

# Alabama Public Service Commission



**2006**  
**Annual Report**



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# Introduction to the Alabama Public Service Commission



The activities and accomplishments of the Alabama Public Service Commission during the period October 1, 2005, to September 30, 2006, are presented in this annual report.

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

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

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

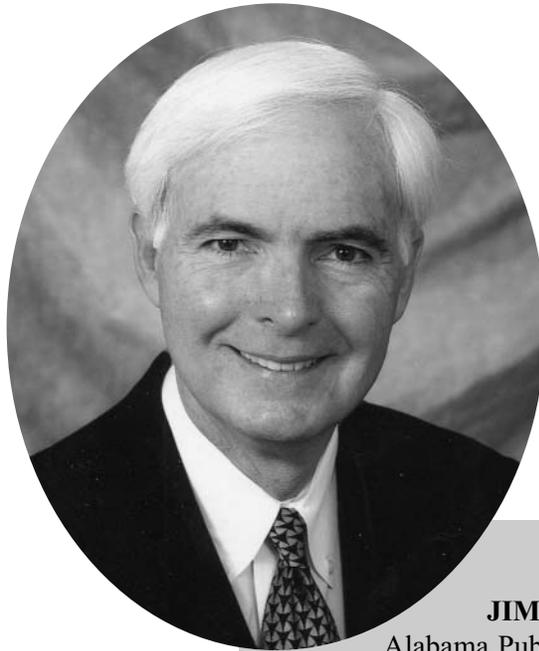
Commission. Commissioners are elected to four-year terms, with the president's term staggered by two years from the two associate commissioners.

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

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

The various divisions conduct the work of the Commission. A statement of the function, operational procedure and accomplishments of these divisions during FY-06 appears in this report, which is published by the Public Affairs section of the Advisory Division.

## Commissioners



*Commissioner Sullivan's Staff:*

*Donna H. Dodd,  
Executive Assistant III*

*Carolyn Denham,  
Administrative Support  
Assistant III*

*Virginia Hill,  
Administrative Support  
Assistant I*

*Kelly Tuck  
Laborer*

**JIM SULLIVAN** has been President of the Alabama Public Service Commission since 1983. When he was re-elected to the PSC in November 2000, Alabama voters gave him the largest margin of victory of any statewide candidate. In November 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.

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 law degree in 1973.

In addition to his national leadership role through NARUC, Commissioner Sullivan holds a seat on the University of Chicago Board of Governors of the Argonne National Laboratory, and he also serves on the advisory council of the Electric Power Research Institute (EPRI) in Palo Alto, California. He is a member of the Board of Directors of Glenwood Mental Health Services, Inc.

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

Commissioner Sullivan and his late wife, Susan, were married for over 30 years. He has two grown daughters and two 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 and 2002.

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

*Commissioner Cook's Staff:*

*Kelly Mulero,  
Executive Secretary*

*Candace Austin,  
Administrative Support Assistant I*

# Commissioners



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

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

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

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

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

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

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

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

In November 2000, Wallace married the former Elizabeth Maynor of Birmingham. Elizabeth has two daughters, 23-year-old Courtney, and 22-year-old Leslie.

Wallace spends his spare time hunting and fishing with his two sons, 22-year-old George C. Wallace, IV, and 21-year-old Robert Kelly Wallace. In addition, he is an avid jogger and an accomplished black belt in Taekwondo.

## *Commissioner Wallace's Staff:*

*Barbara Kelley,  
Technical Assistant*

*Ahna Berryhill,  
Executive Assistant*

*Karen Rogers  
Executive Secretary*

# Commission Staff

## Administrative Division

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Walter L. Thomas,  
Commission Secretary  
Sandy Haynes,  
Clerk Stenographer III  
Felisa Webster,  
Administrative Support Assistant III

### Finance Section

Miles Gagner,  
Senior Accountant  
Sandra Steele,  
Senior Accountant  
Ernestine Huffman,  
Accountant

### Secretary's Staff

Denise Harris,  
Administrative Support Assistant II  
Valerie Hogan,  
Administrative Support  
Assistant III  
Glenda Conger,  
Administrative Support Assistant II

## Advisory Division

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

### Analysts

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

### Consumer Services Section

Aquila Spivey,  
Consumer Services Manager  
Sue Hicks,  
Consumer Services Specialist  
Margaret Wilson,  
Consumer Services Specialist  
Stephanie Sweet,  
Consumer Services Specialist  
Liz Thompson,  
Clerk Stenographer IV  
Michelle Wright,  
Administrative Support Assistant II

### 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  
Lisa Cash,  
Administrative Support Assistant I

## Energy Division

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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

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

### Technical Section

Rick Cleckler,  
Public Utility Technical Specialist, Senior

### Water Section

Stephen Bartelt,  
Utility Rate Supervisor

# Commission Staff

## Legal Division

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John A. Garner,  
Chief Administrative Law Judge

Eileen M. Lawrence,  
Departmental Operations Specialist

Scott Morris,  
Administrative Law Judge

Aisha Smith,  
Administrative Support Assistant III

## Telecommunications Division

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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  
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

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Britt Roberts,  
Director  
Rita Grantham,  
Clerk Stenographer III

### Rates and Services Section

Larry Wingard,  
Transportation Regulatory Manager  
Donald Williamson,  
Transportation Rate Specialist

### Insurance and Registration Section

Ronald E. Hicks,  
Transportation Regulatory Manager  
Robin McBrayer,  
Staff Accountant

Tara Lawson-Frazier,  
Administrative Support  
Assistant II  
Jennifer Morgan,  
Account Clerk  
Amy Bowden,  
Account Clerk

### Railway Safety Section

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

### Enforcement Section

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

# Administrative Division

<b>Statement of Operations</b>				
<b>For the Fiscal Year Ending September 30, 2005 and 2006</b>				
	<b>PSC Operating Fund</b>	<b>Gas Pipeline Safety Fund</b>	<b>Total Sept. 30, 2006</b>	<b>Total Sept. 30, 2005</b>
<b>Comptroller's Beg. Cash Balance:</b>	\$ 2,531,456	\$ 1,231,373	\$ 3,762,829	\$ 4,255,034
Inspection & Supervision Fees -				
Utility/Water Companies	8,473,659	-	8,473,659	7,693,173
Telecommunications/Railroads	3,236,090	-	3,236,090	3,255,621
Motor Carrier Ins. & Reg. Fees	2,550,749	-	2,550,749	2,412,997
Gas Service Line Fees	-	510,990	510,990	506,189
Federal Dept. of Transportation	-	501,505	501,505	456,432
Alabama Dept. of Transportation	50,000	-	50,000	50,000
Miscellaneous Receipts	247,972	3,375	251,347	197,512
<b>Total Receipts</b>	<u>14,558,470</u>	<u>1,015,870</u>	<u>15,574,340</u>	<u>14,571,924</u>
<b>Total Cash Available:</b>	<u>17,089,926</u>	<u>2,247,243</u>	<u>19,337,169</u>	<u>18,826,958</u>
<b>Disbursement of Encumbrances:</b>				
Personnel Costs	-	-	-	2,582
Employee Benefits	-	-	-	1,206
Travel- In State	5,111	4,532	9,643	7,177
Travel- Out of State	2,730	971	3,701	-
Repairs & Maintenance	3,268	214	3,482	1,025
Rentals & Leases	12,480	279	12,759	7,375
Utilities & Communications	14,059	640	14,699	18,084
Professional Services	128,275	159	128,434	101,990
Supplies & Operating Expenses	44,216	11,392	55,608	14,546
Transportation Equipment Operations	6,271	1,352	7,623	8,841
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	38,842	-	-	-
Other Equipment Purchases	3,303	-	3,303	18,449
<b>Total Encumbrances:</b>	<u>258,555</u>	<u>19,539</u>	<u>239,252</u>	<u>181,275</u>
<b>Disbursement of Operating Costs:</b>				
Personnel Costs	5,325,351	590,850	5,916,201	5,660,568
Employee Benefits	1,569,064	172,558	1,741,622	1,633,139
Travel- In state	91,536	43,447	134,983	121,038
Travel- Out of State	55,482	7,025	62,507	44,609
Repairs & Maintenance	7,273	65	7,338	8,861
Rentals & Leases	872,893	34,029	906,922	867,161
Utilities & Communications	141,883	15,591	157,474	168,665
Professional Services	402,936	4,124	407,060	527,121
Supplies & Operating Expenses	185,437	53,931	239,368	263,040
Transportation Equipment Operations	61,829	22,961	84,790	74,885
Grants and Benefits	-	-	-	-
Transportation Equipment Purchases	60,212	38,122	98,334	68,816
Other Equipment Purchases	61,938	6,959	68,897	37,013
<b>Total Operating Costs</b>	<u>8,835,834</u>	<u>989,662</u>	<u>9,825,496</u>	<u>9,474,916</u>
Transfer to General Fund	3,823,000	-	3,823,000	3,823,000
Transfer to General Fund: Prior year cash	1,177,373	-	1,177,373	1,584,943
<b>Total Disbursements &amp; Transfers:</b>	<u>14,084,762</u>	<u>1,009,201</u>	<u>15,065,121</u>	<u>15,064,134</u>
<b>Comptroller's Cash Balance, Ending:</b>	2,995,164	1,238,042	4,233,206	3,762,828
Purchase Orders	206,298	4,385	210,683	493,308
<b>Unencumbered Cash Balance, Ending (1)</b>	<u>\$ 2,788,866</u>	<u>\$ 1,233,657</u>	<u>\$ 4,022,523</u>	<u>\$ 3,269,520</u>
<i>(1) PSC is authorized by statute to carry over \$600,000 each fiscal year plus \$80,328 court settlement in fiscal years 2005 and 2006 and the unencumbered cash balance for Fund 325.</i>				

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

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

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

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

The Secretary signs orders for the Commission to authorize transportation companies to place reduced rates into effect on less than statutory time, 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 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-06 is as follows:

Commission orders issued	1,285
Public hearings held	44
Report and Recommended Orders issued	7

## Finance Section

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

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

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

the procedural practices of the 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

The Electricity Advisor reviews on an ongoing basis Alabama Power Company's Application of its Energy Cost Recovery Rate, the pricing structure in the company's rates and rate riders, and the reasonableness of contracts involving the purchase and sale of energy-related resources. The Electricity Advisor reviews on a periodic basis Alabama Power Company's accounting methodology governing the company's treatment of regulatory assets and liabilities.

Specific requests by the company for rate increases related to the cost of Federal and State environmental requirements and sudden major cost associated with the restoration of service resulting from natural disasters are the types of projects in which the Electricity Advisor is involved.

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

### Natural Gas Advisor

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

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

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

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

### 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, 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 Voice over Internet Protocol (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 FY06 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, including the BellSouth/Joint Petitioners arbitration and the mediation between Seay Construction and ITC DeltaCom; review of natural gas rates and pricing; an analysis for a Commissioner on Voice over Internet applications and regulation; an analysis for the Advisory Director concerning returns on equity for jurisdictional natural gas companies; and numerous information requests and customer complaints of interest to the Director or Commissioner.

### Legal Advisor

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

### Information Systems Services

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

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](http://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), the Securities and Exchange Commission (SEC), the Environmental Protection Agency (EPA), and the Energy Information Administration (EIA). Just as important, Federal Affairs reviews federal court appeals and decisions on utility and telecommunications issues and, if appropriate, makes recommendations on action to be taken.

# Advisory Division

The section also looks at proposed federal legislation affecting Alabama utilities and telecommunications providers and prepares documentation to express the Commission's views.

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

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

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

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

The Federal Affairs staff member, 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. As a result, meetings and workshops were held with representatives of Medicaid, the Department of Human Resources and the Alabama Telecommunications 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 area. 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 FY06 Federal Affairs filed numerous comments before FERC and Congress on the topic of regional electric transmission organizations. In addition, Federal Affairs filed comments in FCC proceedings that had a direct impact on Alabama.

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

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

## Personnel

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

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

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

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

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

## Public Affairs

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

The Public Affairs coordinator serves as spokesperson for the Commission.

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

## Consumer Services Section

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

The staff consists of a supervisor, an administrative support assistant, and 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 systems 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 covered during fiscal year 2006.

## Electricity Section

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

Also, the section evaluates certain aspects of the Southern Electric Generating Company (SEGC) and the Alabama Municipal Electric Authority (AMEA).

## **ALABAMA POWER COMPANY**

### **Rate Stabilization and Equalization (RSE)**

It is the purpose of Rate RSE 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 it in 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.

By December 1, 2006, and by each December 1 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 this 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 12 month period. It also actualizes the December forecast using the most recent accounting data. The section staff prepares a report for each monthly Commission meeting that includes this information.

The Retail Return on Common Equity for the twelve-month period ending with the December 2005 point-of-test was 13.76%, which was within the allowed range. Therefore, no rate adjustment was necessary. As of September 30, 2006, the projected Retail Return on Common Equity for the twelve-month period ending December 2006 was 13.58%.

### **Energy Cost Recovery (ECR)**

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

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

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

# Energy Division

September and decreased for the billing months of October through May.

The ECR billing factor was increased to 24.00 mills per kWh in January 2006. This interim energy cost recovery factor will remain in effect until December 31, 2007. Thereafter, the ECR factor shall be 35.31 mills per kWh. As of September 30, 2006, the accumulated under-recovered balance for Rate ECR was \$334,210,350.

## **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. APCo did not file any applications for a Certificate of Public Convenience and Necessity related to generating facilities during this fiscal year.

Rate CNP was modified in April 2000 to include a second provision (Part B) that would allow for the certification of Purchase Power Agreements (PPAs) and the recovery of the total cost (excluding fuel) associated with each agreement. At this time, there are two such agreements being collected for under CNP – Part B. Part B is also referred to as Rate CNP-PPA.

Rate CNP was modified in October 2004 to include a third provision (Part C) that would provide a mechanism to recover compliance costs associated with “environmental mandates.” Beginning in December 2004 and each December thereafter, the Company will file its annual Environmental Compliance Plan subject to Rate CNP, Part C. The Electricity section conducts the financial analysis of petitions filed pursuant to Rate CNP.

## **Flexible Contract Rate (FCR)**

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

During FY-06, the Commission evaluated and approved one electric service contract that was filed pursuant to Rate FCR. The staff also performed post-contract reviews of seven electric service agreements.

## **Natural Disaster Reserve (NDR)**

By Order dated October 3, 1994, the Commission granted Alabama Power Company authority to establish a reserve of

\$32 million against which extraordinary operation and maintenance expense resulting from natural disasters would be charged in lieu of a commercial insurance policy. That reserve was established and has served to help mitigate the disruptive effects of significant natural disasters in the company’s service territory.

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

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

On September 16, 2004, Hurricane Ivan made land-fall on Alabama’s Gulf Coast and then continued through the State, resulting in significant damage to the Company’s transmission and distribution 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 authority from 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.

For the period October 1, 2004 through September 30, 2005, the Company’s service territory was impacted by Hurricanes Dennis and Katrina, 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, at September 30, 2005, the NDR had a negative balance of \$69, 278,301.

In December 2005 the Commission approved Rate Rider NDR (Natural Disaster Reserve) and increased the disaster reserve balance from \$32 million to \$75 million effective January 2006. Rate Rider NDR is intended to address the negative balance in Natural Disaster Reserve and to re-establish a balance that is sufficient to address potential costs associated with future natural disasters. Rate Rider NDR adds a monthly NDR charge to each account served by the retail rate schedules. As a result of Rate Rider NDR, the negative balance in the reserve has been reduced to \$15,433,728 at September 30, 2006.

# Energy Division

## Other Activities:

### New and Revised Tariffs

On April 4, 2006 the Commission approved the fifth revision to Rate TST. This revision expanded the type of systems that qualify for this rate to include customers installing electric boilers and large electric water heaters. In conjunction with this revision, the Special Rules Governing the Application for Rate TST were modified. These changes were effective with the May 2006 billings.

At the same Commission Meeting, a third revision to Rate PPP (Price Protection Products) for Real Time Pricing Consumers was approved. This is an optional rate offered as a tool for risk management to become effective with the June 2006 billings.

At APCo's request, the Commission granted the withdrawal of two rates at the April 2006 meeting: 1) Rate Pulp (Pulp & Paper Mill), which had no customers at that time and 2) Rate RTP Sentry for Real Time Pricing customers, which was withdrawn because no customer had taken service under this rate in the past five (5) years. The Commission's order was granted and made effective at that time.

In May 2006, the Commission approved the 26th revision to Rate PAE (Purchase of Alternate Energy). The charges and payments reflect updated cost and avoided cost data for the Company and are based on 2005 data. This revised rate became effective with the June 1, 2006 billings. This annual review is required by the Commission's Order, dated March 12, 1981, in Docket No. 18005.

In June of this year, the Commission approved Rate Rider CPP (Critical Peak Pricing). This Rate Rider CPP is an optional rate for residential customers who take service under Rate FDT (Family Dwelling – Time of Use) and choose to participate in a pilot demand side management program. This program is intended to evaluate the demand and energy reduction associated with customer response to a critical peak price. The rate rider modifies the application of Rate FDT by adding a critical peak energy charge to apply during critical peak periods, which are designated by the Company (at its discretion). The total number of hours that are designated as critical peak cannot exceed 120 hours per year. This Rate Rider expires by its own terms on October 1, 2007.

In August 2006, the Commission approved a one-year extension for Rate FDF (Family Dwelling - Flat Bill) which has been operating under a pilot program since September 2002.

This pilot program has afforded the Company an opportunity to collect customer data in order to evaluate this rate and its overall effectiveness. This extension of time

granted customers enrollment through August 31, 2007 with a new expiration date of August 31, 2008.

### Federal Issues

The Electricity section staff monitors various federal issues that may impact the electricity industry in some way. This involved participating in teleconference discussion, 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-06, the staff monitored several Federal matters that had final rules issued by FERC. They were: 1) Repeal of the Public Utility Holding Company Act (PUHCA) of 1935 and enactment of the PUHCA of 2005; 2) Transactions subject to FPA Section 203; 3) Revised Regulations governing Small Power Production and Cogeneration Facilities; and 4) Accounting and Financial Reporting for Public Utilities. Following the passage of the Energy Policy Act of 2005 (EPACT 2005), the Commission opened three dockets for consideration concerning Sections 1251, 1252, and 1254 of this bill.

Also, during the reporting period, the staff continued to track FERC issues such as: 1) Mandatory Reliability Standards for the Bulk-Power System and 2) Open Access Transmission Tariff Reform NOPR.

### Financing

The Electricity section staff reviews all financing petitions filed by Alabama Power Company (the 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 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

# Energy Division

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, 2006, the remaining long-term borrowing authority was \$1,350,000,000 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, 2006 the remaining authority for common stock issuance was 9 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 this order, SEGCO surrendered its remaining authority under Informal Docket U-4550. As of September 30, 2006, the remaining borrowing authority for SEGCo was \$48,938,000.

## 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 or other data submitted by APCo.

For this activity, the staff's monthly fuel audit is particularly important because the Company's energy costs are approximately 50 percent of total operation and maintenance (O&M) expense. On this monthly audit, the accounting records for fuel purchases and burns were reviewed at the corporate office and at the respective generating facilities. The site audits for each generating facility were performed on a rotating basis.

Other auditing responsibilities include the 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 that are identified during monthly monitoring and analytical processes. Also, the staff performs one billing audit per year to ensure the company's compliance with approved tariffs.

An annual compliance audit was performed on Rate CNP-PPA and CNP-EPC or the Environmental Compliance Plan. The Commission required, as part of the modified Rate CNP, the Company to submit the details to the Environmental Compliance Plan on an annual basis. This summary detailed the previous year environmental expenses

incurred and the projected expenses for the upcoming year. During the audit : 1.) The staff reviewed and verifies the accuracy of amounts reported in the filing, 2.) ensured that the filing was in accordance with Rate CNP, 3.) determined if all relevant information was provided, and 4. ) request and review any additional information, as needed for the analysis.

## Engineering

The Electricity section's engineering staff is generally responsible for providing technical assistance and analysis on rates and various electric utility matters. Specifically, the staff 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 in various applications such as: environmental matters (scrubbers, baghouses, selective catalytic reduction (SCRs), selective non-catalytic reduction (SNCRs), electrostatic precipitators (ESPs) and low nitrous oxide (NOx) burners), advanced metering infrastructure (AMI), and automatic meter reading (AMR).

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, the

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Commission's 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-06, the staff visited 41 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, 2005 through September 30, 2006, 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 12-month period and reports the financial and operational results of the previous month, including the return on average common equity, to the Commission. It also graphically summarizes Alagasco's recent operating history. Under the RSE plan, the only time Alagasco can receive an increase is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.15 percent, rates are increased December 1 to bring the return at the end of the fiscal year

to 13.4 percent. If the projected return is more than 13.65 percent, rates are decreased to bring the return to 13.4 percent. If the projected return is between 13.15 and 13.65 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas Section evaluated four RSE filings by Alagasco during FY-06.

Effective Date	Increase (Decrease)
December 1, 2005	\$15,848,558
April 1, 2006	0
July 1, 2006	0
October 1, 2006	0

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

#### MOBILE GAS SERVICE CORPORATION

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

Under the RSE plan, the only time Mobile Gas can receive an increase is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 13.35 percent, rates are increased December 1 to bring the return at the end of the fiscal year to 13.6 percent. If the projected return is more than 13.85 percent, rates are decreased to bring the return to 13.6 percent. If the projected return is between 13.35 and 13.85 percent, inclusive, no adjustment is made. Subsequent points of test, based on the projected return at September 30, the end of Mobile Gas' fiscal year, can yield only decreases or no change, effective April 1, July 1, and October 1. The Natural Gas section evaluated four RSE filings by Mobile Gas during FY-06.

Effective Date	Increase (Decrease)
December 1, 2005	(\$303,461)
April 1, 2006	0
July 1, 2006	0

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October 1, 2006

0

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

## Local Distribution Companies

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

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

During FY-06, 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 gas companies 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 to establish and implement an early reconnection program and presented it to the Commission.

The section reviewed Alagasco's request for authority to increase in its short-term debt limit and presented it to the Commission.

## 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;
- Met with the Mobile Gas to receive a briefing on the new customer information system developed for the Company;
- Reviewed Mobile Gas' request for authority to increase in its short-term debt limit and presented it to the Commission; and
- Reviewed the cast iron replacement factor for Mobile Gas Service Corporation.

The section also evaluated an application from Mobile Gas to waive certain requirements of its Cost Control Measure (CCM) tariff. The company proposed to waive the crediting of their half of the CCM benefit to the stockholders, and, instead, set the money aside for future contingencies for the benefit of the customers. The section reviewed the pertinent information and the Commission granted the request.

## Wheeler Basin Natural Gas

The section:

- Reviewed Wheeler Basin's application for a line of credit and presented it to the Commission; and
- Met with Wheeler Basin Natural Gas to discuss its progress in finalizing its Continuing Property Records.

## Intrastate Pipeline and Storage Companies

During FY-06, the Natural Gas section was responsible for evaluating and making recommendations to the Commission on matters pertaining to the following intrastate pipeline and storage companies:

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

## Enbridge Pipelines (Alabama Gathering) LLC

The Section investigated two separate requests by Enbridge Pipelines (Alabama Gathering) LLC for authority to abandon the portions of its certificate pertaining to its

# Energy Division

Moore's Bridge and Detroit systems. The section reviewed information pertinent to each filing and presented each to the Commission. The Commission granted the requests.

## **Enbridge Pipelines (Tennessee River) LLC**

The Section investigated a request by Enbridge Pipelines (Tennessee River) LLC for authority to abandon the portion of its certificate pertaining that portion of the former Tennessee River Intrastate Gas Company, Inc. pipeline that connected Texas Eastern Gas Transmission to the former AlaTenn Pipeline. The section reviewed information pertinent to the filing and presented it to the Commission. The Commission granted the request.

## **Enterprise Alabama Intrastate**

The Section investigated a request by Enterprise Alabama Intrastate (formerly GulfTerra Alabama Intrastate LLC) for a Certificate of Public Convenience and Necessity. The section reviewed the pertinent information and the Commission granted the request.

## **Support of Commission Offices**

The section:

- Prepared preliminary questions, reviewed responses submitted by the two large LDCs, prepared follow-up questions, and participated fully in the Commission's Natural Gas Forum;
- Joined Commissioner Wallace in a meeting with TORP Technology, concerning its plans for an LNG Terminal in the Gulf of Mexico;
- Conducted a review of over 1,000 customer bills of Alabama Gas Corporation and Mobile Gas Service Corporation, and found, without exception, that the bills were calculated correctly and in accordance with the approved tariffs;
- Spent considerable time working with Commissioner Sullivan in preparation for his appearance on "For the Record" on PBS;
- Prepared speeches, letter responses and documents concerning natural gas prices;
- Served on a Commission Task Force regarding Birmingham Water Works; and
- Served on a Commission Task Force regarding wastewater regulation and assisted in the review of an application for a Certificate of Financial Viability to operate a decentralized wastewater cluster system.

## **Interagency Activities**

A section member:

- Served as Vice Chairman of the Alabama Liquefied Petroleum Gas Board;

- 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;
- Served on the Alabama Department of Health Bioterrorism and Public Health Preparedness Advisory Council; and
- Attended a meeting of the Alabama Water Resources Commission.

## **Training Activities**

Section representatives:

- Participated in ACO training and the debugging of the ACO system;
- Attended a week-long Utility Rate School in Clearwater, Florida, hosted by Michigan State University; and
- Attended a mediation training program conducted by Mediation Media.

## **Miscellaneous**

The section:

- Investigated and resolved disputes concerning right of way issues between utilities and landowners;
- 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 85-90 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.

## **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.

# Energy Division

The Commission currently regulates, for safety matters, 99 intrastate gas systems, 43 master meters, seven hazardous liquid systems, two liquefied petroleum systems, two gathering lines, four offshore, four direct sales lines, and six liquefied natural gas systems.

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

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

Inspections	
Gas Pipeline Safety	794
Enforcement Actions	33
Non-compliances	68
Non-compliances Corrected	59
Construction Projects	212
Safety Education Programs	248
Pipeline Safety Incident Investigations	13

## 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 staff, preparing reports as a result of inspections and visits, and conducting audits.

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

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

of Atlanta, Georgia. The two river basins include the Alabama, Coosa, Tallapoosa and Chattahoochee Rivers. During FY-06, the Commission received 132 inquiries and questions concerning water utility service with most of the calls concerning non-jurisdictional companies.

Commission Action on Water Utilities FY-06:

Utility	Action	Order Date
Water Works, Inc.	Reinstate EnCR	Jan10, 2006
Water Works, Inc.	Extend Svc. Territory	Jan10, 2006
E. Lowndes Water	Rate Increase	April 04, 2006
Hiwannee Water	Rate Increase	June 13, 2006

## 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 interagency contractual arrangement. During FY-06, the section reviewed and submitted comments on 14 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 is the Commission's Staff for regulating 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 (toll) carriers (IXCs), long distance service resellers, payphone service providers (PSPs), and shared tenant telephone service (STS) providers.

The Division also ensures that hotel/motel telephone service complies with Commission rules. Staff participates in certification hearings for new telecommunications service providers; reviews and analyzes tariffs; reviews financial reports; monitors rate compliance; reviews service quality; and recommends telecommunication policy and rules to the Commission. The Commission does not have jurisdiction over cable television or cellular telephone service, but often assists in issues concerning customer complaints regarding these services.

The Division is comprised of two primary sections: the Rates and Policy Section and the Service Quality Section.

## Rates and Policy Section

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

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

### **During FY-06:**

1. In December 2004, the Alabama Public Service Commission approved a comprehensive Alabama Telecommunications Regulatory Plan (Docket 28590) which provides for relaxed regulation of telecommunications companies. This plan was developed to allow flexibility in pricing and reporting for local telecommunications companies in the face of growing competition while maintaining regulatory authority to assure consumer protections. The plan required that incumbent local exchange companies develop more comprehensive extended local calling plans in order to qualify for pricing flexibility. The Commission also decreased the required time between the filing and effective dates for many filings. In addition, the Commission loosened requirements for competitive local exchange companies and long distance companies by allowing those companies almost complete pricing flexibility along with accelerated effective dates for tariff filings. The staff reviews all tariff filings and relative financial information of incumbent local exchange companies, competitive local exchange companies, long distance companies, and operator service providers.

2. In May 2005, the Alabama Legislature passed a law which allowed telecommunication companies to opt out of regulation if those companies could verify that competitors were providing telecommunications services in their service territories. In addition, this law prohibited the Commission from regulating telecommunications which utilizes Voice Over Internet Protocol, wireless communications, and high speed Internet services (broadband services). The Commission has responded to the legislation by providing a regulatory environment which promotes consumer protection while also working with companies that opt to remain regulated by easing the regulatory burdens. The Telecommunication Staff believes that the regulatory scheme resulting from the December 2004 Order (Docket 28590) and the Commission's response to the 2005 law will promote better cooperation with companies while also providing the consumer with a forum to resolve problems associated with telecommunication services provided by regulated companies.

3. The section reviewed 174 interconnection, resale, and collocation agreements between CLEC, wireless providers, and ILECs.

4. The Staff advises the Commission of the effect of proposed tariff revisions such as rate changes and changes in terms and conditions. Changes to tariffs filed with the Commission are analyzed and utilities are audited to determine the basis of costs, billing determinants, and other accounting matters. When necessary, investigations are conducted and results/recommendations are submitted for the Commission's consideration. The staff received, reviewed, analyzed, and made recommendations on 392 tariff filings and 733 contract service arrangements in FY-06.

5. The section analyzed filings by applicants seeking authority to provide telecommunication services in Alabama. During FY-06, the staff received 13 applications for toll resale and competitive local exchange service in Alabama.

6. Staff participated in the arbitration of interconnection issues between various telephone companies.

7. Staff verifies completeness of financial data and annual reports that utilities are required to file with the Commission.

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

9. Staff reviewed Area Calling Service plans filed by incumbent local exchange companies which expanded flat rate local calling scopes for consumers.

10. Staff participated in Docket 25980 dated June 29, 2006 which revised Lifeline procedures expanding the criteria of those eligible for low income assistance and reduced telephone charges for qualifying consumers.

11. The section developed programs to comply with recent legislation in the Code of Alabama Section 11-98-5.1 regarding emergency telephone service charges.

# Telecommunications Division

12. Staff continues to monitor the recent modifications of the Code of Alabama Sections 37-2A-4 and 30-6-1 regarding Family Violence procedures.

13. 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.

14. 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.

15. 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.

16. Staff continually evaluates issues associated with Voice Over the Internet Protocol. Such as E911, directory listings, etc.

17. The FCC's triennial review order for BellSouth is an ongoing project which is also contingent upon FCC, Court, and the potential rewrite of the Telecommunications Act of 1996. Staff participated in audits with the FCC and other states and reviewed filings regarding change of law and nondiscriminatory pricing for UNEs in Docket 29543.

18. 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's filings are available for review and comment by interested parties and the general public.

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

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

21. Staff assisted in resolving 244 issues and complaints from telecommunications industry personnel, consumers, and other governmental agencies.

## Service Quality Section

The Service Quality Section monitors the quality of

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

### During FY-06:

Service Quality inspections were performed on the following utilities:

1. Hayneville Telephone Company, Inc.
2. Gulf Telephone Company
3. Frontier Communications of Alabama
4. Frontier Communications of the South
5. Farmers Telecommunications Cooperative, Inc.
6. (TDS) Oakman Telephone Company
7. Mon-Cre Telephone Cooperative, Inc.
8. Ragland Telephone Company
9. New Hope Telephone Cooperative, Inc.

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

1. Ardmore Telephone Company.
2. BellSouth—Eufaula exchange
3. Gulf Telephone Company
4. (TDS) Oakman Telephone Company
5. Mon-Cre Telephone Cooperative, Inc.
6. Farmers Telecommunications Cooperative, Inc.
7. New Hope Telephone Cooperative, Inc.
8. ALLTEL Alabama, Inc.

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

### Company/District

BellSouth-Gulf  
BellSouth-North Alabama  
CenturyTel-Southern  
CenturyTel-Northern

The Section assisted the Rates and Policy Section in reviews of VOIP issues, USF analysis and audit plus the analysis of BellSouth's Part 271 filings. The section also routinely assisted the Consumer Services Section in the disposition of numerous telephone customer complaints.

The section is now involved with numbering issues concerning the North American Numbering Plan Administration

(NANPA) which includes but is not limiting to safety valve petitions and reclamation of numbering codes for NANPA.

The Special Services Compliance Group of the Service Quality Section also 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 regulation. The section also verifies utility boundary lines for 24 local exchange carriers.

The following is a summary of the section's activities in FY-06:

1. Consumer Complaint Investigations 28
2. County Jails Visited 9  
Inmate Instruments Inspected 222
3. The Compliance Section certified the following as service providers during FY-06:

Company/Docket No.  
OCS Communications, Inc. Docket U-4779

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

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

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

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

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

**A tabulation of the section's activities follows:**

Insurance Filings	
Self-insurance, bonds for liability and cargo, certificates for liability and cargo, bonds for brokers	18,820
Letters of correspondence	475
Registration of Authority SSRS applications from other states	51,358
SSRS applications from Alabama	2,850
Interstate registered	383
Intrastate registered	206
Motor Carrier Vehicle Identification Applications processed	4,111
SSRS receipts issued	462,153
Stamps issued	644
Numbers and decals issued	926
Letters of correspondence	411

**Revocations and Reinstatement of Authority**

Revoked for no insurance	674
Reinstated after compliance	338

**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 2005 through September 2006:

Total Miles of Railway Track Inspected	1,666
Total Railway Accidents	5
Total Units of Rolling Stock Inspected (Railway cars)	8,738
Total Locomotives Inspected	124
Total Railroad Records Inspected	637
Total Complaints Investigated	11

**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.

# APSC History

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

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

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

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

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

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

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

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

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

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

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

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

# Past Commissioners

## President

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

## Commissioner, Place 1

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

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

## Commissioner, Place 2

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

Osceola Kyle:  
February 1899 - December 1900  
Wiley C. Tunstall:  
December 1900 - January 1907  
John G. Harris:  
January 1907 - July 1908  
John A. Lusk:  
August 1908 - January 1911  
Frank N. Julian:  
January 1911 - January 1915  
S.P. Gaillard:  
January 1915 - January 1923  
Frank P. Morgan\*:  
January 1923 - May 1936  
W.C. Harrison:  
June 1936 - January 1947  
C.C. (Jack) Owen:  
January 1947 - January 1951  
T.O. Walker:  
January 1951 - January 1955  
Sibyl Pool:  
January 1955 - January 1971  
Juanita W. McDaniel:  
January 1971 - January 1977  
C.C. Whatley:  
January 1977 - January 1979  
Jim Folsom, Jr.:  
January 1979 - November 1986  
Charles B. Martin:  
November 1986 - November 1998  
**George C. Wallace, Jr.:**  
**November 1998 - November 7, 2006†**

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

†Susan D. Parker, PhD, was elected to  
Commissioner, Place 2 in the general election  
of November 7, 2006.

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

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