



June 16, 2011

Commissioner Lucy Baxley  
Commissioner Twinkle Andress Cavanaugh  
Commissioner Terry Dunn  
Judge John Garner  
Janice Hamilton  
John Free  
Alabama Public Service Commission  
100 North Union Street, Suite 850  
Montgomery, AL 36104



Dear Commissioners and PSC Staff:

We appreciate the opportunity to review the Alabama Power (APCO) proposed rates and provide you some additional information and comments to consider related to these proposed rates and rate modifications. We have continued analyzing the proposed Time-Of-Use (TOU) rates, as well as the related rates and riders that were submitted via APCO's May 20, 2011 filings. We have also spoken with many of our customers about the proposed rates and riders to determine the impact that these changes would have on them and have included some letters that our customers have provided.

As I mentioned in my previous letter, a very high percentage of the government, school, and small business accounts currently served by an APCO TOU rate would apparently see their electricity costs increase (with most of these increases being relatively substantial) if their current TOU accounts were moved to one of the newly proposed TOU rates. These increases are primarily related to the significant demand charges included in the proposed rates and the related year-round 100% bill demand ratchet. For some customers, these additional charges are greatly compounded by APCO's request that the School, Church, Contract Term Discount (CTD) and Multiple Account riders not be applicable to the proposed rates.

Additionally, the changes included in the proposed CTD Rider would exclude BTA and BTAL accounts from being included in the aggregate demand calculation that is used to qualify their demand-based accounts for the CTD Rider. The exclusion of these accounts just because they are on a TOU Rate would not appear to be appropriate since mid-sized customers depend on all of their large accounts to qualify for the CTD Rider.

The impact of the proposed demand component that is now included in both the proposed BTA and BTAL rates will exclude many customers who would otherwise appear to be ideal candidates for TOU rates from being able to use these rates. Customers who use a high percentage of their power during off-peak or intermediate times should not be penalized for doing what has been highly encouraged in the past. Also, the proposed ratchets would exaggerate this penalty because customers would be forced to pay demand charges for every month based on the highest peak at any time of the year, even if this peak occurs when a water account is pumping water in the middle of the night or when a building is running all of its electric heating systems.

The high base rate and demand charges under the proposed BTA rate would leave most relatively small accounts unable to utilize a TOU rate. This does not seem appropriate given the number of smaller accounts that have a significant off-peak usage and have used the LPTS rate appropriately for many years. The significant demand charges would also prevent many ball parks from being able to take advantage of a TOU rate. Although they often have high peak usage levels, these high peaks are almost entirely related to nighttime outdoor lighting. A minor adjustment to the Lighting – Time-of-Use (LTU) Rate could address this issue.

The 1,200 kW minimum billed demand and the 100% year-round ratchet included in the proposed BTAL rate would greatly increase the charges for many of APCO accounts that have long been very good LPTL Rate customers and utilize a substantial amount of off-peak power. Both the 1,200 kW minimum demand and the requirement to achieve a peak of 600 kW twice a year to qualify for BTAL would create a very substantial difference between the cost per kWh for the large customer and the very large customers and between the BTA and BTAL rates even though the cost to serve the customers who fall near the qualification threshold will be virtually identical regardless of whether they just qualify or do not quite qualify for the proposed BTAL rate. As an example, many water and wastewater plants in Alabama were designed to run at peaks around 500 kW. These facilities are natural fits for TOU rates with 24x7 operations and reduced peak usage, but most would have to use demand-based rates to reduce their additional expenses if the proposed BTA and BTAL rates are their only TOU options. Naturally, this would also lead to operational changes and a substantial increase in on-peak usage that is currently being avoided.

Based on our calculations, the proposed rates would have a disproportionate impact on governments, utility boards and school systems. Many government and utility board customers have accounts that would see 40% to 50% increases in their electricity costs if the current TOU rates were terminated and the proposed rates were the only TOU rates available. They would have no choice but to pass the additional costs on to their customers who are in many cases already struggling to make ends meet. Similarly, we have found that many schools would see their electricity costs go up by as much as 25% because they would no longer receive most of the benefits related to high winter usage and minimal usage during most of the summer. Eliminating the minimum bill demands and the ratchets would appropriately reduce the difference between the existing and proposed rates and would appear to provide a much higher level of fairness and equality.

With our state's continued emphasis on helping small businesses get back on track and generate positive momentum for our economy, we must try to avoid adding to their costs whether it is related to higher power rates or higher water and sewer charges resulting from the higher power rates. However, as I mentioned in my previous letter, the effect of the proposed TOU rates on the ABC stores provides a good indication of the impact small retailers could anticipate. Many of the ABC stores would see billing under the proposed BTA rate almost 50% higher than their current Retail-M rates. As you know, many retail operations have been forced to close in recent years and clearly this is not the time to increase costs for those small retail operations that operate after hours and on weekends.

We also believe that it is important to note again that the proposed MA Rider still includes a discount per qualifying industrial customer that is eight times larger than the corresponding discount available for non-industrial customers. Also, the proposed Real-Time Pricing rate revisions still do not address the exclusion of government, education and commercial customers from these rates unless APCO considers them industrial.

Based on the objective of avoiding one class of customers subsidizing the rates of any other class of customers, this seems to be the perfect time to address these issues in conjunction with the TOU rate updates. This would allow for RTP rates, as well as all other rate and rider options, to be available based on an individual customer's usage versus any assumptions based on an industry-driven load profile. As you probably know, the current industry-specific TOU rates have been problematic because many customers fall into more than one industry SIC code. Along these lines, we have never been able to get a definitive description of what qualifies a customer as industrial. Since there should not be any real difference in the cost to serve a customer simply

based upon the applicable industry classification, one solution would be to simply delete the word “industrial” from the proposed RTPD and RTPH rates, as well as the RTP Rate.

To summarize, we believe that the following updates to the proposed rates and riders should be given serious consideration:

- The reduction of the base and demand charges for the proposed BTA Rate to avoid inappropriate penalties and allow smaller customers to continue to utilize a TOU rate
- The elimination or reduction to no more than 500kW of the minimum demand recognized demand to qualify for the proposed BTAL Rate
- The reduction of the minimum demand-related charges in the proposed BTAL Rate from 1,200 kVa to no more than 500 kW
- The elimination of demand-based ratchets for both the proposed BTA and BTAL rates – at a minimum, the ratchets should be adjusted to a more reasonable calculation considering those accounts that hit their peaks during off-peak hours or during winter months
- The revision of the proposed CTD Rider to allow future BTA and BTAL accounts to contribute to a customer’s qualification for the CTD Rider
- The revision of the proposed MA Rider for the inclusion of future BTA and BTAL accounts and address the disparity between the discount between industrial and commercial customers
- The minimal adjustment or interpretation of the LTU Rate to allow for accounts with “predominantly” outdoor lighting to qualify
- The word “industrial” should be removed from the RTP rate.

Thank you again for this opportunity to submit our comments related to the rates and riders submitted by APCO on May 20th. We hope this additional information is helpful in your efforts to ensure that energy rates are competitive and fair for all Alabama customers. Please let me know if you have any questions regarding our comments or if you would like us to provide any additional information.

Respectfully,

A handwritten signature in black ink, appearing to read "R. A. Hayes".

Rick Hayes  
President  
Ingenuity, Inc.  
Direct: 205-263-1580

Entity Type	Entity	Account	Account Number	CURRENT TOU RATE		PROPOSED TOU RATE			DEMAND RATE ALTERNATIVES			
				Current TOU Rate	Current Annual Cost	Qualifying Proposed Rate	Proposed Rate Cost	Savings/(Loss) vs. Current TOU	Demand Rate Alternatives	Demand Rate Cost	Savings/(Loss) vs. Current TOU	Savings/(Loss) vs. Proposed TOU
State of AL Agency	Dept of Finance	Archives	70774-79010	LPTL	\$240,527	BTAL	\$362,119	(\$121,592)	LPL	\$288,991	(\$48,464)	\$73,128
State of AL Agency	Dept of Finance	Public Safety	47012-86002	LPTL	\$222,620	BTAL	\$245,504	(\$22,884)	LPLE	\$226,067	(\$3,447)	\$19,437
State of AL Agency	ALDOT	Bankhead Tunnel	26714-76003	LPTL	\$163,902	BTAL	\$197,232	(\$33,330)	LPL	\$184,073	(\$20,171)	\$13,159
State of AL Agency	ALDOT	Wallace Tunnel	28394-76007	LPTL	\$198,435	BTAL	\$227,141	(\$28,706)	LPL	\$248,512	(\$50,077)	(\$21,371)
State of AL Agency	Corrections	St. Clair CF	91102-60000	LPTL	\$371,716	BTAL	\$373,212	(\$1,496)	LPL	\$383,583	(\$11,867)	(\$10,371)
State of AL Agency	Corrections	Donaldson CF	92612-62005	LPTL	\$322,463	BTAL	\$318,389	\$4,074	LPL	\$323,224	(\$761)	(\$4,835)
State of AL Agency	Mental Health	Partlow Dev Ctr	00037-48909	LPTL	\$441,379	BTAL	\$552,930	(\$111,551)	LPL	\$472,718	(\$31,339)	\$80,212
State of AL Agency	Mental Health	Taylor Hardin	00037-42005	HC-Large	\$162,673	BTAL	\$209,148	(\$46,475)	LPM	\$209,211	(\$46,538)	(\$63)
State of AL Agency	Mental Health	Greil Memorial	65383-51009	HC-Large	\$98,954	BTAL	\$123,707	(\$24,753)	LPM	\$122,893	(\$23,939)	\$814
State of AL Agency	State Military Dept	Bldg 2221	48997-26011	LPTS	\$25,527	BTAL	\$27,928	(\$2,401)	LPM	\$28,604	(\$3,077)	(\$676)
State of AL Agency	ABC Board	Central Office	36003-56002	Retail-L	\$124,681	BTAL	\$120,600	\$4,081	LPM	\$160,062	(\$35,381)	(\$39,462)
State of AL Agency	ABC Board	Store 109	33797-66018	Retail-M	\$10,205	BTAL	\$13,593	(\$3,388)	LPSE	\$11,114	(\$909)	\$2,479
State of AL Agency	ABC Board	Store 94	04068-26015	Retail-M	\$8,645	BTAL	\$14,079	(\$5,434)	LPSE	\$10,276	(\$1,631)	\$3,803
State of AL Agency	ABC Board	Store 81	43683-84001	Retail-M	\$7,929	BTAL	\$10,632	(\$2,703)	LPM	\$9,160	(\$1,231)	\$1,472
State of AL Agency	ABC Board	Store 102	70954-25001	Retail-M	\$14,640	BTAL	\$19,407	(\$4,767)	LPSE	\$16,575	(\$1,935)	\$2,832
State of AL Agency	Public Health	Montgomery Health Dept	00463-50001	HC-Large	\$171,537	BTAL	\$202,442	(\$30,905)	LPM	\$221,524	(\$49,987)	(\$19,082)
State of AL Agency	Public Health	Montgomery Lab	68603-57004	LPTL*	\$287,843	BTAL	\$319,164	(\$31,321)	LPL - Current	\$307,517	(\$19,674)	\$11,647
City Utility	Anniston Water Works	35 Friendship Rd	13381-53013	LPTL	\$88,435	BTAL	\$126,703	(\$38,268)	LPM	\$148,094	(\$59,659)	(\$21,391)
City Utility	Oneonta Utility Board	WWTP	26193-38002	LPTS	\$61,904	BTAL	\$63,070	(\$1,166)	LPM	\$68,090	(\$6,186)	(\$5,020)
City Utility	Oneonta Utility Board	WTP	00036-98502	LPTL	\$105,292	BTAL	\$159,440	(\$54,148)	LPM	\$149,428	(\$44,136)	\$10,012
Private Utility	Southwest Water	Riverview WWTP	17109-02089	LPTL	\$158,416	BTAL	\$213,282	(\$54,866)	LPM	\$240,381	(\$81,965)	(\$27,099)
Private Utility	Southwest Water	Village St WWTP	63692-77025	LPTL	\$112,490	BTAL	\$149,229	(\$36,739)	LPM	\$160,715	(\$48,225)	(\$11,486)
County Schools	Walker Co Schools	Cordova HS	11355-79002	LPTL	\$105,065	BTAL	\$147,290	(\$42,225)	LPLE	\$151,989	(\$46,924)	(\$4,699)
County Schools	Walker Co Schools	Carbon Hill	08134-67015	LPTL	\$183,863	BTAL	\$233,005	(\$49,142)	LPLE	\$236,587	(\$52,724)	(\$3,582)
City Utility	City of Enterprise	Water Well	31905-24007	LPTS	\$32,078	BTAL	\$36,794	(\$4,716)	LPM	\$42,753	(\$10,675)	(\$5,959)
City Utility	City of Enterprise	Water Well 3	50865-21007	LPTS	\$14,620	BTAL	\$18,389	(\$3,769)	LPM	\$20,045	(\$5,425)	(\$1,656)
City Utility	City of Enterprise	Water Well 5	68375-24004	LPTS	\$29,782	BTAL	\$33,770	(\$3,988)	LPM	\$39,604	(\$9,822)	(\$5,834)
City Utility	City of Enterprise	Water Well 6	31135-19004	LPTS	\$30,402	BTAL	\$36,187	(\$5,785)	LPM	\$39,401	(\$8,999)	(\$3,214)
City Utility	City of Enterprise	Water Well 7	43405-28005	LPTS	\$30,408	BTAL	\$36,763	(\$6,355)	LPM	\$39,209	(\$8,801)	(\$2,446)
City Utility	City of Enterprise	Water Well 12	16712-91018	LPTS	\$50,945	BTAL	\$56,549	(\$5,604)	LPM	\$63,373	(\$12,428)	(\$6,824)
City Park	City of Enterprise	Sports Complex	00339-15025	LPTS	\$27,422	BTAL	\$55,023	(\$27,601)	LAF	\$44,950	(\$17,528)	\$10,073
City Utility	Bham Water Works	Cane Creek PSR	73582-69009	LPTS	\$29,192	BTAL	\$42,920	(\$13,728)	LPM	\$43,129	(\$13,937)	(\$209)
City Utility	Bham Water Works	Tyler Rd Tank	96992-73007	LPTS	\$2,652	BTAL	\$6,928	(\$4,276)	LPM	\$5,530	(\$2,878)	\$1,398
City Utility	Bham Water Works	Greystone Booster PS	43952-77008	LPTS	\$24,425	BTAL	\$26,114	(\$1,689)	LPM	\$25,823	(\$1,398)	\$291
City Utility	Bham Water Works	Palmerdale PS	34382-63009	LPTS	\$14,644	BTAL	\$18,284	(\$3,640)	LPM	\$18,841	(\$4,197)	(\$557)
City Utility	Bham Water Works	Dolomite PS	12102-41009	LPTS	\$31,190	BTAL	\$34,375	(\$3,185)	LPM	\$34,858	(\$3,668)	(\$483)
City Utility	Bham Water Works	Hwy 280 PS	39542-77003	LPTS	\$41,034	BTAL	\$42,940	(\$1,906)	LPM	\$45,181	(\$4,147)	(\$2,241)
City Utility	Bham Water Works	Pine Tree Dr PS	92612-72001	LPTS	\$13,825	BTAL	\$26,423	(\$12,598)	LPM	\$25,525	(\$11,700)	\$898
City Utility	Pelham Water Works	Waste Water Plant	14190-22004	LPTL	\$150,380	BTAL	\$223,886	(\$73,506)	LPM	\$239,337	(\$88,957)	(\$15,451)
City Utility	Pelham Water Works	Heather Ridge Well	02559-92020	LPTS	\$52,261	BTAL	\$55,157	(\$2,896)	LPM	\$56,350	(\$4,089)	(\$1,193)
City Utility	Pelham Water Works	Campbell Ridge Well	73132-74008	LPTS	\$59,908	BTAL	\$65,527	(\$5,619)	LPM	\$68,688	(\$8,780)	(\$3,161)
City Utility	Pelham Water Works	Indian Hills Well	89512-69004	LPTS	\$66,692	BTAL	\$71,120	(\$4,428)	LPM	\$74,487	(\$7,795)	(\$3,367)
City Utility	Pelham Water Works	Chandalar Well	52962-78008	LPTS	\$60,109	BTAL	\$67,143	(\$7,034)	LPM	\$69,626	(\$9,517)	(\$2,483)
City Utility	Prattville Water Works	MLK Dr - Well 9	47163-89001	LPTS	\$29,203	BTAL	\$31,649	(\$2,446)	LPM	\$28,901	\$302	\$2,748
City Utility	Prattville Water Works	Hunts Aly - Well 10	78213-87005	LPTS	\$18,826	BTAL	\$22,681	(\$3,855)	LPM	\$21,864	(\$3,038)	\$817
City Utility	Prattville Water Works	1126 Hwy 31 - Well 11	90633-89005	LPTS	\$17,538	BTAL	\$22,690	(\$5,152)	LPM	\$20,384	(\$2,846)	\$2,306
City Utility	Prattville Water Works	Cooter Pond Rd - Well 16	25883-87000	LPTS	\$29,098	BTAL	\$34,884	(\$5,786)	LPM	\$34,712	(\$5,614)	\$172
City Utility	Prattville Water Works	1631 So. Mem Dr - Booster	00037-33800	LPTS	\$53,759	BTAL	\$60,186	(\$6,427)	LPM	\$61,859	(\$8,100)	(\$1,673)
City Utility	Prattville Water Works	Co Rd 4 - Well 18	12233-87005	LPTS	\$23,490	BTAL	\$25,934	(\$2,444)	LPM	\$27,259	(\$3,769)	(\$1,325)

\* APCO moved to Demand Rate



H. M. Gipson  
Administrator

Alabama Alcoholic Beverage Control Board

Robert W. "Bubba" Lee  
Board Chairman

William Thigpen  
Assistant Administrator

Samuetta H. Drew  
Board Member

Rickey D. Mobley  
Board Member

June 15, 2011

Commissioner Lucy Baxley  
Commissioner Twinkle Address Cavanaugh  
Commissioner Terry Dunn  
Alabama Public Service Commission  
100 North Union Street, Suite 850  
Montgomery, AL 36104

Dear Commissioners:

As I mentioned in a letter dated March 24, 2011, the Alabama ABC Board has been utilizing Alabama Power's Retail-M Time-of-Use Rate for a number of stores. This rate has proven to be the best alternative for many of our stores because we use a significant amount of our electricity during what Alabama Power considers off-peak and intermediate times when its cost for power is reduced. Based on the reduced costs for the stores that we moved to the Retail-M Rate, we requested that 38 additional stores be moved to this rate. However, because the Retail-M Rate was restricted in March of 2010, we were not allowed to convert the additional stores to this rate.

The only reason that we did not request the Retail-M Rate for our stores years ago is that we were never told that this rate was an alternative for our stores or that it might be more cost-effective for us. Because of the way that we learned of this rate and since Alabama Power did not confirm that it would be the best rate for our stores, we decided to check the actual costs on some accounts before moving the rest of the accounts.

We were told in March of last year that the new Time-of-Use rates should be available within a few months. However, after a follow-up request for additional stores to be converted to the Retail-M Rate earlier this year, we were informed that new Time-of-Use rates would be available soon. Therefore, when the proposed BTA and BTAL rates were announced, we began evaluating these rates as alternatives for our stores.

Unfortunately, our stores would not qualify for the proposed BTAL Rate. They would qualify for the proposed BTA Rate. However, based on the significant demand charges, unusually strong demand ratchets and the lack of Multiple Account Rider discounts related to this rate, it appears that none of our stores would benefit from the BTA Rate. In fact, our costs related to this rate would be significantly higher than both the Retail-M Rate and the best demand rate alternative. Even our larger stores that have electric heat and higher power usage in the winter months would appear to

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have significantly higher power costs via the BTA Rate. We do not see how any small retailer would be able to take advantage of these Time-of-Use rates.

Therefore, if the proposed rates are approved and the Retail-M rate continues to be restricted until it is terminated, we would not be able to recognize the additional savings that we had anticipated and would also see our costs go up significantly when the Retail-M rate is terminated. We understand from Alabama Power's filing that although no termination date for the rates restricted last year has been requested, Alabama Power does plan to request a termination date for these rates.

As I am sure you understand, our budget has been severely impacted by the economic downturn and we are doing everything we can to save jobs. The availability of competitive Time-of-Use rates would certainly help the ABC Board and many other small retailers in these difficult times. Thank you for considering the impact that the proposed new rates will have on our organization.

Sincerely,

A handwritten signature in black ink, appearing to read "N. Phillip Calvert", with a stylized flourish at the end.

Captain Phillip Calvert  
Accounting Director  
Alabama ABC Board

COUNCIL:

WILLIAM COOPER, District 1  
TOMMY JOHNSON, JR., District 2  
KIRK DONALDSON, District 3  
WALLACE "AL" MILLER, JR., District 4  
PAUL RUSSELL, District 5

# City of Enterprise

KENNETH W. BOSWELL, MAYOR

501 South Main  
P. O. Box 311000  
Enterprise, Alabama 36331-1000

CLERK/TREASURER

STEVEN W. HICKS

(334) 347-1211  
(334) 348-2613 FAX

June 15, 2011

Commissioner Lucy Baxley  
Commissioner Twinkle Andress Cavanaugh  
Commissioner Terry Dunn  
Alabama Public Service Commission  
100 North Union Street, Suite 850  
Montgomery, AL 36104

Dear Commissioners:

The City of Enterprise operates wells that provide water to approximately 35,000 people in the Enterprise area. Several years ago, as we completed an effort to optimize our power usage and expenses, we learned that we could significantly reduce our expenses related to these wells by changing the related operating schedules and converting to a Time-of-Use (TOU) rate. We also changed our Sports Complex to a TOU rate since almost all of its power usage is related to outdoor lighting that is only turned on at night. These changes are currently helping us save approximately \$75,000 per year.

The new TOU rates that Alabama Power recently proposed to replace the rate currently used by our wells and Sports Complex (LPTS) would be significantly more expensive for us. Even though we use very little on-peak power for these accounts, it appears that our power costs would be roughly \$58,000 more via the proposed BTA rate, which would be the only new TOU rate for which we would qualify.

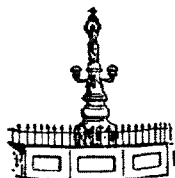
Based on our understanding of the actual cost to supply electricity at different times during the day and our current usage patterns, we would seem to be a perfect TOU rate customer. Therefore, we do not understand why accounts like ours would be penalized by the proposed TOU rates. The new rates could cause us to change our wells back to a demand rate and a more standard operating schedule if our current rate is terminated as we understand Alabama Power has indicated that it intends to request. We had hoped to move additional accounts to TOU rates, but that certainly would not be an option if the proposed TOU rates are the only options. Instead, the changes that we would likely make would greatly increase our power usage during peak times.

It is absolutely critical that we keep our costs and related rates as low as possible for our customers. Needless to say, many of our residential and small business customers are already struggling and we want to do everything that we can to avoid causing additional problems for them. We appreciate the job you do and any help that you can provide us so that we can avoid any unnecessary rate increases for our customers.

Sincerely,



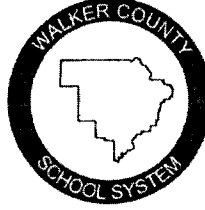
Kenneth W. Boswell  
Mayor



*Boll Weevil Monument - The Only Monument in The World Glorifying A Pest*

# Walker County Board of Education

1710 Alabama Avenue  
Jasper, AL 35501  
(205) 387-0555



Post Office Box 311  
Jasper, AL 35502  
[www.walkercountyschools.com](http://www.walkercountyschools.com)

Dr. Jason Adkins - Superintendent  
Brenda Drummond - District 1  
Dale Reeves - District 2

Brad Ingle - Chairman  
Mike Raines - District 3  
Sonia Waid - District 4

June 15, 2011

Commissioner Lucy Baxley  
Commissioner Twinkle Andress Cavanaugh  
Commissioner Terry Dunn  
Alabama Public Service Commission  
100 North Union Street, Suite 850  
Montgomery, AL 36104

Dear Commissioners:

The Walker County School System currently utilizes Alabama Power's Time-of-Use (TOU) rates and we understand that many other school systems across the state also use them. These rates have provided us significant incentive to manage our power usage and the opportunity to better control our power expenses. These rates and our related efforts have enabled us to keep more teachers working to educate our students.

As you would expect, schools with electric heat typically use more power during the winter since most schools are relatively inactive during a good part of the summer. Therefore, TOU rates have proven to be a very reasonable alternative for Walker County Schools since we are able to use the vast majority of our power when it is less expensive for the power company to provide it.

Walker County Schools has utilized Alabama Power's LPTL Rate at our two largest campuses for the past several years and has been able to recognize significant savings related to this TOU rate. These schools have significant winter heating usage and work to minimize power usage during peak times. Based on the savings that these schools have recognized, we always evaluate TOU rate opportunities related to every construction and renovation project.

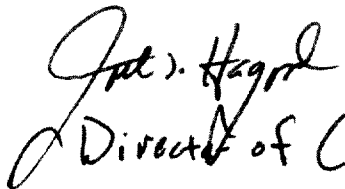
Based on the details of the newly proposed TOU rates, we do not know how these rates could be beneficial to the vast majority of school accounts. The initial calculations for our two largest campuses show an annual increase in power expenses of 27% for one campus and 40% for the other. This would certainly be very difficult for us and probably any other school system to deal with. We realize that the current TOU rates have not been totally eliminated yet. However, we also understand that an eventual termination of these rates has been planned and that our new facilities will not have the opportunity to utilize TOU rates in order to better manage our power expenses. Without modifications to the proposed rates, we do not believe that we would be able to utilize these rates for any of our facilities.

Please consider the impact that the current TOU rates have on our ability to proactively control our costs and what we have been able to do with the saved money to better serve our children and our communities. Also, please understand that the proposed TOU rates include demand charges and a related ratchet that would unfortunately penalize schools that have higher peak usage amounts in winter months due to the use of electric heat. We understand that Alabama Power has experienced some higher peak demands in the winter during recent years, but schools have for many years been highly encouraged to install electric heat to take advantage of the additional capacity available since overall power usage is still considerably highly during summer months.

We also understand that both the School Rider and the Contract Term Discount Rider would not be applicable with the proposed TOU rates. This would exaggerate the issues described above, especially for schools that use electric heat at this time. This change would certainly cause school boards to use natural gas for heating at more schools and would likely cause some with electric heat to leave thermostats set several degrees colder during the winter in order to minimize the very costly 12-month ratchets that have been proposed. Although we all need to conserve energy whenever possible, we do not want to be in a situation where we feel like we have to conserve to the detriment of our students.

Thank you for allowing Walker County Schools the opportunity to express our concerns. We know that both Alabama Power and the PSC are also anxious to do what is best for our communities and for our kids. We are hopeful that some simple changes can be made to the proposed rates to ensure that they are fair and balanced for everyone while also providing additional incentive for all of us to conserve energy, especially during the peak times.

Sincerely,

  
J. L. Hagood  
Director of Curriculum & Instruction



**THE UTILITIES BOARD OF THE CITY OF ONEONTA**

**P.O. BOX 420**

**ONEONTA, AL 35121**

**PHONE: 205-274-2159 FAX: 205-625-6970**

June 16, 2011

Commissioner Lucy Baxley  
Commissioner Twinkle Address Cavanaugh  
Commissioner Terry Dunn  
Alabama Public Service Commission  
100 North Union Street, Suite 850  
Montgomery, AL 36104

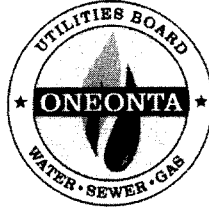
Dear Commissioners:

The Oneonta Utility Board is a local utility board that operates on a very tight budget in order to keep rates as low as possible for our customers. As you would expect, power is one of our largest expenses. Since we have multiple accounts using Alabama Power's Time-of-Use (TOU) rates, we would like to share with you some information about our accounts and the impact that the proposed new TOU rates would have on our organization.

We currently have eight facilities that utilize TOU rates. These facilities would appear to be the ideal type of accounts for TOU rates and should help the PSC and Alabama Power achieve the objectives of TOU rates. We have relatively consistent load, 24x7 operations and the ability to minimize our use of power during peak usage times. Because of our substantial off-peak load, we take advantage of Alabama Power's extra capacity and by limiting our on-peak usage, we also help to minimize Alabama Power's need for additional capacity.

Over the years, we have been able to modify our pumping schedules in order to significantly reduce our usage of on-peak power. In some cases, we have even changed our employees work schedules so that we could virtually eliminate all of the related on-peak power usage. I believe that the results have been very positive for everyone involved. This has allowed our customers to take advantage of competitive rates and given our city a key economic development tool at a time when we really need it. Considering the number of small manufacturers and other small businesses that we serve, it has been critical to keep our rates as low as possible during the economic downturn.

However, if our biggest facility (our water treatment plant) was changed from its current rate (LPTL) to the proposed TOU rate that it would qualify for (BTA), we would have to pay almost 40% more for the same amount of electricity. This account would actually have slightly lower expenses on the LPM demand rate compared to the proposed TOU rate since our costs would only be about 35% higher than what we currently pay. A conversion to a demand rate would definitely cause us to



change our operating schedule and start using significantly more power during the peak parts of the day.

The additional power costs would leave us little choice but to raise our rates, which would create more issues for our customers during these extremely challenging times. With the downturn in the economy, we have already seen several of our established business customers close operations and even more struggling to remain viable.

These significantly higher charges for our TOU accounts certainly would not appear to be appropriate or fair in this situation. If the rates are intended to be based on the related cost of the power provided, it would appear that the proposed rates need to be modified before their implementation. I am sure that there are many other utility boards across the state that would face similar problems with the proposed TOU rates.

While we understand that some modification may be required to the existing TOU rates, we ask that you review the potential changes with utility boards, communities like ours and small businesses in mind.

Thank you,

Rodney W. McCain

General Manager



**ALABAMA CORRECTIONAL INDUSTRIES**  
*a division of*  
**ALABAMA DEPARTMENT OF CORRECTIONS**

Robert Bentley  
Governor

Andrew S. Farquhar, Ph.D.  
*Director*

Kim T. Thomas  
Commissioner

June 16, 2011

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Commissioner Terry Dunn  
Alabama Public Service Commission  
100 North Union Street, Suite 850  
Montgomery, AL 36104

Dear Commissioners:

The Alabama Department of Corrections has reviewed the rates and riders recently proposed by Alabama Power. While the proposed rates for Time-of-Use do not appear to significantly impact our two accounts that currently utilize this rate class, we do want to make note of two other classes that have concerned us for some time.

Two of the rates submitted for your approval are Real-Time Pricing rates (RTPD and RTDH). These rates state that they are only applicable to "industrial power service". We have never understood why such a rate class would be completely restricted to only those consumers classified as "industrial", and why the Department would be excluded from them. In fact, we have not been able to obtain a solid definition of what is considered "industrial" in relation to these rates. As you probably know, we have manufacturing operations at a number of our facilities, and some providers would likely consider all of our services to be "industrial". However, we do not understand why a whole class of rates would only be made available to customers classified by an "industrial" grouping.

We could understand if the qualification was based on a reasonable level of usage or the ability to maintain lower usage levels during Alabama Power's peak load times when power would be most expensive. However, a simple "industrial" classification seems somewhat arbitrary when power usage patterns definitely vary by organization and many organizations (such as ADOC) actually fall into multiple industry groups.

Our correctional facilities naturally operate 24 hours per day and seven days per week. We also do not provide air conditioning in the vast majority of our secure areas. Therefore, we tend to use a substantial amount of our power when all of our security lights are on at night and electricity is typically much less expensive. Because of our extremely tight budgets, we also work very hard to control our power usage and expenses as much as possible. We understand that at one time there may have been a justifiable reason to restrict Real-Time Pricing rates to just certain industrial customers based on Alabama Power's cost to provide the related electricity. However, it does not seem that there would be any real difference in the cost of power related to our operations and the power for those customers considered "industrial" that surround our facilities and sometimes provide components for our manufacturing operations.

ADOC is currently undertaking a \$100 Million project focused largely on upgrading the energy efficiency of our facilities. One of the components of this effort is the installation of more robust

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control systems that will allow ADOC to manage facilities more closely. As we complete this project, we believe that we would be even more ideally suited for the Real-Time Pricing rates. Given the current budget crisis and the uncertainty of future-year budgets, we continue to search for every opportunity to reduce expenses and believe that Real-Time Pricing would be beneficial to us. We would definitely appreciate any assistance that you can provide.

Sincerely,

A handwritten signature in black ink, appearing to read "Andy Farquhar", with a stylized flourish at the end.

Andy Farquhar  
Energy Officer and Director  
Correctional Industries &  
Land Management

Cc: File  
Commissioner Kim Thomas  
Rodney Blankenship



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Robert Bentley  
Governor

David Perry  
Finance Director

June 16, 2011

Commissioner Lucy Baxley  
Commissioner Twinkle Andress Cavanaugh  
Commissioner Terry Dunn  
Alabama Public Service Commission  
100 North Union Street, Suite 850  
Montgomery, AL 36104

Dear Commissioners:

Thank you for allowing the Finance Department to review and offer comments regarding the rates and riders recently submitted by Alabama Power (APCO) for your approval. We appreciate the opportunity to present our analysis regarding the APCO proposal's potential effects on accounts within the Department of Finance as well as other state agencies.

The Department of Finance currently has two facilities served by APCO Time-of-Use (TOU) rates. These rates have helped our department and many other state agencies save a significant amount of money at a time when budgets have been extremely tight and we have been working diligently to minimize layoffs. TOU rates have proven to be especially beneficial for those state accounts that use a substantial amount of power during nights and weekends. We understand that most people do not realize how many different state facilities operate nights and weekends, but we have numerous large facilities like our state hospitals, correctional facilities and tunnels that have to operate 24x7.

Based on our understanding of the proposed TOU rates (BTA and BTAL), the Department of Finance's power costs would increase significantly if our current TOU rates are terminated and our accounts are changed to one of the proposed TOU rates. We have been told that an official request to terminate the current TOU rates has not been made, but see that APCO stated in its March 2010 filing (prohibiting any new customer from using the current TOU rates) that it planned to request that the current TOU rates be terminated once the new TOU rates were proposed.

We understand that there may be valid reasons to update the current TOU rates because of issues with how accounts currently qualify for these rates. However, we believe that many of the state agency accounts would be negatively impacted by the proposed new rates and that many state accounts would have to change from TOU rates to standard demand-based rates to avoid higher costs if the current TOU rates are terminated.

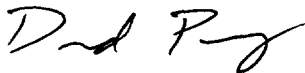
It appears that most of the state accounts currently on TOU rates would pay substantially more under the proposed TOU rates because of the new demand (peak usage) charges and the demand-based qualifications included in the proposed rates. We understand that the proposed TOU rates have significant demand charges compared to no demand charges in the current TOU rates. We would hope that no accounts will be penalized for having high off-peak demands. However, the proposed ratchets included in these rates seem to have that effect, as our accounts with electric heating would incur a higher year-round demand charge because their peak usage is reached when all of the electric heating units are running or when some of the electric heating units run at the same time that the cooling systems have to run for other parts of the building.

These ratchets and the 1,200 kW minimum demand on the proposed BTAL rate appear to significantly inflate the new demand charges to a point that many accounts that seem appropriate for a TOU rate would not be able to use the proposed rates. As one example, these issues would force us to convert a significant Department of Finance account to a demand-based rate because its power expenses would be about \$43,000 higher per year under the best demand-based rate alternative, while the same account would cost at least \$90,000 more per year on the proposed TOU rate that it qualifies for.

In addition, under the APCO proposal, facilities like our prisons and tunnels would not be allowed to take advantage of Real-Time Pricing (RTP) rates just because they are not considered industrial facilities. We understand that in other states, RTP rates are made available to all customers. This seems important both from a cost perspective, and from an economic perspective as we need to attract not only manufacturers, but also high-paying service organizations. However, the two revised RTP rates that have been filed for approval with the proposed TOU rates would only allow industrial customers to use them. As a result, even with the proposed revisions to the TOU rates, some classes of customers would still be forced to subsidize other classes of customers.

The Finance Department respectfully requests your consideration to modify the currently proposed TOU rates along with the related rates and riders that were filed on May 20, 2011 and we offer our assistance in suggesting such modifications. Our Department would be pleased to offer any additional information and analysis regarding how the proposed changes would affect our accounts and those of other state agencies. We thank you for all you do in working to keep our energy rates fair and your willingness to review and consider our remarks.

Sincerely,

A handwritten signature in dark ink, appearing to read "David Perry", is written above the printed name.

David Perry

DP:ecl