



ALABAMA

Public Service Commission

2018

ANNUAL REPORT

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

TWINKLE ADDRESS CAVANAUGH, PRESIDENT

JOHN A. GARNER, EXECUTIVE DIRECTOR

JEREMY H. ODEN, ASSOCIATE COMMISSIONER

January 10, 2019

CHRIS "CHIP" BEEKER, JR., ASSOCIATE COMMISSIONER

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

Dear Governor Ivey:

Attached for your review is the Annual Report of the Alabama Public Service Commission (the "APSC" or the "Commission") for the fiscal year commencing October 1, 2017, and ending September 30, 2018. Said Annual Report details the operations of the APSC for the noted period as required by the provisions of the *Code of Alabama*, 1975, §37-1-41.

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "John A. Garner", is written over a blue horizontal line.

John A. Garner
Executive Director

JAG:klr
Attachment



Twinkle Andress Cavanaugh

President

Jeremy H. Oden

Commissioner, Place 1

Chris "Chip" Beeker, Jr.

Commissioner, Place 2

INTRODUCTION TO THE COMMISSION



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

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

The APSC operates as a quasi-judicial body whose jurisdiction, powers, and duties are statutory in nature. More specifically, the APSC derives its authority from the *Code of Alabama 1975*, as amended, Sections 22-25B-6, 24-1-28, 10-2B-15.13, 10-5-3, 10-5-4, 10-5-7, 11-50-268, 11-50-269, 11-50-270, 11-50A-25, 37-1-32, 37-2-3, 37-2-171, 37-3-7, 37-4-60, 37-4-82, 37-4-108, 37-8-8, and 37-9-9.

The APSC is governed by a president and two associate commissioners who are elected on a statewide basis. Each commissioner is elected to serve a four-year term with the president’s term staggered by two years from the terms of the associate commissioners. A complete listing and historical record of past commissioners is included at the end of this report. The list includes some of the men and women who have been chronicled among Alabama’s most famous public servants.

In order to carry out its vast responsibilities, the APSC generates its principal funding from inspection and supervision fees received from companies regulated by the agency. Those funds are, however, appropriated by the Alabama Legislature. The work of the Commission is performed by a staff of approximately 67 competent and dedicated professionals who serve in the various divisions and offices of the Commission.

Presented in this report is a summary of the regulated activities, accomplishments and financial results for the APSC for the period of October 1, 2017, through September 30, 2018 (FY-2018). Although not all inclusive, this report represents a good overview of the many services and functions provided by the Commission.

Twinkle Andress
CAVANAUGH

PRESIDENT



*T*winkle Andress Cavanaugh is called the “Working Commissioner” because she comes to work each day striving to keep Alabama’s utility rates some of the lowest in the nation. She has a three-pronged approach to regulating utilities. Twinkle insists on reasonable rates and reliable utilities for consumers, which facilitates recruiting jobs to our great state. During her time at the Commission, some of her notable accomplishments for the people of our state include:

- Sponsoring and passing an Ethics Policy setting the highest ethical standards for conducting business at the Alabama Public Service Commission;
- Began term as President by calling for open and transparent hearings for all three major utilities in the state. In an unprecedented move, she led the Commission through reviews of all three major utilities in a single year, resulting in lower utility rates for the citizens of Alabama while preserving the ability of these utilities to provide reliable service for their customers. All three utilities have undergone reviews in the past year which again resulted in lowering of the return the utilities can earn and reducing the burden on ratepayers;
- Created a process where all interested individuals and groups could easily participate in utility hearings and refused to allow outside environmental groups to insert their anti-coal agenda and take over the process;
- Guiding the Commission to reduce expenses by \$3.0 million per year through the streamlining of operations and reduction of wasteful spending and demonstrating her commitment to reducing the size of government by reducing the size of the Commission by over 37% and concentrating talent within the agency by creating a stand-alone Electricity Policy Division;
- Renewal of lease agreement with RSA resulting in a \$420,000 per year reduction in lease costs by eliminating unused office space and reducing her office space by 67%;

- Actively working with Alabama’s farmers to keep their utility costs down; and
- Offering encouragement to residents of the devastating events that have occurred in Alabama.

Twinkle brings to the APSC a diverse background in public service, conservative policy-making, and small business. Twinkle has been active in public service for many years. She served in Governor Bob Riley’s cabinet as Senior Advisor and also developed extensive experience in dealing with national issues while working for former Congressman Sonny Callahan. A deep-rooted commitment to conservative causes and policy is prevalent throughout Twinkle’s work experience. She worked at the Republican National Committee in Washington, D.C. She served as Executive Director of the Alabama Republican Party and later became the first female Chairman of the Alabama Republican Party.

Twinkle also served as the State Director of Citizens for a Sound Economy (CSE), a national organization promoting lower taxes for American families. At CSE, she worked to push President George W. Bush’s tax cuts through Congress. During her tenure at CSE, she also helped cities and towns across Alabama halt tax increases and fought for tougher tort reform laws. Having owned several small businesses, Twinkle understands the challenges facing small businesses and Alabama families. Twinkle is a graduate of Auburn University. She and her husband have three children and two grandchildren. They are active members of First Baptist Church in Montgomery and they are involved in numerous community organizations.



PRESIDENT TWINKLE ANDRESS CAVANAUGH’S STAFF

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

Jeremy H.
ODEN

COMMISSIONER, PLACE 1



A native of the Vinemont/Eva area in Cullman County, Jeremy H. Oden was appointed to serve as the Commissioner for Place 1 on the Alabama Public Service Commission (APSC) beginning December 2012. Commissioner Oden was first elected by the people of Alabama in 2014, and again in 2018, allowing him to continue serving the state through 2022. Commissioner Oden is a proven public servant evidenced through his 14 year tenure of service in the House of Representatives for District 11, covering portions of Cullman, Blount and Morgan Counties.

Over the past year Commissioner Oden continued increasing his role in the national debate on energy policy, nuclear waste storage, pipeline safety, electricity transmission, utility services and transportation issues. He is an active participant on the international, national and state level of these discussions. The Commissioner participates in active roles on the National Association of Regulatory Utility Commissioners (NARUC). There he serves on the Electricity Committee leadership team and is the Chairman of the Subcommittee on Clean Coal and Carbon Management. He also serves as President of the Southeastern Association of Regulatory Utility Commissioners (SEARUC), and will be responsible for hosting the annual meeting in Gulf Shores, AL in June of 2019.

At NARUC's Fall conference in Baltimore, Commissioner Oden participated in a national panel discussion including regulators, consumer advocates and distinguished representatives from the electricity, gas, water, and telecommunications industries to discuss the effects natural disasters have on utilities. The panel topics ranged from understanding how utilities prepare for these types of disruptions, to identifying the role of regulators before, during, and after a storm. This was indeed an important and timely discussion, as we saw Hurricane Michael, a massive Category 4 storm, cause severe damage to the gulf coast and Alabama's farming communities.

In preparation for the storm, Alabama Power decided to shutter Units 1 and 2 at Plant Farley, located in Dothan,

and staged 600-700 additional crews in the southeastern portion of Alabama. The company did an excellent job restoring power throughout Alabama in an efficient and timely manner.

Throughout 2018, Commissioner Oden met with various groups to discuss electricity load growth, alternative energy use, gas pipeline safety issues, railway safety, intra-state port issues, rural broadband development and large economic development projects. In August, Commissioner Oden attended a roundtable discussion with the State Director of the USDA, many state cabinet level department heads and the President of ALFA, to welcome Anne Hazlett, Assistant to the Secretary for Rural Development at the USDA under President Donald Trump. During the discussion, many important issues like rural broadband development and water infrastructure, which affect both our citizens and farming community, were highlighted and action plans for future development were discussed. In 2018 Commissioner Oden was also able to spend a day with representatives from Spire Alabama to visit various pipeline replacement projects around Birmingham. Seeing the meticulous skill and planning involved in the replacement of our dated cast iron pipe was a great learning experience for all involved and reaffirmed Commissioner Oden's agenda to continue pushing to remove this hazardous pipe.



COMMISSIONER JEREMY H. ODEN'S STAFF

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

Chris "Chip"

BEEKER, JR.

COMMISSIONER, PLACE 2



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

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

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

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

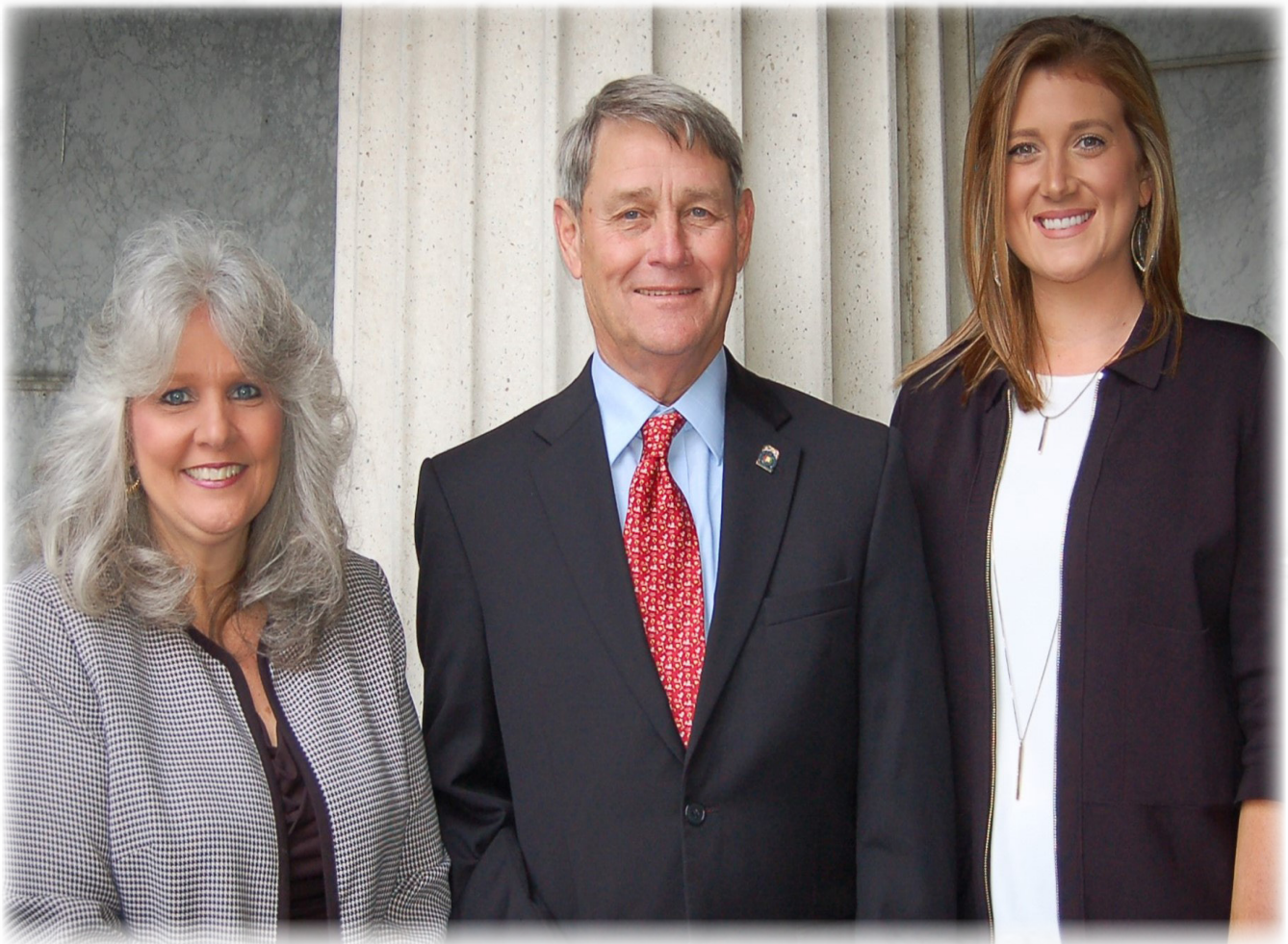
In addition to serving on the county commission, Commissioner Beeker has been an integral part of his community over the years. He served on numerous advisory boards throughout the area and was the head junior varsity coach in basketball and head varsity coach in baseball at Warrior Academy. In 2012,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

of West Alabama selected Commissioner Beeker as a Pillar of West Alabama.

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

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

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



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

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

COMMISSION STAFF

Executive Director of the Commission/Legal Division

OFFICE OF THE EXECUTIVE

DIRECTOR OF THE COMMISSION

John A. Garner,
Executive Director of the Commission

Personnel Section

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

Information Systems Services Section

Kay Oswalt, IT Systems Specialist,
Senior
Dana Cheek, Programmer/Analyst
(transferred 7/14/18)
Debra Jackson, IT Systems Technician,
Senior

State Legislative Affairs

Clarence Duncan,
Public Utility Analyst Manager

LEGAL DIVISION

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

Administrative Division

Walter L. Thomas, Jr.,
Commission Secretary

Tashenna Lawrence,
Administrative Support Assistant III

Leanne Slaten, Administrative
Support Assistant II
(transferred 10/6/17)

Finance Section

Miles Gagner, Senior Accountant
Kimberly Holt, Senior Accountant

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

Motor Carrier Records Section

Vacant

Electricity Policy Division

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

Electricity Section

Patricia W. Smith,
Public Utility Analyst Manager

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

Federal Affairs Section

John D. Free, Director
Chad Mason, Attorney II

Public Affairs Section

Angier S. Johnson,
Public Information Manager

Utility Services Division

Darrell Baker, Director

Telecommunications Section

E. C. McArthur,
Public Utility Analyst Manager
(retired 9/1/18)

Tom Jones, Public Utility Analyst III
Laneeta Roberts, Public Utility
Analyst Manager
Janet Conway, Public Utility Analyst III

Cynthia Allen, Administrative Support
Assistant I

COMMISSION STAFF

Utility Services Division *(continued)*

Services Section

David Peeler, Public Utility Analyst Manager
Rick Cleckler, Public Utility Technical Specialist, Sr.
Aquilla Spivey, Consumer Services Manager

Stephanie Sweet, Consumer Services Specialist

Natural Gas Section

Donald C. Powell, Public Utility Analyst Manager

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

Utility Enforcement Division

Janice M. Hamilton, Director and State Rail Safety Program Manager
G. Dee Stroud, Administrative Support Assistant III

Field Services Section

H. Terry Jackson,
Public Utility Field Technician, Senior

Motor Carrier Services Section

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

Railway Safety Section

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

Gas Pipeline Safety Division

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

Gas Pipeline Safety Section

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

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

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

EXECUTIVE DIRECTOR OF THE COMMISSION

John A. Garner
Executive Director



In December 2010, the Commission created the position of Executive Director of the agency in order to facilitate more efficient day-to-day operations. Chief Administrative Law Judge, John A. Garner was named as Executive Director and was delegated the responsibility for the overall management of the Commission's daily functions per the direction of the Commissioners. To that end, the Commission determined that the Executive Director would report directly to the Commissioners with each division director within the Commission reporting to the Executive Director.

In addition to being delegated the responsibility for managing the day-to-day administrative functions of the agency, the Executive Director was also given the responsibility of acting on all personnel matters brought before the Executive Director by the various divisions, except those involving the separation of employees from service through suspension or termination. The Executive Director was also charged with uniformly implementing and enforcing the administrative policies established in the Commission's Employee Guidelines and Procedures Manual as well as other policies recommended by the Commission. The Executive Director was further charged with recommending any policy changes appearing necessary for the betterment of the agency.

In order to assist the Executive Director in the fulfillment of all assigned responsibilities, the agency employees with responsibility in the areas of personnel matters, information technology services, and state legislative affairs were assigned

to report directly to the Executive Director. The functions performed by these personnel complement the primary areas of responsibility of the Executive Director and involve all divisions of the agency.

Personnel Section

The Personnel Section consists of Personnel Assistant III/Personnel Manager, Dorinda Kepler and Administrative Support Assistant III, Rozetta Parker who perform the many day-to-day functions that are necessary to implement the requirements of the State Merit System. Specifically, the Personnel Section is responsible for all actions affecting the employment status of Commission employees and maintaining all records of those actions. One of the Personnel Section's primary functions is to identify and implement changes in payroll expenditures resulting from appointments, resignations, promotions, terminations, etc., through the use of the Government Human Resource System, an automated payroll/personnel system.

EXECUTIVE DIRECTOR OF THE COMMISSION

The Personnel Section also oversees the in-processing and orientation of new employees and the out-processing of employees who separate from service at the Commission. As the source for state and departmental rules, regulations and benefits that apply to employees, the Personnel Section provides information through the agency handbook, the State Personnel Department (SPD) Procedures Manual, and various manuals provided by the SPD Training Division. Requests to fill vacancies in the Commission are processed by Personnel with the coordination of division directors.

The Personnel Manager also acts as the liaison with SPD, ensuring that all personnel transactions are in line with state laws and SPD rules and regulations. Additionally, the Personnel Manager represents the Commission at meetings of the SPD Board and the Council of Personnel Administrators. The Personnel Section also develops and assists in the development and updating of job descriptions for Commission employees when

necessary. This ensures appropriate classifications are selected for a particular job and may also be used as an indicator for change in classification and pay.

Information Systems Services Section

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

The IT Section also operates a bank of servers, including the primary file server where users store information in secure folders that are backed up daily. This section is also responsible for running virus protection software and following best practices procedures for information security and disaster preparedness.

There are several systems in place for consumer and users’ needs which were established and are maintained by the IT Section. These include small-scale database applications tracking regulated motor carrier registrations, consumer complaints, information technology help desk requests, and some telecommunications data. The section also coordinates and oversees the maintenance of the agency’s document imaging system with an outside vendor.

The Information Systems Services Section staff also establishes email and network user accounts and



PERSONNEL SECTION

Rozetta Parker and Dorinda Kepler

EXECUTIVE DIRECTOR OF THE COMMISSION

provides help desk support for hardware and software issues experienced by end users. Custom applications are also designed, primarily using Microsoft Access.

The Information Systems Services Section created and updates the APSC website which offers the functionality of allowing consumers to file complaints online. Commission orders and filings in APSC proceedings can also be accessed through the agency’s website. Similarly, the IT Section captures the video footage of each month’s public meeting of the Commission and makes it available for viewing on the agency’s website.



LEGISLATIVE AFFAIRS

Clarence Duncan

toring all state legislative activity as it pertains to the Commission and keeping the Commission and its staff fully informed of the status of such matters in a timely manner. The state legislative affairs’ liaison additionally produces and distributes documents that reflect the status of legislation pending before the Alabama Legislature and performs assignments regarding matters of interest to the Commission as directed by the Commission’s Executive Director.



INFORMATION SYSTEMS SERVICES SECTION

From left: Kay Oswald, Dana Cheek, and Debra Jackson

State Legislative Affairs Section

The State Legislative Affairs Section consists of Public Utility Analyst Manager, Clarence Duncan, whose responsibilities include researching and recommending changes in law deemed necessary to enable the Commission to effectively perform its duties and functions. The state legislative affairs liaison is also responsible for moni-



LEGAL DIVISION

John A. Garner
Chief Administrative Law Judge



LEGAL DIVISION

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

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

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

ADMINISTRATIVE DIVISION

Walter Thomas, Jr.
Secretary



ADMINISTRATIVE DIVISION

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

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

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

The Secretary's Office takes and

distributes the minutes of each monthly Commission meeting and attests to and files orders of the Commission and certifies copies of orders and other documents of record in the official files of the Commission. The Secretary's Office files the Commission oaths of office, surety bonds covering each railway policeman appointed by the Governor, furnishing certification of the policeman's appointment along with

the oath and bonding to the Secretary of State. The Secretary signs orders for the Commission to authorize transportation companies to place reduced rates into effect on less than statutory time, in order to meet an emergency. The Secretary's Office also provides public officials, attorneys, transportation and utility executives, and other interested parties, with information on the operating polices of the Commission.

ADMINISTRATIVE DIVISION

The Secretary's Office is responsible for the retention of all records of the Commission and coordinates the transfer of records to the Department of Archives and History as well as destruction of records. The Secretary's Office acknowledges receipt of filings advising parties of the requirements of the *Rules of Practice* and statutes governing proceedings in which they are involved and gives general procedural information and answers inquiries requiring research into Commission records. Lastly, the Secretary's Office is responsible for the coordination of the parking deck cards and the departmental telecommunications services which entails ensuring that the telephone and data lines are working properly. A tabulation of the principal activities of the Secretary's Office during FY-2018 is as follows:

OFFICE OF THE COMMISSION'S SECRETARY

Commission Orders Issued	925
Public Hearings Held	43
Report and Recommended Orders Issued	14

Finance Section

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

This section also prepares budgetary performance reports; monitors the budget for possible problems and makes any necessary corrections; verifies and processes invoices and expense reports for payment; coordinates the

payroll and maintains payroll records; bills utilities for inspection and supervision fees; maintains records of fees collected; notifies the Legal Division of any delinquent companies; and conducts special studies or assignments as requested by the Commission.

This section maintains office supplies for the Commission; develops and administers internal accounting procedures and administers a centralized purchasing service of approved materials, supplies and equipment; and is responsible for maintaining property records and conducting an annual physical inventory.

ADMINISTRATIVE DIVISION

Motor Carrier Section

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



**Smart
Choice!**

Use Your
“Smart”
Device
to follow
Us On The
Web!

*Monitor Commission Action
and View our meetings at:
www.psc.alabama.gov*

ADMINISTRATIVE DIVISION

**Dual Party Relay Fund
Statement of Operations
For the Fiscal Year Ending September 30, 2017 and 2018**

	<u>Total Sept. 30, 2018</u>	<u>Total Sept. 30, 2017</u>
Comptroller's Beg. Cash Balance :	\$ 6,081,741	\$ 5,374,442
Dual Party Relay	1,522,440	1,703,143
Total Cash Available:	7,604,181	7,077,585
 Disbursement of Encumbrances:		
Utilities & Communications	115,811	151,486
Grants and Benefits	-	-
Total Encumbrances:	115,811	151,486
 Disbursement of Operating Costs:		
Travel In-State	-	214
Utilities & Communications	550,574	644,253
Grants and Benefits	201,784	199,891
Total Operating Costs:	752,358	844,358
Transfer to General Fund	-	-
Transfer to General Fund: Prior year cash	-	-
Total Disbursements & Transfers:	868,169	995,844
Comptroller's Cash Balance, Ending:	6,736,012	6,081,741
Purchase Orders	60,437	168,048
Unencumbered Cash Balance, Ending	<u>\$ 6,675,575</u>	<u>\$ 5,913,693</u>

ADMINISTRATIVE DIVISION

**Alabama Public Service Commission Operating Fund and Gas Pipeline Safety Fund
Statement of Operations
For the Fiscal Year Ending September 30, 2017 and 2018**

	<u>PSC Operating Fund</u>	<u>Gas Pipeline Safety Fund</u>	<u>Total Sept. 30, 2018</u>	<u>Total Sept. 30, 2017</u>
Comptroller's Beg. Cash Balance:	\$ 6,747,042	\$ 1,345,411	\$ 8,092,453	\$ 8,005,425
Inspection & Supervision Fees -				
Utility/Water Companies	11,540,305	-	11,540,305	11,136,078
Telecommunications/Railroads	2,606,412	-	2,606,412	3,210,275
Motor Carrier Ins. & Reg. Fees	2,745,252	-	2,745,252	2,191,645
Gas Service Line Fees	-	539,478	539,478	539,926
Federal Dept. of Transportation	-	504,396	504,396	847,614
Alabama Dept. of Transportation	50,000	-	50,000	50,000
Miscellaneous Receipts	27,168	714	27,882	33,453
Total Receipts:	<u>16,969,137</u>	<u>1,044,588</u>	<u>18,013,725</u>	<u>18,008,991</u>
Total Cash Available:	<u>23,716,179</u>	<u>2,389,999</u>	<u>26,106,178</u>	<u>26,014,416</u>
Disbursement of Encumbrances:				
Personnel Costs	-	-	-	-
Employee Benefits	-	-	-	-
Travel- In State	2,216	4,204	6,420	7,846
Travel- Out of State	714	4,276	4,990	5,483
Repairs & Maintenance	404	63	467	252
Rentals & Leases	25,311	2,066	27,377	14,069
Utilities & Communications	5,192	1,424	6,616	12,066
Professional Services	8,168	1,842	10,010	13,511
Supplies & Operating Expenses	4,494	1,373	5,867	7,006
Transportation Equipment Operations	3,950	4,662	8,612	8,862
Grants and Benefits	-	2,500	2,500	-
Transportation Equipment Purchases	-	-	-	-
Other Equipment Purchases	26,602	-	26,602	1,500
Transfer to State General Fund 100	-	-	-	-
Total Encumbrances:	<u>77,051</u>	<u>22,410</u>	<u>99,461</u>	<u>70,595</u>
Disbursement of Operating Costs:				
Personnel Costs	3,964,824	725,231	4,690,055	4,649,136
Employee Benefits	1,433,569	287,870	1,721,439	1,657,130
Travel- In state	14,579	44,121	58,700	58,780
Travel- Out of State	13,570	32,763	46,333	56,914
Repairs & Maintenance	3,217	-	3,217	2,717
Rentals & Leases	798,756	66,970	865,726	834,290
Utilities & Communications	47,306	12,542	59,848	47,661
Professional Services	149,180	20,276	169,456	150,929
Supplies & Operating Expenses	173,166	16,657	189,823	206,211
Transportation Equipment Operations	20,961	26,063	47,024	38,749
Grants and Benefits	25	-	25	2,500
Transportation Equipment Purchases	89,976	-	89,976	104,810
Other Equipment Purchases	21,869	15,164	37,033	41,543
Total Operating Costs:	<u>6,730,998</u>	<u>1,247,657</u>	<u>7,978,655</u>	<u>7,851,370</u>
Transfer to General Fund / Other Agencies	13,000,000	-	13,000,000	10,000,000
Transfer to General Fund: Prior year cash	-	-	-	-
Total Disbursements & Transfers:	<u>19,808,049</u>	<u>1,270,067</u>	<u>21,078,116</u>	<u>17,921,965</u>
Comptroller's Cash Balance, Ending:	3,908,130	1,119,932	5,028,062	8,092,451
Purchase Orders	13,884	5,687	19,571	50,180
Unencumbered Cash Balance, Ending	<u>\$ 3,894,246</u>	<u>\$ 1,114,245</u>	<u>\$ 5,008,491</u>	<u>\$ 8,042,271</u>

ELECTRICITY POLICY DIVISION

John D. Free
Director

The Electricity Policy Division is organized into three sections: 1) Electricity, 2) Federal Affairs, and 3) Public Affairs. The primary responsibilities of this division is to oversee the regulation of investor-owned electric utilities (“IOU”) in Alabama, while also monitoring and participating in federal policy issues affecting the electric industry. In addition, the Electricity Policy Division is responsible for all duties surrounding the Public Affairs function of the Commission. Additional details regarding the functions and activities of each section during FY-2018 are identified in the following pages.

Electricity Section

The Electricity Section is responsible for regulatory oversight of the rates and services of electric IOUs in the state, as prescribed in Title 37, *Code of Alabama 1975*, as amended. In the State of Alabama, this jurisdiction is applicable to Alabama Power Company (“APC” or “the Company”), the only electric IOU in the



ELECTRICITY POLICY DIVISION

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

ELECTRICITY POLICY DIVISION

state. In the execution of its duties, the Staff performs financial analyses, economic evaluations, and statistical data assimilation. In addition, the Staff performs management and technical inquiries to remain informed as to the manner and methods in which APC conducts its business.

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

ALABAMA POWER COMPANY

Rate Stabilization and Equalization (Rate RSE)

Rate RSE was approved by the Commission in 1982 under Dockets 18117 and 18416. The rate is designed to lessen the impact, frequency and size of retail rate increase requests by permitting APC, through the operation of a formula rate that was filed and approved, to adjust its charges on a periodic basis to provide a reasonable opportunity to achieve the rate of return allowed by the rate order of the Commission. By provisions in the rate, the charges are increased if projections for the upcoming year show that the designated rate of return range will not be met and are decreased if such projections show that the designated rate of return range will be exceeded. Other provisions limit the impact of any one adjustment (as well as the impact of any consecutive increases) and test whether actual results exceed the return range. In that latter event, RSE provides that the amount by which the range is exceeded is returned to customers.

From December 1, 2006 through December 1, 2012, APC’s rate of return on projected average common equity, separated to retail electric service (“RRCE” being the Retail Return on Average Common Equity), was computed annually for the upcoming twelve-month period ending December 31 (such twelve-month period being the “rate year”). The RRCE was computed based on cost estimates and budgets prepared by APC in the ordinary course of its business and in a manner consistent with the Federal Energy Regulatory Commission’s (“FERC”) Uniform System of Accounts. If the resulting RRCE was less than 13.0% or more than 14.5% (13.0% – 14.5% being “the equity return range”), then monthly bills under the respective rate schedules subject to Rate RSE would be adjusted by amounts per kilowatt-hour (kWh) necessary, in total, to restore the RRCE to 13.75% (the “adjusting point” in the equity return range).

In February 2013, the Commission established a proceeding and set forth a schedule of public meetings to consider the need for any modifications to Rate RSE. As part of this proceeding, the Commission considered the extent to which the RSE mechanism was continuing to serve its intended purpose of ensuring stable, fair, and equitable rates, reliable service, and enhanced monitoring activities by the Commission Staff. As part of this overall evaluation of the RSE program, the Commission also sought to determine whether the existing allowed RRCE range of 13.0% to 14.5%, as prescribed in the Rate RSE tariff, continued to be fair and reasonable.

ELECTRICITY POLICY DIVISION



The Commission held public meetings on May 8, 2013, June 18, 2013 and July 17, 2013, with the June 18 meeting comprising two sessions. The Commission and its Staff participated, together with representatives of the Attorney General’s office, APC, and other interested agencies/organizations. After evaluating all information submitted by each of the participants during the four public meetings, the Commission found that APC’s Rate RSE mechanism and all the associated components continue to be just and reasonable to customers and the Company. Nevertheless, the Commission recommended several modifications to APC’s Rate RSE mechanism. Foremost among these was the replacement of the existing Return on Equity (ROE) range and the provision regarding capital structure with a range and set point based on Weighted Retail Return on Average Common Equity (“WRRCE”). The WRRCE range would be established at 5.75% to 6.21%, with an adjusting point of 5.98%. In addition, APC would be eligible to receive a performance-based adder of 7 basis points (0.07%) to the WRRCE adjusting point when, at the time of the annual Rate RSE filing, the Company possesses an “A” credit rating equivalent with at least one of the recognized rating agencies or the Company is in the top third of the customer value benchmark survey that is examined by the Staff as part of its most recent annual metrics review. Notably, the established WRRCE range represented a downward adjustment in terms of the Company’s allowed return range.

The Commission also set forth several augmentations to the Staff’s ongoing oversight of Rate RSE. First, the Commission recommended the use of an objective, self-executing mechanism associated with the Company’s allowed return. Using a baseline interest rate equal to the 12-month average 30-year Treasury Bond as of a date specified, the

ELECTRICITY POLICY DIVISION

potential for additional review would be triggered in the event the 30-year Treasury Bond rate increases by more than 350 basis points or decreases by more than 200 basis points. The established baseline rate will be tested against the most recent twelve-month average of the same 30-year Treasury Bond on a quarterly basis. Upon the occurrence of a circumstance prompting additional review, the Staff will notify the Commission and report whether and to what extent the Staff believes the economic developments necessitate further examination of the WRRCE range. Next, the Commission recommended that APC make biannual filings of its income statement and balance sheet. The first filing would include information for the most recent year, along with comparable information for the prior year. The second filing would include information for the most recent January through June period, along with comparable information from the prior year for the same period. These biannual filings would be made within a reasonable period after the corresponding release of this information and in accordance with applicable requirements of the Securities and Exchange Commission. Finally, the Commission recommended that the financial and operational components

of the Company be subject to detailed examination every six years.

All of the recommendations of the Commission were accepted by APC and incorporated into Rate RSE, the associated special rules and other affected rates and practices. In this regard, it should be noted that the expansion of the Staff's oversight under Rate RSE is in addition to, and not in lieu of, all the existing authority of the Commission, and the Company's right to make filings or petitions with the Commission as allowed by law are in no way impaired.

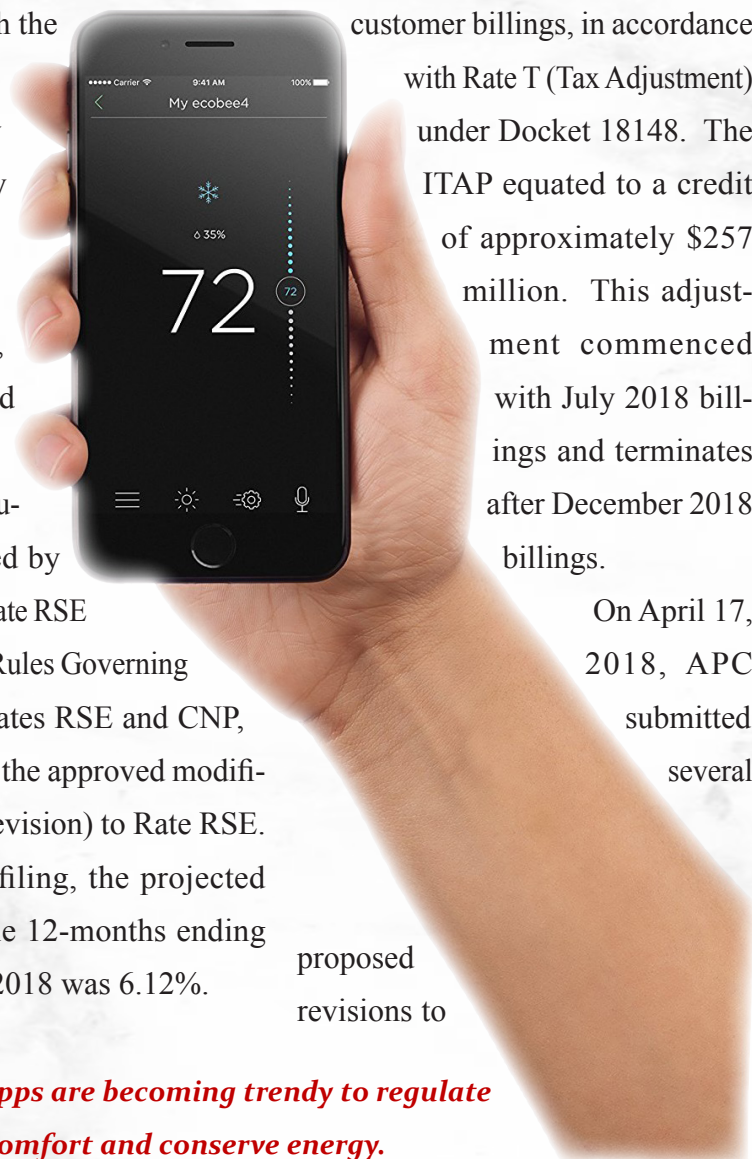
On December 1, 2017, APC filed the 2018 Information and Calculations Required by Appendix B to Rate RSE and the Special Rules Governing Operation of Rates RSE and CNP, which included the approved modifications (sixth revision) to Rate RSE. Based on this filing, the projected WRRCE for the 12-months ending December 31, 2018 was 6.12%.

Smartphone apps are becoming trendy to regulate temperature comfort and conserve energy.

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act of 2017 ("TCJA") with most provisions taking effect January 1, 2018. The TCJA reduced the federal income tax rate from 35% to 21%, effective January 1, 2018. Because the TCJA became effective after the Company filed its annual information and calculations under Rate RSE, the Company applied an Income Tax Adjustment Percentage ("ITAP") to customer billings, in accordance with Rate T (Tax Adjustment) under Docket 18148. The ITAP equated to a credit of approximately \$257 million. This adjustment commenced with July 2018 billings and terminates after December 2018 billings.

On April 17, 2018, APC submitted several

proposed revisions to



ELECTRICITY POLICY DIVISION

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

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

- Lowered the top of the weighted equity return range from 6.21% to 6.15%.
- Revised the refund mechanism related to prior year actual results by allowing a portion of future refunds to be used to increase the Company's equity component and thereby improve its credit metrics. There are restrictions in place for any cost year in which there is an upward adjustment under Rate RSE, along with a ceiling on the amounts the Company will be allowed to utilize for protection of its credit quality.
- Made various ministerial revisions to clarify existing provisions of the rate and specify certain additional accounts to be reflected in the determinations under the formula rate.
- All revisions became effective June 1, 2018, for application to January 2019 billings and thereafter.
- In conjunction with the described modifications to Rate RSE, the Company committed to a moratorium on any upward adjustments under Rate RSE for 2019 and 2020.
- The Company will also issue \$50 million in bill credits to customers in 2019.

The Electricity Section examines APC's books and records on a monthly basis to determine the WRRCE for the current 12-month period. The Section's

Staff prepares a summary report of this information for presentation at each monthly Commission meeting. As of September 30, 2018, the re-projected WRRCE for the twelve-month period ending December 31, 2018 was 6.78%. This is not a point-of-test. The point-of-test for 2018 RSE will be on December 31, 2018. Because this is a fiscal year report, the most current and available return, as of September 30, is provided.

Energy Cost Recovery (Rate ECR)

Rate ECR, the rate approved by the Commission under Docket 18148, is the mechanism used to recover retail customers' portion of certain energy-related costs. The ECR factor is 59.10 mills/kWh (5.910 cents/kWh), as established under the Commission's Order dated October 8, 2008. With the consent of the Company, the factor has been adjusted for temporary periods of time to reduce the over/under collections accumulated in the energy cost recovery account. The Electricity Section Staff evaluates the monthly Rate ECR reports filed by APC and prepares a summary report for the monthly Commission meetings.

In April 2002, the Commission approved Rate Rider RDF (Rate Differential Factors). This rate rider

ELECTRICITY POLICY DIVISION

is applicable to Rate ECR and adjusts the ECR billing factor to reflect the seasonal patterns of fuel costs. The billing factor is increased during the months of June through September and decreased for the billing months of October through May.

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

By Order dated February 17, 2017, under Docket U-5208, the Commission authorized APC to create a regulatory asset with a balance of up to \$142 million. As part of the authorization granted in this docket, the Commission approved the use of \$36,303,767 of that regulatory asset to reduce the under-collected balance in Rate ECR, which in turn, reduced costs pressures on customers.

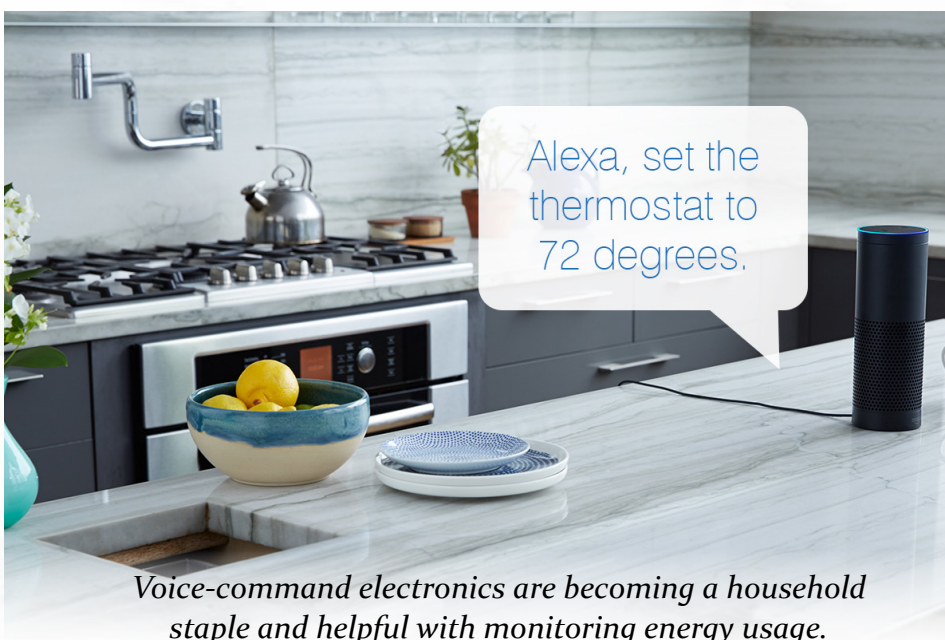
By Order dated March 7, 2017, the Commission approved a revision to Rate ECR filed by APC to implement the Commission's Order dated February 14, 2017, in Dockets 31653 and 31859. In that February 14 Order, the Commission authorized APC to use Rate ECR to capture all costs and credits associated with two PPAs ("power purchase arrangements" or "purchased power agreements") certified in the referenced dockets (Chisholm View and Buffalo Dunes). Prior to the February and March 2017 Orders, cost

recovery for each of these wind PPAs was bifurcated under Rate ECR and Rate CNP, Part B. To better align cost recovery with the intended purposes of the two PPAs (i.e. potentially lower energy costs), the Commission approved the Company's request to consolidate such cost recovery under Rate ECR. See the Rate CNP, Part B section for more information on the referenced dockets.

By Order dated December 5, 2017, the Commission approved an extension of the interim ECR factor of 20.15 mills/kWh (2.015 cents/kWh) (previously established by Commission Order dated December 6, 2016) for the billing months of January 2018 through December 2018.

As previously noted, the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law on December 22, 2017 and reduced the federal income tax rate from 35% to 21%, effective January 1, 2018. See the Rate RSE section for more details.

By Order dated May 1, 2018, under Docket U-5266, the Commission authorized APC to establish a regulatory liability for the flow back of excess federal deferred income taxes for the calendar year ending December 31, 2018. The excess deferred income taxes resulting from the TCJA are



Voice-command electronics are becoming a household staple and helpful with monitoring energy usage.

ELECTRICITY POLICY DIVISION

estimated to be between \$30-\$50 million. APC was further authorized to create a regulatory asset in which to record up to \$30 million of the under-recovered balance that would otherwise be included in the calculation of Rate ECR, thereby reducing the under-recovered balance in Rate ECR. If the actual amount of excess federal deferred income taxes exceeds \$30 million, APC will record the additional amount in the regulatory liability account, pending Commission direction as to its disposition.

By Consent Order dated May 1, 2018, the Commission modified its previous Order dated December 5, 2017 which had extended the interim ECR factor of 20.15 mills/kWh (2.015 cents/kWh) for the billing months of January through December 2018. Based on the current and projected status of Rate ECR, the Staff recommended that the interim energy cost recovery factor of 20.15 mills/kWh be increased to 23.53 mills/kWh (2.353 cents/kWh) for the billing months of July 2018 through December 2018; and 59.10 mills/kWh (5.910 cents/kWh) for the billing months beginning January 2019, and thereafter, unless a further change is agreed to sooner as a result of monitoring of operations or until changed by Commission order

pursuant to Rate ECR and applicable Rules and Regulations.

As part of its routine oversight, the Staff performs a monthly review of the Over and Under Recovery of APC's energy-related costs. At September 30, 2018, the accumulated over/under recovered energy cost balance was \$99,818,873 under-recovered.

Certificated New Plant (Rate CNP)

Rate CNP, Part A

Rate CNP, Part A ("Part A") was established in 1982 in conjunction with Rate RSE, under Dockets 18117 and 18416. The original rate provided for the certification of newly-constructed generating facilities and rate recovery of the revenue requirement related to the capital cost of such facilities. During FY-2018, APC did not file for cost recovery under Part A for any certificated generating facilities.

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

On March 9, 2017, under Dockets 18117 and 18416, the Commission approved certain revisions to Part A. The modifications include: (i) the addition of plant acquisitions (as opposed to only self-build projects) to the scope of facilities eligible for rate treatment under Part A; (ii) incorporating 12-month projections for capital, O&M, and depreciation expenses in the development of the rate factor; and (iii) adding the option to apply either an energy-based or revenue-based allocation to the revenue requirement

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incorporated in the rate factor, as deemed appropriate by the Commission.

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

Rate CNP, Part B

Rate CNP was modified in April 2000 to include a second provision, Rate CNP, Part B ("Part B"), that would allow for the certification of PPAs and the recovery of the total costs (excluding fuel) associated with each agreement.

APC currently has four PPAs that have been certificated under Part B, which are detailed below. The Resolute Forest Products PPA is no longer included, as its contract term ended in July 2016.

By Order dated November 7, 2000, under Docket 27785, the Commission authorized APC, for a term to expire May 31, 2011, to acquire the rights and assume payment obligations under a PPA with Calhoun Power Company I, LLC, involving 630 MW of combustion turbine capacity. In April 2009, the PPA was extended an additional eleven (11) years, continuing through December

31, 2022. The energy cost associated with the Calhoun PPA is recovered under Rate ECR while the capacity costs is recovered under Part B.

On October 22, 2010, under Docket 31301, the Commission authorized APC, for a term of ten (10) calendar years, to acquire the rights and assume payment obligations under a PPA with Westervelt Renewable Energy, LLC ("Westervelt"), involving approximately 7.5 MW of electric capacity from a small-scale renewable energy ("biomass") generating facility operated by Westervelt. The energy cost associated with the Westervelt PPA is recovered under Rate ECR while the capacity cost is recovered under Part B.

By Order dated September 9, 2011, under Docket 31653, the Commission authorized APC, for a term of twenty (20) calendar years, to acquire the rights and assume payment obligations under a PPA with Chisholm View Wind Project, LLC, involving 202 MW of energy supplied from a wind farm being developed by Chisholm View in Grant and Garfield Counties, Oklahoma.

On September 17, 2012, under Docket 31859, the Commission authorized APC, for a term of twenty (20) calendar years, to acquire the rights and assume payment obligations under a PPA with Buffalo Dunes Wind Project, LLC, involving 202 MW of energy supplied from a wind farm being developed by Buffalo Dunes in Grant, Haskell and Finney Counties, Kansas.

On February 14, 2017, the Commission modified the orders entered in Dockets 31653 and 31859 to provide for the recovery of all costs associated with the PPAs for the Chisholm View Wind Project and the Buffalo Dunes Wind Project in Rate ECR. In addition, all revenues associated with the sale of energy, transmission rights or renewable energy credits ("RECs") under these PPAs

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are credited to Rate ECR. The costs incurred under the PPAs prior to January 1, 2017, were not affected by this order, being the subject of separate Commission action in Docket U-5208. The cost treatment ordered was directed specifically to the two subject PPAs, with the cost treatment for any other PPAs to be addressed in the orders certifying those arrangements, subject to continuing Commission jurisdiction.

By Order dated September 16, 2015, under Docket 32382, the Commission granted APC a Certificate of Public Convenience and Necessity, by which it would be authorized to develop or procure up to 500 megawatts of capacity and energy from renewable energy and environmentally specialized generating resources. Depending on whether any such approved projects are owned by APC or procured through purchase power agreements, the cost of each would be recoverable under either Part A, Part B and/or Rate ECR. In accordance with the provisions of this Order, APC issued a Request for Proposal on September 22, 2016, for projects ranging from 5 MW to 80 MW. The deadline for acceptance of proposals was November 15, 2016. APC received approximately 212 bids for 117 separate site locations. The Company notified bidders on April 7, 2017 whether they were selected to continue in the RFP process. An email was sent to bidders of projects that the Company selected for continued evaluation, asking them to submit any beneficial changes to their bid pricing by April 24, 2017. Around May 12, 2017, the Company notified any projects that made the “competitive tier” or “short-list”.

On September 21, 2018, Alabama Power issued another RFP pursuant to Docket 32382. The results are pending.

On June 9, 2016, the Commission approved a PPA in connection with the Lafayette Solar Project, which

is consistent with the requirements of the Certificate of Convenience and Necessity granted in the Commission Order dated September 16, 2015, under Docket 32382. The Lafayette Solar Project encompasses a 72 MW AC solar generation resource to operate over a 28-year term. The project involves an energy purchase agreement, whereby APC will receive the output from the new solar photovoltaic electric generating facility to be built in Chambers County, Alabama, and enter into a 15-year Participation Contract for a Renewable Participation Program between APC and Wal-Mart. The commercial operation date for the Lafayette Solar project was declared on December 15, 2017. Costs associated with the Lafayette PPA will be recovered through Rate ECR since they are energy-related.

It should be noted that under all of the described PPAs associated with renewable generation, the Company has obtained rights to the environmental attributes, including RECs associated with the energy provided under those agreements. Under the terms of those PPAs, APC retains the flexibility to retire RECs and serve its customers with renewable energy or to sell RECs, either bundled with energy or sold separately, to third parties.

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

In accordance with the provisions of Part B, APC filed with the Commission on February 1, 2018, the information and calculations for the CNP Purchase Factor associ-

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ated with the Company’s certificated purchase power agreements. Although the filing reflected a projected under-recovery of costs associated with such agreements that normally would be recoverable during the cost year April 1, 2018 through March 31, 2019, APC consented that the current level of cost recovery remain unchanged for the upcoming year. This was accomplished through a revenue-based allocator that is now reflected in Part B, and the corresponding development of new, individual factors that are to be applied to the respective rate schedules and maintained for the April 1, 2018 through March 31, 2019 cost year.

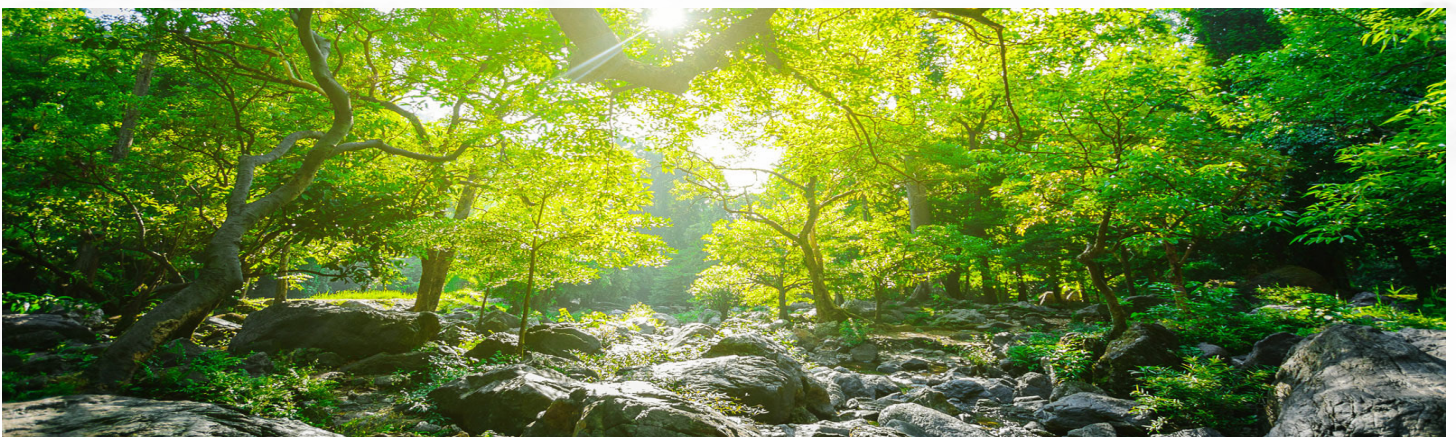
Rate CNP, Part C

Rate CNP was further modified in October 2004 to include a third provision, Rate CNP, Part C (“Part C”) that would provide a mechanism to recover compliance costs associated with “environmental mandates.” Beginning in December 2004, and

each December thereafter, APC is required to file its annual Environmental Compliance Plan subject to Part C. The first rate adjustment under the Part C provision went into effect in January 2005.

By Order dated August 13, 2013, the Commission approved APC’s petition seeking approval of additional revisions to Part C. In 2004, when Part C was developed and filed, the Company had already spent approximately \$500 million over the prior two decades in response to environmental laws, regulations and other mandates. Primarily for ease of implementation, Part C did not include environmental-related capital additions placed in service before its effective date (“pre-2005 capital”). The revisions consolidated all such cost recovery under Part C to facilitate consistency in cost recovery and make the Company’s total cost of environmental compliance more readily ascertainable. Since both Rate RSE and Part C are forward-looking in terms of the costs they are designed to recover, the revisions also modified the allocation formula for the CNP Environmental Factor to reflect projected base rate revenues and kilowatt-hour sales for the upcoming environmental cost year (forward-looking), similar to Rate RSE.

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



ELECTRICITY POLICY DIVISION

costs resulting from laws, regulations and other mandates directed at the utility industry are recovered through the revised Part C mechanism beginning January 2016.

On November 17, 2017, APC submitted calculations associated with its costs of complying with governmental mandates. Although the filing reflected a projected under-recovery of costs that normally would be recoverable in the billing months of January 2018 through December 2018, APC consented that the current factors associated with its environmental compliance costs under Part C could remain in place for cost year 2018.



Natural Disaster Reserve (Rate NDR)

On October 3, 1994, under Docket U-3556, the Commission granted APC authority to establish a Natural Disaster Reserve (“NDR” or “the Reserve”) of \$32 million against which extraordinary operation and maintenance expenses resulting from natural disasters would be charged. The Reserve was established to help mitigate the disruptive effects of significant natural disasters occurring in APC’s service territory.

The Commission has, from time to time, made modifications to the Reserve to deal with negative balances resulting from extraordinary disasters. In December 1995, the Commission authorized APC to make additional accruals, without further order by the Commission, above the normal monthly amount of \$250,000 whenever the balance in the Reserve declines below \$22.4 million. Accruals above normal monthly amounts could continue until the Reserve was restored to its authorized level of \$32 million.

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



2006. Rate Rider NDR was designed to address a negative balance in the Reserve and to re-establish a reserve balance sufficient to address potential costs associated with future natural disasters. In order to accomplish this, Rate Rider NDR applies a small monthly charge to each account served under the Company’s retail rate schedules until the approved balance is restored.

By Order dated August 20, 2010, under Docket U-3556, the Commission authorized APC to record discretionary accruals to the Reserve above the existing authorized limit

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(\$75 million) and to include reliability-related expenditures among the category of costs that can be charged against the Reserve.

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

In FY-2018, as a result of storm damages, APC incurred additional operation and maintenance costs of \$25,713,333. As of September 30, 2018, the Reserve had a positive balance of \$23,718,937.

Other Activities

By Order dated November 7, 2017, under Docket U-5017, the Commission authorized Alabama Power Company to make certain revisions to Rate Rider EDI (Economic

Development Incentive). The revisions extended the availability of Rate Rider EDI through January 1, 2021, while also enhancing the ability of the Company to attract new customers. Under the revised rate rider, qualifying customers with new load of at least 1,000 kW would be eligible to receive an incentive in each of the first five years of a new electric service contract. The contract term shall be no less than ten years. The existing form of the rate rider would remain in effect for customers presently enrolled under it until expiration of the applicable two-year term. Otherwise, the current version of Rate Rider EDI (i.e., Revision Second) would be closed to new customers.

By Order dated January 9, 2018, under Docket U-5016, the Commission approved the extension of the availability period for Rate Rider CRI (Community Redevelopment Incentive). Rate Rider CRI provides for a one-year incentive for customers that establish a new account in an existing building that has been unoccupied for at least six (6) months. The proposed revision became effective with January 2018 billings and extended the availability period to qualifying customers who enter into

an electric service agreement prior to January 1, 2020.

By Order dated February 6, 2018, under Dockets U-4554 and U-3453, the Commission approved modifications to Rate FPL (Unmetered Protective Lighting) (Docket U-4554) and Rate SLM (Public Street and Highway Lighting) (Docket U-3453). The Company's modifications are based on the lighting industry's continued transition to LED technology. This transformation has impacted market demand for older lighting technologies, and consequently, has affected manufacturer's willingness to continue production of some older luminaires that the Company currently offers to its customers. The revisions included updating Rates FPL and SLM to reflect which luminaires will no longer be available for new installations or as replacements for existing installations.

By Order dated March 6, 2018, under Docket 18005, the Commission approved the thirty-ninth revision of Rate PAE (Purchase of Alternate Energy), which reflects updated costs and avoided cost data. The Company also made some clarifications to Rate PAE by including specific language to reflect the customer's responsibility for all costs associated with

ELECTRICITY POLICY DIVISION

an interconnection to the Company's electric system (e.g. system studies, new facilities, and upgrades to the system). The modified language sets forth a fee schedule related to interconnection applications and system studies. The language also includes instructions for customers on how best to obtain information regarding the interconnection process under Rate PAE. Due to the Company's concern that certain data needed for the filing was not available until late January, the Commission approved a modification to its prior order (dated March 7, 2017, under Docket U-5213), that directed the Company to make such annual filings by the first business day of February 2018 allowing the Company until the 15th of February (or the next business day following the 15th) to make its annual filing in February 2019, and for all subsequent years thereafter. The updated base charges and energy payments will continue to become effective each year with April billings.

By Order dated March 7, 2017, under Docket U-5213, the Commission approved Rate CPE (Contract for Purchased Energy), which establishes the rates (to be updated annually) and accompanying form contracts providing the terms, conditions and

compensation for purchases of energy by Alabama Power from a PURPA qualifying facility greater than 100 kilowatts (AC) in size. By Order dated March 6, 2018, under Docket U-5213, the Commission approved the annual update to Rate CPE with revisions that reflect updated avoided cost data. The Commission also approved updates to the general language of the rate and the Attachment B form contract. As to the general language, APC clarified how a customer can best obtain information as to the interconnection process under Rate CPE. Additionally, the Company made minor ministerial clarifications to the Attachment B form contract. The Commission approved a new paragraph J to make clear that the effectiveness of the contract is contingent on the review period afforded Commission Staff as set forth in the Commission's Order dated March 7, 2017. Due to the Company's concern that certain data needed for the filing was not available until late January, the Commission also approved a modification to its prior order (dated March 7, 2017, under Docket U-5213) which directed the Company to make such annual filings by the first business day of February 2018 and allow the Company until the 15th of February (or the next business day following the 15th) to make its annual filing in February 2019, and for all subsequent years thereafter. The updated base charges and energy payments will continue to become effective each year with April billings.

By Order dated August 7, 2018, under Docket 24860, the Commission approved the withdrawal of Rate RTPH – Real Time Pricing-Hour Ahead (Restricted), effective with August 2018 billings and thereafter. Due to a lack of customer interest and the administrative cost required to maintain a rate option that requires the sending of hourly pricing signals, the Company requested to withdraw Rate RTPH as an active rate. Rate RTPH was originally approved in 1995. As of the time of the withdrawal, no customers received service under the rate.

Financing

The Electricity Section Staff reviews all financing petitions filed by the Company and Southern Electric Generating Company ("SEGCo"). SEGCo is a corporation owned, in equal shares, by APC and Georgia Power Company. SEGCo has electric generating facilities located in Wilsonville, Alabama.

ELECTRICITY POLICY DIVISION

Financing petitions are generally filed with the Commission to request approval to engage in the issuance of securities or to assume obligations pursuant to other types of debt instruments. Upon analysis and evaluation, the Staff makes recommendations to the Commission pertaining to these petitions.

By Order dated September 12, 2017, under Docket U-5236, the Commission granted APC the authority through December 31, 2019, (i) to issue and sell preferred stock, preference stock, and promissory notes, subordinated debentures, and other debt instruments and incur obligations in connection with the issuance of industrial development revenue bonds with an aggregate principal amount or stated value of such preferred stock, preference stock, industrial development revenue bonds, and subordinated debentures, promissory notes, and other debt instruments not exceeding \$2,000,000,000 at times and in amounts deemed by it to be appropriate; (ii) to assume obligations as a guarantor of SEGCo's promissory notes, subordinated debentures and other debt instruments and SEGCo's obligations in connection with the issuance of industrial development revenue bonds in an amount not to exceed \$125,000,000; and (iii) to borrow upon the issuance of promissory notes and to issue and sell commercial paper notes and to assume obligations as a guarantor of the promissory notes of SEGCo from time to time and to be renewed from time to time in an aggregate principal amount not to exceed \$2,000,000,000 at any one time outstanding and having maturity dates of not more than ten years after the date of issue.

By Order dated September 12, 2017, under Docket U-5237, the Commission granted SEGCo the authority through December 31, 2019: (i) to issue and sell and incur obligations in connection with the issuance of not more than \$125,000,000 in aggregate principal amount of promissory notes, subordinated debentures and other debt instruments and industrial development revenue bonds; and (ii) to borrow upon the issuance of promissory notes and issue and sell commercial paper notes to third-party lenders and to APC and Georgia Power Company from time to time and to be renewed from time to time in aggregate principal amount not to exceed \$175,000,000 at any one time outstanding.

Auditing

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

ELECTRICITY POLICY DIVISION

plant to stay informed of current projects.

In addition to the fuel audit, the Staff also engages in a detailed audit of APC's compliance activities with environmental and non-environmental regulations. This involves the audit of both the CNP Compliance Factor and the Environmental Compliance Plan. APC, in accordance with Part C, files with the Commission, by December 1 of each year, the CNP Compliance Factor for each affected rate schedule to be applied to each kilowatt-hour, along with appropriate supporting documents. The Staff completes an analytical review of the compliance factors filed for the upcoming rate year to provide reasonable assurance of the accuracy of the amounts reported in the filing. In addition, the Company files, at least thirty (30) days prior to the December 1 deadline for filing the CNP Compliance Factors, a preliminary draft of the Environmental Compliance Plan for the next five (5) years, along with the estimated costs associated with the implementation of that plan. The Staff engages in meetings and interviews with APC personnel to discuss pending environmental laws, regulations or other mandates relevant to APC's environmental and non-environmental compliance activities. The Staff also performs a detailed audit of relevant documents and records to: 1) verify the reasonableness of amounts reported in the compliance factor filing; 2) ensure compliance with Part C; 3) review explanations for significant budget variances; 4) confirm that reported expenses are qualifying environmental and non-environmental expenses; 5) identify and discuss any changes in policies or procedures; and 6) review any additional supporting documentation, as needed, for a complete and thorough analysis of the filing.

In addition, the Staff performs two other annual compliance audits related to: 1) Rate CNP, Part B, which is filed annually by February 1; and 2) the Jurisdictional Allocation Study (also referred to as the "Cost of Service Study"), which is filed annually by May 1. Other auditing responsibilities include the testing of various accounts and activities to trace and verify reported revenues and expenses, to review APC's compliance with the FERC Uniform System of Accounts, and to investigate significant variances identified during monthly monitoring and analytical processes. Also, the Staff performs a monthly analysis to test the billing accuracy of the Company's standard residential rate.

ALABAMA MUNICIPAL ELECTRIC AUTHORITY



Pursuant to the provisions of Section 11-50A-25, *Code of Alabama 1975*, as amended, the Commission reviews and approves certain activities of the Alabama Municipal Electric Authority ("AMEA" or "the Authority"). During FY-2018, the Authority filed one petition with the Commission.

By Order dated October 3, 2018, under Docket U-3013, the Commission authorized Amendment No. 2 to the Amended and Restated Power Supply Agreement (PSA) between Alabama Power and the Authority. Amendment No. 2 clarifies AMEA's authority to make energy purchases from Qualifying Facilities (QFs) and allows limited amount of energy purchases from non-QF solar generators. Amendment No. 2 also makes certain modifications to the PSA regarding

ELECTRICITY POLICY DIVISION

the accounting and assignment of certain solar energy purchased by AMEA and includes other clarifying revisions.

Federal Affairs

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

The Federal Affairs Section, in conjunction with the Commission's Legal Division, also reviews federal judicial appeals and decisions on electric utility issues and, if appropriate, makes recommendations to the Commission regarding appropriate actions to be taken. In addition, this

Public Affairs

The Public Affairs Section performs the public information duties of the Commission. The responsibility of the Section entails distributing information to the news media, the public, and other state, governmental and regulatory agencies. The Section also provides news briefings to the Commissioners on a daily basis.



section reviews proposed federal legislation affecting the electric industry and Alabama electric consumers and prepares summary documentation for the Commission's review, as needed. The Federal Affairs Section also monitors and reports to the Commission the various positions taken by other state commissions and the National Association of Regulatory Utility Commissions (NARUC) on issues affecting electric utility regulation in Alabama.

In an effort to remain informed of these matters, the Federal Affairs staff conducts research, monitors news briefings, participates in conference calls, and may attend various industry conferences/seminars/meetings, including the NARUC meetings, the Nuclear Waste Strategy Coalition (NWSC) conferences, and others. In some cases, the appropriate action involves filing comments, on behalf of the Commission in a particular federal proceeding.



The Public Affairs Staff produces informational materials, including the APSC's Annual Report, brochures, presentation aids, and other graphic materials. This section also provides information to be posted to the Commission's website, attends Commission hearings and meetings, and monitors related media coverage.

UTILITY SERVICES DIVISION



*Darrell Baker, Director
Utility Services Division*

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

Darrell Baker
Director

Natural Gas Section

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

Rate Stabilization and Equalization

The Commission regulates the rates for the two largest investor-owned gas utilities in the state under a Rate Stabilization and Equalization (Rate RSE) plan. Rate RSE has been in use for 35 years as a method of keeping rates as low as possible while assuring quality service.

SPIRE ALABAMA INC.

Each month, the Natural Gas Section examines the books and records of Spire Alabama Inc., determines the return on average common equity for the preceding 12-month period, and reports the financial and operational results of the previous month, including the return



UTILITY SERVICES DIVISION

on average common equity, to the Commission. It also graphically summarizes Spire Alabama's recent operating history.

Under the RSE plan, the only time Spire Alabama can increase its base rates is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 10.50 percent, rates are increased December 1 to bring the projected return at



NATURAL GAS SECTION

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

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

Spire Alabama also has an incentive program, the Cost Control Measure, under which it must keep growth in operation and maintenance expenses below a specified

range, or face penalties. The utility has a temperature adjustment that tracks the effect of abnormally high or low temperatures on the recovery of non-gas costs. The section monitored both of these programs to ensure that they were conducted in accordance with the approved tariff.

During the period of February 8, 2018 to August 23, 2018, the Company, the Commission Staff, and representatives from the Office of the Attorney General conducted numerous meetings for the purposes of reviewing Spire Alabama's operations under RSE and considering the extension of RSE for Spire Alabama.

By Order dated October 25, 2018, the Commission voted to modify and extend RSE for Spire Alabama through 2022. These modifications, effective October 1, 2018, include an authorized Return on Equity Range of 10.15 percent to 10.65 percent with an adjustment point of 10.40 percent; an equity cap of 55.5 percent; modifications to the Cost Control Mechanism; and establishment of an Accelerated Infrastructure Modernization (AIM) Program to encourage the Company to accelerate the replacement of its aging gas distribution pipeline facilities.

SPIRE GULF INC.

Each month, this section examines the books and records of Spire Gulf Inc., determines the return on average common equity for the preceding 12-month period, and reports the financial and operational results of the previous month, including the return on average common equity, to the Commission. It also graphically summarizes Spire Gulf's recent operating history.

Under the RSE plan, the only time Spire Gulf can

UTILITY SERVICES DIVISION

increase its base rates is December 1. If the projected return, based on the budget approved by the utility's board of directors, is less than 10.45 percent, rates are increased December 1 to bring the projected return at the end of the rate year to 10.8 percent (the adjusting point of the authorized return range). If the projected return is more than 10.95 percent, rates are decreased to bring the return to 10.8 percent. If the projected return is between 10.45 and 10.95 percent, inclusive, no adjustment is made. Subsequent points of test, conducted on January 31, April 30, July 31, and September 30, can yield only decreases or no change.

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

Local Distribution Companies

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

Revenue and Expense Analysis

Competitive Fuel Clause

Gas Supply/Purchased Gas Adjustment

Return on Average Common Equity

During FY-2018, the Natural Gas Section was responsible for evaluating and making recommendations to the Commission on all matters relating to the following

local distribution companies:

Spire Alabama Inc.

Spire Gulf Inc.

Wheeler Basin Natural Gas Company

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

Spire Alabama Inc.

Regarding Spire Alabama Inc., the section:

- Monitored the company's gas purchasing and storage activities;
- Examined the company's research and development expenditures;
- Participated in the company's corporate allocations meeting;
- Evaluated Gas Supply Adjustment filings;
- Evaluated a request to issue and sell long-term debt;
- Evaluated purchase interest rate derivative instruments;
- Worked with the Commission's Consumer Services Section to review activities in the company's policies regarding disconnects, reconnects, and collecting arrearages;
- Reviewed the Negative Salvage Reserve filing for Rate Year (RY) 2018;
- Reviewed the Rate Stabilization and Equaliza-

UTILITY SERVICES DIVISION

- tion filing for RY-2018;
- Reviewed the company's Cost Control Measure for RY-2018;
- Reviewed performance of the company's special contracts with industrial customers;
- Had discussions regarding status and modernization of infrastructure;
- Evaluated a base contract for sale and purchase of natural gas with Tenaska Marketing Ventures;
- Evaluated an amendment to a special services agreement with Lehigh Cement Company, LLC;
- Evaluated a special services agreement with Georgia-Pacific Wood Products, LLC;
- Evaluated a special services addendum with Hunt Refining Company;
- Evaluated a base contract for sale and purchase of natural gas with EQT Energy, LLC.; and
- Reviewed the company's annual report and requested and received clarification of certain portions of the report.

Spire Gulf Inc.

Regarding Spire Gulf, the section:

- Completed the renewal and extension of RSE;
- Monitored the company's gas purchasing and storage activities;
- Met with the company concerning corporate allocations;
- Attended a presentation concerning the company's gas purchasing practices and plans for the future;
- Evaluated a Cast Iron Main Replacement (CIMR) Factor filing;
- Evaluated a Cost Control Measurement filing;

- Evaluated a Weather Impact Normalization filing;
- Evaluated Purchased Gas Adjustment filings;
- Evaluated an Industrial Transportation Service Agreement with Kimberly-Clark Corporation;
- Evaluated a Transportation Agreement with Evonik Corporation; and
- Reviewed the company's annual report and requested and received clarification of certain portions of the report.

Wheeler Basin Natural Gas Company

Regarding Wheeler Basin Natural Gas Company, the section:

- Reviewed an Application for Approval of the First Amendment to the Amended and Restated Firm Intrastate Transportation Service Agreement; and
- Reviewed the company's annual report, comparing it to previous reports, and found it to be in compliance with Commission rules and orders.

Intrastate Storage and Pipeline Companies

During FY-2018, the Natural Gas Section was responsible for evaluating and making recommendations to the Commission on matters pertaining to the following intrastate pipeline and storage companies:

- American Midstream (Alabama Intrastate) LLC;
- American Midstream (Bamagas Intrastate) LLC;
- American Midstream (Tennessee River) LLC;
- American Midstream (Alabama Gathering) LLC;
- Arapaho Communications;
- Bay Gas Storage Company, Inc.;
- Genesis Pipeline, LLC;

UTILITY SERVICES DIVISION

- Pine Energies, Inc.;
- Southcross Alabama Pipeline LLC; and
- Southern Gas Transmission Company.

American Midstream (Tennessee River)

LLC

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

American Midstream (Alabama Intrastate)

LLC

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

American Midstream (Bamagas Intrastate)

LLC

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

Alabama Midstream (Alabama Gathering)

LLC

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

Arapaho Communications

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

Bay Gas Storage Company, Inc.

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

Genesis Pipeline, LLC

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

Pine Energies, Inc.

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

Southcross Alabama Pipeline LLC

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

Southern Gas Transmission Company

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

Support of Commission Offices

The section:

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

UTILITY SERVICES DIVISION

Miscellaneous

The section:

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

Telecommunications Section

The Alabama Legislature grants the Commission regulatory authority for intrastate landline (also known as wireline) communications. The Commission does not exercise authority for cable television, Internet Service, Voice-Over-Internet-Protocol phone service (VoIP), or wireless telephone service. Telecommunication providers subject to the Commission's jurisdiction include:

- Incumbent Local Exchange Carriers (ILEC) - traditional providers of local telephone service;
- Competitive Local Exchange Carriers (CLEC);
- Interexchange (toll) Carriers (IXC);
- Long Distance (toll) Service Resellers (TOLL);
- Payphone Service Providers (PSP);
- Inmate Calling Service Providers (ICS); and
- Shared Tenant Telephone Service Providers (STS).

The Legislature's Communications Reform Act of 2005 ("the Act") curtailed the Commission's authority

over pricing for most retail telecommunication services. For those providers electing regulation under the Act, the Commission's pricing jurisdiction was eliminated for bundled service offerings, services offered under contract, broadband internet services, and most retail telecommunications services. The Commission retained pricing jurisdiction for stand-alone basic service, optional telephone features, emergency telephone (911) services billing, consumer complaints, Federal Universal Service Fund (USF) administration, and all wholesale service pricing. As of September 30, 2018, seven independent telephone companies along with six toll and competitive telephone companies in Alabama have not opted for regulation under the Act. Pricing for the services offered by those carriers remain wholly within the Commission's regulatory jurisdiction.



In 2009, the Legislature amended the Communications Reform Act to eliminate the Commission's pricing jurisdiction over stand-alone basic service and optional telephone features for BellSouth, CenturyLink, and any rural telephone company agreeing to surrender their rural exemption from competition. As of September 30, 2018, only Windstream Communications, Frontier Telephone Companies, and Ardmore Telephone Company have agreed to end their rural exemption claim while 23 incumbent

UTILITY SERVICES DIVISION

telephone companies remain regulated under either the 2005 Act or the Commission's price regulation plan that existed prior to its passage.

In 2014, the Legislature amended the Communications Reform Act to eliminate the Commission's complaint and dispute jurisdiction. Carriers no longer desiring to remain under the Commission's complaint and dispute jurisdiction have to make their election known to the Commission. As of September 30, 2018, twelve (12) ILECs and sixteen (16) CLECs have requested a waiver to not remain under the Commission's complaint and dispute jurisdiction.

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

- Participation in certification hearings for new telecommunications service providers;

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

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

Section Activities

During FY-2018, various section members:

- Processed sixty eight tariff filings, six name changes, twelve cancellations, and forty interconnection, resale, and collocation agreements for CLECs, wireless providers, and ILECs;
- Processed five applications for Certificates of Public Convenience and Necessity (CPCN) to provide toll resale and/or



TELECOMMUNICATIONS SECTION

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

UTILITY SERVICES DIVISION

competitive local exchange service in Alabama;

- Reviewed and verified accuracy of intrastate terminating access rate reductions and associated tariff filings for local exchange carriers (LEC) to ensure the filings are in compliance with the FCC comprehensive reform and modernization of the universal service and inter-carrier compensation systems;
- Reviewed and verified accuracy of the Alabama Transition Service Fund in accordance with Dockets 28642 and 31816;
- Received and reviewed LEC and toll carrier's Family Violence Shelter Confidentiality plans in accordance with the *Code of Alabama 1975*, Sections 37-2A-4 and 30-6-1 and Commission Docket 29878;
- Participated with the Legal and Administrative Divisions to ensure that telecommunications companies are compliant with required submission of Inspection and Supervision (I&S) fees;
- Participated in Show Cause

proceedings and processed Commission Orders for revoking CPCNs, for dismissal of companies from revocation proceedings, and for reinstating revoked CPCNs of companies that subsequently complied with the I&S submission requirements;

- Maintained guidelines for telecommunications carriers to notify the Commission of their election to be removed from the Commission's complaint and dispute jurisdiction for certain retail telecommunications services pursuant to Section 37-2A-4 (k), *Code of Alabama 1975*;
- Monitored carriers having Eligible Telecommunications Carrier status, designation and eligibility for federal Universal Service Fund (USF) high-cost support and low income support;
- Maintained a database of approximately 574 third-party service providers approved by the Commission for LEC billing of their services;
- Staff investigated and resolved 448 consumer inqui-

ries associated with telephone service and/or billing; and

- Provided guidance to NANPA seeking area code 205 exhaust relief.

Services Section

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

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

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

UTILITY SERVICES DIVISION



SERVICES SECTION

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

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

Environmental Management staffs as necessary to co-regulate the water and wastewater companies.

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

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

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

Regulated wastewater utilities include:

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

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

UTILITY SERVICES DIVISION

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

Section Activities

Telecommunications:

- Participated in the Inmate Calling Services APSC Rulemaking Docket 15957. This Group continues to collaborate with the Federal Communications Commission as well as Public Service/Utility Commissions in sister states in matters relevant to the FCC ICS proceeding under WC Docket No. 12-375, Inmate Calling Service Report and Order and Further Notice of Proposed Rulemaking;
- Cancelled 1 ICS certificate. Processed 2 ICS final tariffs. Approved 1 merger of companies;
- Conducted 3 ICS on-site inspections at confinement facilities;
- Investigated and approved 6 "Safety Valve" petitions from ILECs requesting the Commission overturn denials by NANPA for the issuance of additional numbering resources;

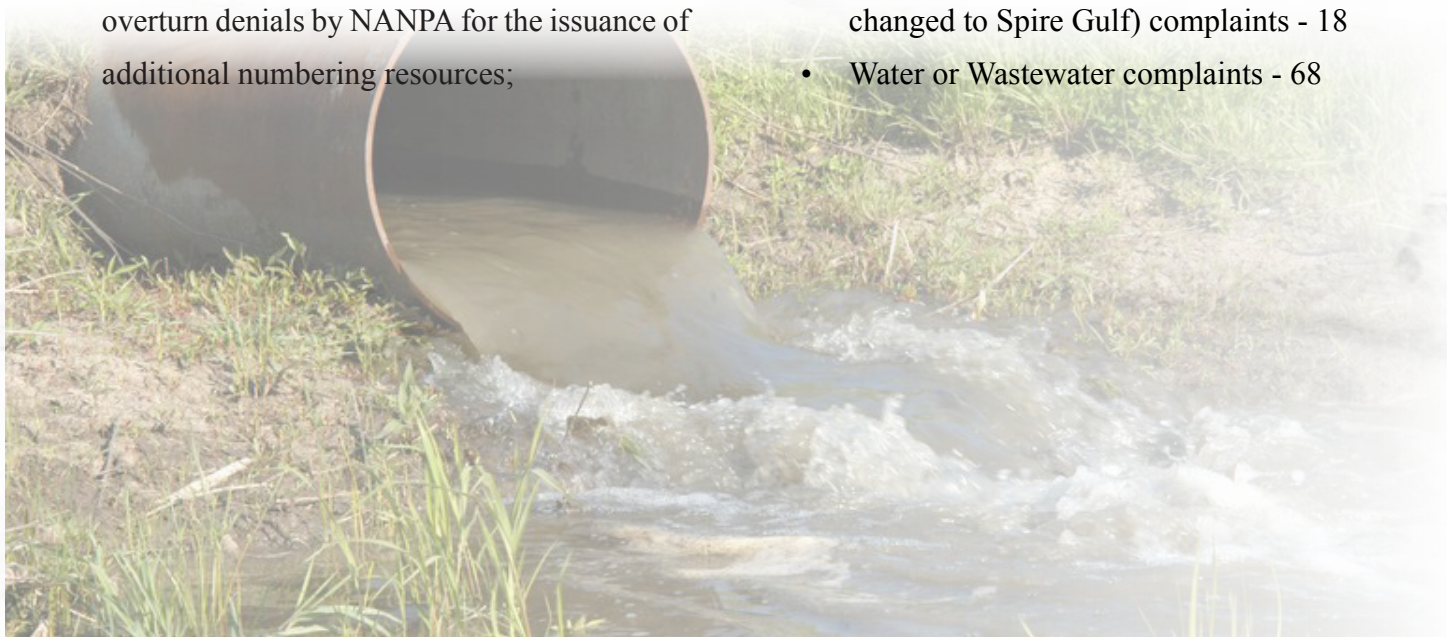
- Prepared 12 monthly code and block reports to Neustar/NANPA; and
- Reviewed results of investigations made by the Utility Enforcement Division regarding on-site inspections of USF high cost construction projects within the following service districts: AT&T-Gulf, AT&T-North Alabama, CenturyLink-Southern, and CenturyLink-Northern.

Water and Wastewater:

- Certificate of Financial Viability Modification applications evaluated - 4
- Certificate Renewal applications evaluated - 3
- Tariff revision petitions evaluated - 3
- Wastewater system inspections and audits - 4

Consumer Services:

- Telecommunication Company complaints - 448
- Alabama Power Company complaints - 306
- Alagasco (name has been changed to Spire Alabama) complaints - 82
- Mobile Gas Service Corporation (name has been changed to Spire Gulf) complaints - 18
- Water or Wastewater complaints - 68



UTILITY ENFORCEMENT DIVISION



*Janice M. Hamilton, Director
Utility Enforcement Division*

The Utility Enforcement Division (UED) is primarily responsible for providing professional engineering and other technical regulatory support to the Commission on matters relating to the plant, infrastructure, and facilities of all investor-owned (private) electric, telecommunications, and water utilities and wastewater management entities serving customers within the state of Alabama.



Janice M. Hamilton Director

This responsibility includes the review, critique, inspection, and investigation of plans, designs, construction, operations, maintenance, reliability, life extension, repowering, and decommissioning of utility assets to ensure the provision of safe, reliable, efficient, and economic utility services. The staff reviews the adequacy and sufficiency of infrastructure and system planning methodologies and metrics, trends, and performance; assesses adherence with Commission and industry standards in the construction and operation of such facilities and drafts recommendations for improvement, when necessary.

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

The safety oversight of all mainline and distribution railroad yards and systems in Alabama is a high priority of the Commission and was included within the scope of the UED through the Railway Safety (RWS) Section's

enforcement of the applicable federal safety regulations.

The UED staff monitors national and local regulatory, congressional, and legislative issues that concern infrastructure of energy, telecommunications, and transportation companies. The division also has the responsibility of assisting with the protection of underground utility facilities from third party damage and statewide energy emergency management and coordination activities in the event of major storms and other catastrophes.

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

The subsequent paragraphs discuss each section's significant regulatory policies, duties, and major activities and accomplishments that occurred during FY-2018.

UTILITY ENFORCEMENT DIVISION

RAILWAY SAFETY MONTH HONOREES

From left: Janice M. Hamilton is assisted by Waymon Benifield, Alabama Department of Transportation and Carmen J. Patriarca, Federal Railroad Administration, Region 3, in making Rail Safety Month award presentations to Elizabeth Kennedy Lawlor, Norfolk Southern in the absence of Nancy Hudson, Executive Director of Alabama Operation Lifesaver and Travis Herod, Senior Vice President of Watco Companies for accomplishments made during Fiscal Year 2018.



Railway Safety Section

The Railway Safety Section conducts safety compliance inspections on all railroad common carriers' track and equipment in Alabama in accordance with state and federal standards. Track inspections are conducted on main line tracks, siding and lead tracks, and yard tracks on which operations are conducted over the general rail system. These routes include, but are not limited to, hazardous materials routes, Strategic Rail Corridor Network (STRACNET), passenger train routes, and crude oil/ethanol routes. The equipment inspections include examinations of rolling stock (rail cars), locomotives, roadway maintenance machines (rail-bound work equipment), and hyrail vehicles (vehicles that are capable of operating legally on public roads and by rail). These inspections also monitor compliance with regulations for Railroad Workplace Safety.

There are over 3,900 miles of track in the state. This



RAILWAY TEAM DISCUSS EDEN DERAILMENT

From left: Christopher W. Hester, J. Eddie Nix, and Heath Thompson discuss probable causes of a major freight train derailment in Eden, Alabama.

trackage is owned and maintained by four major Class One railroads, one Class Two railroad, and 23 Class Three railroads. There are railroad classification yards located in Birmingham and Sheffield where trains are built for departure to multiple points around the United States. These yards are also the terminus for many trains coming in from other states. Also, located throughout

UTILITY ENFORCEMENT DIVISION

the state are many switching yards and each metropolitan area has a major switching hub. Thousands of units of rolling stock traverse these tracks each day hauling a multitude of different commodities.

This section investigates railroad accidents and derailments to determine causes and is called upon by the Federal Railroad Administration (FRA) and the National Transportation Safety Board (NTSB) to assist in major accident investigations. This section also handles complaints from railroads, railroad employees, labor unions, other governmental agencies, and the general public in all matters pertaining to railway safety. The table to the right, provides a breakdown of the activities of the Railway Safety Section during the period covering October 2017 through September 2018.

Railway Safety Section	
Track Miles Inspected	2,397
Turnouts Inspected	1,206
Track Records Inspected	759
Bridge Observations	75
Roadway Worker Observations	148
Roadway Machines Observed	151
Noncompliant Conditions Identified	904
Violations Recommended	30
Locomotives Inspected	50
Freight Cars Inspected	9,004
Hazmat Cars Inspected	458
Blue Flag Observations	21
End of Train Devices Inspected	4
Repair Records Inspected	0
Noncompliant Conditions Identified	1,555
Violations Recommended	7



Motive Power & Equipment Inspector, Eddie Nix, documents a defective piece of equipment on a boxcar with a photograph while inspecting rolling stock at Norfolk Southern's Finley

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

Members of the Railway Safety Section may also 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 and the number of fatalities and injuries to railroad trespassers. 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.

UTILITY ENFORCEMENT DIVISION



MOTOR CARRIER SERVICES STAFF AUDITS LYFT VEHICLE

From left: Devon Beaty, Public Utility Analyst I, Jennifer Morgan, Account Clerk, and Amanda Shehane, Senior Accountant, perform their first field compliance audit of a Transportation Network Company (TNC) in July 2018.

Motor Carrier Services Section

Insurance & Registration

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

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

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

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

and processes the payments to be deposited into the State Treasury or the federal UCR depository, as required by law. It is responsible for maintaining journals, ledgers, receipts, and various other financial and certification

INSURANCE AND REGISTRATION SECTION

INSURANCE FILINGS

Self-Insurance, bonds for liability and cargo, certificates for liability and cargo, bonds for brokers	6,224
Insurance correspondence	416

REGISTRATION

UCR registration	10,435
Online	9,246
Office	1,189
UCR audits	
Companies paid in wrong bracket	459
Companies received further action	131
Audit correspondence	270
Intrastate applications received	
New authority applications	107
Transfer of authority	4
Applications to provide service for	14
Non-profit organizations	
Motor carrier vehicle registration numbers	679

REVOCATIONS AND REINSTATEMENT OF AUTHORITY

Revoked for noncompliance with Commission rules and regulations	336
Reinstated after compliance	219

UTILITY ENFORCEMENT DIVISION

records and reports of payments received and deposited.

This section requires all intrastate motor carriers to have verifiable insurance on file before credentials to operate in the state are issued. It also processes orders of revocation for failure to comply with Commission rules and regulations and orders of reinstatement after such proof has been received and verified, as prescribed by law.

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

Rates and Services

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

When the Commission institutes a formal investigation of a proposed tariff, a public hearing is set and held to review the matter. When the record is complete, the hearing officer and other members of the PSC staff study and analyze the evidence of record and make recommendations to the Commission. After a Commission decision is made, an order of the Commission is prepared for their approval.

The Rates and Services staff receives and maintains motor carrier annual reports that are required to be filed by April 30 of each year covering the previous calendar year of operation. The staff also handles requests for verification of rates, fares, and charges of transporters of passengers and household goods. It also verifies rates and services provided by motor carriers through compliance audits of carriers' records. Lastly, this arm of the Motor Carrier Services (MCS) Section handles and resolves transportation complaints filed by the public and industry representatives.

Transportation Network Companies

On July 1, 2018 the Commission began regulating transportation network companies (TNCs) that offer an online platform for private citizens to provide ride sharing opportunities to the general public using their own personal

MOTOR CARRIER TARIFFS FILED

Household Goods Motor Carriers	6
Passenger Motor Carriers	6

ANNUAL REPORTS FILED

Motor Carriers	167
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UTILITY ENFORCEMENT DIVISION

vehicles. Our MCS staff has been deemed responsible for inspecting TNC records and investigating and resolving complaints against TNCs or TNC drivers. The staff performed the first of its random but regular (monthly) field audits of the TNC drivers and the conditions of their vehicles to ensure their compliance with Commission rules.

Field Services Section

The Field Services Section (FSS) is responsible for providing the majority of the engineering and technical assessments of regulated utility infrastructure which are necessary for the Commission

to fulfill its statutory responsibilities. Some of those assessments include but are not limited to, the inspection, oversight and monitoring of all regulated, investor-owned electric, water and wastewater utility plants, facilities and infrastructure opera-

tions, maintenance, construction and reliability. In fiscal year 2018, the Field Services Section continued to perform field inspections of electric power generation plants (hydro and steam), local electric distribution operations and regulated water and wastewater facilities.

The task of reviewing power generation, transmission and distribution projects is continuous and was accomplished by visits to diverse aspects of Alabama Power Company factions. Six Alabama Power Company steam plants were inspected this year along with three hydroelectric plants in order to review various methods of generating power.

Various influences affecting generation plants' ability to provide sustained power to Alabama residents such as time and causes of plant outages as well as other contributing factors were analyzed and found to be consistent with normal activities within the

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

stagnation in each area.

Ten wastewater treatment facilities that fall under the jurisdiction of this Commission were visited to verify that services were provided to Alabama consumers in a satisfactory manner within the guidelines of Chapter 420-3-1 of the Rules of State Board of Health Bureau of Environmental Services dealing with onsite sewage treatment and disposal. Six water utility companies were examined to review and insure their procedures for treating and delivering potable water to their customers were done efficiently and consistent with the Water Rules of the Alabama Public Service Commission.

During the year, the staff attended a national virtual training session that addressed issues that might face the state's Emergency Management Agency in the event of a catastrophic hydroelectric plant failure. A solar-assisted, residential, smart community development was reviewed enhancing the FSS staff's understanding of the merits of solar electric power. Staff also participated in several webinars and teleconferences relating to regulation and operations of electric companies throughout the year.



HALEYVILLE INSPECTION
From left: H. Terry Jackson, Public Utility Field Technician, Senior, discusses engineering drawings, designs and construction of an electric substation in Haleyville with Alabama Power representatives.

GAS PIPELINE SAFETY DIVISION

Wallace R. Jones
Director



GAS PIPELINE SAFETY DIVISION

From Left: Randy Hammond, Wallace Jones, Randall Hand, Judy Ramsey, Daniel Trapp, Greg Meadows, Jonathan Kimbrell, Felisa Webster, and Jamar Robinson. (Not pictured: Asia Skillman and Michael McVay)

During Fiscal Year 2018, the Gas Pipeline Safety Division (GPS) conducted and carried out the inspection and monitoring activities of all natural gas and hazardous liquid intrastate pipeline systems operating in Alabama, including offshore and in state waters. The responsibility was given to the Public Service Commission by the Alabama Legislature to assure and obtain compliance with the Minimum

Federal Gas Pipeline Safety Standards adopted by the United States Department of Transportation (USDOT) pursuant to the Natural Gas Pipeline Safety Act of 1968. Each calendar year, a representative from the Pipeline and Hazardous Materials Safety Administration (PHMSA) performs an audit of the GPS activities and finances to ensure compliance with all aspects of the federal regulations.

GPS staff ended FY-2018 consisting

of one Director; one Administrative Support Assistant III; three Pipeline Safety Investigations Supervisors; one Gas Pipeline Safety Investigator, Senior - Training Option; two Gas Pipeline Safety Investigators, Senior; two Pipeline Safety Engineering Graduates; and one Gas Pipeline Safety Investigator.

The personnel charged with this responsibility must meet all the training requirements set forth by the PHMSA.

GAS PIPELINE SAFETY DIVISION

Over the course of FY-2018, GPS staff attended 20 resident courses and completed 31 Web-Based Training (WBT) courses in an effort to become, and remain, qualified to conduct natural gas and hazardous liquid pipeline system inspections.

Several of the Investigators attended refresher and other courses to maintain their qualifications. With the incorporation of Distribution Integrity Management Programs (DIMP), Public Awareness Program Effectiveness Evaluations (PAPEE), and Control Room Management (CRM), GPS Investigators have experienced increased training requirements. The addition of an Operator Qualification class and a Drug and Alcohol WBT into the inspection process, means that even more classes will be required of the Investigators over the course of the next several years.

In addition to attending classes for maintaining job-related skills and knowledge levels, GPS sponsored training by hosting the *30th Annual Gas Pipeline Safety Seminar* in December 2017. Topics for this seminar, presented by GPS personnel, vendors and operators, covered updates to federal guidelines and the Minimum Federal Safety Standards that GPS enforces. Approximately 300 natural gas and hazardous liquid system operators were in attendance. There were over 40 vendors attending that displayed and demonstrated equipment to be used in natural gas and hazardous liquid applications. GPS also co-hosted the Pipeline Safety Conference that was conducted in New Orleans, Louisiana in July 2018. The topics for this seminar, presented by instructors from the PHMSA Training & Qualification (TQ) Center in Oklahoma City, Oklahoma, vendors, operators, and state regulators covered updates to federal guidelines and the Minimum Federal Safety Standards for natural gas and hazardous liquids. Over 500 natural gas and hazardous liquid operators attended

the conference. More than 50 vendors set up displays and demonstrated the most modern equipment used in the natural gas and hazardous liquids industry. In addition to Alabama's GPS personnel, the states of Mississippi, Arkansas, Texas, and New Mexico assisted the Louisiana pipeline safety personnel with this conference.

At the end of FY-2018, the Commission exercised jurisdiction over the safety functions of 75 intrastate natural gas distribution systems (of these 75 systems, nine also have transmission assets within their service territories that are also jurisdictional to GPS), 21 intrastate natural gas transmission systems, one liquefied natural gas (LNG) system, two intrastate hydrogen transmission systems, two offshore natural gas transmission systems, and 26 master meter distribution systems. GPS also has jurisdictional authority over eight segments of gathering lines; six are included in the transmission systems and two are located in the offshore entities. The Commission also exercised jurisdiction over the safety functions of five on-shore hazardous liquid transmission systems, one on-shore hazardous liquid gathering system, and one off-shore hazardous liquid transmission system. When the facilities and practices of these operators are found to be in noncompliance through the investigations performed by GPS staff, GPS staff outlines the immediate corrective actions that are necessary and ensures that such actions are taken by the operators in question.

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

GAS PIPELINE SAFETY DIVISION

existing Public Awareness Programs in an effort to educate the first responders and others about the natural gas and hazardous liquid pipelines in their area.

Underground utility damage prevention continued to be a major concern of GPS. Involvement of GPS staff in the Alabama Damage Prevention Alliance (ADPA) helped to steer the state towards a more aggressive posture in the area of damage prevention. GPS personnel participated in the *4th Annual Damage Prevention Summit*, sponsored by ADPA, in September 2017 and the *5th Annual Damage Prevention Summit* in September 2018. The focus of this “Summit” is to educate and encourage participation in safe excavation practices.

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

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

The adequacy of the enforcement provisions of current law; and

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

APSC President Twinkle Andress Cavanaugh appointed the GPS Director to represent the APSC on the One-Call Commission as a gas pipeline safety expert. This One-Call Commission was to issue a report and recommendations to the Governor and Legislature by December 31, 2015. The One-Call Commission was unable to reach a consensus on viable alternatives regarding adequate enforcement by the December deadline and continued to meet through FY-2016 and FY-2017. The final report of this “One-Call Commission” was submitted to the Governor’s office and the Legislature in January 2018.

During FY-2018 the Director of GPS met with representatives of PHMSA to discuss Alabama’s adequacy regarding damage prevention. This is a recurring examination of the state’s damage prevention efforts that will be conducted by PHMSA each year. As in previous years, the result of the FY-2018 examination was a failing



GAS PIPELINE SAFETY DIVISION



Governor Declares April Safe Digging Month

Governor Kay Ivey declares April 2018 Safe Digging Month in Alabama. From left: Blake Kinney, Jeff Johnston, (APSC); Annette Reburn, (Alabama 811); Wallace Jones, (APSC); Chris Driskell, (Spire Gulf); President Twinkle Andress Cavanaugh, Debbie Williams, (APSC); and Bram Fuller, (USIC Locating Services).

grade for Alabama due to the entities charged by Alabama law with the responsibility for assessing fines for utility damages having levied only a single fine or penalty, nor was there “adequate enforcement” as determined by PHMSA. Unless there is adequate and active enforcement of the penalty provisions by the entities in Alabama that are currently charged with enforcement or there is a change in the existing law that otherwise results in effective enforcement by entities in Alabama, PHMSA will ultimately become the enforcement authority for pipeline damages within the state of Alabama.

Due to increased pressure from PHMSA to impose civil penalties for violations of ***Title 49, Code of Federal Regulations (CFR), Part 192*** (natural gas) and ***Part 195*** (hazardous liquids), GPS re-evaluated its procedures and obtained statutory modifications which allowed the APSC to administer increased civil penalties to offenders.

During FY-2017 the GPS staff brought forth two additional *GPS Rules* for the Commission’s consideration that were adopted in FY-2018. GPS Rule #13 requires the retirement of abandoned service lines when a meter has been removed and the service line is no longer in use. GPS Rule #14 allows the GPS Director, with the approval of the Executive Director and the Commission, to levy fines not to exceed \$1,000.00 for certain violations/repeat offenders.

The GPS staff continued to be very involved with the National Association of Pipeline Safety Representatives (NAPSR). Alabama was represented on several NAPSR and PHMSA task forces and committees during FY-2018. This participation helps to keep Alabama current with changes to federal regulations and involved in providing input into decisions that impact pipeline safety, not only in Alabama, but throughout the Southeast and the country.

GAS PIPELINE SAFETY DIVISION

Gas Pipeline Inspections by Inspection Type Natural Gas and Hazardous Liquid	Natural Gas	Hazardous Liquid	Total
Standard	176	7	183
Construction	108	4	112
Integrity Management	36	0	36
Operator Qualification	89	0	89
Control Room Management	0	0	0
Incident	2	0	2
Public Awareness	71	0	71
Follow-Up	116	1	117

The GPS Director was also elected to the position of National Secretary of NAPSAR for the FY-2018 year. He will rotate into the National Vice-Chair and National Chair positions over the course of FY-2019 and FY-2020.

Another area of involvement for the GPS staff is with the Alabama Natural Gas Association (ANGA). ANGA is comprised of most of the natural gas operators in the state of Alabama. They normally conduct two training seminars each year; the Spring Seminar (conducted in March 2018) and the Fall Training Seminar (scheduled for September 10 – 13, 2018). GPS personnel assist in training at both seminars. GPS staff also attends the ANGA Annual meeting each year. Although this is not a training opportunity for the GPS staff, it is a very viable networking opportunity. This meeting draws the mayors, directors, and managers of the utility boards which presents a chance to discuss aspects of the safety culture of the various operators in a more relaxed and open atmosphere.

An important function of this section has always been accident prevention. The Gas Pipeline Safety Section

developed and presented programs to promote safe operations by natural gas transmission and distribution systems. Some of these training opportunities included natural gas firefighting techniques and procedures, polyethylene (PE) plastic fusion qualification classes and training on the dangers of hydrogen sulfide (H₂S) gas. H₂S is a poisonous gas that is sometimes produced in conjunction with natural gas.

There were two incidents during FY-2018 that met the criteria for reporting to PHMSA: 1) death, 2) hospitalization or 3) damage over \$50,000.00. Spire – Alabama (January 2018) reported a leak on a transmission main that resulted in costs exceeding \$50,000.00 to repair. Spire – Gulf (July 2018) also reported a leak on a transmission main that resulted in a fire (no additional damage reported) and costs exceeding \$50,000.00 to repair. The state criteria of over \$5,000.00 in damages resulted in 18 incident reports for FY-2018. A tabulation of the section’s work activities for FY-2018 is reflected in table below:

Gas Pipeline Safety Work Activities	Person-Days
Standard Inspections	524.90
Construction Inspections	190.30
Integrity Management Inspections	57.75
Operator Qualification	50.50
Field Inspections	
Incident/Accident Investigations	11.00
Public Awareness Inspections	64.25
Follow-Up Inspections	144.00
Operator Training	118.00
Investigator Training	281.00
Total Person-Days	1441.70

APSC HISTORY

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

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

Commission. The Commission's authority was extended to approving the sale or lease of utility property or franchises and was broadened again in 1920 when the Legislature made the Commission responsible for regulating utility rates.

As Alabama's highway system developed in the late 1920s, the operation of trucks and buses as common carriers increased. In 1927, the Legislature placed all motor transportation companies operating as common carriers of freight and/or passengers over regular routes on Alabama highways under the Commission's regulatory authority. The Legislature broadened the Commission's authority over transportation companies in 1931 and 1932 by including motor carriers not operating over regular routes. Intrastate air carriers were made subject to the Commission's jurisdiction in 1945. Natural gas transmission and distribution systems were placed under the Commission's jurisdiction for safety purposes in 1968. Additionally, the Minimum Safety Standards outlined in the Natural Gas Pipeline Safety Act were adopted.

In 1971, the Commission's authority over motor carriers was broadened yet again as transportation enforcement

officers were empowered to enforce the rules and regulations of the Commission. Similarly, the Commission's safety jurisdiction was extended to include railroad tracks and equipment in 1976 under the State Participation Program of the Federal Railroad Safety Act of 1970.

In 1977, the Legislature recognized the need to have an advocate charged exclusively with representing utility consumers before the Commission. The Legislature accordingly empowered the office of the Attorney General of Alabama to represent consumers and the state in proceedings before the Commission during the 1977 legislative session. In recent years, sweeping federal and state statutory changes have significantly altered the Commission's jurisdiction and authority over transportation and telecommunications utilities. Title IV in the Federal Aviation Administration Act of 1994 provides for federal preemption of the states in matters of motor carrier pricing, routes, and services for all but household goods carriers. As a result, Commission certification and tariff approval is no longer required for those motor carriers whose state Commissions are federally preempted from regulating beyond minimal

APSC HISTORY

initial requirements. The Commission continues to regulate carriers of passengers and household goods, ensures all motor carriers maintain appropriate cargo and liability insurance, and ensures that all regulated carriers comply with applicable safety standards.

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

tions Reform Act. That Act, citing the competition that exists in the local telephone market, eliminated much of the Commission's authority over retail telecommunication services. Additionally, Commission jurisdiction was eliminated for all broadband services used for Internet delivery. The Commission did, however, retain full jurisdiction over wholesale telecommunications services and matters concerning Universal Service.

As the telecommunications industry continued its evolution, the Alabama Legislature in 2009 amended the Communications Reform Act of 2005 to eliminate the Commission's pricing jurisdiction over stand-alone basic service and optional telephone features for the large ILECs and any rural ILEC agreeing to surrender its rural exemption from competition. As of September 30, 2018, only three rural ILECs have elected to waive their rural exemption leaving 23 rural ILECs under the Commission's jurisdiction pursuant to the 2005 Communications Act or the regulatory scheme which existed prior to its passage.

It was also in 2009 that the Alabama Legislature determined that certain privately-owned wastewater systems who discharge below the

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

In 2014, the Alabama Legislature again amended the Communications Reform Act of 2005 to allow telecommunications carriers the option of removing themselves from the Commission's jurisdiction with regard to complaints. As of September 30, 2018, 12 ILECs and 16 CLECs have exercised the allowed election to remove themselves from the Commission's complaint jurisdiction.

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

PAST AND PRESENT COMMISSIONERS

PRESIDENT

Walter L. Bragg:
February 1881 – February 1885
Henry R. Shorter:
February 1885 – February 1897
James Crook:
February 1897 – February 1901
*John V. Smith:
March 1901 – March 1905
B.B. Comer:
March 1905 – January 1907
Charles Henderson:
January 1907 – January 1915
Samuel P. Kennedy:
June 1915 – January 1923
*A.G. Patterson:
January 1923 – January 1927
Hugh White:
January 1927 – January 1945
Gordon Persons:
January 1945 – January 1951
C.C. (Jack) Owen:
January 1951 – January 1965
Eugene (Bull) Conner:
January 1965 – January 1973
Kenneth A. Hammond:
January 1973 – December 1975
C.C. Whatley:
December 1975 – January 1977
Juanita W. McDaniel:
January 1977 – February 1980
William J. Samford, Jr.:
February 1980 – January 1981
Billy Joe Camp:
January 1981 – January 1983
*Jim Sullivan:
February 1983 – November 2008
Lucy Baxley:
November 2008 – November 2012
**Twinkle Andress Cavanaugh:
November 2012 – Present**

COMMISSIONER, Place 1

James Crook:
February 1881 – January 1885
Levi W. Lawler:
February 1885 – September 1892
Gen. James T. Holtzclaw:
February 1893 – July 1893
Willis G. Clark:
August 1893 – February 1899
A.E. Caffee:
February 1899 – February 1903
William T. Sanders:
April 1903 – January 1907
Charles Sanders:
January 1907 – February 1907
W. D. Nesbitt:
March 1907 – January 1911
Leon McCord:
January 1911 – January 1915
B. H. Cooper:
January 1915 – January 1923
Fitzhugh Lee:
January 1923 – January 1943
Gordon Persons:
January 1943 – January 1945
James Perdue:
May 1945 – January 1947
James Hitchcock:
January 1947 – June 1959
Ralph Smith, Jr.:
August 1959 – August 1960
Joe Foster:
August 1960 – January 1963
Ed Pepper:
January 1963 – January 1967
C.C. (Jack) Owen:
January 1967 – January 1975
Jim Zeigler:
January 1975 – January 1979
Pete Matthews:
January 1979 – March 1981
Lynn Greer:
March 1981 – November 1990
Jan Cook:
November 1990 – November 2010
Twinkle Andress Cavanaugh:
November 2010 – November 2012
****Jeremy H. Oden:
December 2012 – Present**

COMMISSIONER, Place 2

Colonel Charles P. Ball:
February 1881 – February 1885
Wiley C. Tunstall:
February 1885 – February 1895
Ross C. Smith:
February 1895 – February 1899
Osceola Kyle:
February 1899 – December 1900
Wiley C. Tunstall:
December 1900 – January 1907
John G. Harris:
January 1907 – July 1908
John A. Lusk:
August 1908 – January 1911
Frank N. Julian:
January 1911 – January 1915
S.P. Gaillard:
January 1915 – January 1923
*Frank P. Morgan:
January 1923 – May 1936
W.C. Harrison:
June 1936 – January 1947
C.C. (Jack) Owen:
January 1947 – January 1951
T.O. Walker:
January 1951 – January 1955
Sibyl Pool:
January 1955 – January 1971
Juanita W. McDaniel:
January 1971 – January 1977
C.C. Whatley:
January 1977 – January 1979
Jim Folsom, Jr.:
January 1979 – November 1986
Charles B. Martin:
November 1986 – November 1998
George C. Wallace, Jr.:
November 1998 – November 2006
**Susan D. Parker, PhD.:
November 2006 – November 2010
Terry L. Dunn:
November 2010 – November 2014
**Chris "Chip" Beeker, Jr.:
November 2014 - Present**

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



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