, while the capacity costs is recovered under Rate CNP, Part B.

On June 11, 2010, under Docket 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 ("Westervelt"), involving approximately 7.5 MW of electric capacity from a small-scale renewable energy ("biomass") generating facility operated by Westervelt. The energy cost associated with the Westervelt PPA is recovered under Rate ECR, while the capacity costs is recovered under Rate CNP, Part B.

By Order dated September 9, 2011, under Docket 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 energy supplied from a wind farm being developed by Chisholm

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View in Grant and Garfield Counties, Oklahoma.

On September 17, 2012, under Docket 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 energy supplied from a wind farm being developed by Buffalo Dunes in Grant, Haskell and Finney Counties, Kansas.

On June 9, 2016, the Commission approved a PPA in connection with the Lafayette Solar Project, which is consistent with the requirements of the Certificate of Convenience and Necessity granted in the Commission Order dated September 16,



Attendees of an Alabama Public Service Commission hearing listen attentively to witness testimony.

2015, under Docket 32382. The Lafayette Solar Project encompasses a 72 MW AC solar generation resource to operate over a 28-year term. The project involves an energy purchase agreement, whereby APC will receive the output from the new solar photovoltaic electric generating facility to be built in Chambers County, Alabama, and enter into a 15-year Participation Contract for a Renewable Participation Program between APC and Wal-Mart. The commercial operation date for the Lafayette Solar project was declared on December 15, 2017. Costs associated with the Lafayette PPA will be recovered

through Rate ECR since they are energy-related.

It should be noted that under all 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 provided under those agreements. 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 sold separately, to third parties.

On February 14, 2017, the Commission modified the orders entered in Dockets 31653 and 31859 to provide for the recovery of all costs associated with the PPAs for the Chisholm View Wind

Project and the Buffalo Dunes Wind Project in Rate ECR. In addition, all revenues associated with the sale of energy, transmission rights or RECs under these PPAs are credited to Rate ECR. The costs incurred under the PPAs prior to January 1, 2017, were not affected by this order, being the subject of separate Commission action in Docket U-5208. The cost treatment ordered was directed specifically to the two subject PPAs, with the cost treatment for any other PPAs to be addressed in the orders certifying those arrangements, subject to continuing Commission jurisdiction.

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By Order dated March 9, 2017, under Dockets 18117 and 18416, the Commission approved certain revisions to Part B. The primary revision for Part B changed the current energy-based allocation formula to a revenue-based approach. Other proposed changes included a revision to the 12-month period used to calculate the over/under recovered balance and the addition of clarifying language with respect to the costs to be recovered under Part B.

On September 21, 2018, in accordance with the provisions of Commission Order dated September 16, 2015 under Docket 32382, APC issued its second Request for Proposal (“2018 RFP”) for renewable or environmentally specialized energy resources for projects ranging from 5 MW to 80 MW. By Order dated September 16, 2015, the Commission granted APC a Certificate of Public Convenience and Necessity, by which it would be authorized to develop or procure up to 500 MW of capacity and energy from renewable energy and environmentally specialized generating resources. Depending on whether any such approved projects are owned by APC or procured through PPAs, the cost of each would be recoverable

under either Rate CNP, Part A, Part B and/or Rate ECR. The deadline for acceptance of proposals for the 2018 RFP was October 26, 2018. APC received approximately 106 bids for 69 separate site locations. In March 2019, the Company notified bidders of projects that made the “competitive tier” or “short-list” and by April 17, 2019, the Company received updated pricing for the “competitive tier.” Along with this renewable energy RFP, APC on September 21, 2018, also issued a Request for Proposals for resources with a capacity rating between 100 MW and 1,200 MW. Qualifying proposals could be power purchase agreements or asset purchase and sales agreements (existing or new-build/transfer) projects. All proposals were due by November 9, 2018.

In accordance with the provisions of Part B, APC filed with the Commission on February 1, 2019, the information and calculations for the CNP Purchase Factor associated with the Company’s certificated PPAs. Although the filing reflected a projected under-recovery of costs associated with such agreements that normally would be recoverable during the cost year April 1, 2019 through March 31, 2020, APC consented that the current level of cost recovery remain unchanged for the upcoming year. This was accomplished through a revenue-based allocator that is now reflected in Part B, and the corresponding development of new, individual factors that are to be applied to the respective rate schedules and maintained for the April 1, 2019 through March 31, 2020 cost year.

Rate CNP, Part C

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.” Beginning in December 2004, and each December thereafter, APC 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.

By 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

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million 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 (forward-looking), similar to Rate RSE.

By Order dated March 3, 2015, under Dockets 18117 and 18416, the Commission authorized further revisions to Part C. The Company’s filing for these revisions, and the Commission’s Order approving them, complies with the December 9, 2014 Accounting Order filed under Docket U-5135 that directed the Company to file an appropriate rate mechanism, outside of Rate RSE, for the recovery of such costs associated with non-environmental (“governmental”) mandates. This revision allows the Commission, as well as the Company, to readily identify cost pressures that are beyond the Company’s reasonable control because the costs are due to governmental mandates. These costs resulting from laws, regulations and other mandates directed at the utility industry are recovered through the revised Part C mechanism beginning January 2016.

In accordance with the provisions of Part C, APC filed with the Commission on November 30, 2018, the calculations associated with its costs of complying with governmental mandates. The filing reflected a projected under-recovery of such costs recoverable in the billing months of January 2019 through December 2019. The under-recovery resulted in a \$205 million rate increase, which roughly equates to a \$5.80 per month increase for a typical residential customer using 1,000 kWh/month.

Natural Disaster Reserve (Rate NDR)

On October 3, 1994, under Docket U-3556, 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 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 to its authorized level of \$32 million.

By Order dated December 6, 2005, under Docket U-3556, the Commission approved a new Rate Rider NDR, and increased the authorized natural disaster reserve balance from \$32 million to \$75 million, effective January

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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 applies a small monthly charge to each account served under the Company's retail rate schedules until the approved balance is restored.

By Order dated August 20, 2010, under Docket U-3556, the Commission authorized APC to record discretionary accruals to the Reserve above the existing authorized limit (\$75 million) and to include reliability-related expenditures among the category of costs that can be charged against the Reserve.

On July 12, 2011, under Docket 18148, the Commission approved the revision of the Income Tax Adjustment (ITA) mechanism of Rate T to bring it in line with the way in which taxes are handled under the forward-looking construct of Rate RSE. The revision included the elimination of the ITA applicable to Rate T. The revenues (approximately \$30 million for October 2011 – December 2011) that resulted from the elimination of the tax-related credit were used to replenish the Natural

Disaster Reserve to, among other things, fund certain costs resulting from the April 2011 tornadoes.

In FY-2019, as a result of storm damages, APC incurred additional operation and maintenance costs of approximately \$9 million. As of September 30, 2019, the Reserve had a positive balance of approximately \$23 million.

Other Activities

By Order dated February 5, 2019, under Docket U-4732, the Commission approved modifications to Rate Rider CPP (Critical Peak Pricing), effective with March 2019 billings. Rate Rider CPP is part of the Company's SmartPower demand side management program. Under the proposed modifications, participating customers will now be responsible for managing their air conditioning loads in response to notifications from the Company. This is different from previous years in that APC proactively managed the customers thermostat. Rate Rider CPP shall be closed to new customers. Additionally, the Company was authorized by the Commission to obtain confirmation from participating customers as to their intent to participate in the modified program by submitting a completed participation form.

By Order dated February 5, 2019, under Docket U-5285, the Commission approved a request by the APC for authority to establish a regulatory asset on its balance sheet in which the Company would record the operation and maintenance costs for management-approved software projects, including cloud-based software solutions, with an expected total project cost exceeding \$2 million. The Company further seeks

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authority to amortize the regulatory asset to cost of service ratably over the period for which the related assets are expected to provide an economic benefit.

By Order dated March 12, 2019, under Docket U-5213, the Commission approved the second (2nd) revision of Rate CPE (Contract for Purchased Energy). The charges and payments set forth in the revised rate reflect the Company's updated avoided cost data, as required by the Commission's Order, dated March 7, 2017 in Docket U-5213. The updated costs became effective with April 2019 billings. Rate CPE sets forth the applicability and pricing options for any Qualifying Facility greater than

100 kw that seeks to sell its total output, or a portion thereof, to APC in accordance with the Public Utility Regulatory Policies Act of 1978, as amended and Title 18, Part 292 of the Code of Federal Regulations, as implemented by the Alabama Public Service Commission.

By Order dated March 12, 2019, under Docket 18005, the Commission approved the fortieth (40th) revision of Rate PAE (Purchase of Alternate Energy). The charges and payments set forth in the revised rate reflect the Company's updated cost and avoided cost data, as required by the Commission's Order, dated March 12, 1981, in Docket 18005. The updated costs became effective with April 2019 billings. Rate PAE sets forth the applicability and pricing options for any Customer who has installed an electric generating facility, for its own use, with a nameplate capacity of not more than 100 kW and desires a permanent electrical connection with APC's system in order to sell energy to the Company.

By Order dated July 9, 2019, under Dockets U-3605 and 24860, the Commission approved a petition by APC seeking revisions, in accordance with Alabama Code §37-1-81, to close Rate RTPD (Real Time Pricing – Day Ahead) to new customers or additional premises, with availability continuing for those customers receiving service under the rate or for whom the Company is processing an active inquiry regarding the rate.

By Consent Order dated July 24, 2019, under Docket U-5304, the Commission requested that APC consent to handle the cost of impacted customers using an Authorized Payment Location ("APL"). This Consent Order relates to APC's decision regarding the closure of some of its local offices throughout the state, which was a business decision resulting in cost savings that will help put



Payment Kiosks debuted at several Payment Centers around the state to offer customers an alternative and expedient medium for bill payment.

Electricity Policy Division

downward pressure on customers' bills in the future. Local offices allow customers to make in-person payments of their electric bills and are among the many payment options offered by the Company, including on-line alternatives (credit card or bank debit), kiosks, traditional mail, and APLs. The APLs represent a local, in-person payment option, but charge a service fee of \$1.50 per transaction which is not assessed on transactions conducted at the Company's local offices. The Commissioners expressed a desire to provide time for customers who prefer in-person payment to adjust to this unexpected expense and explore other payment options. Therefore, the Commission requested that for a period of 18 months starting August 1, 2019, the fees related to APLs be incorporated into Alabama Power's normal business operations and will not be recovered directly from those customers using APLs. The Company submitted a consent letter on July 31, 2019. To implement this agreed treatment, the Company will provide a bill credit to offset the APL fees collected from those customers for the specified period.

On September 20, 2019, Alabama Power filed a request for accounting authorization under Docket U-5316 for Commission confirmation of the appropriateness of recording as construction work in progress ("CWIP") certain costs incurred prior to the issuance of an order on the certificate petition under Docket 32953. In that petition, APC is proposing Barry Unit 8 (along with other resources) to address identified reliability needs in the winter of 2023. The accounting request was prompted by the need to incur certain costs of a preliminary and preparatory nature (such as surveys, design work, initial infrastructure work, etc.) prior to the completion of the certificate proceeding so that, if approved, construction of the Barry Unit 8 project can be completed by its target date of November 1, 2023. The Commission granted the accounting request on October 1, 2019, specifically noting that its issuance would have no precedential or pre-determinative impact on the Commission's review and consideration of the certification petition under Docket 32953. If a Certificate is not issued for Barry 8 and the Company does not proceed with its construction, APC was granted authority to transfer into a regulatory asset the Barry Unit 8 CWIP costs and other costs that directly result from the non-issuance of the Certificate, except as such costs are otherwise properly includable as plant in service. The regulatory asset would then be amortized over a 5-year period, as established by the Commission.

Financing

The Electricity Section Staff reviews all financing petitions filed by the Company 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. 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 petitions.

Electricity Policy Division

By Order dated September 10, 2019, under Docket U-5313, the Commission granted APC the authority through December 31, 2021, to (i) 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 not to exceed \$2 billion (long-term borrowings) at any one time outstanding; and (ii) borrow upon the issuance of promissory notes, issue and sell commercial paper notes and assume obligations as a guarantor of the promissory notes of SEGCO in an aggregate principal amount not to exceed \$2 billion (short-term borrowings) at any one time outstanding.

By Order dated September 10, 2019, under Docket U-5314, the Commission granted SEGCo the authority through December 31, 2021, to borrow upon the issuance of promissory notes and issue and sell commercial paper notes to third-party lenders and to APC and Georgia Power Company in aggregate principal amount not to exceed \$175 million (short-term borrowings) at any one time outstanding.

Auditing

The Electricity Section's Staff conducts monthly analytical reviews and/or audits to test the completeness and reasonable accuracy of financial information, economic models and/or other data submitted by APC. For this activity, the Staff's monthly fuel audit is particularly important because the Company's fuel-related costs account for a significant percentage of total operation and maintenance (O&M) expense. During the monthly fuel audits, the accounting records for fuel (coal) purchases and burns are reviewed at the respective generating facilities. Fuel audits at each fossil-fuel generating facility are performed on a rotating basis, allowing the Staff two visits per year at each plant. During the second half of the year, in addition to the fuel audit, an annual site visit is performed at each plant. During the site visit, the Staff meets with Company representatives for a plant overview, which includes an update on environmental and non-environmental (federal mandates) capital projects and related operations and maintenance expenses. After the presentations are completed, the Staff and APC personnel tour the plant to observe and stay informed of current projects.

In addition to the fuel audit, the Staff also engages in a detailed audit of APC's compliance activities with environmental and non-environmental (governmental) regulations. This involves the audit of both the CNP Compliance 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 Compliance Factor for each affected rate schedule to be applied to each kilowatt-hour, along with appropriate supporting documents. The Staff completes an analytical review of the compliance factors filed for the upcoming rate year to provide reasonable assurance of the accuracy of the amounts reported in the filing. In addition, the Company files, at least thirty (30) days prior to the December 1 deadline for filing the CNP Compliance Factors, a preliminary draft of the Environmental Compliance Plan for the next five (5) years, along with the estimated costs associated with the implementation of that plan. The Staff engages in meetings and inter-

Electricity Policy Division

views with APC personnel to discuss pending environmental laws, regulations or other mandates relevant to APC's environmental and governmental compliance activities. The Staff also performs a detailed audit of relevant documents and records to: 1) verify the reasonableness of amounts reported in the compliance factor filing; 2) ensure compliance with Part C; 3) review explanations for significant budget variances; 4) confirm that reported expenses are qualifying environmental and governmental expenses; 5) identify and discuss any changes in policies or procedures; and 6) review any additional supporting documentation, as needed. In addition, the Staff performs two other annual compliance audits related to: 1) Rate CNP, Part B, 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 revenues and expenses, to review APC's compliance with the FERC Uniform System of Accounts, and to investigate significant variances iden-

tified during monthly monitoring and analytical processes. Also, the Staff performs a monthly analysis to test the billing accuracy of the Company's standard residential rate.

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

Pursuant to the provisions of Section 11-50A-25, *Code of Alabama 1975*, as amended, the Commission reviews and approves certain activities of the Alabama Municipal Electric Authority ("AMEA" or "the Authority"). During FY-2019, the Authority filed one petition with the Commission.



By Order dated March 12, 2019, under Docket U-3013, the Commission authorized Amendment No. 2 to the Amended and Restated Power Sales Contracts between Alabama Municipal Electric Authority and each of its members (i.e., City of Alexander City; City of Dothan; City of Fairhope; Utilities Board of the City of Foley; City of LaFayette; City of Lanett; Electric Board of the City of Luverne; City of Opelika; City of Piedmont; Utilities Board of the City of Sylacauga; and Utilities Board of the City of Tuskegee) (herein together referred to as the "Amendments"). Each of the Amendments was substantively identical and provided for the following: 1) an extension of the present terms of the Amended and Restated Power Sales Contracts (which would otherwise terminate in accordance with the provisions thereof on December 31, 2035) to December 31, 2045; 2) a rolling 10-Year notice of termination exercisable by each member of the Authority annually on or before January 1 beginning January 1, 2036; 3) that absent any such notice the then current termination date of a member's Power Sales Contract will automatically extend for an additional year beyond the then applicable termination date thereof; and 4) further delineates and provides for the applicable power sales contract termination conditions and requirements.

Electricity Policy Division

Federal Affairs

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



The Federal Affairs Section, in conjunction with the Commission's Legal Division, also reviews federal judicial 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 the National Association of Regulatory Utility Commissions (NARUC) 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 may attend various industry conferences/seminars/meetings including the NARUC meetings, the Nuclear Waste Strategy Coalition (NWSC) conferences, and others. In some cases, the appropriate action involves filing comments, on behalf of the Commission in a particular federal proceeding.

Public Affairs

The Public Affairs Section performs 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 Section also provides news briefings to the Commissioners on a daily basis.

The Public Affairs Staff produces informational materials, including 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.



Utility Services Division

Darrell Baker
DIRECTOR



Darrell Baker
Utility Services Director

The Utility Services Division is responsible for regulation of telecommunications, natural gas, water, and wastewater utilities in Alabama. Additionally, the Division receives and attempts to resolve consumer complaints, disputes, and inquiries related to telecommunications, electricity, natural gas, water, and wastewater service. The Utility Services Division is organized into three sections: the Natural Gas Section, the Telecommunications Section, and the Service Section.

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 Spire Alabama Inc. and Spire Gulf Inc.

Rate Stabilization and Equalization

The Commission regulates the rates for 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 36 years as a method of keeping rates as low as possible while assuring quality service.

SPIRE ALABAMA INC.

Each month, the Natural Gas Section examines the books and records of Spire Alabama Inc., 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 Spire Alabama's recent operating history.

Under the RSE plan, the only time Spire Alabama 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 10.50 percent, rates are increased December 1 to bring the projected return at the end of the rate year to 10.80 percent (the

Utility Services Division

adjusting point of the authorized return range). If the projected return is more than 10.95 percent, rates are decreased to bring the return to 10.80 percent. If the projected return is between 10.50 and 10.95 percent, inclusive, no adjustment is made. Subsequent points of test, conducted on January 31, April 30, July 31, and September 30, can yield only decreases or no change.

Spire Alabama 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 monitored both of these programs to ensure that they were conducted in accordance with the approved tariff.



NATURAL GAS SECTION

*From left: Tonya Williams, Donald Powell,
and Marquita Lennon*

SPIRE GULF INC.

Each month, this section examines the books and records of Spire Gulf Inc., 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 Spire Gulf's recent operating history.

Under the RSE plan, the only time Spire Gulf 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 10.45 percent, rates are increased December 1 to bring the projected return at the end of the rate year to 10.8 percent (the adjusting point of the authorized return range). If the projected return is more than 10.95 percent, rates are decreased to bring the return to 10.8 percent. If the projected return is between 10.45 and 10.95 percent, inclusive, no adjustment is made. Subsequent points of test, conducted on January 31, April 30, July 31, and September 30, can yield only decreases or no change.

Spire Gulf also has an incentive program, the Cost Control Measure, under which it must keep growth in

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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 monitored both of these programs to ensure that they are conducted in accordance with the approved tariff.

Local Distribution Companies

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

Revenue and Expense Analysis

Competitive Fuel Clause

Gas Supply/Purchased Gas Adjustment

Return on Average Common Equity

During FY-2019, the Natural Gas Section was responsible for evaluating and making recommendations to the Commission on all matters relating to the following local distribution companies:

Spire Alabama Inc.

Spire Gulf Inc.

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.

Spire Alabama Inc.

Regarding Spire Alabama Inc., the section:

- Monitored the company's gas purchasing and storage activities;
- Examined the company's research and development expenditures;
- Participated in the company's corporate allocations meeting;
- Evaluated Gas Supply Adjustment filings;
- Evaluated a request to issue and sell long-term debt;
- Evaluated purchase interest rate derivative instruments;
- Worked with the Commission's Consumer Services Section to review activities in the company's policies regarding disconnects, reconnects, and collecting arrearages;
- Reviewed the Negative Salvage Reserve filing for Rate Year (RY) 2019;
- Reviewed the Rate Stabilization and Equalization filing for RY-2019;
- Reviewed the company's Cost Control Measure for RY-2019;
- Reviewed the company's Accelerated Infrastructure and Modernization monthly report;
- Reviewed performance of the company's special contracts with industrial customers;
- Evaluated an updated base contract for sale or purchase of natural gas with Southcross Alabama Pipeline LLC.;
- Evaluated a Special Services Agreement with James Hardie Building Products Inc.;
- Evaluated an Amendment to a Special Service

Utility Services Division

Addendum with Hunt Refining Company;

- Evaluated an Application for Approval for Authority to Issue and Sell \$100,000,000 Principal Amount of Debt and to Purchase Interest Rate Derivative Instruments;
- Evaluated a Base Contract for Sale and Purchase of Natural Gas with Interconn Resources, LLC;
- Evaluated a Base Contract for Sale and Purchase of Natural Gas with Texla Energy Management, Inc.; and
- Reviewed the company's annual report and requested and received clarification of certain portions of the report.

Spire Gulf Inc.

Regarding Spire Gulf, the section:

- Monitored the company's gas purchasing and storage activities;
- Met with the company concerning corporate allocations;
- Reviewed the company's Cast Iron retirement Monthly reports;
- Attended a presentation concerning the company's gas purchasing practices and plans for the future;
- 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; and
- Reviewed the company's annual report and requested and received clarification of certain portions of the report.

Wheeler Basin Natural Gas Company

Regarding Wheeler Basin Natural Gas Company, the section:

- Evaluated a Services Agreement with Hartselle Utilities;
- Reviewed an Application for Approval of the First Amendment to the Amended and Restated Firm Intrastate Transportation Service Agreement; 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-2019, 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 Intrastate) LLC;
- American Midstream (Bamagas Intrastate) LLC;
- American Midstream (Tennessee River) LLC;
- American Midstream (Alabama Gathering) LLC;
- Arapaho Communications;
- Bay Gas Storage Company, Inc.;
- Genesis Pipeline, LLC;
- Pine Energies, Inc.;
- Southcross Alabama Pipeline LLC;
- Southern Gas Transmission Company; and

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

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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.

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 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.

Arapaho Communications

The section 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, Inc.

The section 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, Inc.

The section 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 Pipeline LLC

Evaluated a Transportation Contract for Southcross Alabama Pipeline LLC and Black Warrior Methane Corporation;

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

Southern Gas Transmission Company was sold to South Alabama Gas District and is no longer subject to Commission jurisdiction.

Support of Commission Offices

The section:

- Coordinated extensively with the Gas Pipeline Safety Section on matters of mutual interest; and
- Assisted the Consumer Services Section with various complaints.

Utility Services Division

Miscellaneous

The section:

- Served on the Alabama Department of Economic and Community Affairs' Weatherization Advisory Policy Council;
- Participated in webinars, conference calls and teleseminars;
- Evaluated FERC filings pertaining to Alabama entities to determine their relevance to this Commission; and
- Investigated requests for gas service and responded to requests by the general public for rate information, financial data, tariff sheets, and other information.



TELECOMMUNICATIONS SECTION

From left: Laneeta Roberts, Tom Jones, Cynthia Allen, E.C. McArthur, III, and Janet Conway

Telecommunications Section

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:

Incumbent Local Exchange Carriers (ILEC) - traditional providers of local telephone service;

Competitive Local Exchange Carriers (CLEC);

Interexchange (toll) Carriers (IXC);

Long Distance (toll) Service Resellers (TOLL);

Payphone Service Providers (PSP);

Inmate Calling Service Providers (ICS); and

Shared Tenant Telephone Service Providers (STS).

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, Federal Universal Service Fund (USF) administration, and all wholesale service pricing. As of September 30, 2019, seven independent telephone

Utility Services Division



companies along with six toll and competitive telephone companies in Alabama have not opted for regulation under the Act. Pricing for the services offered by those carriers remain wholly within 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, 2019, only Windstream Communications, Frontier Telephone Companies, and Ardmore Telephone Company have agreed to end their rural exemption claim while 23 incumbent telephone companies remain regulated under either the 2005 Act or the Commission's price regulation plan that existed

prior to its passage.

In 2014, the Legislature amended the Communications Reform Act to eliminate the Commission's complaint and dispute jurisdiction. Carriers no longer desiring to remain under the Commission's complaint and dispute jurisdiction have to make their election known to the Commission. As of September 30, 2019, twelve (12) ILECs and sixteen (16) CLECs have requested a waiver to not remain under the Commission's complaint and dispute jurisdiction.

The Telecommunications Section reviews financial and rate information filed by telecommunications companies with the Commission and provides telecommunication policy and rule recommendations to the Commission. The Telecommunications Section's responsibilities include, but are not limited to:

- Participation in certification

hearings for new telecommunications service providers;

- Regulation of all services for the ILECs and CLECs and Toll providers who did not choose to be regulated under the Act;
- Regulation of wholesale land-line service and some retail services for the remainder of providers;
- Analysis of telecommunications retail tariffs and inter-company wholesale agreements; and
- Investigation of telecommunications billing inquiries.

The responsibility for telecommunications service-related issues is assigned to the Division's Services Section.

Section Activities

During FY 2019, various section members:

- Processed forty-seven tariff filings, four name changes, eight cancellations, and twenty-four interconnection, resale, and collocation agreements for CLECs, wireless providers, and ILECs;
- Processed six applications for

Utility Services Division

Certificates of Public Convenience and Necessity (CPCN) to provide toll resale and/or competitive local exchange service in Alabama;

- Received and reviewed LEC and toll carrier's Family Violence Shelter Confidentiality plans in accordance with the *Code of Alabama 1975*, Sections 37-2A-4 and 30-6-1 and Commission Docket 29878;
- 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 fee submission requirements;
- Calculated the maximum annual increase in basic service rates authorized under the 2005

version of the Act based on the change in the Consumer Price Index and disseminated to the applicable ILECs;

- Calculated the average state-wide telephone bill for the Alabama of Department of Human Resources to use in conjunction with federal distribution of public assistance funds;
- Maintained guidelines for telecommunications carriers to notify the Commission of their election to be removed from the Commission's complaint and dispute jurisdiction for certain retail telecommunications services pursuant to Section 37-2A-4 (k), *Code of Alabama 1975*;
- Monitored carriers having Eligible Telecommunications Carrier status, designation and eligibility for federal Universal Service Fund (USF) high-cost support and low-income support;
- Staff investigated and resolved 398 consumer inquiries associated with telephone service and/or billing;
- Provided guidance to NANPA

with area code 205 exhaust relief to include participation with the industry Area Code 205 Industry Working Group.

- Additionally, staff worked in cooperation with the North American Numbering Plan Administrator (NANPA) to implement voluntary and mandatory 10-digit dialing for all calls within the area code overlay;
- Participated with NANPA in the management of telephone numbering resources statewide to include assignment of numbering codes to telecommunications carriers and recovery of underutilized numbering resources;
- Investigated and approved two "Safety Valve" petitions from ILECs requesting the Commission overturn denials by NANPA for the issuance of additional numbering resources;
- Prepared twelve monthly code and block reports to NANPA;
- Monitored the Inmate Calling Service rates and fees for all Department of Corrections facilities, county jails, and

Utility Services Division

municipal detention facilities. Performed on-site compliance inspections at ten separate detention facilities; and

- Cancelled two ICS certificates. Processed two ICS final tariffs.



SERVICES SECTION

From left: David Peeler, Stephanie Sweet, Rick Cleckler, and Aquilla Spivey

Services Section

The Services Section is a diversified section of the Utility Services Division, consisting of specialists in the telecommunications, consumer services, and the water/wastewater areas.

The Services Section Telecommunications staff is responsible for the network-related regulatory oversight for the annual Universal Service Fund (USF) High Cost Fund and Connect America Fund distributions. Staff is also responsible for numbering resources management in coordination with the North American Numbering Plan Administrator (NANPA). Additionally, staff monitors the rates and quality of service for Customer-Owned Coin-Operated Telephone (COCOT) providers, Shared Tenant Service providers, and Inmate Calling Service providers.

The Services Section Water/Wastewater staff reviews and evaluates annual filings, applications, and petitions submitted by water utilities and

wastewater Management Entities (ME). Staff regulates/monitors the activities of eight investor-owned water utilities as well as the financial viability of eight Management Entities that operate decentralized wastewater systems in Alabama. The duties performed by the Water/Wastewater staff consist of analysis of rate, financing, and service petitions; performance of periodic financial reviews (Water and Wastewater Companies), and inspections of the companies' (Water Companies only) plant facilities, books, and records. The staff also corresponds with both the Alabama Public Health Department and Alabama Department of Environmental Management staffs as necessary to co-regulate the water and wastewater companies.

The Services Section is responsible for regulating the following eight investor-owned water systems including four that are located out-of-state but serve customers in Alabama:

- Central Water Works, Inc. (FL)
- East Lowndes Water Association (MS)
- Escambia Community Utilities, LLC
- Hiwannee Water Associa-

Utility Services Division



tion, Inc. (MS)

- Integra Water Creola, LLC
- Plantation Water System
- Tishomingo County Water District (MS)
- Water Works, Inc.

Regulated wastewater utilities include:

- Alabama Wastewater Systems, Inc.
- Arbor Utility Management, LLC
- Bio-Flow, Inc.
- Community Utilities of Alabama, Inc.
- Integrated Wastewater Management, Inc.
- O'Brien Environmental Service, LLC
- Pinnacle Wastewater Systems, LLC
- Utility Management, LLC

The Services Section Consumer Services staff assists the public in resolving disputes or inquiries made to the Commission related to regulated utilities. Resolution of these disputes and inquiries is accomplished using several methods, including: consulting with various utility service providers and other divisions within the Commission; research of Commission rules or accepted industry practices; or through interface with other state and federal agencies. Members of the Consumer Services staff are trained to

mediate disputes, clarify action taken by the utility and respond to both general and complex inquiries made regarding a utility and/or the Commission's rules. Additionally, the staff seeks to educate consumers on utility related matters.

Section Activities

Water and Wastewater:

- Certificate of Financial Viability Modification applications evaluated - 3
- Certificate Renewal applications evaluated - 3
- Tariff revision petitions evaluated - 4
- Water Utility Rate Cases-3
- Wastewater Utility Rate Cases-2
- Wastewater system inspections and audits- 1

Consumer Services:

- Telecommunication Company complaints - 398
- Alabama Power Company complaints - 316
- Spire Alabama complaints - 102
- Spire Gulf complaints - 58
- Water or Wastewater complaints - 66

Utility Enforcement Division



Janice M. Hamilton, Director
Utility Enforcement Division

The Utility Enforcement Division (UED) is primarily responsible for providing professional engineering and other technical regulatory support to the Commission on matters relating to the plant, infrastructure, and facilities of all investor-owned (private) electric, telecommunications, and water utilities and wastewater management entities serving customers within the state of Alabama. This responsibility includes the review, critique, inspection, and investigation of plans, designs, construction, operations, maintenance, reliability, life extension, repowering, and decommissioning of utility assets to ensure the provision of safe, reliable, efficient, and economic utility services. The staff

reviews the adequacy and sufficiency of infrastructure and system planning methodologies and metrics, trends, and performance; assesses adherence with Commission and industry standards in the construction and operation of such facilities and drafts recommendations for improvement, when necessary.

As provided by law, the Commission is responsible for the supervision and regulation of air, motor, and rail carriers including railway safety, insurance, registration, rates, and services offered by transportation companies authorized by the APSC to operate in Alabama.

The safety oversight of all mainline and distribution railroad yards and systems in Alabama is a high priority of the Commission and was included within the scope of the UED through the Railway Safety (RWS) Section's enforcement of the applicable federal safety regulations. The UED Director manages Alabama's Rail Safety Program and serves as Secretary of the Association of State Rail Safety Managers. She works closely with the Alabama Department of Transportation on rail matters and

Janice M. Hamilton
DIRECTOR

with various other state agencies on the Safety Outreach Task Force.

The UED staff monitors national and local regulatory, Congressional, and Legislative issues that concern infrastructure of energy, telecommunications, and transportation companies. The division also has the responsibility of assisting with the protection of underground utility lines and railroad signal and train control facilities from third party damage, energy assurance and state-wide energy emergency management and coordination activities in the event of major storms and other catastrophes.

During the 2018 Alabama Legislative Session, the Commission was charged with the regulation of transportation network companies (TNCs) engaging in statewide operations under Alabama Legislative Act No. 2018-127. The UED staff has responsibility for some of the TNC regulatory oversight which will be discussed in more detail below.

The subsequent paragraphs discuss each section's significant regulatory policies, duties, and major activities and accomplishments that occurred during FY-2019.

Utility Enforcement Division



Train Derailment in Jefferson County, Alabama

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. Track inspections are conducted

on main line tracks, siding and lead tracks, and yard tracks on which operations are conducted over the general rail system. These routes include, but are not limited to, hazardous materials routes, Strategic Rail Corridor Network (STRACNET), passenger train routes, and crude oil/ethanol routes. The equipment inspections include examinations of rolling stock (rail cars), locomotives, roadway maintenance machines (rail-bound work equipment), and hyrail vehicles (pickup trucks that are capable of operating legally on public roads and by rail). These inspections also monitor compliance with regulations for Railroad Workplace Safety.

There are over 3,900 miles of track in the state. This trackage is owned and maintained by four major



Janice Hamilton, State Rail Safety Manager, examined Alabama Tennessee Railroad's broken, dim and worn incandescent grade crossing signal lights and equipment in East Birmingham.

Class One railroads, one Class Two railroad, and 23 Class Three railroads. There are railroad classification yards located in Birmingham and Sheffield where trains are built for departure to multiple points around the United States. These yards are also the terminus



Eddie Nix, Motive Power & Equipment Inspector, discovered an End of Train device obstructing the walkway on a locomotive at Northfolk Southern's Bessemer Yard.

Utility Enforcement Division



Chris Hester, Railway Safety Administrator, receives the Silver Spike Award for Excellence in Railway Safety for his valuable input and participation in the FRA's Fall Protection for Bridges Class.

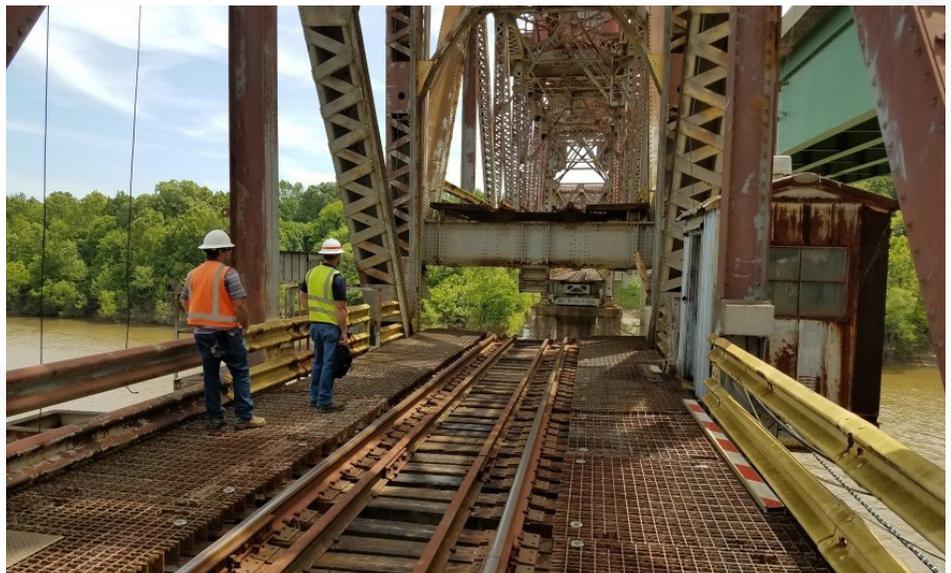
for many trains coming in from other states. Also, located throughout the state are many switching yards and each metropolitan area has a major switching hub. Thousands of units of rolling stock traverse these tracks each day hauling a multitude of different commodities.

The Railway Safety Section also reviews data gathered by itself and the FRA to determine where areas of concern with railway safety may exist. Once these areas are identified, plans are made to perform focused inspections or joint inspections with the FRA and our staff involving multiple inspectors, to ensure that any problems can be addressed thoroughly

and accurately. Railway Safety Section staff participated in two focused inspections on rail carriers that had shown patterns of noncompliance which was identified through data collected from regular inspections. They also performed numerous joint inspections on various rail carriers in the state throughout the year where two or three inspectors would team up to offer more detailed examinations.

Through data collection and review, it was discovered that a majority of the derailments that occurred in times past in the state happened on yard tracks. In light of this information, inspection staff directed more time and resources to performing inspections in these locations. There has been a reduction in derailments in Alabama of about 58% from fiscal year 2018 to fiscal year 2019. This improvement can be attributed to two major factors; the first being the closure of the remote hump yard facility at Boyles Terminal and the second being the increased inspection activity in rail yards.

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



Track Inspector Heath Thompson is seen here performing a bridge observation on the Naheola Drawbridge over the Tombigbee River in Pennington, Alabama.

Utility Enforcement Division

Staff participated in inspections of camp car facilities this fiscal year, as well. Camp cars are berthing quarters for railroad employees that work on traveling gangs for extended periods of time. During these inspections, which were performed jointly with the FRA, it was discovered that the employees’ drinking and hygiene water storage and distribu-

| Activity | MP&E | Track |
|------------------------------------|-------|-------|
| Track Miles Inspected | -- | 1,700 |
| Turnouts Inspected | -- | 984 |
| Locomotives Inspected | 48 | -- |
| Freight Cars Inspected | 7,637 | -- |
| Hazmat Cars Inspected | 972 | -- |
| End of Train Devices Inspected | 6 | -- |
| Railroad Records Inspected | 347 | 325 |
| Bridge Observations | -- | 69 |
| Roadway Worker Observations | -- | 147 |
| Roadway Machines Observed | -- | 82 |
| Blue Flag Observations | 53 | -- |
| Noncompliant Conditions Identified | 1,409 | 1,262 |
| Violations Recommended | 1 | 23 |
| Complaints Investigated | -- | 6 |
| Accidents/Derailment Investigated | 1 | 1 |

tion facilities were not being maintained properly by the railroad. These conditions were reported, and appropriate actions were taken by inspection staff and the rail carrier to rectify the situation.

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 ten-year time frame.

Railway Safety Section staff also works with Operation Lifesaver in spreading the word of railroad safety practices concerning the use of highway grade crossings by vehicles and pedestrians. In addition, the inspectors have offered their services in providing courtesy inspections for railroad museum train routes and equipment to ensure safety of the museum patrons.

The table shown left details the section’s inspection activity for FY-2019.

Insurance & Registration

The Insurance & Registration Staff performs three separate but interrelated functions that pertain to motor carrier regulation in Alabama.

First, the section staff registers intrastate, for-hire transportation companies that are not exempt from state oversight by law. It also registers interstate commercial motor carriers, private motor carriers, freight forwarders, and brokers from the United States, Canada, and Mexico under the Unified Carrier Registration (UCR) Act.

Secondly, it requires such intrastate carriers to file verifiable forms of liability insurance, cargo insurance, bonds, and self-insurance.

Thirdly, the staff issues motor carrier vehicle registration numbers to intrastate, for-hire companies, and processes all qualified Alabama-based interstate companies’ Unified Carrier Registration fees. It also collects,



Utility Enforcement Division

accounts for, and processes the payments to be deposited into the State Treasury or the federal UCR depository, as required by law. It is responsible for maintaining journals, ledgers, receipts, and various other financial and certification 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 in the state are issued. It also processes orders of revocation for failure to comply with Commission rules and regulations and orders of reinstatement after such proof has been received and verified, as prescribed by law.

Pertaining to the UCR, the staff attends and participates in UCR Board of Directors meetings and subcommittee

| INSURANCE AND REGISTRATION SECTION | |
|--|--------|
| INSURANCE FILINGS | |
| Self-Insurance, bonds for liability and cargo, certificates for liability and cargo, bonds for brokers | 5,423 |
| Insurance correspondence | 285 |
| REGISTRATION | |
| UCR registration | 10,550 |
| Online | 10,335 |
| Office | 215 |
| UCR Audits Results: | |
| Companies paid in wrong bracket | 608 |
| Companies received further action | 85 |
| Audit correspondence | 215 |
| Intrastate Authority Applications Received: | |
| New authority applications | 111 |
| Transfer of authority | 3 |
| Applications to provide service for non-profit organizations | 16 |
| Motor carrier vehicle registration numbers | 404 |
| REVOCATIONS AND REINSTATEMENT OF AUTHORITY | |
| Revoked for noncompliance with Commission rules and regulations | 276 |

meetings. Solicitation by mail and e-mail is sent to all carriers who are subject to the UCR throughout each registration year to ensure that carriers are aware of their need to pay the UCR registration fee each year. The staff performs required audits each year on carriers who retreat from one payment bracket to a lower payment bracket, to verify that the company has properly deducted vehicles from its UCR payment. Focused Anomalies Review (FARs) program is another type of UCR audit where a carrier may have underpaid when their UCR registration conflicts with the carrier's active International Registration Plan (IRP) plates at the time of the UCR registration. When carriers do not register for the UCR, the staff researches each carrier and if proof is found that the carrier has operated during that registration year, then the process for a show cause hearing will begin.

In addition to the above-mentioned regulations of motor carriers, the Insurance & Registration professionals are called upon to provide information to the general public, permitting services, attorneys, insurance companies, transportation companies, and other state and federal agencies concerning various regulatory matters. The Commission's website is a clearinghouse for transportation regulatory information including application forms for registration and non-fee based annual report forms for motor carriers.

Utility Enforcement Division

Rates and Services

The Rates and Services analysts advise the Commission on matters pertaining to the rates, fares, charges, services, and facilities of all regulated modes of intrastate transportation. This staff maintains a file of all tariffs setting forth rates, fares, charges, classification, rules, and regulations for service provided by intrastate transportation companies. Staff verifies that tariffs and supplements issued are in compliance with Commission rules and regulations. They also analyze tariff changes and justification statements from the motor carrier to determine the effected outcome to the public.

When the Commission institutes a formal investigation of a proposed tariff, a public hearing is set and held to review the matter. When the record is complete, the hearing officer and other members of the PSC 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 reflecting that action for their approval.

The Rates and Services staff receives and maintains motor carrier annual reports that are required to be filed by April 30 of each year covering

the previous calendar year of operation. The staff also handles requests for verification of rates, fares, and charges for transporters of passengers and household goods. It also verifies rates and services provided by motor carriers through compliance audits of carriers' records.

Lastly, this arm of the Motor Carrier Safety Section handles and resolves transportation complaints filed by the public and industry representatives.

MOTOR CARRIER TARIFFS FILED

| | |
|--------------------------------|----|
| Household Goods Motor Carriers | 10 |
| Passenger Motor Carriers | 18 |

ANNUAL REPORTS FILED

| | |
|----------------|-----|
| Motor Carriers | 151 |
|----------------|-----|

Transportation Network Companies

On July 1, 2018, the Commission began regulating transportation network companies (TNCs) that offer an online platform for private citizens to provide ride sharing opportunities to the general public using their own personal vehicles. Our MCS staff has been deemed responsible for inspecting TNC records and investigating and resolving complaints against TNCs or TNC drivers.

In FY 2019, the staff performed its first annual inspection of a TNC's records to ensure the TNC's compliance with Commission rules.



Utility Enforcement Division

Field Services Section

The Field Services Section (FSS) is responsible for providing the majority of the engineering and technical assessments of regulated utility infrastructure which are necessary for the Commission to fulfill its statutory responsibilities. Some of those assessments include but are not limited to, the inspection, oversight and monitoring the operations, maintenance, construction and reliability of

Company's steam plants, four hydro-electric plants, and one nuclear plant were inspected this year in order to review various methods of generating power. Various influences affecting generation plants' ability to provide sustained power to Alabama residents such as time and causes of plant outages as well as other contributing factors were analyzed and found to be consistent with normal activities, within the power generation arena.

of Health Bureau of Environmental Services dealing with onsite sewage treatment and disposal.

Seven water utility companies were examined to review and insure procedures for treating and delivering potable water to their customers were done efficiently and consistent with the Water Rules of the Alabama Public Service Commission.

During the year, the staff attended a tabletop exercise detailing how



all regulated, investor-owned electric, water and wastewater utility plants, facilities and infrastructure.

In Fiscal Year 2019, the Field Services Section continued to perform field inspections of electric power generation plants (hydro and steam), local electric distribution operations and regulated water and wastewater facilities.

The task of reviewing power generation, transmission and distribution projects is continuous and was accomplished by visits to diverse aspects of Alabama Power Company facilities. Five of Alabama Power

Eight local Alabama Power business office checks were performed in various locations across the state to review their methods of operation and maintenance, outages experienced and their causes, distribution hardening and customer growth/stagnation in each area.

Fourteen wastewater treatment systems, operated by six management entities, that fall under Commission jurisdiction were reviewed to verify that services were provided to Alabama consumers in a satisfactory manner within the guidelines of Chapter 420-3-1 of the Rules of State Board

Alabama Power works with the state's Emergency Management Agency personnel in the event of a catastrophic dam failure which was later followed by a functional exercise of a specific dam. The staff also attended an open forum that demonstrated how agencies would work together to prevent excessive loss.

The FSS staff also participated in several educational classes, webinars and teleconferences relating to regulation and operations of electric companies throughout the year, including intensive cybersecurity training.

Gas Pipeline Safety Division

Wallace R. Jones
DIRECTOR



GAS PIPELINE SAFETY DIVISION

Front From Left: Judy Ramsey, Felisa Webster, Wallace Jones, and Daniel Trapp.

Back From Left: Randall Hand, Greg Meadows, Jonathan Kimbril,

Jamar Robinson and Randy Hammond. (Not pictured: Michael McVay, Asia Skillman)

During Fiscal Year 2019, the Gas Pipeline Safety Division (GPS) conducted and carried out the inspection and monitoring activities of all natural gas and hazardous liquid intrastate pipeline systems operating in Alabama, including offshore and 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 (USDOT) pursuant to the Natural Gas Pipeline Safety Act of 1968. Each calendar year, a representative from the Pipeline and Hazardous Materials Safety Administration (PHMSA) performs an audit of the activities and finances to ensure compliance with all aspects of the federal regulations.

GPS staff ended FY-2019 consisting of the Division Director; one Administrative Support Assistant III; three Pipeline Safety Investigations Supervisors; one Gas Pipeline Safety Investigator, Senior-Training Option; two Gas Pipeline Safety Investigators, Senior; two Pipeline Safety Engineering Graduates; and one Gas Pipeline Safety

Gas Pipeline Safety Division

Investigator.

The personnel charged with this responsibility must meet all the training requirements set forth by the PHMSA. Over the course of FY-2019, GPS staff attended 18 resident courses and completed 7 Web-Based Training (WBT) courses to become, and remain, qualified to conduct natural gas and hazardous liquid pipeline 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), GPS Investigators have experienced increased training requirements. The addition of an Operator Qualification class and a Drug and Alcohol WBT into the inspection process, means that even more classes will be required of the Investigators over the course of the next several years.

In addition to attending classes for maintaining job-related skills and knowledge levels, GPS sponsored training by hosting the *31st Annual Gas Pipeline Safety Seminar* in December 2018. Topics for this seminar, presented by GPS personnel, vendors and operators, covered updates to federal guidelines and the Minimum Federal Safety Standards that GPS enforces. Approximately 300 natural gas and hazardous liquid system operators were in attendance. There were over 40 vendors attending that displayed and demonstrated equipment to be used in natural gas and hazardous liquid applications. GPS also co-hosted the Pipeline Safety Conference that was conducted in New Orleans, Louisiana in July 2019. The topics for this seminar, presented by instructors from the PHMSA Training & Qualification (TQ) Center in

Oklahoma City, Oklahoma, vendors, operators, and state regulators covered updates to federal guidelines and the Minimum Federal Safety Standards for natural gas and hazardous liquids. Over 500 natural gas and hazardous liquid operators attended the conference. More than 50 vendors set up displays and demonstrated the most modern equipment used in the natural gas and hazardous liquids industry. In addition to Alabama's GPS personnel, the states of Mississippi, Arkansas, Texas, and New Mexico assisted the Louisiana pipeline safety personnel with



this conference.

At the end of FY-2019, the Commission exercised jurisdiction over the safety functions of 75 intrastate natural gas distribution systems (of these 75 systems, nine also have transmission assets within their service territories that are also jurisdictional to GPS), 28 intrastate natural gas transmission systems, one liquefied natural gas (LNG) system, two intrastate hydrogen transmission systems, two offshore natural gas transmission systems, and 21 master meter distribution systems. GPS also has jurisdictional authority over six segments of gathering lines, which are included in the transmission systems. The Commission also exercised jurisdiction over the safety functions of eight on-shore hazardous liquid transmission systems, one on-shore hazardous liquid

Gas Pipeline Safety Division

gathering system, and one off-shore hazardous liquid transmission system. When the facilities and practices of these operators are found to be in noncompliance through the investigations performed by GPS staff, GPS staff outlines the immediate corrective actions that are necessary and ensures that such actions are taken by the operators in question.

Other areas of involvement for GPS included attendance at Alabama Public Awareness Cooperative Training (APACT) sessions that were held at various locations across the state. Also, in attendance at these sessions are first responders and other stakeholders. These sessions were conducted by Alabama 811 and sponsored and hosted by the gas system operators to supplement their existing Public Awareness Programs in an effort to educate the first responders and others about the natural gas and hazardous liquid pipelines in their area.

Underground utility damage prevention continued to be a major concern of GPS. Involvement of GPS staff in the Alabama Damage Prevention Alliance (ADPA) helped to steer the state towards a more aggressive posture in the area of damage prevention. GPS personnel participated in the *6th Annual Damage Prevention Summit* in September 2019. The focus of this “Summit” is to educate and encourage participation in safe excavation practices.

During the 2015 Legislative Session the Alabama Legislature passed a Joint Resolution, SJR 76, Act No. 2015-424, creating the **“One-Call Notification System Study Commission”** (“One-Call Commission”) which was tasked to “study and make recommendations to the Governor and Legislature regarding:

“The expediency and validity of

only having a single One-Call notification system to serve the entire State of Alabama, including the appropriate governance, legislative oversight, and membership outreach practices of the organization;

The adequacy of the enforcement provisions of current law; and

Other items related to the One-Call law that may increase the level of safety of its citizens.”

APSC President Twinkle Address Cavanaugh appointed the GPS Director to represent the APSC on the One-Call Commission as a gas pipeline safety expert. This One-Call Commission was to issue a report and recommendations to the Governor and Legislature by December 31, 2015. The One-Call Commission was unable to reach a consensus on viable alternatives regarding adequate enforcement by the December deadline and continued to meet through FY-2016 and FY-2017. The final report of this “One-Call Commission” was submitted to the Governor’s office and the Legislature in January 2018. Continuing informal discussions among members of the previously-mentioned “One-Call Commission” resulted in new legislation being introduced and passed during the 2019 Legislative Session. This new legislation contained provisions to mandate membership for all utilities in the Alabama 811 Call Center and the formulation of a “Damage Prevention Authority” to oversee damage prevention efforts within the state. The “Authority” will take effect on January 1, 2020.

During FY-2019 the Director of GPS met with representatives of PHMSA to discuss Alabama’s adequacy

Gas Pipeline Safety Division



Alabama 811: Governor Declares April Safe Digging Month

From Left to Right,
Jeff Johnston, MaryCaitlyn
Montgomery, John Kauffman
(Verizon), Wallace Jones,
Commissioner Twinkle Address
Cavanaugh, Bram Fuller (USIC
Locating Services),
and Spears Griffin.

regarding damage prevention. This is a recurring examination of the state's damage prevention efforts that will be conducted by PHMSA each year. As in previous years, the result of the FY-2019 examination was a failing grade for Alabama due to the entities charged by Alabama law with the responsibility for assessing fines for utility damages having levied only a single fine or penalty, nor was there "adequate enforcement" as determined by PHMSA. The addition of the "Damage Prevention Authority" should provide adequate and active enforcement of the penalty provisions in Alabama and should result in an effective enforcement rating by PHMSA. If the new "Authority" does not meet these criteria, PHMSA will ultimately become the enforcement authority for pipeline damages within the state of Alabama.

Due to increased pressure from PHMSA to impose civil penalties for violations of *Title 49, Code of Federal Regulations (CFR), Part 192* (natural gas) and *Part 195* (hazardous liquids), GPS re-evaluated its procedures

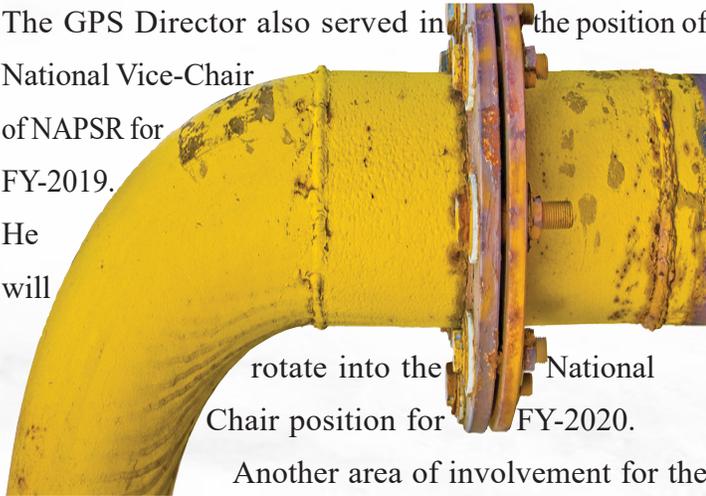
and obtained statutory modifications which allowed the APSC to administer increased civil penalties to offenders.

During FY-2017 the GPS staff brought forth an additional *GPS Rule* for the Commission's consideration that was adopted in FY-2018. GPS Rule #14 allows the GPS Director, with the approval of the Executive Director and the Commission, to levy fines not to exceed \$1,000.00 for certain violations/repeat offenders. This new rule was used during FY-2019 to fine a municipal natural gas system for not correcting several non-compliance issues in a timely manner.

The GPS staff continued to be very involved with the National Association of Pipeline Safety Representatives (NAPSR). Alabama was represented on several NAPSR and PHMSA task forces and committees during FY-2019. This participation helps to keep Alabama current with changes to federal regulations and involved in providing input into decisions that impact pipeline safety, not only in Alabama, but throughout the Southeast and the country.

Gas Pipeline Safety Division

The GPS Director also served in the position of National Vice-Chair of NAPSAR for FY-2019. He will



rotate into the National Chair position for FY-2020.

Another area of involvement for the GPS staff is with the Alabama Natural Gas Association (ANGA). ANGA is comprised of most of the natural gas operators in the state of Alabama. They normally conduct two training seminars each year; the Spring Seminar (conducted in March 2019) and the Fall Training Seminar (conducted in September 2019). GPS personnel assist in training at both seminars. GPS staff also attends the ANGA Annual meeting each year. Although this is not a federally qualified training opportunity for the GPS staff, the meeting presents a very viable networking opportunity and exposes the staff to valuable information and discussions on current issues. This meeting draws the mayors, directors, and managers of the utility boards

| Gas Pipeline Inspections by Inspection Type Natural Gas and Hazardous Liquid | Natural Gas | Hazardous Liquid | Total |
|---|-------------|------------------|-------|
| Standard | 149 | 7 | 156 |
| Construction | 111 | 0 | 111 |
| Integrity Management | 49 | 0 | 49 |
| Operator Qualification | 57 | 0 | 57 |
| Control Room Management | 0 | 0 | 0 |
| Incident | 1 | 0 | 1 |
| Public Awareness | 18 | 2 | 20 |
| Follow-Up | 127 | 0 | 127 |

which presents a chance to discuss aspects of the safety culture of the various operators in a more relaxed and open atmosphere.

An important function of this section has always been accident prevention. The Gas Pipeline Safety Section developed and presented programs to promote safe operations by natural gas transmission and distribution systems. Some of these training opportunities included natural gas firefighting techniques and procedures, polyethylene (PE) plastic fusion qualification classes and training on the dangers of hydrogen sulfide (H₂S)

| Gas Pipeline Safety Work Activities | Person-Days |
|-------------------------------------|----------------|
| Standard Inspections | 525.75 |
| Construction Inspections | 146.87 |
| Integrity Management Inspections | 108.00 |
| Operator Qualification | 31.50 |
| Field Inspections | |
| Incident/Accident Investigations | 1.00 |
| Public Awareness Inspections | 25.00 |
| Follow-Up Inspections | 140.00 |
| Operator Training | 105.00 |
| Investigator Training | 255.00 |
| Total Person-Days | 1339.00 |

gas. H₂S is a poisonous gas that is sometimes produced in conjunction with natural gas.

There was one incident during FY-2019 that met the criteria for reporting to PHMSA: 1) death, 2) hospitalization or 3) damage over \$50,000.00. Spire – Alabama (February 2019) reported a leak caused by excavation damage on a distribution main that resulted in costs exceeding \$50,000.00 to repair. The state criteria of over \$5,000.00 in damages (until the revision of GPS Rule #14 increased the reportable limit to \$10,000 in April 2019) resulted in 2 incident reports for FY-2019.

A tabulation of the section’s work activities for FY-2019 is reflected in table shown above.

Our History

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

Between 1881 and 1915, the Legislature extended the Railroad Commission's jurisdiction to include express companies, sleeping car companies, railroad depots, and terminal stations. In addition, the Commission's jurisdiction was broadened to include the regulation of telephone and telegraph companies, transportation companies operating as common carriers over water, and operators of toll bridges, toll ferries, and toll roads. The Commission was also charged with the regulation of utilities providing electricity, gas, water, and steam, companies operating streets or inter-urban railways, as well as rail and communication companies already subject to regulation by the former Railroad Commission. The newly constituted agency thus became known as the Alabama Public Service Commission. The Commission's authority was extended to approving

the sale or lease of utility property or franchises and was broadened again in 1920 when the Legislature made the Commission responsible for regulating utility rates.

As Alabama's highway system developed in the late 1920s, the operation of trucks and buses as common carriers increased. In 1927, the Legislature placed all motor transportation companies operating as common carriers of freight and/or passengers over regular routes on Alabama highways under the Commission's regulatory authority. The Legislature broadened the Commission's authority over transportation companies in 1931 and 1932 by including motor carriers not operating over regular routes. 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 accordingly empowered the office of the Attorney General of Alabama to represent consumers and the state in proceedings before the Commission during the 1977 legislative session. In recent years, sweeping federal and state statutory changes have significantly altered the Commission's jurisdiction and authority over transportation and telecommunications utilities. Title IV in the Federal Aviation Administration Act of 1994 provides for federal preemption of the states in matters of motor carrier pricing, routes, and services for all but household goods carriers. As a result, Commission certification and tariff approval is no longer required for those motor carriers whose state Commissions are federally preempted from regulating beyond minimal initial requirements. The Commission continues to regulate carriers

Our History

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 sometimes referred to as Competitive Local Exchange Carriers (CLECs). 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 and matters concerning Universal Service.

As the telecommunications industry continued its evolution, the Alabama Legislature in 2009 amended the Communications Reform Act of 2005 to eliminate the Commission's pricing jurisdiction over stand-alone basic service and optional telephone features for the large ILECs and any rural ILEC agreeing to surrender its rural exemption from competition. As of September 30, 2019, only three rural ILECs have elected to waive their rural exemption leaving 23 rural ILECs under the Commission's jurisdiction pursuant to the 2005 Communications Act or the regulatory scheme which existed prior to its passage.

It was also in 2009 that the Alabama Legislature determined that certain privately-owned wastewater systems who discharge below the surface should be subject to the jurisdiction of the Commission. Such wastewater

management entities who operate and maintain cluster or community wastewater systems were made subject to the regulation of the Commission with regard to their rates and overall financial viability.

In 2014, the Alabama Legislature again amended the Communications Reform Act of 2005 to allow telecommunications carriers the option of removing themselves from the Commission's jurisdiction with regard to complaints. As of September 30, 2019, 12 ILECs and 15 CLECs have exercised the allowed election to remove themselves from the Commission's complaint jurisdiction.

Effective July 1, 2018, the Alabama Legislature expanded the jurisdiction of the Commission to include responsibility for the regulation of Transportation Network Carriers (TNCs) operating in Alabama. In accordance with the directives of the Alabama Legislature, the Commission established rules, regulations and guidelines governing the operations of TNCs ranging from certification and safety requirements to the payment and distribution of the statutorily established fees for TNC service.

Past and Present Commissioners

PRESIDENT

Walter L. Bragg:
February 1881 – February 1885
Henry R. Shorter:
February 1885 – February 1897
James Crook:
February 1897 – February 1901
*John V. Smith:
March 1901 – March 1905
B.B. Comer:
March 1905 – January 1907
Charles Henderson:
January 1907 – January 1915
Samuel P. Kennedy:
June 1915 – January 1923
*A.G. Patterson:
January 1923 – January 1927
Hugh White:
January 1927 – January 1945
Gordon Persons:
January 1945 – January 1951
C.C. (Jack) Owen:
January 1951 – January 1965
Eugene (Bull) Conner:
January 1965 – January 1973
Kenneth A. Hammond:
January 1973 – December 1975
C.C. Whatley:
December 1975 – January 1977
Juanita W. McDaniel:
January 1977 – February 1980
William J. Samford, Jr.:
February 1980 – January 1981
Billy Joe Camp:
January 1981 – January 1983
*Jim Sullivan:
February 1983 – November 2008
Lucy Baxley:
November 2008 – November 2012
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 1893
Willis G. Clark:
August 1893 – February 1899
A.E. Caffee:
February 1899 – February 1903
William T. Sanders:
April 1903 – January 1907
Charles Sanders:
January 1907 – February 1907
W. D. Nesbitt:
March 1907 – January 1911
Leon McCord:
January 1911 – January 1915
B. H. Cooper:
January 1915 – January 1923
Fitzhugh Lee:
January 1923 – January 1943
Gordon Persons:
January 1943 – January 1945
James Perdue:
May 1945 – January 1947
James Hitchcock:
January 1947 – June 1959
Ralph Smith, Jr.:
August 1959 – August 1960
Joe Foster:
August 1960 – January 1963
Ed Pepper:
January 1963 – January 1967
C.C. (Jack) Owen:
January 1967 – January 1975
Jim Zeigler:
January 1975 – January 1979
Pete 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 W. McDaniel:
January 1971 – January 1977
C.C. Whatley:
January 1977 – January 1979
Jim Folsom, Jr.:
January 1979 – November 1986
Charles B. Martin:
November 1986 – November 1998
George C. Wallace, Jr.:
November 1998 – November 2006
**Susan D. Parker, PhD.:
November 2006 – November 2010
Terry L. Dunn:
November 2010 – November 2014
Chris "Chip" Beeker, Jr.:
November 2014 - 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 (SEARUC), and Second Vice-President of NARUC*



Published By

The

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Electricity Policy Division - Public Affairs Section

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