

Alabama Public Service Commission



2010

Annual Report for Fiscal Year 2010

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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, 2009, to September 30, 2010, 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 certain 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 variations from established rates. The quasi-judicial status of the Commission requires conducting public hearings on applications, petitions and complaints, together with the rendering of decisions on those proceedings.

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

The various divisions conduct the work of the Commission. A statement of the function, operational procedure and accomplishments of these divisions during FY-10 appears in this report, which is published by the Advisory Staff.

Commissioners



*Commissioner Baxley's
Staff:*

*Lisa Parrish,
Executive Assistant III*

*April Pugh, Esq.,
Technical Assistant*

*Leveika Martin,
Executive Secretary*

*Nancy Bivens,
Laborer*

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

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

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

Honored with numerous awards during her years in public service, Lucy is particularly proud of being named the Senior Citizens' Golden Eagle Statesman of the Year and Outstanding Woman Leader by the American Association of University Women. Known throughout Alabama for her career-long dedication to championing the rights of the aging, she was chosen to serve as spokesperson for Senior Promise, a statewide advocacy program for senior citizens and remains closely connected with senior programs across the state. She is a member of the Auburn University Women's Philanthropy Board and the University of Alabama's XXXI (thirty-one), a women's leadership Honorary. She is a member and chair of the Advisory Council of the Alabama Federation of Democratic Women.

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

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 reelected 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, 2002 and 2006.

Commissioner Cook has always been a consumer-minded Commissioner and has sponsored several initiatives, including antislamming 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 and 2007 droughts. The Alabama Farmers Federation honored Commissioner Cook with its Service to Agriculture award in 2008.

*Commissioner Cook's
Staff:*

*Kelly Mulero,
Executive Secretary*

*Karen Rogers,
Administrative Support
Assistant III*

*Danyal Jones,
Clerk*

Commissioners



*Commissioner Parker's
Staff:*

*David P. Rountree,
Technical Assistant*

*Brad Williams,
Executive Assistant III*

*Angier Johnson-Gunn,
Communications Director*

*Denise D. Harris,
Executive Secretary*

*Chandra Lewis,
Student Assistant*

SUSAN D. PARKER, Ph.D., was elected to the Alabama Public Service Commission, Place 2, in November 2006. In addition to her work on behalf of Alabama consumers, she has quickly become a leader in regional and national regulatory organizations. In 2009, she served as President of the Southeastern Association of Regulatory Utility Commissioners and was elected Second Vice President of the National Association of Regulatory Utility Commissioners (NARUC). Parker also serves on NARUC's Electricity Committee and the Subcommittee on Education.

Not long after taking office in late 2006, Commissioner Parker established a Consumer Education Initiative to educate Alabamians on ways to conserve energy and lower utility bills. She has been a champion of energy efficiency and renewable energy throughout her first term.

Dr. Parker entered politics after a 25-year career in public education. In 1998, she was elected State Auditor, and in 2002 became the first woman in Alabama ever to be nominated to the U.S. Senate.

In 1972, at the age of 16, Parker took a job at Calhoun Community College as a file clerk. She would rise through the ranks, while continuing her own education, to become an Associate Dean.

Indeed, the Commissioner worked full time throughout the period during which she earned four degrees by attending classes at night. It took her 13 years, but she persevered to earn her associate's, bachelor's, master's and the Ph.D. – all with honors.

Community service has been important to her throughout her career. She has served as president of a number of non-profit organizations, including the Boys & Girls Clubs, Heart Association, Cancer Society, Leukemia Society, Big Brothers/Big Sisters, and the United Way. She also has chaired leadership programs for both the Athens and Decatur Chambers of Commerce.

Dr. Parker was the first woman in Alabama to be recognized by the U.S. Jaycees with its Ten Outstanding Young Americans award. The Boys & Girls Clubs of Alabama has named her its Outstanding Volunteer in the state.

Parker and her husband of 30 years, Paul Parker, enjoy golf and travel. They are members of the Cumberland Presbyterian Church, where Susan is a Sunday school teacher.

Highlights:

Born in Eva, Alabama, in Morgan County

Earned 4 college degrees while working full time and attending class at night

Ph.D. in Administration of Higher Education, University of Alabama, 1985

Master's degree, University of Alabama at Birmingham

B.S., Athens State College

Successful career in higher education, 1972-1996

State Auditor of Alabama, 1998-2002

First woman in Alabama nominated for the U.S. Senate

Elected to Alabama Public Service Commission, Place 2, November 2006

Commission Staff

Administrative Division

Walter L. Thomas, Jr.
Commission Secretary

Sandy Haynes,
Clerk Stenographer III

Felisa Webster,
Administrative Support Assistant III

Tashenma Lawrence,
Administrative Support Assistant II

Finance Section

Miles Gagner,
Senior Accountant

Kimberly Holt,
Senior Accountant

Ernestine Huffman,
Accountant

Anthony Jackson,
Account Clerk

Motor Carrier Records Section

Valerie Hogan,
Administrative Support Assistant III

Advisory Staff

Judy McLean,
Director, CPA

Jodie Byrd,
Administrative Support Assistant I

Analysts

Tom Samford,
PSC Attorney

Gene Pitts,
PSC CPA

Rolland Casey,
PSC Accountant

Clarence Duncan,
PSC Rate Analyst

Consumer Services Section

Aquilla Spivey,
Consumer Services Manager

Sue Hicks,
Consumer Services Specialist
(retired on 8/1/2010)

Wanda Lowery-Geiger,
Consumer Services Specialist

Stephanie Sweet,
Consumer Services Specialist

Liz Thompson,
Clerk Stenographer IV

Michelle Smith,
Administrative Support Assistant III

Information Systems Services

Kay Oswald,
IT Systems Specialist Senior

Debra Jackson,
IT Systems Technician

Karen Gaston,
Programmer/Analyst Associate

Federal Affairs

John Free,
Public Utility Analyst Manager

Personnel

Dorinda Kepler,
Personnel Assistant III

Rozetta Parker,
Administrative Support Assistant III

Energy Division

Janice M. Hamilton,
Director

Electricity Section

Bernard W. Givan,
Public Utility Analyst Manager

Robert Taylor, III,
Public Utility Analyst III

Linda D. Gardner,
Public Utility Analyst II

Patricia W. Smith,
Public Utility Analyst II

Sheila H. Ward,
Public Utility Analyst II

April J. Calhoun,
Student Aide

(hired on 7/26/2010)

Natural Gas Section

Robert E. Reed,
Public Utility Analyst Manager

Brenda P. Roberts,
Administrative Support Assistant III

Ira Joe Leverette,
Public Utility Analyst III

Donald C. Powell, CPA,
Public Utility Analyst III

Tonya L. Williams,
Accountant

Marty P. Rush,
Public Utility Analyst I

Gas Pipeline Safety Section

Wallace R. Jones, Sr.,
Gas Pipeline Safety Administrator

Jannette S. Mitchell,
Clerk Stenographer III

O. Harold Dunson,
Pipeline Safety Investigations Supervisor

John Paul Harris,
Pipeline Safety Investigations Supervisor

Thomas W. Lancaster,
Pipeline Safety Investigations Supervisor

Judy D. Ramsey,
Pipeline Safety Investigations Supervisor

Bryan C. Kichler,
Pipeline Safety Investigator, Senior

Gregory E. Meadows,
Pipeline Safety Investigator, Senior

Hosie E. Powell,
Pipeline Safety Investigator, Senior

Commission Staff

Energy Division (Continued)

E. Clark Brown,
Pipeline Safety Investigator
Daniel E. Trapp,
Pipeline Safety Investigator

Special Projects Section

J. Rick Cleckler,
Public Utility Technical Specialist, Senior

Water Section

Stephen D. Bartelt,
Public Utility Analyst Manager
Virginia S. Hill,
Administrative Support Assistant I

Legal Division

John A. Garner,
Chief Administrative Law Judge
G. Scott Morris,
Administrative Law Judge
Suellen L. Young,
Attorney III
Eileen M. Lawrence,
Departmental Operations Specialist
Aisha Smith,
Administrative Support Assistant III
Carolyn Denham,
Administrative Support Assistant III

Enforcement Section

Earl Reeves,
Transportation Enforcement Supervisor
John M. Brock,
Transportation Enforcement Area Supervisor
Terry Shirley,
Transportation Enforcement Area Supervisor
Leo Sauls, Jr.,
Transportation Enforcement Officer

Gary Shirley,
Transportation Enforcement Officer
Samuel B. Peacock,
Transportation Enforcement Officer
Michael L. Lawson,
Transportation Enforcement Officer
Wade Brinson,
Transportation Enforcement Officer

Telecommunications Division

Darrell Baker,
Director

Economic Compliance Section

Larry Smith,
Public Utility Analyst Manager
E.C. McArthur,
Public Utility Analyst III
Tom Jones,
Public Utility Analyst III
Laneeta Roberts,
Public Utility Analyst III
Bill Cook,
Public Utility Analyst III
Eugene Holsenbeck,
Public Utility Analyst II
(retired on 1/1/2010)

Gilbert Carlisle,
Public Utility Field Technician
Janet Conway,
Public Utility Analyst II
Linda Jones,
Clerk Stenographer III
Deboraha Thornton,
Administrative Support Assistant III
Cynthia Allen,
Administrative Support Assistant I

Service Compliance Section

David Peeler,
Public Utility Analyst Manager
Glenn Darter,
Public Utility Field Technician, Senior
(retired on 2/1/2010)

Terry Jackson,
Public Utility Field Technician, Senior
Bobby Mobley,
Public Utility Field Technician, Senior
Jack Cates,
Public Utility Field Technician
Steve Bennett,
Public Utility Field Technician
Doug Dillard,
Public Utility Field Technician
Barbara Franklin,
Clerk Stenographer III

Transportation Division

Britt Roberts,
Director
Rita Grantham,
Clerk Stenographer III

Rates and Services Section

Donald Williamson,
Transportation Regulatory Manager

Insurance and Registration Section

Ron Hicks,
Transportation Regulatory Manager

Amanda Berry,
Staff Accountant
(hired on 5/3/2010)
Tara Frazier,
Administrative Support Assistant II
Jennifer Morgan,
Account Clerk
Kathleen McPherson,
Account Clerk
(hired on 2/25/2010)
Natasha Fields,
Administrative Support Assistant II
(transferred on 1/16/2010)

Carolyn Gaylor,
Administrative Support Assistant II
(hired on 9/27/2010)
Retha Bryant
Administrative Support Assistant I

Railway Safety Section

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

Administrative Division

Secretary of the Commission

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

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

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

The Secretary signs orders for the Commission to authorize transportation companies to place reduced rates into effect on less than statutory time, in order to meet an emergency.

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

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

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

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

A tabulation of the principal activities of the Secretary during FY-2010 is as follows:

Commission orders issued	1,012
Public hearings held	51
Report and Recommended orders issued	5

Finance Section

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

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

This section maintains office supplies for the Commission. It develops and administers internal accounting procedures and administers a centralized purchasing service for approved materials, supplies, and equipment.

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

Statement of Operations For the Fiscal Year Ending September 30, 2009 and 2010

	PSC Operating Fund	Gas Pipeline Safety Fund	Total Sept. 30, 2010	Total Sept. 30, 2009
Comptroller's Beg. Cash Balance:	\$ 4,427,331	\$ 938,313	\$ 5,365,644	\$ 3,685,339
Inspection & Supervision Fees -				
Utility/Water Companies	10,123,516	-	10,123,516	10,928,898
Telecommunications/Railroads	3,401,732	-	3,401,732	3,431,156
Motor Carrier Ins. & Reg. Fees	2,411,006	-	2,411,006	2,802,538
Gas Service Line Fees	-	527,886	527,886	522,509
Federal Dept. of Transportation	-	889,444	889,444	880,154
Alabama Dept. of Transportation	50,000	-	50,000	50,000
Miscellaneous Receipts	115,657	-	120,712	396,597
Total Receipts:	<u>16,101,911</u>	<u>1,422,385</u>	<u>17,524,296</u>	<u>19,011,852</u>
Total Cash Available:	<u>20,529,242</u>	<u>2,360,698</u>	<u>22,889,940</u>	<u>22,697,191</u>
Disbursement of Encumbrances:				
Personnel Costs	-	-	-	-
Employee Benefits	1,077	-	1,077	11,722
Travel- In State	9,454	5,310	14,764	12,593
Travel- Out of State	-	3,801	3,801	4,380
Repairs & Maintenance	784	-	784	535
Rentals & Leases	2,883	308	3,191	11,996
Utilities & Communications	26,192	2,370	28,562	13,892
Professional Services	8,564	1,962	10,526	11,245
Supplies & Operating Expenses	9,798	1,001	10,799	17,405
Transportation Equipment Operations	11,212	4,392	15,604	23,827
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	-	-	-	100,431
Other Equipment Purchases	-	-	-	3,609
Transfer to State General Fund 100	-	-	-	-
Total Encumbrances:	<u>69,964</u>	<u>19,144</u>	<u>89,108</u>	<u>211,635</u>
Disbursement of Operating Costs:				
Personnel Costs	5,977,777	679,944	6,657,721	7,008,636
Employee Benefits	1,976,035	234,932	2,210,967	2,280,004
Travel- In State	56,541	44,379	100,920	106,971
Travel- Out of State	37,471	23,735	61,206	54,787
Repairs & Maintenance	1,920	-	1,920	10,258
Rentals & Leases	1,029,585	43,759	1,073,344	1,003,618
Utilities & Communications	148,637	21,206	169,843	166,578
Professional Services	135,481	15,162	150,643	149,943
Supplies & Operating Expenses	298,786	19,243	318,029	314,377
Transportation Equipment Operations	61,043	25,254	86,297	79,999
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	-	76,342	76,342	-
Other Equipment Purchases	29,152	4,001	33,153	47,144
Total Operating Costs:	<u>9,752,428</u>	<u>1,187,957</u>	<u>10,940,385</u>	<u>11,222,315</u>
Transfer to General Fund	5,000,000	-	5,000,000	3,823,000
Transfer to General Fund: Prior year cash	-	-	-	2,074,599
Total Disbursements & Transfers:	<u>14,822,392</u>	<u>1,207,101</u>	<u>16,029,493</u>	<u>17,331,549</u>
Comptroller's Cash Balance, Ending:	5,706,850	1,153,597	6,860,447	5,365,642
Purchase Orders	93,446	3,230	96,676	24,949
Unencumbered Cash Balance, Ending (1)	<u>\$ 5,613,404</u>	<u>\$ 1,150,367</u>	<u>\$ 6,763,771</u>	<u>\$ 5,340,693</u>

(1) PSC was authorized to carry over the unencumbered cash balances for both Fund 325 and Fund 326 from FY-2009 into FY-2010 and from FY-2010 into FY-2011.

Advisory Staff



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

ANALYSTS

Electricity Advisor

The Electricity Advisor makes recommendations regarding a variety of regulatory accounting and energy-related issues impacting Alabama Power Company's ability to maintain rate stability, provide reliable service, and comply with orders issued by the Alabama Public Service Commission.

A highly regulated utility such as Alabama Power Company is afforded special regulatory accounting treatment for certain transactions that result in a Public Service Commission authorization to recognize accounting transactions as regulatory assets or liabilities as opposed to accounting for such transactions in accordance with basic accounting principles. Such regulatory accounting cost and revenue recognition treatments allowed under generally accepted accounting standards is a basic regulatory option employed by the Alabama Public Service Commission to prevent unstable rate fluctuations and consequently, maintain sustainable electric rates for all of Alabama Power Company's customer rate categories.

As a Certified Government Financial Manager (CGFM) and a Certified Public Accountant (CPA) the Electricity Advisor has the special project of designing the audit procedures to monitor Alabama Power Company's compliance with applicable laws, regulations, PSC orders and/or directives as such requirements pertain to special regulatory accounting in the context of the objectives and components of internal control described in *Internal Control – Integrated Framework The COSO Report*, published by the Committee of

Sponsoring Organizations of the Treadway Commission (on Fraudulent Financial Reporting).

Special projects are assigned to the Electricity Advisor periodically during the year. One such project was the evaluation, as viable option for ratepayers, of an innovative approach proposed by Alabama Power Company to meet its projected RSE (Rate Stabilization and Equalization) Revenue requirement by implementing proposed base charges (Revenue Enhancements) and cost cutting measures without executing a more costly RSE adjustment required under the Rate RSE program.

Alabama Power Company's RSE performance is reviewed on a monthly basis. The review includes monitoring Alabama Power Company's allowed retail return on common equity, the forecasted retail return on common equity for the calendar year, and the actual year-to-date retail return on common equity. Because hydro generation has such a significant impact on energy cost, hydro generation is reviewed monthly when analyzing the Energy Cost Recovery Rate Factor (Rate ECR).

The Energy Cost Recovery Rate Factor and Forecast of the Company's Energy Cost Recovery are analyzed on a monthly basis. Rate ECR provides for the recovery by Alabama Power Company of defined energy costs using an ECR Factor derived pursuant to the Rate ECR and applied to all of Alabama Power Company's retail rate schedules. Energy costs consist primarily of the cost of natural gas, fossil fuel, nuclear fuel, emission allowances, and purchased power contracts.

The Natural Gas Hedge Program is a financial/contractual long-term approach to energy cost savings. The Natural Gas Hedge Program is reviewed monthly, but with a long-term prospective in conjunction with Alabama Power Company's five year integrated resource planning model.

The Electricity Advisor reviews on an ongoing basis Alabama Power Company's pricing structure in the Company's rates and rate riders, and the reasonableness of contracts involving the purchase and sale of energy-related resources. Significant financing arrangements involving debt and equity for capital improvements and operating cash flow needs of the Company are reviewed whenever such requests are submitted to the Public Service Commission for approval.

Natural Gas Advisor

The Alabama Public Service Commission has 12 natural gas companies and one oil pipeline under its jurisdiction. The Natural Gas Advisor works independ-

Advisory Staff

ently of the Commission's other divisions to analyze natural gas industry issues. This gives the Commissioners a separate recommendation for their consideration.

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

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

Monthly, the Natural Gas Advisor monitors the Rate Stabilization and Equalization (RSE) and related programs for Alabama Gas Corporation (Alagasco) and Mobile Gas Service Corporation (Mobile Gas). Each month this section monitors the books and records of Alagasco and Mobile Gas to determine the return on average common equity for the preceding twelve-month period and reports the financial and operational results of the previous month, the return on average common equity, to the Commission.

Also, included in these reports are graphical summaries of Alagasco's and Mobile Gas' recent operating histories.

An important project addressed in FY10 was the renewal of the RSE rate methodology for Mobile Gas.

Telecommunications/Special Projects Advisor

The Telecommunications/Special Projects Advisor has two specific responsibilities within the Advisory Staff. The first is to provide verifiable, independent recommendations to the Director of the Advisory Staff and to the Commissioners on all matters relating to telecommunications companies that impact the citizens of our state. These companies include incumbent and competitive local exchange carriers, long distance companies, Voice Over Internet providers (VoIP), and cellular providers. To accomplish this, the Advisor reviews all telecommunications filings made to the Commission to ensure these filings comply with the established policies of the Commission; works closely with the Advisory Division's Director, Telecommunications Division personnel and the Legal Division, participating in the development of the telecommunications policies and procedures to be implemented by the Commission; and maintains a working knowledge of non-jurisdictional yet highly significant areas of telecommunications service such as VoIP and cellular service.

The second function of this Advisor is to manage Special Projects assignments from the Advisory Director and the Commissioners. These assignments cover any area or activity in which the Director or Commissioners request additional information or analysis.

Important projects addressed in FY10 were the continuing implementation of the Telecommunications Reform Act of 2005, the most fundamental change in Public Service Commission authority over jurisdictional telephone service since the passage of the Telecommunications Act of 1996; the continuing application of the Alabama Telecommunications Regulation Plan on customers and jurisdictional companies; work on numerous arbitrations/mediations that were the responsibility of the PSC, and numerous information requests and customer complaints of interest to the Advisory Director or to the Commissioners.

Advisory was also actively involved in the review and implementation of Universal Service Plans and Funding.

Legal Advisor

The Legal Advisor reviews dockets and issues before the Commission for legal implications and provides job-related legal advice and assistance to Advisory Staff 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, administrative proceedings, and the updating of various manuals and handbooks governing the conduct of Commission activities. The Legal Advisor also participates in state and federal legal proceedings, both in-state and out-of-state, in which the Commission has an interest. As additional duties, the Legal Advisor is actively involved in Commission personnel matters, as well the Advisory budget, purchasing, and property management.

PSC Legislative Advisor

During the past year, the Advisory Division created a new section called PSC External Affairs. The Advisory staff's PSC Legislative Advisor acts as liaison between the PSC and the Alabama Legislature, as well as other external organizations.

The PSC Legislative Advisor contacts and confers with members of the legislature and other holders of public office to educate them on important regulatory

Advisory Staff

issues that affect the PSC and Alabama customers the Commission regulates.

Specifically, the PSC Legislative Advisor studies proposed legislation to determine possible effect and interest to the PSC. The Advisor confers with legislators and PSC members to emphasize supposed weaknesses or merits of specific bills. The Advisor also plans and coordinates meetings between PSC members and elected officials to discuss legislative issues and proposals and allow officials to respond to constituents' concerns.

The PSC Legislative Advisor works with all PSC Divisions to coordinate legislative efforts and prepares the Bill Status Report to keep the Commission informed of all current legislative activities. The Advisor monitors all legislation for any possible issues requiring legislative action. The Advisor also attends budget hearings and all pertinent legislative meetings throughout the legislative sessions.

In this year's Legislative session, there were several bills, with the PSC Legislative Advisor's involvement, which affect the PSC's interests that received passage. They are as follows:

- SB103 – Al. Onsite Waste Water Bd.; Definition of Terms
- HB288 – Allow Additional 400 lbs. for Fuel Efficient Vehicles
- HB128 – Legislative Joint Energy Policy Committee; Office & Staff
- SB290 – General Fund Appropriation Bill
- SB368 – Utility Workers; Second Degree
- HB678 – State Employee; Voluntary Dept. Furlough Program

Information System Services

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

There are several systems in place for consumer and users' needs. These include small-scale database applications tracking regulated motor carrier registrations, consumer complaints, information technology

help desk requests, and some telecommunications data. The section also coordinates and oversees the maintenance of the agency's document imaging system with an outside vendor.



IT staff establishes e-mail and network user accounts and provides help desk support for hardware and software issues experienced by end users. Custom applications are also designed, primarily using Microsoft Access. Information Systems created and updates the PSC's Web site which offers the functionality of allowing consumers to file complaints online. Commission orders and filings in PSC proceedings can also be accessed through the agency's site.

Federal Affairs

The Federal Affairs section monitors and informs the Commission of various federal activities affecting utility regulation in Alabama. When necessary, the staff also intervenes and files comments in federal proceedings.

In an effort to remain informed of these matters, the Federal Affairs section attends various NARUC (National Association of Regulatory Utility Commissioners) meetings and represents the Commission on various committees/subcommittees, including the NARUC Staff Subcommittee on Telecommunications, Staff Subcommittee on Nuclear Issues-Waste Disposal and Staff Subcommittee on Electricity. This section also monitors the activities of various federal agencies and other industry groups such as: the Federal Communications Commission (FCC), the Federal Energy Regulatory Commission (FERC), the Environmental Protection Agency (EPA), 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).

Federal Affairs also reviews federal court appeals and decisions on utility and telecommunications issues and, if appropriate, makes recommendations to the

Advisory Staff

Commission regarding appropriate actions to be taken. In addition, this section reviews proposed federal legislation affecting Alabama utilities and telecommunications providers and prepares summary documentation for the Commission's review as needed. The Federal Affairs Section also monitors and reports to the Commission the various positions taken by other state commissions and NARUC on issues affecting utility regulation in Alabama.

During this past year, Federal Affairs monitored numerous energy and telecommunications regulatory topics/issues and assisted with the development of appropriate Commission action as needed. Some of the more important issues from this past year are summarized below:

- FERC's Notice of Request for Comments issued on October 8, 2009, concerning transmission planning processes under Order No.890 in Docket No. AD09-8. The Commission filed comments on December 18, 2009.

- FERC's Notice of Proposed Rulemaking issued on June 17, 2010, regarding Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities Docket No. RM 10-23-000. The Commission filed comments on September 21, 2010.

- Department of Energy's December 2009 national Electric Transmission Congestion Study.

- Energy Independence and Security Act of 2007's directive to the national Institute of Standards and Technology (NIST) to coordinate the development of a framework, including protocols and standards, to achieve Smart Grid deployment and interoperability and, after consensus, submit such standards to FERC to institute a rule making proceeding to adapt such standards and protocols.

- The U.S. Environmental Protection Agency's (EPA) Proposed Rule issued on June 21, 2010, concerning the regulation of coal combustion byproducts (CCBs), particularly coal ash and gypsum, as either hazardous waste under Resource Conservation and Recovery Act (RCRA) Subtitle C or non-hazardous waste under RCRA Subtitle D, under Docket No. EPA-HQ-RCRA-2009-0640. The Commission filed comments on November 19, 2010.

- Federal legislation concerning climate policy, particularly attempts to mandate renewable portfolio standards and carbon cap and trade program.

- Federal legislation concerning financial reform and the effect of such reform on utility hedge program.

Personnel

The Personnel Section maintains the records of Commission employees. One of its primary functions is to identify and implement changes in payroll expenditures that are incurred by appointments, resignations, promotions, terminations, etc., through the use of the Government Human Resource System, an automated payroll/personnel system. Personnel oversees the in-processing and orientation of new employees and the out-processing of employees who separate from service at the Commission. As the source for state and departmental rules, regulations and benefits that apply to employees, Personnel provides information through the agency handbook, the State Personnel Procedures Manual, and various manuals provided by the State Personnel Training Division. Requests to fill vacancies in the Commission are processed by Personnel with the coordination of division directors.

The personnel manager acts as the liaison with the State Personnel Department (SPD), checking to see that personnel transactions are 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, or assists in the development, and updates of 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.



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Public Affairs

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

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

Consumer Services is staffed by six professionals, the majority of whom have utility-related work experience. There are three Consumer Service Specialists who have the responsibility to gather information from the consumer, document the issue, research, and respond to the consumer. Each Specialist has knowledge of the Commission's rules, the utility-specific rules and industry practices necessary to address complaints and inquiries. Two support persons in this workgroup manage the day-to-day operations for the staff. These employees are responsible for screening incoming calls, processing mail, maintaining complaint files, managing the complaint database and responding

to general requests for information. The group manager provides advice to staff on complex issues, develops talking points to address current issues, arranges training sessions and initiates rule changes as necessary. As the pulse of the Public Service Commission, this section handles in excess of 1,000 complaints and over 3,000 inquiries annually.

This workgroup is generally the first point of contact for consumers to the Commission. General inquiries and complaints are reported to the Commission by telephone, electronic filing, letters and fax transmission. This office also handles consumer issues referred from the Governor's Office, U.S. Congress, the Federal Communications Commission, Alabama Attorney General's Office and the Alabama State Legislature. The staff has the responsibility of responding to general questions about a utility's practices or a Commission rule which is generally handled as an inquiry. A dispute involving a billing or a service-related matter is held as a complaint and requires information about the matter from the utility which is reviewed by the staff person who makes a determination about the validity of the utility's action and finally a decision is communicated to the consumer supporting the action taken or recommending a course of action to resolve the dispute. Consumer Services additionally serves as a sounding board to record consumers' opinions and observations in response to rate cases. Investigation of complex complaints often requires coordination between the utility, Commission staff and the consumer. Written records are created to document inquiries and complaints referred to the Consumer Services Section.

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

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

This section also fields Do Not Call queries. The Alabama State Legislature authorized the Commission to establish a Do Not Call Registry. This registry is now a collaborative effort between the Federal Communications Commission and the Commission. Consumers that contact the Commission receive advice on how to register their phone numbers. This data is maintained by the Federal Trade Commission, and complaints are registered through a federal collection site.



Energy Division



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

The subsequent paragraphs discuss each section’s significant regulatory policies, responsibilities and major activities that occurred during fiscal year 2010.

Electricity Section

The Electricity Section is primarily responsible for the regulatory oversight of Alabama Power Company (“the Company” or “APCo”). This includes financial analysis, economic evaluations, auditing, and statistical data assimilation. In addition, the staff performs management and technical inquiries to remain informed as to the manner and methods in which APCo’s business is conducted.

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

ALABAMA POWER COMPANY

Rate Stabilization and Equalization (RSE)

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

Beginning December 1, 2006, and by December 1 of each year thereafter, the Company’s rate of return on projected average common equity (“RRCE”), separated to retail electric service, shall be computed annually for the upcoming twelve-month period ending December 31 (such twelve-month period being the “rate year”). The RRCE shall be computed on the basis of cost estimates and budgets prepared by the Company in the ordinary course of its business and in a manner consistent with the Uniform System of Accounts. If the resulting RRCE is less than 13.0% or more than 14.5% (13.0% – 14.5% being “the equity return range”), then monthly bills under the respective rate schedules subject to Rate RSE shall 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).

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The Electricity Section examined the Company's books and records on a monthly basis to determine the RRCE for the current 12 month period. The section staff prepared a summary report of this information for presentation at each monthly Commission meeting. As of September 30, 2010, the re-projected Retail Return on Average Common Equity for the twelve-month period ending December 2010 was 13.08%.

Energy Cost Recovery (ECR)

Rate ECR is the rate approved by the Commission to recover retail customers' 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 recovery account. The Electricity Section prepared a summary report for the monthly Commission meetings reflecting the status of the Company's energy costs recovery, the accumulated over/under collections, and the ECR projection for December 31 of the current year.

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

The approved interim factor is 24.03 mills per kWh. As of September 30, 2010, the accumulated recovery of energy costs was \$57,666,817 over-collected. The projection for energy costs for December 31, 2010 was an over recovery of \$9,866,822.

Certificated New Plant (CNP)

Rate CNP – Part A was originally approved in 1982 in conjunction with Rate RSE under Dockets 18117 and 18416. The original rate provided for the certification of generating facilities and the recovery of the related capital cost for such facilities. During FY-2010, Alabama Power did not file any applications for a Certificate of Public Convenience and Necessity (CPCN) related to generating facilities.

Rate CNP was modified in April 2000, to include a second provision, Rate CNP - Part B, that would allow for the certification of Purchase Power Agreements (PPAs) and the recovery of the total costs (excluding fuel) associated with each agreement. Rate CNP - Part B is also referred to as Rate CNP-PPA. At this time, Alabama Power Company has two (2), seven-year PPA contracts. The first PPA contract, effective in 2003, for 939 MW expired in 2010 and the second PPA contract, effective in 2004, for 312 MW will expire in 2011.

Rate CNP was further modified in October 2004, to include a third provision, Rate CNP - Part C, that

would provide a mechanism to recover compliance costs associated with "environmental mandates." Rate CNP - Part C is also referred to as Rate CNP-ECP (Environmental Compliance Plan). Beginning in December 2004, and each December thereafter, the Company is required to file its annual Environmental Compliance Plan subject to Rate CNP - Part C. The first Part C provision went into effect in January 2005.

Flexible Contract Rate (FCR)

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

As of September 30, 2010, the Commission staff evaluated eight (8) electric service contracts that were filed pursuant to Rate FCR during FY-2010. In addition, the staff performed a post-contract review of three (3) electric service agreements.

Natural Disaster Reserve (NDR)

By Order, dated October 3, 1994, the Commission granted Alabama Power Company authority to establish a Natural Disaster 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 in the company's service territory.

The Commission has from time to time made modifications to the establishment of the Reserve to deal with negative balances resulting from extraordinary disasters.

In December 1995, the Commission authorized 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 could continue until the reserve was restored.

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The Commission approved Rate Rider NDR in December 2005, and increased the authorized disaster reserve balance from \$32 million to \$75 million, effective January 2006. Rate Rider NDR was designed to address the negative balance in the Natural Disaster Reserve and to re-establish a reserve balance sufficient to address potential costs associated with future natural disasters. In order to accomplish this, Rate Rider NDR added a small monthly charge to each account served under the Company's retail rate schedules. As a result of Rate Rider NDR, the negative balance in the reserve was fully recovered by June 30, 2007. As of September 30, 2010, the Natural Disaster Reserve had a positive balance of \$78,083,466.

By order of the Commission on August 20, 2010, Alabama Power Company (APCo) was authorized to make discretionary accruals to the Natural Disaster Reserve above the existing authorized limit (\$75 million) and to include reliability related expenditures among the category of cost that can be charged against the Reserve.

Other Activities:

New and Revised Tariffs

In 2006, the Commission approved the Rate Rider CPP (Critical Peak Pricing) as a demand-side management pilot program for residential customers. With certain revisions to Rate Rider CPP, the program was continued as a permanent rate rider. CPP promoted energy efficiency through a mutually beneficial arrangement between the Company and the customer. Rate Rider CPP was available only to customers who served under Rate FDT (Family Dwelling - Time-Of-Use) and within the Company's Automated Metering Infrastructure (AMI). The Commission approved Rate Rider CPP to become effective for June 2008, billings and thereafter.

Effective January 2010, two residential rates were withdrawn by APCo. Rate FDE (Family Dwelling - Efficiency) (Docket 24860) and Rate FDT are no longer available to new customers. Customers who are currently served under FDE, however, will be allowed to continue service under this rate until the customer moves to another premise or requests to be served under a different rate. Currently, these rates have been designated as restricted rates and are now Rate XFDE and Rate XFDT. In addition, residential Rate Riders CPP, Rate DLC (Direct Load Control), and Rate RE (Renewable Energy) have been withdrawn. The Company has proposed to make more revisions to the current Time-Of-Use rates in 2011.

In January 2010, APCo made revisions to rate LPS (Light and Power - Small) which resulted in broadening customer eligibility requirements. These revisions raised the maximum metered monthly demand from

5kW to 15kW and increased the maximum energy from 1,500 kWh per month to 18,000 kWh per year.

In May 2010, the Commission approved the 31st revision to Rate PAE (Purchase of Alternate Energy). The charges and payments under this rate were revised to reflect updated costs and avoided costs for the Company and are based on 2009 actual data and 2010 forecasted data.

Federal Issues

The Electricity Section staff monitors various Federal issues that may impact the electric industry. This includes participating in teleconferences, 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-2010, the staff monitored several Federal matters which included Notices of Inquiry; Notices of Proposed Rulemaking; Final Rules; as well as related filings of open dockets. FERC issued the following notices: 1) Notices of Inquiry - Electric Market Transparency Provisions of Sections 220 of the Federal Power Act and Integration of Variable Energy Resources; 2) Notices of Proposed Rulemaking - Credit Reforms in Organized Wholesale Electric Markets, Assessment of Adequacy of Financial Forms Data and Ensure Compliance with Reporting Requirements, and Demand Response Compensation in Organized Wholesale Energy Markets; and 3) Final Rule - Revisions to Form, Procedures, and Criteria for Certification of Qualifying Facility Status for a Small Power Production of Co-generation Facility.

Financing

The Electricity Section staff reviewed all financing petitions filed by Alabama Power Company and Southern Electric Generating Company (SEGCo). SEGCo is a corporation owned by Alabama Power Company and Georgia Power Company with equal shares. SEGCo has electric generating facilities located in Wilsonville, Alabama. 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 made recommendations to the Commission pertaining to those petitions.

On November 03, 2009, the Commission issued an Order in Informal Docket U-4945 granting Alabama Power Company the authority to issue additional securities and incur obligations in connection with the issuance of industrial development revenue bonds, assume obligations in connection with the issuance of preferred securities by a special subsidiary or sub-

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subsidiaries, and borrow upon issuance of promissory notes and commercial paper notes from time to time not to exceed \$1,000,000,000 (long-term borrowing) prior to December 31, 2011. Additionally, the Company was granted authority to borrow upon issuance of promissory notes and sell its commercial paper notes from time to time not to exceed \$2,000,000,000 (short-term borrowing) prior to December 31, 2011. On November 03, 2009, the Commission issued an Order in Informal Docket U-4946 granting SEGCo the authority to issue, sell and incur obligations in connection with the issuance of not more than \$100,000,000 (long-term borrowing) in aggregate principal amount of promissory notes, subordinated debentures and other debt instruments and industrial development revenue bonds; and borrow from lenders on its promissory notes and to issue and sell its commercial paper notes from time to time (short-term borrowing) on or prior to December 31, 2011. The maximum aggregate principal amount of notes (short-term borrowing) at any one time outstanding will not exceed \$80,000,000.

Auditing

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

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

The Commission required the Company to submit, as part of the Rate CNP, a detailed annual summary report of the Environmental Compliance Plan. This summary identifies the previous year's environmental expenses incurred and projected expenses for upcoming years. This information is reviewed thoroughly during the audit procedure. The staff performed two separate audits of this filing. The first audit was composed of a complete analytical review of the factor filed for the upcoming year. The second audit entailed a detailed review of the environmental compliance plan. During the audits, the staff 1) reviewed and verified the accuracy of amounts reported in the filing; 2) ensured that the filing is in accordance with Rate CNP-C; 3) compared and researched significant budget variances; 4) determined that reported expenses were qualifying environmental expenses; and 5) requested and reviewed additional information, as needed, for a complete and thorough analysis of the filing.

In addition, the staff performed an annual compliance audit of the Rate CNP-B (Purchase Power Agreement) filing. Other auditing responsibilities included testing of various accounts and activities to trace and verify reported revenues and expenses, to review APCo's compliance with the FERC Uniform System of Accounts, and to investigate significant variances identified during monthly monitoring and analytical processes. Also, the staff performed random billing audits to test the Company's compliance with approved tariffs.

Engineering

The Electricity section performed site visits to investigate service quality issues, respond to technical inquiries and work on special projects as assigned. In addition, the section assisted with research regarding the application of various environmental technologies such as: FGD Systems; i.e. scrubbers, baghouses, selective catalytic reduction (SCRs), selective non-catalytic reduction (SNCRs), electrostatic precipitators (ESPs) and low nitrous oxide (NOx) burners. The staff also stays abreast of utility automation systems (AMR, AMI, SCADA, etc).

Site visits, to utility plant facilities and construction projects were performed to review maintenance, repairs and operating (MRO) practices, infrastructure improvements, capital projects, electric safety and construction standards and power quality issues.

Power system maintenance, repairs and operating activities included performing routine duties which keep the system and/or equipment in good working order. Projects such as vegetation management, turbine inspection supervision, pole replacement administration and system study analysis are good examples of proactive and preventative MRO programs.



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Safety, reliability and power quality standards were reviewed and discussed with utility personnel. Operating tests and reports were also reviewed.

Additionally, the staff engineer participated in training and educational activities relevant to the performance of his duties.

During FY-2010, the staff visited 4 different plant sites and facilities with an emphasis on power quality issues and environmental technologies.

American Recovery and Reinvestment Act (ARRA) of 2009

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

The APSC was awarded an \$868,824 grant in April 2010 to be expensed over a two-year period to support efforts to promote a number of electricity-related initiatives and to enhance its regulatory capacity to be more proactive and productive. To meet the goals and objectives cited above, the APSC will promote these initiatives by hiring and training three utility analysts, an engineer, and an administrative assistant. After receiving the grant, the APSC proceeded to outline the details of specific tasks and outcomes for job descriptions as well as goals and tracking mechanisms.

These employees will be supervised by a project manager who is already employed on the Commission staff, with all ARRA team members working under the guidance of the Electricity Section Manager. The engineer and utility analysts will be instrumental in researching new efficiency and demand-response programs made possible by Alabama Power company's (APCo's) installation of smart meters and the software and communications technologies used by this new infrastructure. They will also take a leading role in the APSC's research into other states' energy efficiency programs and regulatory best practices, and how those programs and regulatory structures might benefit

APCo's customers. All of this will be possible due to the acquisition of this grant. In addition, this grant will enable the APSC to provide training to current staff on regulatory issues related to efficiency efforts, carbon capture and storage technologies and related areas.

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). On April 8, 2008, the Commission issued Informal Docket U-3013 approving an Amendment No. 2 to the Power Supply Agreement (PSA) between AMEA and Alabama Power Company (APCo) and approving an Agreement for the Supply of Supplemental Capacity and Energy between APCo and AMEA.

Amendment No. 2 improved upon the "pricing mechanisms" in the contract in such a way as to reduce price volatility. Under the provisions of the Supplemental PSA, APCo will supply the bulk electric power and energy to serve AMEA's load growth during the period from 2011-2015.

On April 6, 2010, the Commission issued an order in Informal Docket U-3013 approving Amendment No. 3. Amendment No. 3 modified the PSA in such a way eliminating the supply of Supplemental Capacity (SCC) agreement. The modified provisions dealt with issues relating to AMEA's incremental load growth commencing in 2011.

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)

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

ALABAMA GAS CORPORATION

Each month, this section examined 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

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Commission. It also graphically summarizes Alagasco's recent operating history. Under the RSE plan, the only time Alagasco can increase its base rates is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.15 percent, then rates are increased on December 1 to bring the return at the end of the rate year to 13.4 percent. If the projected return is more than 13.65 percent, rates are decreased to bring the return to 13.4 percent. If the projected return is between 13.15 and 13.65 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas section evaluated four RSE filings by Alagasco during FY-10.

Effective Date	Increase (Decrease)
• December 1, 2009	\$8,559,783
• April 1, 2010	(\$2,840,485)
• July 1, 2010	(\$8,007,361)
• October 1, 2010	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 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.

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 increase its base rates is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.35 percent, rates are increased December 1 to bring the return at the end of the rate year to 13.6 percent. If the projected return is more than 13.85 percent, rates are decreased to bring the return to 13.6 percent. If the projected return is between 13.35 and 13.85 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, the end of Mobile Gas' rate year, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas section evaluated four RSE filings by Mobile Gas during FY-10.

Effective Date Increase (Decrease)

• December 1, 2009	\$2,973,247
• April 1, 2010.....	0
• July 1, 2010.....	0
• October 1, 2010	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 temperature adjustment that tracks the effects 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.

Local Distribution Companies

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

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

During FY-10, 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.
- 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 were documented and evaluated in written reports, and, when appropriate, meetings with officials of the respective gas companies are held to discuss the results.

Alabama Gas Corporation

Regarding Alabama Gas Corporation, the section:

- Monitored the company's gas purchases, hedging, and storage activities;
- Conducted several meetings in preparation for a new GSA report to commissioners;
- Visited the Liquefied Natural Gas plant located near Coosada, AL;
- Evaluated two Gas Supply Adjustment filings and a Tax Adjustment rider filing;
- Worked with the company on issues regarding accounting treatment for certain post retirement obligations;

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- Reviewed the company's filing regarding the current municipalities with franchise agreements;
- Worked extensively with the company on issues related to excessive wait times for the company's customer service lines;
- Visited the company's call center and spent time listening to calls coming in;
- Worked extensively with the company on their depreciation study and subsequent filings to implement revised depreciation accrual rates, issue consumer refunds and modify the provisions of their Enhanced Stability Reserve;
- Reviewed the company's annual report and Securities and Exchange Commission (SEC) filings and requested clarification of certain portions of the reports; and
- Prepared a detailed analysis and recommendation concerning the Negative Salvage Reserve.

Mobile Gas Service Corporation

Regarding Mobile Gas Service Corporation, the section:

- Monitored the company's gas purchases, hedging, and storage activities;
- Worked extensively with the company, the Lands Division of the Alabama Department of Environmental Management and the Attorney General's Office on issues relating to the company's manufactured gas plant site;
- Evaluated a Cast Iron Replacement Factor filing, a Purchased Gas Adjustment (PGA) filing and a Weather Impact Normalization filing;
- Conducted several meetings in preparation for a new PGA report to commissioners;
- Evaluated a gas transportation agreement between Holcim, Inc. and the company;
- Participated in numerous meetings concerning the renewal of Mobile Gas' RSE and strengthening of the reporting requirements for their Enhanced Stability Reserve; and
- Reviewed the company's annual report and SEC filings.

Wheeler Basin Natural Gas Company

Regarding Wheeler Basin Natural Gas Company the section:

- Met to discuss revision of its depreciation rates, PGA balance, taxes and other issues;
- Reviewed company's meter conversion program;
- Reviewed the company's annual report and requested clarification of certain portions of the report; and
- Worked closely with the company regarding an equipment failure pertaining to its automated meter conversion.

Intrastate Storage and Pipeline Companies

During FY-10, 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:

- Arapaho Communications, LP
- American Midstream (Alabama Gathering) LLC
Formerly Enbridge Pipelines (Alabama Gathering) LLC
- American Midstream (Alabama Intrastate) LLC
Formerly Enbridge Pipelines (Alabama Intrastate) LLC
- American Midstream (Bamagas Intrastate) LLC
Formerly Enbridge Pipelines (Bamagas Intrastate) LLC
- American Midstream (Tennessee River) LLC
Formerly Enbridge Pipelines (Tennessee River) LLC
- Bay Gas Storage Company, Ltd.
- Enterprise Alabama Intrastate LLC
- Genesis Pipeline, LLC
- Pine Energies, Inc.
- Southcross Alabama Gathering System, LP
(Formerly Crosstex Alabama Gathering System, LP)
- Southern Gas Transmission Company

ARAPAHO COMMUNICATIONS, LP

The section:

- Evaluated the company's planned pipeline in Aliceville, AL which will serve the new Aliceville medium security women's prison operated by the Federal Bureau of Prisons;
- Toured the proposed route of the pipeline;
- Evaluated the contract with the U.S. Government to supply natural gas to the Aliceville medium security women's prison;
- Participated in the certificate hearing before the Commission; and
- Met with the company's personnel to garner information.

BAY GAS STORAGE COMPANY, LTD.

The section:

- Evaluated a special contract for firm storage with Clarke-Mobile Counties Gas District;

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- Conducted a site visit and met with company representatives;
- Reviewed the company's annual report;
- Evaluated a gas transportation agreement with Sempra Midstream Services, Inc.; and
- Reviewed the FERC semiannual storage reports.

CROSSTEX ALABAMA GATHERING SYSTEM, LP

The section:

- Reviewed the company's annual report; and
- Assisted in the name change of control from Crosstex Alabama Gathering System, LP to Southcross Alabama Gathering System, LP.

ENBRIDGE PIPELINES

The section:

- Evaluated a transfer of control from Enbridge to American Midstream between all regulated Enbridge Pipelines LLC's and American Midstream, LLC; and
- Reviewed the company's annual report.

SOUTHCROSS ALABAMA GATHERING, LP

The section:

- Evaluated the acquisition of Crosstex Alabama Gathering System, LP by Southcross Alabama gathering System, LP;
- Evaluated the contract with Lumber Remanufacturing Services, Inc.; and
- Reviewed the company's annual report and requested clarification of certain portions of the report.

Support of Commission Offices

The section:

- Prepared letter responses and documents concerning natural gas issues;
- Supplied information to a reporter; and
- Assisted the Consumer Services Section with various complaints.

Interagency Activities

Various section members:

- Served as Vice Chair of the National Association of Regulatory Utility Commissioners' (NARUC) Staff Subcommittee on Gas;
- Served as Vice Chairman of the Alabama Liquefied Petroleum Gas Board as President Baxley's designee;
- Participated in the Gas Staff Subcommittee at the NARUC Committee Meetings in Sacramento, CA;

- Presided over the NARUC Winter Committee Meetings in Washington, DC.;
- Participated in the monthly conference calls to discuss the FERC Southeastern Snapshot Report and other energy items of interest;
- Visited the Office of Energy Market Oversight within the FERC Office of Enforcement to meet with staff and receive briefing on their day-to-day operations;
- Attended a meeting of the Alabama Department of Public Health Advisory Council regarding Gulf of Mexico disaster response; and
- Participated in a conference call with the U.S. Senate Banking Committee staff concerning proposed legislation that would tax hedging activities.

Training Activities

Section representatives:

- Attended two Alabama Public Awareness Cooperative Training sessions regarding the "call before you dig" program;
- Attended the Gas Pipeline Safety Seminar; and
- Attended several classes conducted by State Personnel.

Support of Commission Offices

The section:

- Collected and graphed data on regional LDCs;
- Attended a public meeting in Mobile, AL regarding the proposed Bienville LNG Terminal;
- Attended a meeting of the Consumer Education Initiative Advisory board in Clanton, AL;
- Participated in a hearing for Danbury Onshore, LLC and assisted in writing the order for their Petition for Certificate of Industrial Development;
- Met with Maxwell AFB representatives, Pinnacle AMS Development Company, LLC and Gas Pipeline Safety concerning the transfer of utility service on the base to Pinnacle AMS Development Company, LLC;
- Participated in an NRRI teleseminar titled "Forecasting Natural Gas Prices: How Accuracy and the Proper Use of Forecasts Can Save Your Utility Millions";
- Evaluated over 50 FERC filings pertaining to Alabama entities to determine their relevance to this Commission;
- Conducted several meetings with Eagle 1 Resources regarding the company's proposed plastic encasement of pipe installed beneath roadways and other related matters; and

Energy Division

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

Gas Pipeline Safety Section

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

The personnel charged with this responsibility must meet all the training requirements set forth by the Pipeline and Hazardous Materials Safety Administration (PHMSA). Over the course of the last two years, three new investigators and a new administrator joined this section. During the past year, these four personnel attended 15 resident courses and completed numerous Web-Based Training (WBT) courses in an effort to become qualified to conduct gas and hazardous liquid system inspections. Several of the other investigators attended refresher and other courses to maintain their qualifications.

At the end of FY-2010, the Commission regulated, for safety matters, 94 intrastate gas systems, three off-shore gas systems, 34 master meters, six on-shore hazardous liquid systems, one off-shore hazardous liquid system, one liquefied petroleum system, and five liquefied natural gas systems.

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

An important function of this section is accident prevention. The section conducted safety seminars

around the state, as well as fire schools and plastic pipe qualification classes. A tabulation of the section's activities in FY-2010 is listed below:

Inspections

Gas Pipeline Safety	891*
Enforcement Actions	17
Non-compliances	20
Non-compliances Corrected	48
Construction Projects	138*
Safety Education Programs	72*
Investigator Education	278*
Pipeline Safety Incident Investigations	5**

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

***These were reportable only under state guidelines. None met the criteria for federal notification.*

Water Section

The Water section is responsible for regulating four investor-owned water systems including four located out-of-state systems that have authority to operate in Alabama. The jurisdictional water utilities are:

- Central Water Works, Inc.
- East Lowndes Water Association
- Hiwannee Water Association, Inc.
- Integral Water Creola, LLC
- Parker Creek Water Company, LLC
- Plantation Water System
- 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's staff, assisting the PSC's Consumer Services section in handling customer complaints, preparing reports as a result of inspections and visits, and conducting compliance and accounting audits.

The section reviews and evaluates new water utilities seeking authority to operate under the jurisdiction



Energy Division

of the Commission. The Plantation Water System's Certificate of Convenience and Necessity to operate in Alabama was revoked on May 13, 2010. A new water system, Lake Mitchell Water Company, is under construction and should be completed in early 2011.

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

During FY-10, the section received 75 inquires and questions concerning water service with most of the calls concerning non-jurisdictional companies.

Commission Action on Water Utilities in FY-10:

<u>Action</u>	<u>Order Date</u>
East Lowndes Water Association Rate Increase	December 1, 2009
Hiwannee Water Association Rate Increase	June 1, 2010
Plantation Water System Certificate Revoked	May 13, 2010

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, when needed. The Special Projects section provided direct assistance to utility customers through telephone and personal communications.

The staff provided engineering and technical support on special projects to other sections and Commis-

sion divisions, as well as led in the performance of multi-discipline requests and issues.

Prior to last year, this section was involved in an ongoing project to assist the Alabama Department of Public Health (ADPH) with the evaluation of the financial viability of Wastewater Management Entities (MEs) pursuant to a 2001 Alabama law. On May 22, 2009, a new Alabama law took effect that gave the Alabama Public Service Commission jurisdiction over these same MEs as well as any new MEs and ended the interagency contractual arrangement with ADPH. Pursuant to the Commission's new wastewater jurisdiction, this section processed four applicants to modify Certificates of Financial Viability during FY-10.

As a result of the new law, this section took the lead in formulating the Wastewater Management Entity Rules (WW Rules) of the Alabama Public Service Commission which became effective on an interim basis on August 31, 2009 in Docket 31164. The Order in this docket also sought public comments on the Interim Rules, which have been received and are now under evaluation by the Special Projects Section in order to determine what changes, if any, should be made for the issuance of the final WW Rules.

This section also gave assistance to other engineering personnel. This section made a diligent effort to stay abreast of the latest technological developments in the electric, gas, water, and wastewater utility 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 an ongoing basis.



Telecommunications Division

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

The passage of the Communications Reform Act of 2005 curtailed the Commission's authority over prices for telecommunication services. In 2009 the Alabama Legislature amended the Communications Reform Act to deregulate most retail telecommunication services by January 2011. AT&T, Centurylink, and Windstream have opted to be regulated under the 2009 amendment. The Commission retains pricing authority over nine ILECs which are regulated under the Commission's Alabama Telecommunications Regulatory Plan and eighteen ILECs for business and residential single line service and optional features. The Commission will retain authority over all telephone companies for Emergency Reporting Services, access service and intercompany wholesale pricing. The Commission also retains authority over payphone service and inmate telecommunication services.

The 2009 amendment to the Communication Reform Act also provided the Commission with additional obligations regarding Lifeline Services. The Commission is working with the Alabama Medicaid Agency, the Alabama Department of Community and Economic Development, the Alabama Department of Human Resources, and the Office of Attorney General to develop rules and procedures for automatic Lifeline enrollment of qualifying applicants. These agencies are required to work toward the goal of automatically enrolling those who qualify for various assistance programs upon consent of the individual.

The Telecommunication Staff is also developing information for the Commission's web site which will inform visitors regarding the procedures to sign up for Lifeline with their local telecommunications provider. In addition, the Commission is working with the Department of Revenue to provide Lifeline information contained in Alabama individual Income Tax Publications.

Staff has worked closely with the North American Numbering Plan Administrator (NANPA) and telecommunications representatives in the state in response to the exhaust of available telephone numbers for the 256 area code. This has resulted in area code

938 being added using an overlay format to be utilized simultaneously along with the 256 area code to serve the continued demand for telephone numbers in this area. June 5, 2010 began the "mandatory ten-digit dialing period" where the area code plus the seven-digit phone number must be dialed for local calls to be completed. Local calls dialed using only seven digits from this date forward will result in a recorded message instructing the caller to hang up and dial the call again using all ten digits. The first assignments of the 938 area code to new customers began July 10, 2010. Since July, new phone service customers are being assigned telephone number from either the existing 256 area code or from the new 938 area code depending on availability.

Staff maintains procedures regarding Third Party Providers under Commission Docket 30934 and amended Telephone Rules in Docket 15957. A Third Party Provider must be certified with the Commission prior to having the Third Party Providers' charges on the phone bills of Alabama telephone companies.

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

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

Economic Compliance Section

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

The Section is composed of analysts that review federal and state policies/rules, tariff rates, applications for authority to operate in the state of Alabama, and intercompany wholesale agreements. Analysts are extensively involved in resolving consumer inquiries and complaints. Analysts also participate in hearings and workshops regarding various telecommunications issues before the Commission.

Telecommunications Division

During FY-10:

1. Staff continues to monitor filing of telephone companies regarding the Communications Reform Act of 2005 and subsequent amendment to the Act in 2009. The Division has worked extensively with the Legal Division in the interpretation of the Act in order to comply with requirements of the Act.
2. The section implemented rules, procedures and Memorandums of Understanding with other State agencies regarding the expansion of Lifeline/Linkup services and automatic enrollment.
3. Staff continues to monitor rules regarding Truth in Billing issues. The rules require companies to provide full disclosure of actual and estimated charges which a customer can expect to pay on an average monthly bill when quoting prices for services.
4. The section reviewed 38 interconnection, resale, and collocation agreements between CLECs, wireless providers, and ILECs.
5. The Staff processed 19 applications for toll resale and competitive local exchange service in Alabama.
6. Staff participated in the mediations/arbitrations of five (5) interconnection contracts between various telephone companies.
7. Staff continues to review Transition Service Fund in accordance with Dockets 24499, 24472, 24030, and 24865.
8. The section maintains websites in compliance with the Code of Alabama Section 11-98-5.1 regarding emergency telephone service charges (E911).
9. Staff ensures compliance with the Code of Alabama Sections 37-2A-4 and 30-6-1 regarding Family Violence procedures and the associated Alabama Public Service Commission Docket 29878 which aid in the protection of individuals in Family Shelters.
10. Staff participated extensively in Docket 25980, which provides for implementation of Universal Service requirements of Section 254 of the Telecommunications Act of 1996 and Federal Communications Commission rules and regulations regarding Universal Service. The review included analysis of BellSouth, CenturyTel, and Rural ILECs' plans for utilization of rural and non-rural Federal Universal Service high cost fund allocations.
11. Staff maintains a database for Third Party Providers. The database contains approximately 512 companies. Staff processed 107 Third Party Providers during the year.
12. Staff routinely assists the Commissioners, con-

- sumers, and telecommunications companies in matters relating to rates, tariffs, and filings with the FCC.
13. Staff assisted in resolving 499 inquiries and complaints from telecommunications industry personnel, consumers, and other governmental agencies.

Service Compliance Section

The Service Compliance Section monitors the quality of service of incumbent and competitive local exchange telephone companies certificated in Alabama and is responsible for numbering resources optimization. Staff conducts inspections to compare existing levels of service with required APSC rules, industry standards and electrical and safety codes. Staff also monitors construction projects involving plant upgrades and additions plus reviews construction projects funded by the Universal Service Fund.

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

During FY-10:

Service Compliance inspections were performed on the following utilities:

1. Brindlee Mountain Telephone Company
2. Peoples Telephone Company
3. Windstream Alabama, LLC (Eclectic Exchange)
4. New Hope Telephone Company
5. Union Springs Telephone Company



Telecommunications Division

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

1. AT&T Alabama (Montgomery, Evergreen, Brewton Exchanges)
2. Knology Total Communications
3. Windstream Alabama, LLC (Leeds Exchange)
4. Gulf Telephone Company d/b/a CenturyLink
5. Frontier Communications of Lamar County, LLC
6. Frontier Communications of the South, LLC
7. Ardmore Telephone Company
8. Millry Telephone Company
9. Peoples Telephone Company (TDS)
10. New Hope Telephone Company
11. Union Springs Telephone Company

In-depth reviews were performed on AT&T Alabama 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

1. AT&T-Gulf
2. AT&T-North Alabama
3. CenturyLink-Southern
4. CenturyLink-Northern

The Service Compliance Section staff along with representatives from the North American Numbering Plan Administrator (NANPA) and the telecommunications industry completed the implementation of the

new 938 area code overlay of the existing 256 area code in July 2010. Consumer and technical milestones for the 256/938 overlay are currently being implemented successfully. This became the first time an overlay method of area code relief has been used in Alabama.

Numbering assignments from current inventories have decreased due to factors such as the economic downturn, more aggressive numbering conservation methods and reclamation of unused numbering resources. The latest Numbering Resource Utilization Forecast (NRUF) indicates positive results for Alabama due to increased monitoring and effective management of these finite resources. Service Compliance Section staff will continue to monitor numbering assignments and promote numbering conservation efforts in order to forestall premature exhaust of numbering resources.

The following is a summary of the Service Compliance Section Inmate Phone Service (IPS) activities for FY-10:

1. Consumer Complaint Investigations – 15
2. Four (4) special services provider was certified and five (5) certificates were to include IPS authority.
3. Conducted two (2) Inmate Phone Services Investigations.



Transportation Division

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

Insurance and Registration Section

The Insurance and Registration Section performs three separate but interrelated functions. First, it registers for-hire transportation companies that are not exempted by law. It also registers 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 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 intrastate motor carrier vehicle identification decals, numbers, and Unified Carrier 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.

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

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

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

A tabulation of the section's activities follows:

Insurance Filings

Self-insurance, bonds for liability and cargo, certificates for liability and cargo, bonds for brokers	7,818
Letters of correspondence	629

Registration of Authority

Intrastate registered	174
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Motor Carrier Vehicle Identification

Applications processed	559
Numbers and decals issued	1,433
Letters of correspondence	887

Revocations and Reinstatement of Authority

Revoked for no insurance	400
Reinstated after compliance	229

Railway Safety

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

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

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

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

The following is a breakdown of the activities of the Railway Safety Section during the period covering October 2009 through September 2010:

Transportation Division

Total Miles of Railway Track Inspected.	784
Total Railway Accidents	5
Total Units of Rolling Stock Inspected (Railway cars)	7,890
Total Locomotives Inspected	98
Total Railroad Records Inspected	436
Total Complaints Investigated	6

Rates and Services Section

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

The section maintains a file of all tariffs setting forth rates, fares, charges, classification, rules and regulations for intrastate transportation companies. Staff members check each re-issue and supplement filed to ensure compliance with Commission rules and regulations. They also analyze tariff changes to determine the effect.

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

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

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

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

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



Legal Division

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

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

Although much of the advice provided by the Legal Division is verbal, the Legal Division also prepares opinions and memoranda on legal questions involving the Commission's jurisdiction when necessary. The Legal Division additionally prepares written reports and recommended orders, and drafts many of the final orders of the Commission. The Legal Division also spends a considerable amount of time involving rule-making 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 con-

ducted hearings involving approximately 51 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 attorneys of the Legal Division also represent the Commission and assist outside attorneys in cases involving the Commission before the courts of Alabama, federal courts, federal agencies and state agencies.

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



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 regulations 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, sweeping federal and state statutory changes 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 for whom regulatory jurisdiction has been federally preempted. The Commission continues regulating carriers of passengers and household goods, ensures all motor carriers maintain appropriate cargo insurance, and ensures that all comply with applicable safety standards.

With passage of the Telecommunications Act of 1996, Congress opened up the local exchange telephone market to competition. Large incumbent local exchange companies (ILECs) such as BellSouth and CenturyTel, which previously operated as the only local carrier within their Commission certified service areas, must now make their services available for resale and lease components of their embedded network to new entrants. New entrants into the local telephone market may also petition the Commission to open independent telephone company local service areas to competition. The introduction of local competition forced the Commission to set utility prices for retail telecommunication services using market based rather than cost based methodology. In 2005, the Alabama Legislature passed the Communications Reform Act. The 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.

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 – 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

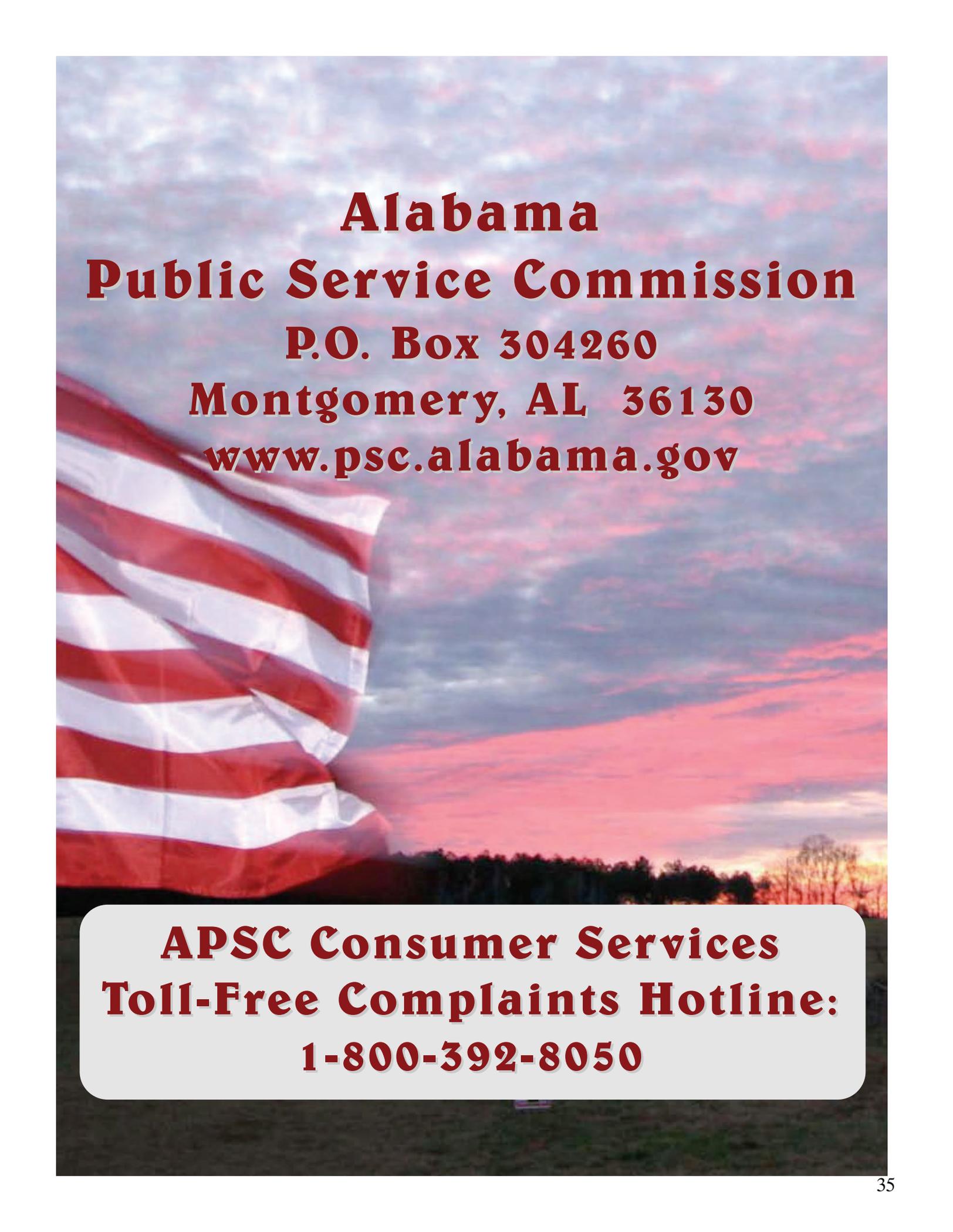
Commissioner, Place 2

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 – November 2006
****Susan D. Parker, Ph.D.:**
November 2006 – Present

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

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

The background of the slide features a large American flag on the left side, waving against a sky with soft, pinkish-orange clouds, suggesting a sunrise or sunset. The text is centered and presented in a bold, dark red font. The text includes the name of the commission, its mailing address, and its website.

Alabama
Public Service Commission
P.O. Box 304260
Montgomery, AL 36130
www.psc.alabama.gov

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