

Alabama Public Service Commission



2007

Annual Report for Fiscal Year 2007

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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, 2006, to September 30, 2007, are presented in this annual report.

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

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

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

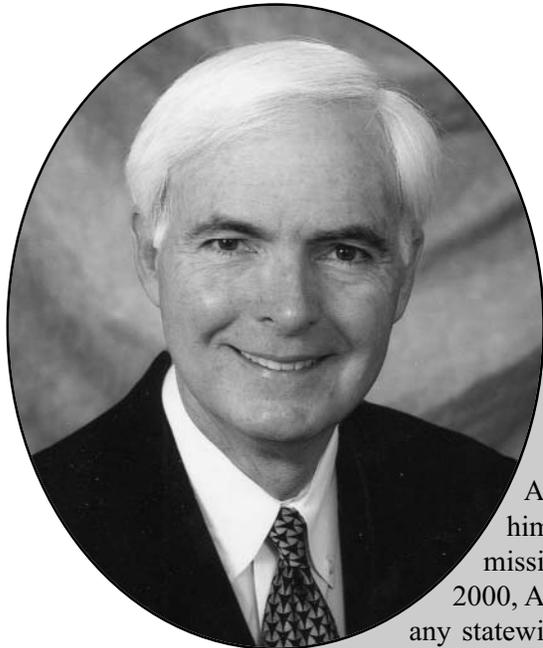
Commission. Commissioners are elected to four-year terms, with the president's term staggered by two years from the two associate commissioners.

The Commission supervises and regulates utilities and some aspects of public transportation to ensure adequate service and facilities are made available at rates that are reasonable. The law prohibits variation from established rates. The quasi-judicial status of the Commission requires conducting public hearings on applications, petitions and complaints, together with the rendering of 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-07 appears in this report, which is published by the Public Affairs Section of the Advisory Division.

Commissioners



JIM SULLIVAN has been President of the Alabama Public Service Commission since 1983, making him the country's longest serving active public utility commissioner. When he was re-elected to the PSC in November 2000, Alabama voters gave him the largest margin of victory of any statewide candidate. In November 2004, he made history in Alabama when he was re-elected while facing no opposition. In November 1998, he was elected president of the National Association of Regulatory Utility Commissioners (NARUC), the principal voice of the states on national energy and telecommunications policy. He was recently named as Chairman of NARUC's Committee on Critical Infrastructure.

Commissioner Sullivan's Staff:

*David P. Rountree,
Executive Assistant*

*Donna H. Dodd,
Technical Assistant*

*Carolyn Denham,
Administrative Support
Assistant III*

*Virginia Hill,
Administrative Support
Assistant I*

*Kelly Tuck
Laborer*

Commissioner Sullivan holds a Bachelor's Degree in Business Administration from the University of Mississippi, which he attended on a football scholarship. After graduating from Ole Miss in 1968, he went to the University of Alabama, earning a Master's Degree in Banking and Finance in 1969 and his Juris Doctor in 1973. He remains a member in good standing of the Alabama State Bar.

In addition to his national leadership role through NARUC, Commissioner Sullivan recently held a seat on the University of Chicago Board of Governors of the Argonne National Laboratory, and he also served on the advisory council of the Electric Power Research Institute (EPRI) in Palo Alto, California.

Other professional affiliations have included membership on the advisory boards of the Keystone Energy Board, the Institute of Nuclear Power Operations (INPO), the Nuclear Electric Insurance Limited (NEIL), and the National Regulatory Research Institute (NRRI).

Since 2004, Commissioner Sullivan has served as a dedicated member of the Board of Directors of Glenwood Mental Health Services, Inc., a renowned health care facility serving children, adolescents, and adults who are affected by autism or severe mental, emotional and behavioral disorders.

Commissioner Sullivan and his late wife, Susan, were married for over 30 years. He has two daughters and three grandchildren.

Commissioners



JAN COOK is a native of Dozier, Alabama where she served on the City Council. She is a graduate of Auburn University with a degree in Political Science. She has also done graduate work at both AUM and Troy State University. In 1982 she sought her first statewide office and won the office of State Auditor with more votes than any other candidate seeking office. She was re-elected as State Auditor in 1986. In 1990 she was elected to the Alabama Public Service Commission. She was re-elected to the Alabama Public Service Commission in 1994, 1998, 2002 and 2006.

Commissioner Cook has always been a consumer-minded Commissioner and has sponsored several initiatives, including anti-slamming and cramming legislation and statewide Y2K information forums. She has also been involved in issues ranging from helping Alabama agriculture compete in a global market to her concerns for railroad safety. In addition, Commissioner Cook developed several programs to help Alabama farmers through the 2000 and 2007 droughts.

Commissioner Cook's Staff:

*Kelly Mulero,
Executive Secretary*

*Karen Rogers,
Administrative Support Assistant III*

Commissioners



SUSAN D. PARKER, Ph.D. is the newest member of the Alabama Public Service Commission having been elected to Place 2 in 2006. During her first year, Parker has quickly become a leader in regional and national professional utility organizations. She is serving the Southeastern Association of Regulatory Utility Commissioners (SEARUC) as First Vice-President. Parker also serves on the National Association of Regulatory Utility Commissioners (NARUC) Energy Resources Environmental (ERE) Committee and the Sub-Committee for Education.

Commissioner Parker champions energy efficiency and renewable energy. She has established the Consumer Education Initiative to educate Alabamians on measures to conserve energy and lower their utility bills.

Parker's political career also includes being elected as State Auditor of Alabama in 1998, and she was the first woman in Alabama ever nominated for the U. S. Senate in 2002.

Prior to becoming involved in politics, Parker had a 25-year career in public education. In 1972, at the age of 16, she started working at Calhoun Community College as a file clerk and rose through the ranks to become an Associate Dean. Parker worked her last eight years in higher education at Athens State University where she served as Development Officer and Assistant to the President.

The accomplishment of which Parker is most proud is that she completed four college degrees by attending college at night and working full-time during the day. It took her 13 years but Parker persevered and completed her associates, bachelors, masters and Ph.D. — all with honors.

Throughout her career, community service has been important to Parker. She has served as president of numerous non-profit organizations including; Boys and Girls Clubs, Heart Association, Cancer Society, Leukemia Society, Big Brothers/Big Sisters, and United Way. She has also chaired leadership programs for both Athens and Decatur Chambers of Commerce. Parker has provided training programs throughout the country for non-profits on board development, management, communication and fund-raising.

In 1988, Susan Parker became the first woman in Alabama to receive the coveted TOYA Award (Ten Outstanding Young Americans) by the U. S. Jaycees. She also has been recognized by the Boys and Girls Clubs of Alabama as Outstanding Volunteer in the State of Alabama.

Parker and her husband of 27 years, Paul Parker, enjoy golf and travel. They are members of the Cumberland Presbyterian Church.

Highlights:

Born in Eva, Alabama in Morgan County
Completed 4 college degrees attending night classes and working full-time
Ph. D. in Administration of Higher Education, University of Alabama 1985
Masters degree, UAB
B.S., Athens State College
Associates degrees, Calhoun Community College
Successful career in Higher Education, 1972-1996
State Auditor 1998-2002
First Woman in Alabama nominated for the U. S. Senate
Elected to Alabama Public Service Commission, Place 2 in November 2006
Married, 27 years to Paul Parker

*Commissioner
Parker's Staff:*

*John Nixon, Jr.,
Chief of Staff*

*Brad Williams,
Executive Assistant*

*Angier Johnson,
Director of Media
Relations*

*Denise D. Harris,
Executive Secretary*

*Kelly Reynolds,
Student Assistant*

Commission Staff

Administrative Division

Walter L. Thomas,
Commission Secretary

Sandy Haynes,
Clerk Stenographer III

Felisa Webster,
Administrative Support Assistant III

Finance Section

Miles Gagner,
Senior Accountant

Kimberly Holt,
Senior Accountant

Ernestine Huffman,
Accountant

Anthony Jackson,
Account Clerk

Secretary's Staff

Valerie Hogan,
Administrative Support
Assistant III

Shayla Harris,
Administrative Support Assistant II

Traci Sink,
Administrative Support Assistant II

Advisory Division

Judy McLean,
Director, CPA

Ellen Irvine,
Administrative Support Assistant III

Analysts

Tom Samford,
PSC Attorney

Gene Pitts,
PSC CPA

Rolland Casey,
PSC Accountant

David House,
Public Utility Analyst III

Clarence Duncan,
PSC Rate Analyst

Consumer Services Section

Aquilla Spivey,
Consumer Services Manager

Sue Hicks,
Consumer Services Specialist

Wanda Lowery-Geiger,
Consumer Services Specialist

Stephanie Sweet,
Consumer Services Specialist

Liz Thompson,
Clerk Stenographer IV

Michelle Wright,
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

Mary Newmeyer,
Public Utility Analyst Manager

Gene Hanes,
Public Utility Analyst Manager

Personnel

Dorinda Kepler,
Personnel Assistant III

Rozetta Parker,
Administrative Support Assistant III

Public Affairs

Clark Bruner,
Public Information Specialist

Energy Division

Janice M. Hamilton,
Director

Electricity Section

John Free, CPA
Public Utility Analyst Manager

Robert Taylor, III,
Public Utility Analyst III

Sheila Ward,
Public Utility Analyst II

Gregory Kelly,
Public Utility Technical Specialist, Senior

Linda Gardner,
Public Utility Analyst II

Patricia Smith,
Public Utility Analyst II

Jacqueline Frazier,
Administrative Support Assistant II

Natural Gas Section

Robert Reed,
Public Utility Analyst Manager

Donald Powell,

Public Utility Analyst III

William Knight,
Public Utility Analyst II

Joe Leverette,
Public Utility Analyst III

Tonya Williams,
Accountant

Brenda Roberts,
Administrative Support Assistant III

Gas Pipeline Safety Section

Chris Harvey,
Gas Pipeline Safety Administrator

Jannette Mitchell,
Clerk Stenographer III

Harold Dunson,
Pipeline Safety Investigations Supervisor

John Paul Harris,
Pipeline Safety Investigations Supervisor

Thomas Lancaster,
Pipeline Safety Investigations Supervisor

Spencer Brady,
Pipeline Safety Training Officer

Gregory Meadows,
Pipeline Safety Investigator, Senior

Judy Ramsey,
Pipeline Safety Investigator, Senior

David Snoddy,
Pipeline Safety Investigator, Senior

Hosie Powell,
Pipeline Safety Investigator, Senior

Technical Section

Rick Cleckler,
Public Utility Technical Specialist, Senior

Water Section

Stephen Bartelt,
Utility Analyst Manager

Maverick D. Roberts,
Administrative Support Assistant II

Commission Staff

Legal Division

John A. Garner,
Chief Administrative Law Judge

Suellen L. Young,
Attorney III

Aisha Smith,
Administrative Support Assistant III

Scott Morris,
Administrative Law Judge

Eileen M. Lawrence,
Departmental Operations Specialist

Telecommunications Division

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

Evandrew Tucker,
Public Utility Analyst II
(Retired 09/01/07)
Laneeta Roberts,
Public Utility Analyst III
Bill Cook,
Public Utility Analyst II
Janet Conway,
Public Utility Analyst II

Special Services Compliance Team

Bobby Mobley,
Public Utility Field Technician, Senior
Doug Dillard,
Public Utility Field Technician
Perry Johnson,
Public Utility Field Technician
Gilbert Carlisle,
Public Utility Field Technician

Economic Analysis and Compliance Section

Larry Smith,
Public Utility Analyst Manager
E.C. McArthur,
Public Utility Analyst III
Eugene Holsenbeck,
Public Utility Analyst II
Linda Jones,
Clerk Stenographer III
Tom Jones,
Public Utility Analyst III
David Peeler,
Public Utility Analyst III

Service Analysis and Compliance Section

Glenn Darter,
Public Utility Field Technician, Senior
Jack Cates,
Public Utility Field Technician
Terry Jackson,
Public Utility Field Technician, Senior
Steve Bennett,
Public Utility Field Technician

Transportation Division

Britt Roberts,
Director

Robin McBrayer,
Staff Accountant

Larry Coleman,
Railway Safety Inspector

Rita Grantham,
Clerk Stenographer III

Tara Lawson-Frazier,
Administrative Support
Assistant II

Enforcement Section

Rates and Services Section

Larry Wingard,
Transportation Regulatory Manager

Jennifer Morgan,
Account Clerk

Donald Williamson,
Transportation Rate Specialist

Amy Bowden,
Account Clerk

Insurance and Registration Section

Ronald E. Hicks,
Transportation Regulatory Manager

Railway Safety Section

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

Earl Reeves,
Transportation Enforcement Supervisor
John M. Brock,
Transportation Enforcement Officer II
Leo Sauls, Jr.,
Transportation Enforcement Officer II
Terry Shirley,
Transportation Enforcement Officer II
Gary Shirley,
Transportation Enforcement Officer II
Samuel B. Peacock,
Transportation Enforcement Officer II
Michael L. Lawson,
Transportation Enforcement Officer I

Administrative Division

Statement of Operations For the Fiscal Year Ending September 30, 2006 and 2007

	<u>PSC Operating Fund</u>	<u>Gas Pipeline Safety Fund</u>	<u>Total Sept. 30, 2007</u>	<u>Total Sept. 30, 2006</u>
Comptroller's Beg. Cash Balance:	\$ 3,950,913	\$ 1,238,042	\$ 5,188,955	\$ 3,762,828
Inspection & Supervision Fees- Utility/Water Companies	9,262,465	-	9,262,465	8,473,659
Telecommunications/Railroads	3,215,676	-	3,215,676	3,236,090
Motor Carrier Ins. & Reg. Fees	104,313	-	104,313	2,550,749
Gas Service Line Fees	-	518,051	518,051	510,990
Federal Dept. of Transportation	-	300,228	300,228	501,505
Alabama Dept. of Transportation	50,000	-	50,000	50,000
Miscellaneous Receipts	213,947	4,315	218,261	251,347
Total Receipts:	<u>12,846,401</u>	<u>822,593</u>	<u>13,668,994</u>	<u>15,574,341</u>
Total Cash Available:	<u>16,797,314</u>	<u>2,060,635</u>	<u>18,857,949</u>	<u>19,337,169</u>
Disbursement of Encumbrances:				
Personnel Costs	-	-	-	-
Employee Benefits	668	1,002	1,670	-
Travel- In State	6,885	5,310	12,195	9,644
Travel- Out of State	3,268	30	3,298	3,700
Repairs & Maintenance	374	-	374	3,482
Rentals & Leases	8,755	297	9,052	12,758
Utilities & Communications	12,434	871	13,305	14,699
Professional Services	76,447	455	76,902	128,434
Supplies & Operating Expenses	48,653	2,291	50,944	55,608
Transportation Equipment Operations	16,557	4,468	21,025	7,624
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	-	-	-	38,842
Other Equipment Purchases	11,459	-	11,459	3,303
Transfer to State General Fund 100	955,750	-	955,750	-
Total Encumbrances:	<u>1,141,250</u>	<u>14,724</u>	<u>1,155,974</u>	<u>278,093</u>
Disbursement of Operating Costs:				
Personnel Costs	5,759,767	644,736	6,404,503	5,916,202
Employee Benefits	1,776,438	195,730	1,972,168	1,741,621
Travel- In state	76,724	41,774	118,498	134,984
Travel- Out of State	54,481	13,283	67,764	62,507
Repairs & Maintenance	6,707	-	6,707	7,338
Rentals & Leases	883,643	34,448	918,091	906,923
Utilities & Communications	144,300	15,417	159,717	157,473
Professional Services	109,927	15,966	125,893	407,060
Supplies & Operating Expenses	191,771	50,604	242,375	239,368
Transportation Equipment Operations	64,265	27,916	92,181	84,790
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	86,794	37,594	124,388	98,335
Other Equipment Purchases	42,713	7,276	49,989	68,898
Total Operating Costs:	<u>9,197,530</u>	<u>1,084,744</u>	<u>10,282,274</u>	<u>9,825,497</u>
Transfer to General Fund	2,867,250	-	2,867,250	2,867,250
Transfer to General Fund: Prior year cash	1,969,205	-	1,969,205	1,177,373
Total Disbursements & Transfers:	<u>15,175,235</u>	<u>1,089,468</u>	<u>16,274,703</u>	<u>14,148,214</u>
Comptroller's Cash Balance, Ending:	1,622,079	961,167	2,583,246	5,188,955
Purchase Orders	94,930	11,558	106,488	210,683
Unencumbered Cash Balance, Ending (1)	<u>\$ 1,527,149</u>	<u>\$ 949,609</u>	<u>\$ 2,476,758</u>	<u>\$ 4,978,272</u>

(1) PSC is authorized by statute to carry over \$600,000 each fiscal year plus \$80,328 court settlement in fiscal years 2006 and 2007 and the unencumbered cash balance for Fund 325.

The \$1,527,149 ending cash balance in Fund 0326 includes FY-2007 year-end accounts payable encumbrances in the amount of \$1,102,495. \$955,750 of that encumbered money was for the 4th quarter transfer to the State General Fund.

Administrative Division

The Administrative Division consists of three sections-- the Secretary's Office Section, the Finance Section, and the Motor Carrier Section. A description of each section's responsibilities and a detailed report of its activities during FY-06 are as follows:

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-07 is as follows:

Commission orders issued	1,533
Public hearings held	69
Report and Recommended Orders issued	8

FINANCE SECTION

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

The section also prepares budgetary performance

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

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

MOTOR CARRIER SECTION

The Motor Carrier Records Section is responsible for preserving the records of transportation companies. This includes maintaining a complex database and record-keeping 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.

This section assigns docket numbers for all informal motor carrier cases that come before the Public Service Commission and prepares revocation and reinstatement orders on motor carriers who failed to maintain proper proof of insurance coverage as required by law. The Motor Carrier Records Section provides copies of documents and answers inquiries as requested by the general public and other governmental agencies.

ACO Tracking Database

The Public Service Commission implemented a new automated system to improve the processing of tariffs, applications and other filings made with the Commission. In this new system, most filings are submitted electronically via the PSC website. The Secretary's Office receives several types of filings electronically. These include applications for a Certificate of Public Convenience and Necessity, tariffs, interventions, arbitration requests, certified document requests, complaints, Inspection and Supervision Fees, and various other agreements and contracts from regulated companies. Once the documents are in electronic format, the filings are routed to the appropriate sections electronically for review and processing.

The new system has allowed the Commission Secretary to maintain the Commission hearing docket book and hearing calendar electronically, assigning cases for hearing in collaboration with the Administrative Law Judges and Commissioners. The Secretary prepares the weekly hearing calendar for the Commissioners, staff, and press representatives through the tracking system. The Secretary also receives and records transcripts of testimony in the tracking database.

The new tracking database allows for faster access to all filings received by the Public Service Commission.

Advisory Division

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

Analysts

Electricity Advisor

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

The Electricity Advisor evaluates Alabama Power Company's Integrated Resource Planning Model and the Company's significant financial arrangements such as the issuance of promissory notes, commercial paper, and additional shares of common stock for financing requirements due to continuing operations, upcoming securities maturities, and refunding opportunities of long-term debt during periods of favorable interest rates.

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

The Electric Advisor reviews on a periodic basis Alabama Power Company's accounting methodology governing the Company's treatment of regulatory assets and liabilities.

The Electric 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. Throughout the year Alabama Power Company's RSE (Rate Stabilization and Equalization) performance and special projects are studied.

Natural Gas Advisor

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

The Natural Gas Advisor forms recommendations

by researching the industry and utilizing this knowledge to study natural gas issues. Because they are independent from the Commission's other divisions, the resulting financial analyses, operational reviews and recommendations can be used by the Commission to make the most informed 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 to the Commission.

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

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 FY07 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; participation on the Commission team implementing the database tracking system, the new computerized information gathering and tracking system to be used at the PSC; work on numerous arbitrations/mediations that were the responsibility of the PSC to direct, review of natural gas rates and pricing, and numerous information requests and customer complaints of interest to the Director or Commissioners.

Advisory Division

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 Division personnel, as well as other Commission officials and employees. In order to properly perform his assigned duties, the Legal Advisor monitors pending legislation and court opinions, as well as industry publications. Duties include, but are not limited to, contract drafting and negotiation, legislative drafting, 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.

Information Systems Services

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

The Commission is presently totally electronically networked to all divisions internally and to the State of Alabama's consolidated data center. Additionally, the Information Systems Services section has a Web site at www.psc.state.al.us. This Web site provides consumer information about utility-related issues, hearing dates, plus access to Commission orders and other public documents filed in PSC proceedings. Parties can now file electronically through the Commission's Web site.

The Commission has a LAN with nine servers attached. The servers are running Windows Server 2003 and Windows Server 2000, and clients run Windows 2000, and XP operating systems. Microsoft Access and SQL Server 2000 are used for database development, and ASP.net is used for intranet development.

Federal Affairs

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

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

Just as important, Federal Affairs reviews federal

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

Keeping an eye on state legislation is another function of Federal Affairs. The section assists in drafting legislation and tracks its progress. In this capacity, Federal Affairs is a member of the Permanent Joint Legislative Committee on Energy, created by the 2007 Legislature to develop a state policy on energy. Federal Affairs has participated as a member of the standing subcommittees of the full Committee as they attempt to craft legislation to accomplish this goal.

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

Federal Affairs has worked with several significant regulatory issues. The Commission adopted the final report issued by the Electricity Restructuring Task Force, a team that was spearheaded by Federal Affairs, as its current position on the issue. The topic is extensively monitored on a national basis by the section. The state requirements of the Energy Policy Act of 2005, Sections 1251, 1252 and 1254 have required Federal Affairs, in conjunction with the Energy and Legal Divisions, to investigate and make determinations regarding net metering, fuel diversity, fossil-generation efficiency, time-based metering and distributed generation interconnection. These investigations are on-going.

The requirements of the Telecommunications Act of 1996 have been a major focal point for Federal Affairs staff. Numerous FCC orders and court decisions have been reviewed and implemented. In addition, Federal Affairs filed comments in FCC proceedings that had a direct impact on Alabama.

The Federal Affairs staff member, while serving on the Federal/State Universal Service Joint Board, participated in the analysis of issues and drafted proposed recommended decisions for the Federal and State Commissioners on Joint Board. Recommended decisions were released on the Lifeline and Linkup program for low income subscribers; Universal Service Portability; and modification to the high-cost support mechanisms for non-rural carriers in response to the Tenth Circuit Court's decision. The Federal Affairs staff member initiated a review of the utilization of the Federal Lifeline/Link-Up needs-based telephone service discount programs in Alabama.

Advisory Division

As a result, meetings and workshops were held with representatives of Medicaid, the Department of Human Resources and the Alabama telecommunication companies to determine how to make people aware of the program and increase participation. The meetings resulted in the formation of a committee of industry representatives and Commission staff to pursue implementing an aggressive plan to better inform the consumers who are on a limited income and participate in the qualifying federal assistance programs about the availability of the discounts on telephone service and installation.

The committee developed a colorful poster with the information about the program and how to apply for participation that the telephone companies will display in their offices and at social service agencies, and other areas. They also created brochures explaining the program and how to apply for the subsidy that will be available at their offices and at the social agencies if permitted by the agency.

The Federal Affairs staff member is reviewing and following the progress of a telecommunications industry sponsored "Missoula" intercarrier compensation reform plan filed in July with the Federal Communications Commissions. The plan represents the culmination of a 3-year process led by NARUC. There will be an extensive review of the analysis of the plan and its effects on the industry and consumers.

In FY07, Federal Affairs filed numerous comments before FERC and Congress on the topic of regional electric transmission organizations. This subject is still being closely followed by Federal Affairs, as FERC implements changes under Order 890 ("Preventing Undue Discrimination and Preference in Transmission Services") that are a direct extension of those policies.

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

Furthermore, Federal Affairs represents the Commission on the NARUC Staff Subcommittee on Telecommunications, and Staff Subcommittee on Nuclear Issues-Waste Disposal.

Personnel

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

Personnel oversees the processing and orientation of new employees. As the source for state and departmental rules, regulations and benefits that apply to employees, Personnel provides information through handbooks and

manuals. Requests to fill vacancies in the Commission are processed by Personnel with the coordination of division directors.

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

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

Personnel develops and updates job descriptions on employees. This ensures appropriate classifications are selected for a particular job and may also be used as an indicator for change in classification and pay.

Public Affairs

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

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

Consumer Services Section

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

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

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

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

Energy Division

The Energy Division oversees the operations of all investor-owned electric, natural gas and water utilities serving 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 2007.

Electricity Section

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

The section also evaluates certain aspects of the Southern Electric Generating Company (SEGCo) and the Alabama Municipal Electric Authority (AMEA).

ALABAMA POWER COMPANY

Rate Stabilization and Equalization (RSE)

Rate RSE was designed to lessen the impact, frequency and size of retail rate increase requests by permitting the Company, through the operation of a filed and approved rate, 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, separated to retail electric

service ("RRCE"), 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 increased or decreased by amounts per kilowatt-hour necessary, in total, to restore the RRCE to 13.75% (the "adjusting point" in the equity return range).

The Electricity Section examines the Company’s books and records on a monthly basis to determine the RRCE for the current twelve-month period. It also actualizes the December forecast using the most recent accounting data. The section staff prepares a summary report of this information and presents it at each monthly Commission meeting.

The Retail Return on Common Equity for the twelve-month period ending with the December 2006 point-of-test was 13.84%, which was within the allowed range. Therefore, no rate adjustment was necessary. As of September 30, 2007, the projected Retail Return on Common Equity for the twelve-month period ending December 2007 was 14.48%.

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 account. The Electricity Section prepares a report for the monthly Commission meetings reflecting the status of energy costs recovered, the accumulated over/under collections, and the ECR projection for December 31 of the current year. This projection assumes 100 percent normal hydro generation.

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 cost. The billing factor is increased during the months of June through September and decreased for the billing months of October through May.

In late December 2005, the ECR billing factor was increased to 24.00 mills per kWh effective January 1, 2006.

This interim energy cost recovery factor was intended to remain in effect until December 31, 2007, at which time the company’s fuel cost was expected to be fully recovered.

Energy Division

However, as of June 2007, the accumulated balance under Rate ECR had not declined, but instead had grown to approximately \$360 million. In view of this, the staff concluded that the interim factor of 24.00 mills was not sufficient and needed to be modified. To this end, the Commission approved an interim ECR factor of 31.00 mills effective for July 2007 billings, and thereafter for a period of thirty months. At the end of this period, the interim factor will be re-evaluated.

One year ago the accumulated under-recovered balance for Rate ECR was \$334,210,350. As of September 30, 2007, the under-recovery balance had declined to \$307,057,718.

Certificated New Plant (CNP)

Rate CNP - Part A was originally approved in 1982 in conjunction with Rate RSE under Dockets 18117 & 18416. The original rate provided for the certification of generating facilities and the recovery of the related capital cost for such facilities. During FY-2007, Alabama Power Company did not file any applications for a Certificate of Public Convenience and Necessity related to generating facilities.

Rate CNP was modified in April 2000 to include a second provision, Rate CNP - Part B, that would allow for the certification of Purchase Power Agreements (PPAs) and the recovery of the total cost (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 2 seven-year PPA contracts. The first PPA contract, approved in 2003, for 939 MW will expire in 2010 and the second PPA contract, approved 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. Beginning in December 2004 and each December thereafter, the Company will 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 Rate FCR (Flexible Contract Rate). 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 cus-

tomers 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.

During FY-07, the Commission staff evaluated and approved one electric service contract that was filed pursuant to Rate FCR. In addition, the staff performed a post-contract review of six 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 expense, 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.

However, the Natural Disaster Reserve (NDR) was substantially depleted in October 1995 due to Hurricane Opal. Under the monthly accruals established in the original order, it would have taken more than eight years to restore the reserve to the authorized level of \$32 million.

Therefore, in December 1995, the Commission authorized APCo to make additional accruals, without further order by the Commission, above the normal monthly amount of \$250,000 whenever the balance in the Natural Disaster Reserve declines below \$22.4 million. Accruals above normal monthly amounts could continue until the reserve was restored to \$32 million and must be reported to the Commission in writing.

On September 16, 2004, Hurricane Ivan made land-fall on Alabama's Gulf Coast and continued on through the state, resulting in significant damage to the Company's transmission and distribution equipment and facilities. The total O&M related expenses were \$57,565,583. This amount was in excess of the reserve balance and therefore prompted the Company to request the Commission to allow the reserve to carry a negative balance. The Commission approved this request on October 19, 2004, effectively deferring cost recovery through the normal accrual method, additional accruals, and/or by other accounting treatments. In July and August 2005, the Company's service territory was impacted by Hurricanes Dennis and Katrina, once again causing significant damage to the transmission and distribution system. Together, the O&M expenses related to these two major storms, as well as other small storms, were estimated to be approximately \$80 million. As a result, on September 30, 2005, the NDR had a negative balance of \$69,278,301.

Because of the significant negative balance, the Commission approved Rate Rider NDR in December 2005

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and increased the 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 adds a small monthly charge to each account served by the 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, 2007, the Natural Disaster Reserve had a positive balance of \$23,064,347.

Other Activities:

New and Revised Tariffs

In May 2007, the Commission approved the 27th revision to Rate PAE (Purchase of Alternate Energy). The charges and payments under this rate reflect updated cost and avoided cost data for the Company and are based on 2006 data. This revised rate became effective with the June 1, 2007 billings.

In July of this year, the Commission approved a new rate for agricultural production. Farming Irrigation Time of Use (FIRTU) is an optional rate for agricultural customers with separately metered electric irrigation operations that are associated with agricultural production. The rate was designed so that such customers could better manage their operations and electric load in response to time-of-use price signals that are included in the rate. Rate FIRTU allows customers to achieve savings if irrigation is done during specified non-peak hours. This new rate was developed to help farmers in response to severe drought conditions that have plagued Alabama for the past two years.

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 Commission (NARUC), and other electric industry organizations.

During FY-07, the staff monitored several Federal matters that had final rules issued by FERC. They were: 1) Open Access Transmission Tariff Reform; 2) Mandatory Reliability Standards for the Bulk-Power System; 3) Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities; 4) Electric Transmission Siting Rule; and 5) Prohibition of Energy Market Manipulation.

In September 2006, the Commission opened three dockets for consideration of Sections 1251 (Docket 30066), 1252 (Docket 30067), and 1254 (Docket 30068) of the Energy Policy Act of 2005 (EPACT 2005). In Docket 30067, the Commission determined that the standards to be considered under Section 1252 have been met with prior state action; therefore no further action was needed. In Docket 30068, the Commission determined that the standards to be considered under Section 1254

should be considered in conjunction with Docket 30066. In Docket 30066, the Commission determined that the standards to be considered in Sections 1251 and 1254 had not been met. Therefore, the standards under both sections were set for further review, with a schedule of proceedings to be established.

Financing

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

On August 2, 2005, the Commission issued an Order in Informal Docket U-4687 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 subsidiaries, and borrow upon issuance of promissory notes and commercial paper not to exceed \$2,300,000,000 (long-term borrowing) prior to December 31, 2007. Additionally, the Company was granted authority to borrow from lenders on its promissory notes and to issue and sell its commercial paper notes from time to time not to exceed \$1,400,000,000 (short-term borrowing) prior to December 31, 2007. Upon this order, the Company surrendered its remaining authority under Informal Docket U-4551. As of September 30, 2007, the remaining long-term borrowing authority was \$153,500,000 and the remaining short-term borrowing authority was \$1,400,000,000.

The Company, in Informal Docket U-4688, was also granted authority to issue and sell up to 10,000,000 shares of its \$40.00 par value common stock to its parent, the Southern Company, at a purchase price not less than the par value. As of September 30, 2007, the remaining authority for common stock issuance was 3.5 million shares.

In Informal Docket U-4689 dated August 2, 2005, the Commission granted SEGCo authority to borrow from lenders on its promissory notes and to issue and sell its commercial paper notes from time to time on or prior to December 31, 2007. The maximum aggregate principal amount of notes at any one time outstanding will not exceed \$60,000,000. Upon issuance of this order, SEGCO surrendered its remaining authority under Informal Docket U-4550.

Auditing

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

For this activity, the staff's monthly fuel audit is partic-

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ularly important because the Company's energy costs are approximately 60 percent of total operation and maintenance (O&M) expense. On this monthly audit, the accounting records for fuel purchases and burns are reviewed at the corporate office and at the respective generating facilities. Site audits for each generating facility are performed on a rotating basis.

Other auditing responsibilities include 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 performs random billing audits to test the Company's compliance with approved tariffs.

An annual compliance audit was performed on Rate CNP-PPA for the Purchase Power Agreement and Rate CNP-ECP for the Environmental Compliance Plan. The Commission required the Company to submit, as part of the modified 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. The staff performs two separate audits – one audit of the filing itself and a second audit 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 was in accordance with Rate CNP, 3) compared and researched significant budget variances, 4) determined if reported expenses were qualifying environmental expenses, and 5) requested and reviewed additional information, as needed for a complete and thorough analysis of the filing.

Engineering

The Electricity Section's engineering staff is responsible for providing professional technical assistance and assessment of the Company's electric system operating standards. Safety, reliability and quality control standards are reviewed for uniformity and engineering soundness. Operating tests and reports are also assessed for informational content and technical integrity. The staff engineer also attends training and educational seminars that promote the highest technical and ethical standards for engineers, scientists and technicians. Peer review activities are also conducted by reading scientific publications and evaluating state-of-the-art technical research and development projects.

Specifically, the staff engineer conducts monthly site visits, investigates service quality and reliability issues, responds to technical inquiries, reviews power generation performance, and monitors maintenance, repairs and operating (MRO) functions of the power systems (power plants and distribution and transmission grids). The engineering staff works on special projects (nuclear decommissioning studies, FERC Energy Policy Act, etc.) and assists with compliance and governance issues. Also, this staff investigated the use of new technologies (hardware and software) in various applications; such as environmental matters including scrubbers, baghouses, selective catalytic reduction (SCRs), selective non-catalytic reduction (SNCRs), electrostatic precipitators (ESPs) and low nitrous oxide (NO_x) burners), and utility automation (AMR, AMI, SCADA, etc). The engineering staff also researched alternative energy sources such as fuel cells, solar cells, synthetic fuels, biomass, bio-diesel and wind farms.

Monthly site visits to utility plant facilities and construction projects were performed to review operation and maintenance practices, infrastructure improvements, and project expenditures. Also during these visits, the Company's electric safety and construction standards are discussed. Federal Regulatory Agencies (OSHA, DOE, FERC, NERC, and NRC) and professional trade groups (IEEE, NEC, NESC, ANSI, EPRI, EEI, etc.) provide the fundamental safety and construction standards for the electric industry. At the same time, APCo's proprietary systems and intellectual properties such as CAD/CAM (digital drawing and mapping systems), MIMS (metering information management systems), DOES (distribution outage evaluation systems), and OASIS (open access same-time information system) were reviewed for informational content.

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

Power System MRO activities consist of the restoration of any system (transmission, distribution, communication, etc.) and associated equipment (mechanical, hydraulic, electric, electronics, etc.). MRO activities include 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.

During FY-07, the staff visited 36 different sites and facilities with an emphasis on power quality issues and environmental technologies.

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

Pursuant to the provisions of Section 11-50A-25, Code of Alabama, 1975, as amended, the Commission reviews and approves certain activities of the Alabama Municipal Electric Authority (AMEA). For the period October 1, 2006 through September 30, 2007, AMEA did not file any petitions with the Commission.

Natural Gas Section

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

Rate Stabilization and Equalization (RSE) ALABAMA GAS CORPORATION

Each month this section examines the books and records of Alabama Gas Corporation (Alagasco), determines the return on average common equity for the preceding twelve-month period, and reports the financial and operational results of the previous

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month, including the return on average common equity, to the Commission. It also graphically summarizes Alagasco's recent operating history.

Under the RSE plan, the only time Alagasco can receive an increase is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.15 percent, rates are increased December 1 to bring the return at the end of the fiscal year to 13.4 percent. If the projected return is more than 13.65 percent, rates are decreased to bring the return to 13.4 percent. If the projected return is between 13.15 and 13.65 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas Section evaluated four RSE filings by Alagasco during FY-07.

Effective Date	Increase (Decrease)
December 1, 2006	\$14,255,945
April 1, 2007	0
July 1, 2007	0
October 1, 2007	0

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

MOBILE GAS SERVICE CORPORATION

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

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

The Natural Gas Section evaluated four RSE filings by Mobile Gas during FY-07.

Effective Date	Increase (Decrease)
December 1, 2006	\$4,211,278
April 1, 2007	0
July 1, 2007	0
October 1, 2007	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 section monitors this program to ensure that it is 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-07, 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 are documented and evaluated in written reports, and, when appropriate, meetings with officials of the respective utilities are held to discuss the results.

ALABAMA GAS CORPORATION

A section representative attended a Consumer Roundtable in Tuscaloosa, Alabama.

The section reviewed Alagasco's proposal concerning appropriate accounting treatment of post-retirement plans and presented it to the Commission.

The section met with Alagasco regarding potential changes to the current temperature adjustment mechanism.

A section representative attended a meeting with Alagasco and Southern Natural Gas Company regarding EIA data.

MOBILE GAS SERVICE CORPORATION

The section:

- Reviewed Mobile Gas' filing to replace its Temperature Adjustment Rider with a Weather Impact Normalization (WIN) Factor designed to reduce volatility and presented it to the Commission;
- Attended a customer service event hosted by Mobile Gas and the Mobile Community Action Agency;
- Reviewed Mobile Gas' proposed modification to its Competitive Fuel Clause and presented it to the Commission;
- Met with Mobile Gas' new President and CEO;
- Met with Mobile Gas to discuss intercompany sweeps and borrowings; and
- Reviewed the Cast Iron Main Replacement Factor for Mobile Gas Service Corporation.

Energy Division

WHEELER BASIN NATURAL GAS

The section:

- Was in continuing dialog with Wheeler Basin Natural Gas on various topics including its financial condition, residential blocking, local weather data and collection, customer accounting, customer growth, and community relations;
- Reviewed Wheeler Basin's application for a line of credit and presented it to the Commission; and
- Worked with Wheeler Basin to avoid a potential disruption of its gas supply due to testing conducted by Enbridge Pipelines (AlaTenn) LLC.

Intrastate Pipeline and Storage Companies

During FY-07, the Natural Gas Section was responsible for evaluating and making recommendations to the Commission on matters pertaining to the following intrastate pipeline and storage companies:

- Bay Gas Storage Company, Ltd.
- Crosstex Alabama Gathering System LP,
- Enbridge Pipelines (Alabama Gathering) LLC
- Enbridge Pipelines (Alabama Intrastate) LLC
- Enbridge Pipelines (Bamagas Intrastate) LLC
- Enbridge Pipelines (Tennessee River) LLC
- Enterprise Alabama Intrastate LLC
- Pine Energies, Inc.
- Southern Gas Transmission Company

BAY GAS STORAGE COMPANY LTD.

The section cooperated fully in the Commission examination of all Bay Gas contracts over the past fifteen years.

The section examined Bay Gas' application for authority to issue and sell \$55 million in debt pursuant to the Gulf Opportunity Zone Bonds issued by the Industrial Development Authority of Washington County, Alabama, and presented it to the Commission.

The section analyzed Bay Gas' application for approval of an amendment to an existing debt indenture and presented it to the Commission.

Support of Commission Offices

The section:

- Prepared letter responses and documents concerning natural gas issues;
- Assisted in data gathering in support of the Commission's court case regarding Birmingham Water Works; and
- Served on a Commission Task Force regarding wastewater regulation and assisted in the review of applications for a Certificate of Financial Viability to operate a decentralized wastewater cluster system.

Inter-Agency Activities

A section member:

- Met with the Chief of EIA's Natural Gas Division and its Chief Statistician to discuss how EIA collects, manipulates, reports, and interprets data;
- Met with FERC Chairman Joseph T. Kelliher and Commissioner Suede G. Kelly;
- Served as Vice Chairman of the Alabama Liquefied Petroleum Gas Board;
- Participated in an informal meeting with the Alabama Propane Gas Association;
- Toured Dominion's Cove Point LNG plant in Cove Point, Maryland, as part of the NARUC/DOE LNG Partnership;
- Served on the Alabama Department of Economic and Community Affairs' Weatherization Assistance Policy Advisory Council;
- Participated in the National Association of Regulatory Utility Commissioners' Staff Subcommittee on Gas;
- Participated in the National Association of Regulatory Utility Commissioners' Accounting Subcommittee;
- Attended the FERC Office of Market Oversight's daily briefing and took an orientation tour of the Market Oversight's main monitoring room; and
- Served on the Alabama Department of Public Health Bioterrorism and Public Health Preparedness Advisory Council.

Training Activities

Section representatives:

- Attended the 19th Annual Professional Development Conference;
- Attended the Gas Pipeline Seminar held in Montgomery;
- Attended an Employment Law Class conducted by State Personnel; and
- Attended a Progressive Discipline Class conducted by State Personnel.

Miscellaneous

The section:

- Toured Leak City, a gas pipeline training facility;
- Worked closely with the LDCs to monitor gas supply activities to ensure the lowest possible cost gas would be available for the winter heating season;
- Investigated, analyzed, and reported on approximately 75-80 separate additional matters, including special contracts, tariff changes, gas supply adjustment filings, purchased gas adjustment filings, new rates, certificates, and related matters; and
- Investigated requests for gas service, and responded to a significant number of requests by the general public for rate information, financial data, tariff sheets, and other information.

Energy Division

Gas Pipeline Safety Section

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

The Commission currently regulates, for safety matters, 91 intrastate gas systems, 36 master meters, seven hazardous liquid systems, one liquefied petroleum system, one gathering line, four offshore, and three liquefied natural gas systems.

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

An important function of this section is accident prevention. The section conducts safety seminars around the state, as well as fire schools and plastic pipe qualification classes. A tabulation of the section's activities in FY-06 is listed below:

Inspections

Gas Pipeline Safety	834
• Enforcement Actions	34
• Non-compliances	64
• Non-compliances Corrected	34
• Construction Projects	198
• Safety Education Programs	268
• Pipeline Safety Incident Investigations	6

Water Section

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

- East Lowndes Water Association
- Governmental Utility Service Corporation-Sherbrooke
- Hiwannee Water Association
- Parker Creek Water Company
- 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, preparing reports as a result of inspections and visits, and conducting audits.

The section reviews and evaluates new water utilities seeking authority to operate under the jurisdiction of the Commission. The Birmingham Water Works has filed to come under the jurisdiction of the Commission. Central Water System filed for a certificate of convenience and necessity to operate in Alabama. A hearing was held in September to review their filing.

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

During FY-07, the Commission received one-hundred and twenty-three inquiries and questions concerning water utility service with most of the calls concerning non-jurisdictional companies.

Commission Action on Water Utilities FY-07:

Utility	
• Tishomingo County Water District	
Action	Order Date
Rate Increase	January 9, 2007
• Parker Creek Water Company	
Action	Order Date
Tariff Change	February 6, 2007
• Hiwannee Water Association	
Action	Order Date
Rate Increase	June 5, 2007

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

This section is involved in an on-going project to assist the Alabama Department of Public Health (ADPH) with the evaluation of the financial viability of on-site wastewater systems' management entities pursuant to a 2001 Alabama law. The staff is cooperating with the ADPH on this project under an inter-agency contractual arrangement. During FY-07, the section reviewed and submitted comments on 24 cluster system applications involving meetings and other communications with applicants.

The staff also assisted ADPH with general administrative matters related to the interagency contractual arrangement.

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

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

Telecommunications Division

The Telecommunications Division has limited jurisdiction for 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.

With the Legislature's passage of the Communications Reform Act of 2005, the Commission's jurisdiction over prices for telecommunications services other than Emergency Reporting Services, and intercompany wholesale pricing, was curtailed. Basic service rates under the new law will, beginning in 2008, be allowed to increase in accordance with the Consumer Price Index.

The Commission no longer has pricing authority over bundled offerings, new contract offerings, and other retail services. Additionally, the Commission's jurisdiction and oversight of DSL pricing, service quality, and deployment was completely eliminated.

Staff participates in certification hearings for new telecommunications service providers; reviews and analyzes tariffs and intercompany wholesale agreements for which we retain jurisdiction; reviews service quality performance; is involved in numbering resources management; and recommends 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, intercompany wholesale agreements, and are extensively involved in resolving consumer inquiries. Analysts also participate in hearings and workshops regarding various telecommunications issues before the Commission.

During FY-07:

1. The section was extensively involved in developing rules and procedures for implementing the Legislature's Communications Reform Act; the preponderance of which became effective in February 2007. Three separate implementation orders were issued containing rules and guidelines to be followed under the new legislative mandate.

2. The section finalized and initialized rule-making proceedings including an expansion of Lifeline/Linkup services and

domestic violence shelter information security. The staff initiated rulemaking proceedings and conducted an industry-wide workshop for third-party billing and customer price quotes.

3. The section reviewed 122 interconnection, resale, and collocation agreements between CLECs, wireless providers, and ILECs.

4. The staff received 22 applications for toll resale and competitive local exchange service in Alabama.

5. Staff participated in the four (4) mediations/arbitrations of interconnection issues between various telephone companies.

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

7. The section developed programs to comply with recent legislation pursuant to the Code of Alabama Section 11-98-5.1 regarding emergency telephone service charges (E911) and constantly maintains applicable Web sites.

8. This section conducted a detailed review of the Crenshaw County 911 operations as it pertained to the telephone companies remitting the correct amount to Crenshaw County and Staff also verified the telephone company facilities to ensure that the invoices to Crenshaw County (E911) were appropriate.

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).

10. The section continued to review BellSouth's Section Part 271 filings (Docket 25835) regarding InterLata authority and service performance measures for Unbundled Network Elements and resale of local service.

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

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

13. Staff continually evaluates issues associated with Voice Over the Internet Protocol e.g. E911, directory listings, etc.

Telecommunications Division

14. Staff participated in the FCC's Biennial Review and Report regarding compliance with Section 272 of the Communications Act for AT&T – BellSouth Telecommunications, Inc.

15. Staff continues the implementation of the STAR tracking system, an online mailing system that provides for electronic filings and assignments. Certain sections of this system are still in the development stage and continually updated by Staff. Currently through this system, filings are available for review and comments by interested parties and the general public.

16. Staff continues to develop potential amendments to the Alabama Public Service Commission's General Rules and Regulations and Telecommunications Rules.

17. Staff routinely assists the Commissioners, consumers, and telecommunications companies in matters relating to rates, tariffs, and filings with the FCC.

18. Staff assisted in resolving 244 issues 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 work involving plant upgrades and additions plus reviews construction work funded by the Universal Service Fund.

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

During FY-07:

The section was extensively involved in numbering resources optimization including industry-wide planning associated with area code 256 exhaust. Additionally, the division prepared a Commission petition to the FCC for number pooling authority in area code 256. The FCC subsequently granted that authority to the Commission. The section is now involved with numbering issues concerning the North American Numbering Plan Administration (NANPA) which includes but is not limited to safety valve petitions, reclamation of numbering codes for NANPA, as well as relief planning for the 256 NPA.

Service Quality inspections were performed on the following utilities:

1. (TDS) Oakman Telephone Company
2. Ragland Telephone Company
3. AT&T Alabama (Selma Exchange)
4. (Otelco) Blountsville Telephone Company
5. Otelco Telephone (Oneonta)
6. (Otelco) Brindlee Mountain Telephone Company
7. Roanoke Telephone Company, Inc.
8. Moundville Telephone Company, Inc.
9. National Telephone of Alabama, Inc.

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

1. (TDS) Oakman Telephone Company
2. Mon-Cre Telephone Cooperative, Inc.
3. Farmers Telecommunications Cooperative, Inc.
4. New Hope Telephone Cooperative, Inc.
5. Centurytel of Alabama, Inc. (Scottsboro Exchange)
6. AT&T Alabama (Selma Exchange)

In-depth reviews were performed on Roanoke Telephone Company, 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. BellSouth-Gulf
2. BellSouth-North Alabama
3. CenturyTel-Southern
4. CenturyTel-Northern

Utility boundary lines were verified for 24 local exchange carriers. Furthermore, the section assisted the Economic Compliance Section in reviews of VOIP issues, USF analysis and audits plus the analysis of BellSouth's Part 271 filings and routinely assisted the Consumer Services Section in the disposition of numerous telephone customer complaints.

The following is a summary of the Special Services Group activities:

1. Consumer Complaint Investigations -37
2. County Jails Visited -12
Independent Jails Visited--1
Inmate Instruments Inspected - 408
3. Twenty-six special services providers were certified during FY-07 and twenty-one were decertified.

Legal Division

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

The Legal Division provides legal advice to the Commissioners and staff members, as well as the public. It prepares written reports and recommended orders, and drafts many of the final orders of the Commission.

The Legal Division also prepares opinions and memoranda on legal questions involving the Commission's jurisdiction. The Legal Division also spends a considerable amount of time involving rulemaking and revision of rules, and works with other divisions in drafting and reviewing legislation for the Commission.

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

During the past fiscal year, the Legal Division conducted hearings involving approximately 72 matters and processed hundreds of applications not requiring a formal hearing. The length of hearings varies from 20 or 30 minutes to several days.

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

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

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	21,064
Letters of correspondence	380
Registration of Authority	
Intrastate registered	341
Motor Carrier Vehicle Identification	
Applications processed	426
Numbers and decals issued	1,456
Letters of correspondence	220

Transportation Division

Revocations and Reinstatement of Authority

Revoked for no insurance	926
Reinstated after compliance	432

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 2006 through September 2007:

Total Miles of Railway Track Inspected	852
Total Railway Accidents	5
Total Units of Rolling Stock Inspected (Railway cars)	7,982
Total Locomotives Inspected	169
Total Railroad Records Inspected	446
Total Complaints Investigated	15

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.

Motor Carrier Enforcement Section

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

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

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

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

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

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

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

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

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

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

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

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

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

Past Commissioners

President

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

Commissioner, Place 1

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

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

Commissioner, Place 2

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

Osceola Kyle:
February 1899 - December 1900
Wiley C. Tunstall:
December 1900 - January 1907
John G. Harris:
January 1907 - July 1908
John A. Lusk:
August 1908 - January 1911
Frank N. Julian:
January 1911 - January 1915
S.P. Gaillard:
January 1915 - January 1923
Frank P. Morgan*:
January 1923 - May 1936
W.C. Harrison:
June 1936 - January 1947
C.C. (Jack) Owen:
January 1947 - January 1951
T.O. Walker:
January 1951 - January 1955
Sibyl Pool:
January 1955 - January 1971
Juanita W. McDaniel:
January 1971 - January 1977
C.C. Whatley:
January 1977 - January 1979
Jim Folsom, Jr.:
January 1979 - November 1986
Charles B. Martin:
November 1986 - November 1998
George C. Wallace, Jr.:
November 1998 - November 2006
Susan D. Parker, Ph.D.:
November 2006 - Present

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

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

APSC Consumer Services
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