



**Public
Service
Commission**

2004
Annual Report

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Introduction to the Alabama Public Service Commission



The activities and accomplishments of the Alabama Public Service Commission during the period October 1, 2003, to September 30, 2004, are presented in this annual report.

The Alabama Public Service Commission is a quasi-judicial regulatory body whose jurisdiction, powers and duties are delegated to it by the Alabama Legislature. The Commission derives its authority from the Code of Alabama, 1975, Sections 24-1-28, 10-2B-15.13, 10-5-3, 10-5-4, 10-5-7, 11-50-268, 11-50-269, 11-50-270, 37-1-32, 37-2-3, 37-2-171, 37-3-7, 37-4-60, 37-4-82, 37-4-108, 37-9-8, and 37-9-9.

The Alabama Public Service Commission has been charged with the responsibility for the regulation of public utilities and some aspects of the transportation industry doing business in Alabama. These include privately-owned corporations providing electric, gas, water and telecommunications service to the public, as well as railroads, buses, some trucking companies and taxis operating outside police jurisdictions.

Three elected Commissioners - a president and two associate commissioners - administer all functions of the

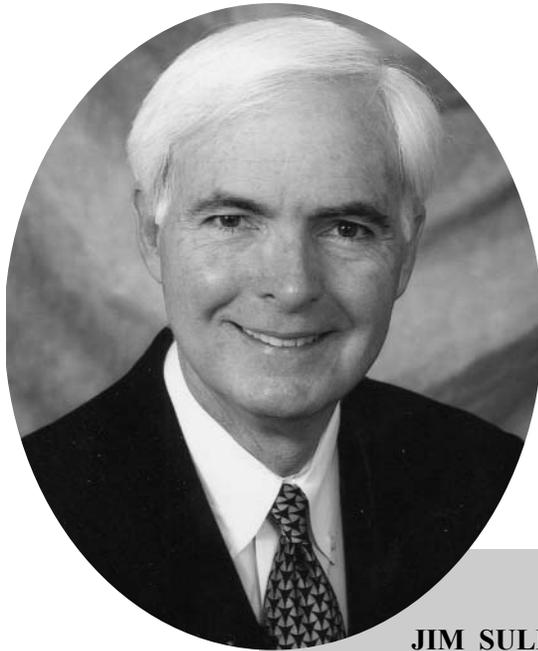
Commission. Commissioners are elected to four-year terms, with the president's term staggered by two years from the two associate commissioners.

The Commission supervises and regulates utilities and some aspects of public transportation to ensure adequate service and facilities are made available at rates that are reasonable. The law prohibits variation from established rates. The quasi-judicial status of the Commission requires conducting public hearings on applications, petitions and complaints, together with the rendering of decision on those proceedings.

The Commission operates solely from inspection and supervision fees received from the companies regulated and appropriated by the Legislature

The various divisions conduct the work of the Commission. A statement of the function, operational procedure and accomplishments of these divisions during FY-04 appears in this report, which is published by the Public Affairs section of the Advisory Division.

Commissioners



Commissioner Sullivan's Staff:

*G. Scott Morris,
Deputy Attorney General
Donna H. Dodd,
Executive Assistant III
Carolyn Denham,
Administrative Support
Assistant III
Virginia Hill,
Administrative Support
Assistant I
Wesley Barton,
Laborer*

JIM SULLIVAN has been President of the Alabama Public Service Commission since 1983. When he was re-elected to the PSC in November 2000, Alabama voters gave him the largest margin of victory of any statewide candidate. In November 1998, he was elected president of the National Association of Regulator Utility Commissioners (NARUC), the principal voice of the states on national energy and telecommunications policy.

Commissioner Sullivan holds a Bachelor's Degree in Business Administration from the University of Mississippi, which he attended on a football scholarship. After graduating from Ole Miss in 1968, he went on to the University of Alabama, earning a Master's Degree in Banking and Finance in 1969 and his law degree in 1973.

In addition to his national leadership role through NARUC, Commissioner Sullivan holds a seat on the University of Chicago Board of Governors of the Argonne National Laboratory and he also serves on the advisory council of the Electric Power Research Institute.

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

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

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

Commissioners



JAN COOK is a native of Dozier, Alabama where she served on the City Council. She is a graduate of Auburn University with a degree in Political Science. She has also done graduate work at both AUM and Troy State University. In 1982 She sought her first statewide office and won the office of State Auditor with more votes than any other candidate seeking office. She was re-elected as State Auditor in 1986. In 1990 she was elected to the Alabama Public Service Commission. She was re-elected to the Alabama Public Service Commission in 1994, 1998 and 2002.

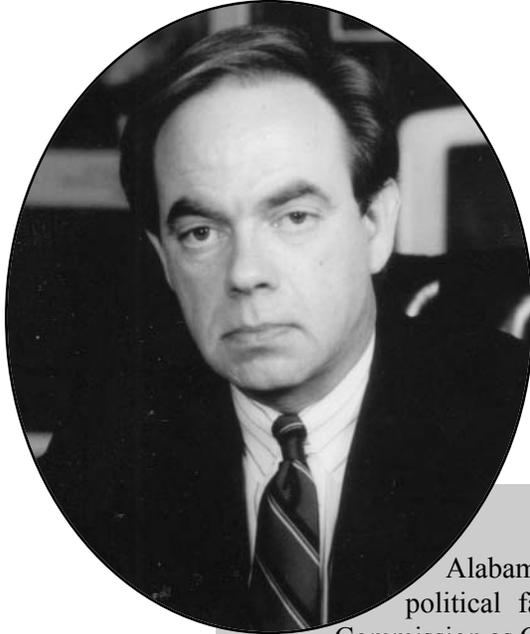
Commissioner Cook has always been a consumer-minded Commissioner and has sponsored several initiatives, including anti-slamming and cramming legislation and statewide Y2K information forums. She has also been involved in issues ranging from helping Alabama agriculture compete in a global market to her concerns for railroad safety. In addition, Commissioner Cook developed several programs to help Alabama farmers through the 2000 drought and fought hard for Alabama's school children by establishing PSET (Public Service Education Trust) to benefit school children through grants.

Commissioner Cook is a member of the Dozier Methodist Church and is active in various civic and charitable organizations. She is a life member of the Alabama League of Aging Citizens and holds honorary membership in the Future Homemakers of America and Delta Kappa Gamma. Cook also holds an honorary State Farmer's degree and has been selected as Beta Sigma Phi's Woman of the Year. Commissioner Cook was recognized by the Alabama National Guard Association for her work on behalf of Alabama Guardsmen during Operation Desert Storm, receiving the highest Military Medal that can be bestowed on a civilian.

Commissioner Cook's Staff:

*Tom Whatley,
Chief Counsel
Liz Thompson,
Executive Secretary
Rebecca Lee, (resigned 9/17/04)
Assistant*

Commissioners



GEORGE C. WALLACE, JR. was born in Eufaula, Alabama, in October 1951 and grew up in a well-known Alabama political family. He was elected to the Alabama Public Service Commission as Commissioner, Place 2, in November 1998 and won re-election to a second term in 2002.

Wallace was elected as State Treasurer of Alabama in 1986. During his two four-year terms he:

--established a program of cash management refinement procedures resulting in an increase of about \$5 million of new revenue per year for Alabama's General Fund and proposed additional refinements in the Treasury's investment policy that continue to generate several million additional dollars for the General Fund.

--developed the Linked Deposit Program, a low-interest loan program to assist farmers and small business owners.

--developed the Prepaid Affordable College tuition Program (PACT) -- a plan which allows parents, grandparents or other sponsors to make a one-time lump sum payment or periodic payments to guarantee the payment of a child's tuition and mandatory fees at today's fixed prices.

--initiated and implemented the Wallace Housing Plan, which helped young families buy their first home.

In 1976 Wallace obtained a bachelor's degree in History from Huntington College. He continued his education with graduate work in Political Science and Public Administration at Auburn University at Montgomery. He served both as Director of Financial Aid and Alumni Affairs, as well as Vice-President of Development and Alumni Affairs at Troy State University at Montgomery.

Wallace is the author of The Wallaces of Alabama. He has also received many awards, including the John H. Buchanan Distinguished Service Award for Contributions to Higher Education, Huntingdon College Alumni Association's Exceptional Achievement Award and the NAACP Freedom Award.

In November 2000, Wallace married the former Elizabeth Maynor of Birmingham. Elizabeth has two daughters, 22-year-old Courtney, and 21-year-old Leslie.

Wallace spends his spare time hunting and fishing with his two sons, 20-year-old George C. Wallace, IV, and 19-year-old Robert Kelly Wallace. In addition, he is an avid jogger and an accomplished black belt in Taekwondo.

Commissioner Wallace's Staff:

*Barbara Kelley,
Technical Assistant
Karen Rogers (8/04)
Executive Secretary
Ahna Berryhill,
Executive Assistant
Francy Cripple,
Laborer*

Commission Staff

Administrative Division

Walter L. Thomas,
Commission Secretary
Sandy Haynes,
Clerk Stenographer III
Felisa Webster,
Administrative Support Assistant III
Aisha Smith, (1/26/04)
Administrative Support
Assistant I
Quintince Waits,
Laborer

Finance Section

Miles Gagner,
Senior Accountant
Sandra Steele,
Senior Accountant
Ernestine Huffman,
Accounting Technician
Marquita Straw, (resigned 9/10/04)
Account Clerk

Secretary's Staff

Beth Kyser, (retired 6/1/04)
Administrative Support Assistant II
Deborah Brown,
Administrative Support Assistant II
Valerie Hogan (5/15/04)
Administrative Support
Assistant III

Advisory Division

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

Analysts

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

Consumer Services Section

Aquila Spivey,
Consumer Services Manager
Lee Provo, (terminated 5/19/04)
Utility Engineering
Technician
Debra Jackson,
Consumer Services Specialist
Sue Hicks,
Consumer Services Specialist
Michelle Wright,
Administrative Support Assistant II

Information Systems Services

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

Federal Affairs

Mary Newmeyer,
Utility Rate Supervisor
Gene Hanes,
Utility Rate Supervisor
Rozetta Parker,
Administrative Support Assistant III

Personnel

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

Public Affairs

Clark Bruner,
Public Information Specialist

Energy Division

Janice M. Hamilton,
Director

Electricity Section

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

Natural Gas Section

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

Gas Pipeline Safety Section

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

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

Technical Section

Rick Cleckler,
Utility Engineering Specialist II

Water Section

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

Commission Staff

Legal Division

Carl L. Evans, (deceased 9/16/04)
Chief Administrative Law Judge

Stanley W. Foy,
Administrative Law Judge

Karen Rogers,
Administrative Support Assistant III
(transferred to Commissioner Wallace)

Eileen M. Lawrence,
Departmental Operations Specialist

John A. Garner,
Administrative Law Judge

Telecommunications Division

Darrell Baker,
Director
Barbara Franklin,
Clerk Stenographer III
Deboraha Thornton,
Asministrative Support Assistant III
Cynthia Allen,
Administrative Support Assistant I

Laneeta Roberts,
Public Utility Analyst III
Bill Cook,
Public Utility Analyst II
Janet Conway,
Public Utility Analyst II

Special Services Compliance Team

Bobby Mobley,
Utility Engineering
Technician Supervisor
Retha Bryant,
Administrative Support Assistant I
Doug Dillard,
Utility Engineering Technician
Arthur Seay,
Utility Engineering Technician
Perry Johnson, Utility Engineering Technician
Gilbert Carlisle,
Utility Engineering Technician

Economic Analysis and Compliance Section

Larry Smith,
Utility Rate Supervisor
E.C. McArthur,
Public Utility Auditor III
Eugene Holsenbeck,
Public Utility Auditor II
Linda Jones,
Clerk Stenographer III
Tom Jones,
Public Utility Analyst III
Lauvone Turner (retired 6/01/04)
Public Utility Auditor II
David Peeler,
Public Utility Auditor III
Evandrew Tucker,
Staff Accountant

Service Analysis and Compliance Section

Wayne Wright,
Utility Engineering Director
Glenn Darter,
Utility Engineering
Technician Supervisor
Jack Cates,
Utility Engineering
Technician
Terry Jackson,
Utility Engineering
Technician Supervisor
Steve Bennett,
Utility Engineering Technician

Transportation Division

Britt Roberts,
Director
Rita Grantham,
Clerk Stenographer III

Rates and Services Section

Larry Wingard,
Senior Accountant
Donald Williamson,
Transportation Rate Analyst

Amy Bowden,
Account Clerk
Vanessa Averhart,
Administrative Support
Assistant I

Enforcement Section

Earl Reeves,
Transportation Enforcement Supervisor
John M. Brock,
Transportation Enforcement Officer II
Jack W. Clark, (retired 12/01/03)
Transportation Enforcement Officer II
Leo Sauls, Jr.,
Transportation Enforcement Officer II
Terry Shirley,
Transportation Enforcement Officer II
Gary Shirley,
Transportation Enforcement Officer II
Suellen Young, Attorney III

Insurance and Registration Section

Ronald E. Hicks,
Supervisor
Robin McBrayer,
Staff Accountant (9/04)
Tara Lawson-Frazier,
Administrative Support
Assistant I
Jennifer Morgan,
Account Clerk

Railway Safety Section

John C. Longcrier,
Railway Safety Inspector
Danny Arledge,
Railway Safety Inspector
Larry Coleman,
Railway Safety Inspector

Administrative Division

Statement of Operations For the Fiscal Year Ending September 30, 2003 and 2004

	PSC Operating Fund	Gas Pipeline Safety Fund	Total Sept. 30, 2004	Total Sept. 30, 2003
Comptroller's Beg. Cash Balance:	\$ 2,033,983	\$ 1,069,537	\$ 3,103,520	\$ 2,729,016
Inspection & Supervision Fees -				
Utility/Water Companies	7,122,545	-	7,122,545	6,664,627
Telecommunications/Railroads	3,222,106	-	3,222,106	3,307,808
Motor Carrier Ins. & Reg. Fees	2,336,660	-	2,336,660	2,366,369
Gas Service Line Fees	-	498,160	498,160	492,490
Federal Dept. of Transportation	-	441,859	441,859	642,559
Alabama Dept. of Transportation	50,000	-	50,000	50,000
Miscellaneous Receipts	1,385,018	20	1,385,038	671,868
Total Receipts:	14,116,329	940,039	15,056,368	14,195,721
Total Cash Available:	16,150,312	2,009,576	18,159,888	16,924,738
Disbursement of Encumbrances:				
Personnel Costs	471	-	471	-
Employee Benefits	701	-	701	934
Travel- In State	8,014	3,161	11,175	11,471
Travel- Out of State	5,351	593	5,944	7,100
Repairs & Maintenance	9,147	-	9,147	3,962
Rentals & Leases	12,312	486	12,798	4,722
Utilities & Communications	19,748	1,289	21,037	18,682
Professional Services	75,732	105	75,837	248,899
Supplies & Operating Expenses	25,062	868	25,930	53,974
Transportation Equipment Operations	11,140	2,747	13,887	12,394
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	-	-	-	-
Other Equipment Purchases	9,607	-	9,607	14,648
Total Encumbrances:	177,285	9,249	186,534	376,785
Disbursement of Operating Costs:				
Personnel Costs	5,321,002	525,901	5,846,903	5,819,047
Employee Benefits	1,331,142	129,674	1,460,816	1,365,443
Travel- In state	95,981	35,657	131,638	167,028
Travel- Out of State	53,385	7,378	60,763	66,530
Repairs & Maintenance	12,502	60	12,562	18,639
Rentals & Leases	785,052	32,324	817,376	853,810
Utilities & Communications	152,092	16,522	168,614	173,201
Professional Services	251,469	24,222	275,691	322,525
Supplies & Operating Expenses	254,118	11,251	265,369	225,589
Transportation Equipment Operations	52,379	17,516	69,895	54,044
Grants and Benefits	-	-	-	15,000
Transportation Equipment Purchases	-	29,618	29,618	38,842
Other Equipment Purchases	74,046	5,659	79,705	80,084
Total Operating Costs:	8,383,168	835,782	9,218,950	9,199,782
Transfer to General Fund	3,323,000	-	3,323,000	3,323,000
Transfer to General Fund: Prior year cash	1,176,370	-	1,176,370	921,650
Total Disbursements & Transfers:	13,059,823	845,031	13,904,854	13,821,217
Comptroller's Cash Balance, Ending:	3,090,489	1,164,545	4,255,034	3,103,521
Purchase Orders	679,105	780	679,885	60,710
Unencumbered Cash Balance, Ending (1)	\$ 2,411,384	\$ 1,163,765	\$ 3,575,149	\$ 3,042,811

(1) PSC is authorized by statute to carry over \$600,000 each fiscal year plus \$80,328 court settlement in fiscal years 2003 and 2004 and the unencumbered cash balance for Fund 325.

Administrative Division

The Administrative Division consists of three sections - the Secretary's Office Section, the Finance Section, and the Motor Carrier Section. A description of each section's responsibilities and a detailed report of its activities during FY-04 are as follows:

Secretary Of The Commission

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

The Secretary maintains the Commission hearing docket and hearing calendar, assigning cases for hearing in collaboration with the Administrative Law Judges and Commissioners. He arranges the hearing room schedules and court reporter schedules, as well as prepares and mails hearing notices to the parties involved or known to have interest in the proceeding. He prepares the weekly hearing calendar for the Commissioners, staff, and press representatives.

The Secretary receives and records transcripts of testimony and approves invoices prepared by the court reporter. The Secretary prepares transcripts of Commission cases appealed to the courts and maintains files on these cases.

The Secretary takes and transcribes the minutes of each monthly Commission meeting. He attests to and maintains orders of the Commission. He certifies copies of orders and other documents of record in the official files of the Commission.

The Secretary files Commission oaths of office, surety bonds covering each railway policeman appointed by the Governor, furnishing certification of the policeman's appointment along with the oath and bonding to the Secretary of State.

The Secretary signs orders for the Commission to authorize transportation companies to place reduced rates into effect on less than statutory time.

The Secretary receives public officials, attorneys, transportation and utility executives, and other interested people, providing them with information on the procedural practices of the Commission.

The Secretary is responsible for retention of all records of the Commission. He coordinates the transfer of records to the Department of Archives and History as well as the destruction of records.

The Secretary acknowledges receipt of filings, advising parties of the requirements of the Rules of Practice and statutes governing proceedings in which they are involved. He gives general procedural information and answers inquiries requiring research into Commission records.

The Secretary is responsible for the coordination of the departmental telecommunications services. This task primarily entails ensuring that the department's telephone and data lines are working properly.

A tabulation of the principal activities of the Secretary during FY-04 is as follows:

Commission orders issued	1,694
Public hearings held	79

Finance Section

The Finance Section plans, coordinates and directs the fiscal functions of the Commission, overseeing such activities as accounts, budgets, purchases, equipment and custodial care. Its responsibilities include maintaining the general books, consolidating operating budget requirements and preparing a budget request and operations plans. The section also prepares budgetary performance reports; monitors the budget for possible problems and makes any necessary corrections; verifies and processes invoices and expense reports for payment; coordinates the payroll and maintains payroll records; bills utilities for inspection and supervision fees; maintains records of fees collected; notifies the Legal Division of any delinquent companies; and conducts special studies or assignments as requested by the Commission. The section maintains office supplies for the Commission, develops and administers internal accounting procedures and administers a centralized purchasing service of approved materials, supplies and equipment.

Advisory Division

The Advisory Division touches almost all aspects of the Commission, but the primary role the division plays is to provide the Commissioners with relevant information and alternatives related to regulatory issues brought before the PSC. Here is a detailed description of the activities of each section of Advisory:

Analysts

Electricity Advisor

Both the operational and financial aspects of Alabama Power Company are monitored by the Electricity Advisor Analyst, which includes the Company's compliance with mandated clean air requirements of federal and state regulatory bodies. The Energy Cost Recovery Rate Factor and Forecast of the Company's Energy Cost Recovery are analyzed on a monthly basis along with the Company's Retail Return on Equity as ordered by the Commission.

The Electricity Advisor makes recommendations regarding a variety of regulatory accounting issues and energy-related issues impacting Alabama Power Company's ability to maintain rate stability.

Throughout the year, assigned utility cases, Alabama Power Company's RSE plan and special projects are studied. Testimony and transcripts of public hearings are reviewed. Significant financing arrangements and contracts related to the purchase and sales of energy-related resources are reviewed on an ongoing basis.

Natural Gas Advisor

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

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

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

The Natural Gas Advisor also acts as one of the PSC's legislative liaisons within the Advisory Division office.

Telecommunications Advisor

The Telecommunications Advisor's primary function is to provide verifiable, independent recommendations to the Director of the Advisory Staff and to the Commissioners on all

matters relating to telecommunications companies under the PSC's jurisdiction. These companies include incumbent and competitive local exchange carriers, long distance companies and pay phone providers.

Specifically, the Telecommunications Advisor has three duties: (1) to review all telecommunications filings made to the Commission to ensure these filings comply with the established policies of the Commission; (2) working closely with the Advisory Division's Director, Telecommunications Division personnel and the Legal Division, this position participates in the development of the telecommunications policies and procedures implemented by the Commission; and (3) an extensive Special Projects function both within the telecommunications industry and without.

Important projects addressed in FY04 include a new statewide Telecommunications Price Regulation and Location Competition Plan. This plan will serve as the blue print for providing telephone rates and services to Alabama citizens for the foreseeable future.

Legal Advisor

The Legal advisor reviews dockets and issues before the Commission for legal implications and provides legal advice and assistance to Advisory Division personnel, as well as other Commission officials and employees. In order to properly perform his assigned duties, the Legal Advisor monitors pending legislation and court opinions, as well as industry publications. Duties include, but are not limited to, contract drafting and negotiation, legislative drafting, and the updating of various manuals and handbooks governing the conduct of Commission activities.

Information Systems Services

The Information Systems Services section is responsible for automation efforts in all divisions and offices of the Commission

Federal Affairs

The Federal Affairs section keeps the Commission abreast of federal activities affecting utility regulations in Alabama. When necessary, the staff also intervenes and files comments in federal proceedings.

To stay on top of the federal scene, Federal Affairs monitors activities of the Federal Communications Commission (FCC), the Federal Energy Regulatory Commission (FERC), the Surface Transportation Board (STB), the Nuclear Regulatory Commission (NRC), the Department of Transportation (DOT), the Department of Energy (DOE), the Federal Railway Administration (FRA), and the Securities and Exchange Commission (SEC).

Just as important, Federal Affairs reviews federal court appeals and decisions on utility and telecommunications issues and, if appropriate, makes recommendations on action to be taken. The section also looks at proposed federal legislation affecting Alabama utilities and telecommunications providers and prepares documentation to express the Commission's views.

Keeping an eye on state legislation is another function of Federal Affairs. The section assists in drafting legislation and tracks its progress.

At times, Federal Affairs staff members are called upon to testify on proposed bills at state legislative committee hearings. Federal Affairs also acts as the PSC's legislative liaison with the Governor's office.

Federal Affairs has worked with several significant regulatory issues. The Commission adopted the final report issued by the electricity restructuring task force, a team that was spearheaded by Federal Affairs, as its current position on the issue. The topic is extensively monitored on a national basis by the section.

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

The Federal Affairs staff member serving on the Federal/State Universal Service Joint Board participated in the analysis of issues and drafted proposed recommended decisions for the Federal and State Commissioners on Joint Board. Recommended decisions were released on the Lifeline and Linkup program for low income subscribers; Universal Service Portability; modification to the high-cost support mechanisms for non-rural carriers in response to the Tenth Circuit Court's decision.

In FY04, Federal Affairs filed numerous comments before FERC and Congress on the topic of regional electric transmission organizations. In addition, Federal Affairs filed comments in FCC proceedings that had a direct impact on Alabama.

The Federal Affairs Section monitors and reports on positions taken by other state commissions and the National Association of Regulatory Utility Commissioners (NARUC) on issues affecting the Commission. This section also maintains and makes available to the Commission staff resource materials on federal issues.

Furthermore, Federal Affairs represents the Commission on the NARUC Staff Subcommittee on Telecommunications, the Federal-State Joint Board on Universal Service, and Staff Subcommittee on Nuclear Issues-Waste Disposal.

Personnel

The Personnel office maintains the records of Commission employees. One of its primary functions is to identify changes in payroll expenditures that are incurred by appointments, resignations, promotions, terminations, etc.

Personnel oversees the processing and orientation of new employees. As the source for state and departmental rules, regulations and benefits that apply to employees, Personnel provides information through handbooks and manuals. Requests to fill vacancies in the Commission are processed by Personnel with the coordination of division directors.

The Personnel manager acts as the liaison with the State Personnel Department (SPD), checking to see that every Personnel action is in line with state laws and SPD rules and regulations.

The Personnel manager also represents the Commission at meetings of the State Personnel Board and the Council of Personnel Administrators.

Personnel develops and updates job descriptions on employees. This ensures appropriate classifications are selected

for a particular job and may also be used as an indicator for change in classification and pay.

Public Affairs

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

The Public Affairs coordinator serves as spokesperson for the Commission.

The coordinator also produces informational materials such as the PSC's Annual Report, brochures, presentation aids other graphic materials. Plus, the coordinator provides information to be posted to the PSC's web site. In addition, the coordinator attends Commission hearings and meetings and monitors media coverage of the PSC.

Consumer Services Section

The Consumer Services Section investigates complaints regarding the operation, services, and billings of regulated utility companies.

The staff consists of a supervisor, an administrative support assistant, and four investigators experienced in the field of utility operations and management. The Consumer Services staff is charged with resolving consumer complaints, providing information to consumers about the utility regulatory functions of the Commission and interpreting and conveying the views and opinions of utility consumers to the commissioners for consideration in regulatory matters.

When a complaint is filed, the complainant is interviewed to obtain the circumstances and allegations involved. After reviewing and/or investigating the facts, the staff determines the appropriate action needed to resolve the complaint. A written report is prepared citing details of the complaint and the disposition. field investigations are routinely conducted.

The staff meets with community groups throughout the state upon request on regulated utility matters. The staff is available to civic and community groups for speaking engagements regarding the Commission and utility regulation in general.

Energy Division

The Energy Division oversees the operations of all investor-owned electric, natural gas and water utilities serving customers within the state of Alabama. This responsibility includes monitoring the rate stabilization and equalization (RSE) programs used by the Alabama Public Service Commission (the Commission) to regulate Alabama Power Company (APCo), Alabama Gas Corporation (Alagasco) and Mobile Gas Service Corporation (Mobile Gas). The safety of all natural gas systems and hazardous liquid pipeline systems in Alabama is included within the Energy Division under the Gas Pipeline Safety Section's purview. Additionally, the Special Projects section addresses or coordinates issues that are non-jurisdictional or concern multiple energy commodities.

The following paragraphs discuss each section's significant regulatory policies, responsibilities and major activities covered during fiscal year 2004.

Electricity Section

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

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

Alabama Power Company

Rate Stabilization and Equalization (RSE)

The Electricity section examines APCo's books and records on a monthly basis to determine the Retail Return on Common Equity (RRCE) for the preceding 12-month period, as well as forecasts the RRCE (actualized through the current month) for the December point-of-test. The section prepares a monthly report for each Commission meeting indicating the projected RRCE, a summary calculation of the projection, and any ensuing rate adjustment.

The approved Retail Return on Common Equity range for APCo is 13.00 percent to 14.50 percent. When the RRCE is greater than 14.50 percent (upper limit) or less than 13.00 percent (lower limit), rates are adjusted to bring the return back to the 13.75 (mid-point). Any adjustments are based on financial results for the 12-month period ending with the December point-of-test.

The Retail Return on Common Equity for the 12-month period ended December 31, 2003 was 14.24 percent, which was within the allowed range. Therefore, no rate adjustment was necessary. As of September 30, 2004, the projected Retail Return on Common Equity for the 12-

month period ending December 31, 2004 was 14.12 percent.

Energy Cost Recovery

Rate ECR is the method used to recover the retail customer's portion of energy cost. Initially established at 17.88 mills per kWh, the rate has been adjusted for temporary periods of time to reduce the over/under collections accumulated in the energy cost account. The Electricity section prepares a report for the monthly Commission meetings reflecting the status of energy costs recovered, the accumulated over/under collections, and a current ECR projection. This projection assumes 100 percent normal hydro generation.

In October 2001, the Commission approved a revision to Rate ECR allowing for the recovery of specific costs associated with the sales of natural gas that become necessary due to operating considerations at its electric generating facilities. This revision also allows for the recovery of the cost of financial tools when used to hedge against market price fluctuations.

In April 2002, the Commission decreased the ECR factor from 17.88 mills per kWh to 15.18 mills per kWh. At this same time, the Commission approved Rate Rider RDF (Rate Differential Factors). This rate rider is applicable to Rate ECR and adjusts the ECR billing factor to reflect the seasonal patterns of fuel cost. The billing factor is increased during the months of June through September and decreased for the billing months of October through May. As of September 30, 2004, the accumulated balance for Rate ECR was \$88,031,927 under-recovered.

Certificated New Plant (CNP)

Rate CNP - Part A was originally approved in 1982 in conjunction with Rate RSE under Dockets 18117 & 18416. The original rate provided for the certification of generating facilities and the recovery of the related capital cost for such facilities. During FY-04, APCo did not file any applications for a Certificate of Public Convenience and Necessity related to generating facilities.

In April 2000, Rate CNP was modified to include a second provision (Part B) that would allow for the certification of Purchase Power Agreements (PPAs) and the recovery of the total cost (excluding fuel) associated with each agreement. Currently, there are two such agreements being collected for under CNP - Part B.

During the 2003-2004 fiscal year, the staff evaluated a proposed revision to rate CNP (Part C) that would provide for a mechanism to recover compliance cost associated with "environmental mandates." In October 2004, the Commission approved this revision.

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

Energy Division

Flexible Contract Rate (FCR)

On February 28, 1996, Alabama Power Company filed with the Commission a new Flexible Contract Rate (Rate FCR) Rate FCR is only applicable to commercial and industrial customers who have a need for flexibility in rates and/or service and who have an account for no less than one megawatt of electricity. In most cases, the need for additional rate or service flexibility for either a new customer or existing customer who is expanding service is the reason for executing a Rate FCR contract. This rate was approved in April 1996.

During FY-04, the Commission evaluated and approved three (3) separate electric service contracts that were filed pursuant to Rate FCR. The staff also performed post- contract reviews of twelve (12) separate electric service agreements.

Natural Disaster Reserve (NDR)

By order dated October 3, 1994, the Commission granted Alabama Power Company authority to establish a reserve of \$32 million against which extraordinary operation and maintenance expense resulting from natural disasters would be charged. That reserve was established and has served to help mitigate the disruptive effects of significant natural disasters in the company's service territory.

However, the Natural Disaster Reserve (NDR) was substantially depleted in October 1995 because of Hurricane Opal. Under the monthly accruals established in the original order, it would have taken more than eight years to restore the reserve to the authorized level of \$32 million. Therefore, in December 1995, the Commission authorized APCo to make additional accruals, without further order by the Commission, above the normal monthly amount of \$250,000 whenever the balance in the Natural Disaster Reserve declines below \$22.4 million. Accruals above normal monthly amounts may continue until the reserve is restored to \$32 million and must be reported to the Commission in writing.

On September 16, 2004, Hurricane Ivan made landfall on Alabama's gulf coast and then continued through the State, resulting in significant damage to the Company's transmission and distribution facilities. Current projections are estimating the total cost resulting from Hurricane Ivan to be in excess of \$75 million.

For the 12-month period ending September 30, 2004, APCo made accruals totaling \$3,000,000. For the same period, charges against the reserve amounted to \$11,012. The NDR balance as of September 30, 2004 was \$14, 588, 147.

Other Activities:

New and Revised Tariffs

On October 13, 2003 the Commission approved three new rates: LPSE, LPME and LPLE (Restricted Light and Power--Small, Medium and Large) as well as conforming revisions to Rate Riders CTD (Contract Term Discount) and XLTC (Long Term Contracts).

Rates LPSE, LPME and LPLE are similar in design to the existing Rates LPEM and LPEL. The primary difference in the rate design involves pricing benefits that provide greater incentives in the non-summer months which better reflect today's technology.

Effective January 2004, the LPLM and LPEL rates were frozen and replaced with the new rates: LPSE, LPME and LPLE. All qualifying new customers after January 1, 2004 were placed on these new rates. The existing customers that were on rate LPEM and LPEL were allowed to remain on the respective rate until January 2005 at which time they would be converted to the appropriate new rate.

On December 9, 2003, Rate Rider SSI (Supplemental Security Income) was modified with an effective date of January 2004. The revision modifies the names of public assistance programs which are referenced in the rate and changes the name of the agency that certifies the program recipients.

AFDC or "Aid to Families with Children" has been replaced with a new program named "Medicaid for Low Income Families" (MLIC). In addition, the agency that certifies the recipients has changed to the Alabama Medicaid Agency. This rate is applicable as a rider to all residential rates for established customers who, after written application, are certified by the Alabama Medicaid Agency.

On May 4, 2004, the Commission approved the 24th revision of Rate PAE (Purchase of Alternative Energy in Docket 18005. These revisions incorporated 2003 avoided cost data into Rate PAE.

Federal Issues

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

During FY-04, the staff monitored several Federal matters that were eventually the subject of final rules issued by FERC. They were: 1) Quarterly Financial Reporting and Revisions to the Annual Reports; 2) Requirements for Cash Management Programs; 4) Rules to Curb Improper Market Manipulation and 5) Vegetation Management Order to Designated Transmission Facilities.

Energy Division

Also, during this reporting period, the staff continued to track other FERC issues such as: 1) reaffirmation of the Large Generator Interconnection Rule in Order 2003-A and clarified certain provisions; 2) Notice of Proposed Rulemaking to amend reporting requirements for changes in status for Public Utilities with Market-Based Rate Authority; and 3) Notice of Inquiry for Financial Reporting and Cost Accounting, Oversight and Recovery Practices for Regional Transmission Organizations and Independent System Operators. Additionally, Federal energy legislation, the Yucca Mountain Project, and Small Generator Interconnection Agreements and Procedures are ongoing issues.

Financing

The Electricity section staff reviews all financing petitions filed by Alabama Power Company and Southern Electric Generating Company (SEGCo). SEGCo is a generating facility located in Wilsonville, Alabama, jointly owned by APCo and Georgia Power Company in equal shares. These petitions are generally filed with the Commission to request approval to engage in the issuance of securities or to assume obligations pursuant to other types of debt instruments. Upon analysis and evaluation, the staff makes recommendations to the Commission pertaining to those petitions.

On November 4, 2003, the Commission issued an order in Docket U-4551 granting APCo the authority to issue additional securities and assume obligations in connection with the issuance of preferred securities by a special purpose subsidiary or subsidiaries not to exceed \$1,700,000,000 prior to December 31, 2005. Additionally, APCo was granted authority to borrow from lenders on its promissory notes and to issue and sell its commercial paper notes not to exceed \$1,000,000,000 prior to December 31, 2005.

Also, on November 4, 2003, the Commission issued an Order in Docket U-4450 granting SEGCo authority to borrow from lenders on its promissory notes and to issue and sell commercial paper notes not to exceed \$60,000,000 prior to December 31, 2005.

Auditing

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

For this activity, the staff's monthly fuel audit is particularly important because the company's energy costs are approximately 50 percent of total operations and maintenance (O&M) expense. On this monthly audit, the accounting records for fuel purchases and burns are reviewed at the corporate office and at the respective gener-

ating facilities. The site audits for each generating facility are performed on a rotating basis.

Other auditing responsibilities include testing various accounts and activities, trace and verify reported revenues and expenses, review the Utility's compliance with the FERC Uniform System of Accounts, and investigate significant variances that are determined during monthly monitoring and analytical processes. Also, the staff performs random billing audits to ensure the company's compliance with approved tariffs.

Engineering

The Electricity Section's engineer is generally responsible for providing technical assistance and analysis on various electric utility matters. Specifically, the section engineer is responsible for conducting monthly site visits, investigating power quality issues, responding to technical inquiries, monitoring industry operating standards and assists with compliance and governance issues. Also, the section engineer evaluates new technologies for various applications in such matters as: environmental (scrubbers, baghouses, SCR's) and researches emerging alternative energy sources such as fuel cells, solar cells, synthetic fuels, biomass, and biodiesel.

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

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

During FY-04, the staff visited 41 different sites with an emphasis on power quality issues and environmental technologies.

Alabama Municipal Electric Authority

Pursuant to the provisions of Section 11-50A-25, Code of Alabama, 1975, as amended, the Commission reviews and approves certain activities of the Alabama Municipal Electric Authority (AMEA).

In November 2003, the Commission reviewed and approved AMEA's "Amended and Restated Power Supply System Revenue Bond Resolution."

Energy Division

Natural Gas Section

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

Rate Stabilization and Equalization (RSE)

Alabama Gas Corporation

Each month this section examines the books and records of Alabama Gas Corporation (Alagasco), determines the return on average common equity for the preceding 12-month period and reports the financial and operational results of the previous month, including the return on average common equity, to the Commission. It also graphically summarizes Alagasco's recent operating history. Under the RSE plan, the only time Alagasco can receive an increase is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.15 percent, rates are increased December 1 to bring the return at the end of the fiscal year to 13.4 percent. If the projected return is more than 13.65 percent, rates are decreased to bring the return to 13.4 percent. If the projected return is between 13.15 and 13.65 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas section evaluated four RSE filings by Alagasco during FY-04.

Effective Date	Increase (Decrease)
December 1, 2003	\$11,173,754
April 1, 2004	0
July 1, 2004	0
October 1, 2004	0

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

Mobile Gas Service Corporation

Each month this section examines the books and records of Mobile Gas Service Corporation (Mobile Gas), determines the return on average common equity for the preceding 12-month period and reports the financial and operational results of the previous month, including the return on average common equity, to the Commission.

Under the RSE plan, the only time Mobile Gas can receive an increase is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.35 percent, rates are increased December 1 to bring the return at the end of the fiscal year to 13.6 percent. If the projected return is more than 13.85 percent, rates are decreased to bring the return to 13.6 percent. If the projected return is between 13.35 and 13.85 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, the end of Mobile Gas' fiscal year, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas section evaluated four RSE filings by Mobile Gas during FY-04.

Effective Date	Increase (Decrease)
December 1, 2003	\$2,780,137
April 1, 2004	0
July 1, 2004	0
October 1, 2004	0

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

Local Distribution Companies

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

Revenue and Expense Analysis
Competitive Fuel Clause
Gas Supply/Purchased Gas Adjustment
Return on Average Common Equity

Energy Division

During FY-04, the Natural Gas Section was responsible for evaluating and making recommendations to the Commission on all matters pertaining to the following local distribution companies:

Alabama Gas Corp.

CoGasCo

Mobile Gas Service Corp.

Wheeler Basin Natural Gas Co.

The section conducts its own investigations requiring examination of work papers, financial reports and other records. The findings are documented and evaluated in written reports, and, when appropriate, meetings with officials of the respective gas companies are held to discuss the results.

CoGasCo required additional regulatory activity as it filed an application in FY 2003 with the Commission to abandon service and transfer its assets to the Marshall County Gas District. The section reviewed the application, prepared data requests, assisted in the preparations for the hearing, and participated in the hearing. The commission issued an Order at its September 2003 meeting approving CoGasCo's application. The section assisted in the final transfer of assets to Marshall County in October 2003.

Intrastate Pipeline and Storage Companies

During FY-04, the Natural Gas section was responsible for evaluating and making recommendations to the Commission on matters pertaining to the following intrastate pipeline and storage companies:

Bay Gas Storage Company, Ltd.

Crosstex Alabama Gathering System LP,

(formerly Duke Energy Field Services, Inc.)

Enbridge Pipelines (Alabama Gathering) L.L.C.

Enbridge Pipelines (Alabama Intrastate) L.L.C.

Enbridge Pipelines (Bamagas Intrastate) L.L.C.

Enbridge Pipelines (Tennessee River) L.L.C.

Pine Energies

Southern Gas Transmission Company

General

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

A section member served on the Alabama Hazards Mitigation Council.

A section member participated in the National Association of Regulatory Utility Commissioners' Staff

Subcommittee on Gas.

A section member served on the Alabama Chemical/Bioterrorism Program Advisory Council.

A section member chaired the Homeland Security Task Force.

A section member led the Combined State Campaign for the Commission.

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

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

The section participated in the Gas Pipeline Safety Seminar.

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

The section assisted in the review of Park Creek Water System's application for a certificate of Public Convenience and Necessity.

The section reviewed and provided input concerning the revision of the bylaws of Wheeler Basin Natural Gas.

The section investigated Link Energy to determine if it was subject to the jurisdiction of the Commission. It was determined that Link Energy did not require a Certificate of Public Convenience and Necessity from the Commission.

The section met with Department of Corrections Deputy Commissioner Terrance Jones and a member of his staff concerning gas supply for state prisons.

The section received a briefing from Alagasco concerning its proposed R&D budget and the activities of its R&D program. Some changes were made in the tariff language concerning R&D as a result of these discussions.

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

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

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

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

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

The section also investigated requests for gas service, and responded to a significant number of requests by the general public for rate information, financial data, tariff sheets, and other information.

Energy Division

Gas Pipeline Safety Section

The Gas Pipeline Safety Section conducts and carries out the inspection and monitoring activities of all gas and hazardous liquid pipeline systems operating in Alabama, including offshore in state waters. The responsibility was given to the Commission by the Alabama Legislature to assure and obtain compliance with the Minimum Federal Gas Pipeline Safety Standards adopted by the United States Department of Transportation pursuant to the Natural Gas Pipeline Safety Act of 1968.

The Commission currently regulates, for safety matters, 102 intrastate gas systems, 61 master meters, seven hazardous liquid systems, two liquefied petroleum systems, four gathering lines, four offshore, four direct sales lines, and six liquefied natural gas systems.

The Gas Pipeline Safety section develops and presents programs to promote safe operations by natural gas transmission and distribution systems. When a system is in noncompliance, immediate action is taken.

An important function of this section is accident prevention. The section conducts safety seminars around the state, as well as fire schools and plastic pipe qualification classes. A tabulation of the section's activities in FY-04 is listed below:

Inspections

Gas Pipeline Safety	783
Enforcement Actions	41
Non-compliances	70
Non-compliances Corrected	64
Construction Projects	225
Safety Education Programs	247
Pipeline Safety Incident Investigations	7

Water Section

The Water Section is responsible for regulating nine investor-owned and out-of-state water systems that have authority to operate in Alabama. The jurisdictional water utilities are:

East Lowndes Water Association
Governmental Utility Service Corporation-Sherbrooke
Hiwannee Water Association
Parker Creek Water Company (New)
Patton Water, Inc.
Plantation Water System (New)
Riverside Water Works
Tishomingo County Water District
Water Works, Inc.

The duties of the Water Section include inspecting the facilities, reviewing the financial books and records, working with the Alabama Department of Environmental Management staff, preparing reports as a result of inspections and visits, and conducting audits.

The section reviews and evaluates new water utilities

seeking authority to operate under the jurisdiction of the Commission. The Birmingham Water Works filed to come under the jurisdiction of the Commission and a review of their petition is currently in progress.

The section participated in meetings, led by the Alabama Department of Economic and Community Affairs' Office of Water Resources, regarding the study of two river basins in a dispute over water needs for the city of Atlanta, Georgia. The two river basins include the Alabama/Coosa/Tallapoosa and the Chattahoochee Rivers.

During FY-04, the Commission received 142 complaints and questions concerning water utility service with most of the calls concerning non-jurisdictional companies. A rate increase was approved for Hiwannee Water Association; and two privately-owned water systems were granted Certificates of Public Convenience and Necessity (CPCN) to operate under the Commission's regulation. The Commission canceled the CPCN for Patton Water, Inc. whose customer base was absorbed by Birmingham Water Works.

Special Projects Section

This section assisted in the oversight of energy utility compliance with Commission rules and regulations, as well as updating various sections of the rules on a predetermined schedule and when needed in the interim. The Special Projects section provided direct assistance to utility customers through telephone and personal communications, including customer site visits.

The staff provided engineering assistance to other sections/divisions within the Commission, and provided technical assistance with special projects, as well as led in the performance of multi-discipline requests and issues.

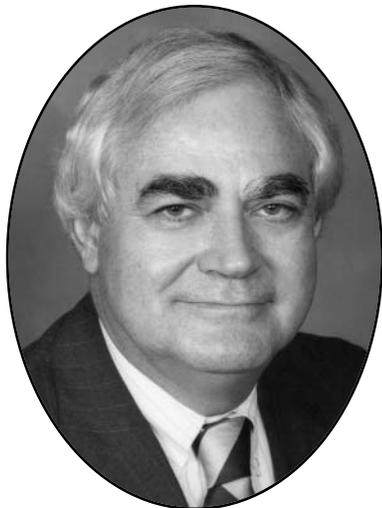
This section is involved in an on-going project to assist the Alabama Department of Public Health (ADPH) with the evaluation of the financial viability of wastewater systems' management entities pursuant to a 2001 Alabama law. The staff is cooperating with the ADPH on this project under an interagency contractual arrangement. During FY-04, the section reviewed and submitted comments on two cluster system applications.

This section also gave training assistance to new division engineering personnel. This section made a diligent effort to stay abreast of the latest technological developments in the electric, gas and water industries as well as relevant proceedings before federal regulatory agencies and PSCs in other states. Results of this research are provided to appropriate staff members on a timely basis.

This section's personnel also reviewed research and development projects undertaken by utility companies, and made on-site visits when appropriate.

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In Memorium



Chief Administrative Law Judge

Carl L. Evans

Alabama Public Service Commission Chief Administrative Law Judge Carl L. Evans departed this life September 6, 2004.

It is estimated that Judge Evans presided over more than 1,000 cases during his 37-year career with the PSC. He began his career in 1967 as an attorney-examiner and was named Chief Administrative Law Judge in 1978.

The Alabama State Bar honored Evans with its Eugene W. Carter Medallion Award at its 2003 annual meeting. The award was presented in recognition of Evans' "...extensive record of consistent, fair and honest balancing of governmental interests against the rights of individuals."

Later that year the Public Service Commission named the public hearing complex at its Montgomery office in honor of Judge Evans. The complex is located on the ninth floor of the RSA Union Building, 100 North Union St.

"He was an exceptional teacher, leader and true pioneer in state utility regulation," said Administrative Law Judge John Garner. "Perhaps most importantly, though, he was a dedicated husband, father and grandfather."

Judge Evans is survived by his wife, Elaine, two sons, Carl Jr. and Scott, and one grandchild.

Legal Division

The Legal Division consists of the Chief Administrative Law Judge, Administrative Law Judges, and legal secretaries. The Judges serve as hearing officers in all cases before the Commission. These hearings involve motor carrier cases, utility cases, and other matters.

The Legal Division provides legal advice to the Commissioners and staff members, as well as the public. It prepares written reports and recommended orders, and drafts many of the final orders of the Commission. The Legal Division also prepares opinions and memoranda on legal questions involving the Commission's jurisdiction. The Legal Division also spends a considerable amount of time involving rulemaking and revision of rules, and works with other divisions in drafting and reviewing legislation for the Commission.

Many issues arise with telecommunications companies now that competition is active. The Legal Division has been involved in several proceedings concerning disputes between telecommunications companies and the relationship between telecommunications companies.

During the past fiscal year, the Legal Division conducted hearings involving approximately 80 matters and processed hundreds of applications not requiring a formal hearing. The length of hearings varies from 20 or 30 minutes to several days.

A tabulation of the number and types of inquiries handled by the Division is not feasible. Such inquiries are numerous and cover subjects as broad as the Commission's jurisdiction and beyond. These inquiries come from the public in general, the Commissioners, staff members, attorneys, the Legislature of Alabama, federal agencies, agencies of Alabama and other states and all types of businesses regulated by the Commission.

The Legal Division assists Commission staff attorneys and outside attorneys in Commission matters before the courts of Alabama, federal courts and federal agencies.

Telecommunications Division

The Telecommunications Division is the Commission's primary staff for regulating telephone service providers in the state of Alabama. The utilities that fall under the Division's jurisdiction include incumbent local exchange carriers (ILECs) - the traditional providers of local telephone service - competitive local exchange carriers (CLECs), interexchange (toll) carriers (IXCs), long distance service resellers, payphone service providers (PSPs), and shared tenant telephone service (STS) providers. Further, the Division ensures that hotel/motel telephone service complies with Commission rules. The staff is involved in certification of telecommunications service providers; review and analysis of tariffs; review and analysis of financial reports; monitoring financial performance and rate compliance; and the review and analysis of service and service quality and recommending telecommunication policy and rules to the Commission. The PSC does not have jurisdiction over cellular telephone service in Alabama, but often assists in issues concerning customer complaints regarding cellular service.

The Division is comprised of three primary sections: the Rates and Policy Section, the Service Quality Section, and the Regulatory Research Section.

Rates and Policy Section

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

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

During FY-04:

1. The section continued monitoring the operations of incumbent local exchange carriers to ensure compliance with the Price Regulation and Local Competition Plan approved by the Commission on September 20, 1995. The staff reviews all tariff filings and relative financial information of incumbent local exchange companies, competitive local exchange companies, long distance companies, and operator service providers.

2. The section reviewed 286 interconnection, resale, and collocation agreements between CLECs, wireless providers, and ILECs.

3. The staff advises the Commission of the effect of

proposed tariff revisions such as rate charges and changes in terms and conditions. Changes to tariffs filed with the Commission are analyzed and utilities are audited to determine the basis of costs, billing determinants, and other accounting matters. When necessary, investigations are conducted and results/recommendations submitted in reports for the Commission's consideration. The staff received, reviewed, analyzed and made recommendations on 459 tariff filings in FY-04.

4. The section analyzed filings by applicants seeking authority to provide telecommunication services in Alabama. During FY-04, the staff received 34 applications for toll resale and competitive local service in Alabama.

5. Staff participated in the arbitration of interconnection issues between BellSouth and various CLECs.

6. Staff verified the completeness of financial data that utilities are required to file with the Commission to include annual reports and Service Price Index filings.

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

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

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

10. Monthly data from CLECs regarding ILEC wholesale ordering systems and performance was received, tabulated and reviewed.

11. Staff participated extensively in Docket 25980, which provides for implementation of Universal Service requirements of Section 254 of the Telecommunications Act of 1996 and Federal Communications Commission rules and regulations regarding Universal Service. The review included analysis of BellSouth and CenturyTel's plans for utilization of rural and non-rural federal Universal Service high cost fund allocations. Additionally, detailed monitoring plans were developed and staff performed on-site inspections to verify that funds were utilized as approved by the Commission.

12. The section continued its review of BellSouth's unbundled network element filing (Docket 27821).

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

14. Staff reviewed the intercarrier compensation for private line, cellular, traffic, and originating responsibility plan (Docket 28642).

15. Staff continues to evaluate Voice Over the Internet Protocol (Docket 29016), future disposition is contingent on FCC and Court rulings for final disposition.

Telecommunications Division

16. The FCC's triennial review order for BellSouth is an ongoing project which is also contingent upon FCC, Court, and the potential rewrite of the Telecommunications Act of 1996 prior to staff's recommendations.

17. Staff continued to develop potential amendments to the Alabama Public Service Commission's General and Telecommunication Rules.

18. Staff worked extensively on revisions to the Price Regulation and Local Competition Plan (Docket 28590). This also included more economical local calling plans for rural customers.

19. Staff reviewed CenturyTel of Alabama's wholesale avoidable cost discount rate (Docket 29075) per the 1996 Telecommunications Act.

20. Staff routinely assists the Commissioners, consumers and telecommunications companies in matters relating to rates and tariffs, including rate and tariff matters filed with the FCC.

Service Quality Section

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

During FY-04:

Quality of Service Inspections were performed on the following utilities:

1. Knology of Alabama, Inc.
2. Pine Belt Telephone Company
3. GTC, Inc.
4. Castleberry Telephone Company

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

1. Century Telephone Company at Orrville, Alberta, Greenville, Lecta, Chulafinne, Forest Home, Dozier, Clio & Louisville
2. Roanoke Telephone Company
3. Ragland Telephone Company
4. BellSouth at Columbiana, Sylacauga
5. Moundville Telephone Company
6. Vally/Interstate Telephone Company

7. OTELCO at Brindlee Mountain, Oneonta, Hopper and Blountsville

8. Frontier of the South at Atmore and Camden

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

Company/District

BellSouth/Gulf
BellSouth/North Alabama
CenturyTel/Southern
CenturyTel/Northern

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

The Special Services Compliance Group of the Service Quality Section also monitors the quality of service and rates charged by Customer-Owned Coin-Operated Telephones Services (COCOTS) providers, Local Exchange Carrier (LEC) pay telephone service providers, Shared Tenant Service (STS) providers, and Hotels/Motels to ensure compliance with Commission rules and regulations. The section also verifies utility boundary lines for 34 local exchange carriers.

The following is a summary of the section's activities in FY-04:

1. Consumer Complaint Investigations - 32
2. Pay Phone Service Provider compliance inspections - 3,683
3. Hotel/Motel rates compliance verifications - 104
4. STS Provider inspections - 17
5. Compliance Audits to verify tariff rates and assure compliance with PSC rules and regulations - 22
6. County Jails Visited-64 Inmate Instruments Inspected - 1,133
7. City Jails Visited-4 Inmate Instruments Inspected - 18
8. Department of Corrections Visits - 1 Inmate Instruments Inspected - 4
9. The compliance section certified the following as service providers during FY-04:

Company/ Docket Number

Total Telephone Concepts/ U-4602
MM Express Services, Inc./ U-4622
Seacoast Communications, LLC/ U-4607

Telecommunications Division

Cen-Tex Pay Telephone Company
Tele-Kansas, Inc./ U-4624
West Enterprises/ U-4637
City Tele Coin, Inc. / U-4605
FSH Communications, LLC/ U-4606
Inmate Calling Solutions, LLC d/b/a/ ICSolutions/ U-4635
Telephone Operating Systems, Inc./ U-4598
MKM Telecommunications Service/ U-4633
N & W Distribution/ U-4565
Paragon Communication Services, LLC/ U-4564
SAVAC, Inc./ U-4596

Regulatory Research Section

The Regulatory Research Section of the Telecommunications Division is continually monitoring issues at both the federal and state levels of government.

Transportation Division

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

Audit Section

The Audit Section audits the Single State Registration System (SSRS). Motor carriers are required by law to pay for the number of motor vehicles operating in interstate commerce in a state.

Insurance and Registration Section

The Insurance and Registration Section performs three separate but interrelated functions. First, it registers for-hire transportation companies that are not exempted by law. It also registers motor carriers from the United States, Canada, and Mexico that have been granted authority by the Federal Motor Carrier Safety Administration or those exempt from federal regulation.

Secondly, it requires all motor or air carriers of passengers or property to file and maintain proof of financial responsibility. Such carriers file forms of liability insurance, cargo insurance, bonds, self-insurance, and bonds for handling of collect-on-delivery shipments.

Thirdly, it issues motor carrier vehicle identification

stamps, decals, numbers, trip permits, and single state registration receipts. It also collects, accounts for, and deposits the monies collected for applications, transfers, and motor carrier identification into the State Treasury. It is responsible for maintaining journals, ledgers, receipts, and various other records and reports of monies received and deposited. It audits motor carrier records to verify the correct number of receipts have been purchased.

This section receives, processes, and approves applications for the registration of such carriers operating in the interstate commerce into and through Alabama. This includes the issuance of Commission orders of registration when, after review, it is found that all the requirements of law are met. It also revokes or reinstates such carrier's authority, when applicable, according to provisions set out in statutes, rules, and regulations. It works with other state and federal agencies that also regulate motor carriers.

This section makes sure that for-hire motor carriers have insurance on file before credentials to operate are issued. It also issues orders of revocation for failure to maintain proof of financial responsibility and orders of reinstatement after proof has been received as prescribed by law.

Subsequent to the above-mentioned regulations of motor carriers, this section is called upon to provide information to the general public, permitting services, lawyers, insurance companies, transportation companies, and other state and federal agencies concerning regulatory matters.

A tabulation of the section's activity follows:

Insurance Filings

Self-insurance, bonds for liability and cargo, certificates for liability and cargo, bonds for brokers -- 20,568

Letters of correspondence -- 1,380

Registration of Authority

SSRS applications from other state	12,549
SSRS applications from Alabama	4,798
Interstate registered	354
Intrastate registered	268

Motor Carrier Vehicle Identification

Applications processed	2,566
SSRS receipts issued	464,417
Stamps issued	1,100
Numbers and decals issued	797
Letters of correspondence	80

Revocations and Reinstatements of Authority

Revoked for no insurance	520
Reinstated after compliance	315

Transportation Division

Railway Safety

The Railway Safety Section conducts safety compliance inspections on all railroad common carriers' track and equipment in Alabama in accordance with state and federal standards. Inspections are also made to monitor compliance with regulations for Railroad Workplace Safety.

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

Inspections are also conducted on railroad rehabilitative projects administered by the Alabama Department of Transportation. Agreements between the railroads and DOT typically specify adherence to FRA Class II standards and encompass a 10-year time frame.

Members of the Railway Safety Section participate in Operation Lifesaver as fully certified program presenters. Operation Lifesaver is a national public education and awareness program that seeks to reduce the number of crashes at highway-rail grade crossings. Target groups include school bus drivers, driver's education students, professional drivers, emergency response personnel (police, ambulance, and fire), as well as the general public.

The following is a breakdown of the activities of the Railway Safety Section during period covering October 2003 through September 2004:

Total Miles of Railway Track Inspected	2,052
Total Railway Accidents	2
Total Units of Rolling Stock Inspected (Railway Cars)	8,799
Total Locomotives Inspected	90
Total Railroad Records Inspected	493

Rates and Services Section

The Rates and Services Section advises the Commission on matters pertaining to the rates, fares, charges, services, and facilities of all regulated modes of intrastate transportation.

The section maintains a file of all tariffs setting forth rates, fares, charges, classification, rules and regulations for intrastate transportation companies. Staff members check each re-issue and supplement filed to ensure compli-

ance with Commission rules and regulations. They also analyze tariff changes to determine the effect.

The revised tariffs and supplements are either permitted to become effective on the proposed effective date or they are suspended and investigated.

When the commission institutes a formal investigation, public hearings are held. When the record is complete, the examiner and other members of the staff study and analyze the evidence of record and make recommendations to the Commission. After the Commission makes its decision, an order is written for the Commissioners' signatures.

This section compiles data from motor carriers and tariff publishing bureaus to use in Commission proceedings and to supply information for staff members and other state or federal agencies.

The Rates and Services Section receives and maintains motor and rail carrier annual reports that are required to be filed by April 30 of each year covering the previous calendar year of operation. This data enables the Commission to track the overall financial condition of the industry under the jurisdiction of the Commission.

The section also handles requests for verification of rates, fares, and charges of passengers and household goods. It also verifies rates and services provided by motor carriers through field audits of carriers' facilities and records.

Motor Carrier Enforcement

The APSC's Motor Carrier Enforcement Section conducts and carries out investigative, monitoring, and enforcement activities of the Commission to assure and obtain compliance with the provisions of the Alabama Motor Carrier Act and associated rules and regulations.

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

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

APSC History

The Alabama Public Service Commission was designated as such in 1915 by the Alabama Legislature. It evolved from the Railroad Commission of Alabama which was created in 1881 to regulate railroads. Between 1881 and 1915, the Legislature extended the Railroad Commission's jurisdiction to include express companies, sleeping car companies, railroad depot or terminal stations, telephone and telegraph companies, plus transportation companies operating as common carriers over water, toll bridges, toll ferries, and toll roads.

The Commission was charged with the regulation of utilities providing electricity, gas, water, and steam, companies operating streets or inter-urban railways, as well as rail and communication companies being regulated by the former Railroad Commission. The new Commission's regulation of utilities included approving the sale or lease of utility property or franchises. The Commission was composed of three elected members: a president and two associate commissioners.

The Commission's authority was broadened in 1920 when the Legislature made it responsible for utility rates.

As Alabama's highway system developed in the late 1920s, the operation of trucks and buses as common carriers increased. In 1927, the Legislature placed all motor transportation companies operating as common carriers of freight or passengers over regular routes on Alabama highways under the Commission's regulatory authority. The Legislature broadened the Commission's authority over transportation companies in 1931 and 1932 by including motor carriers not operating over regular routes. Air carriers were included in 1945.

Natural gas transmission and distribution systems were placed under the Commission's jurisdiction for safety purposes in 1968, adopting the

Minimum Safety Standards outlined in the Natural Gas Pipeline Safety Act.

In 1971, the Commission's authority over motor carriers was broadened. Transportation enforcement officers were empowered to enforce the rules and regulations of the Commission. The Commission's safety jurisdiction was extended to include railroad tracks and equipment in 1976 under the State Participation Program of the Federal Railroad Safety Act of 1970.

The Legislature empowered the Attorney General's office in 1977 to represent consumers and the state in Commission proceedings.

In recent years, two major pieces of legislation were passed by the United States Congress, both of which greatly influenced state regulatory agencies.

Title IV of the Federal Aviation Administration Act of 1994 provided for federal pre-emption of state regulation of prices, routes and services of motor carriers of all freight except household goods. This eliminated tariffs and hearings on applications for authority to operate. The Commission still regulates carriers of household goods and passengers and ensures all carriers maintain proper cargo insurance and all carriers' vehicles maintain appropriate safety standards.

The Telecommunications Act of 1996 provided a framework for opening the nation to competition for local telephone service, a federal action that again provided for pre-emption of rules of state regulatory agencies. The Act left many of the details to be worked out by federal and state regulators.

The Commission's challenge in the current regulatory environment is to successfully resolve a multitude of issues related to the onset of competition at different levels. That's why its role is more important to the daily lives of Alabamians now than ever.

Past Commissioners

President

Walter L. Bragg:
February 1881 - February 1885
Henry R. Shorter:
February 1885 - February 1897
James Crook:
February 1897 - February 1901
John V. Smith*:
March 1901 - March 1905
B.B. Comer:
March 1905 - January 1907
Charles Henderson:
January 1907 - January 1915
Samuel P. Kennedy:
June 1915 - January 1923
A.G. Patterson*:
January 1923 - January 1927
Hugh White:
January 1927 - January 1945
Gordon Persons:
January 1945 - January 1951
C.C. (Jack) Owen:
January 1951 - January 1965
Eugene (Bull) Conner:
January 1965 - January 1973
Kenneth A. Hammond:
January 1973 - December 1975
C.C. Whatley:
December 1975 - January 1977
Juanita W. McDaniel:
January 1977 - February 1980
William J. Samford, Jr.:
February 1980 - January 1981
Billy Joe Camp:
January 1981 - January 1983
Jim Sullivan*:
February 1983 - Present

Commissioner, Place 1

James Crook:
February 1881 - January 1885
Levi W. Lawler:
February 1885 - September 1892
Gen. James T. Holtzclaw:
February 1893 - July 1893
Willis G. Clark:
August 1893 - February 1895

Harvey E. Jones:
February 1895 - February 1899
A.E. Caffee:
February 1899 - February 1903
William T. Sanders:
April 1903 - January 1907
Charles Henderson:
January 1907 - February 1907
W.D. Nesbitt:
March 1907 - January 1911
Leon McCord:
January 1911 - January 1915
B.H. Cooper:
January 1915 - January 1923
Fitzhugh Lee:
January 1923 - January 1943
Gordon Persons:
January 1943 - January 1945
James Perdue:
May 1945 - January 1947
James Hitchcock:
January 1947 - June 1959
Ralph Smith, Jr.:
August 1959 - August 1960
Joe Foster:
August 1960 - January 1963
Ed Pepper:
January 1963 - January 1967
C.C. (Jack) Owen:
January 1967 - January 1975
Jim Zeigler:
January 1975 - January 1979
Pete Mathews:
January 1979 - March 1981
Lynn Greer:
June 1981 - November 1990
Jan Cook:
November 1990 - Present

Commissioner, Place 2

Col. Charles P. Ball:
February 1881 - February 1885
Wiley C. Tunstall:
February 1885 - February 1895
Ross C. Smith:
February 1895 - February 1899

Osceola Kyle:
February 1899 - December 1900
Wiley C. Tunstall:
December 1900 - January 1907
John G. Harris:
January 1907 - July 1908
John A. Lusk:
August 1908 - January 1911
Frank N. Julian:
January 1911 - January 1915
S.P. Gaillard:
January 1915 - January 1923
Frank P. Morgan*:
January 1923 - May 1936
W.C. Harrison:
June 1936 - January 1947
C.C. (Jack) Owen:
January 1947 - January 1951
T.O. Walker:
January 1951 - January 1955
Sibyl Pool:
January 1955 - January 1971
Juanita W. McDaniel:
January 1971 - January 1977
C.C. Whatley:
January 1977 - January 1979
Jim Folsom, Jr.:
January 1979 - November 1986
Charles B. Martin:
November 1986 - November 1998
George C. Wallace, Jr.:
November 1998 - Present

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

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

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