



STATE OF ALABAMA

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CAVANAUGH SAYS APRIL TORNADOES REQUIRE EMERGENCY STORM DAMAGE FUND TO BE REPLENISHED PREDICTIONS OF "ACTIVE" HURRICANE SEASON DEMAND IMMEDIATE ACTION

Montgomery – Alabama Public Service Commissioner Twinkle Andress Cavanaugh released the following statement to discuss actions taken at Tuesday’s PSC meeting as a direct result of the devastating tornadoes that tore through Alabama in late April. Her statement reads:

It’s no secret that the outbreak of tornadoes that hit our state in April dealt us a blow that will require years for Alabama to fully rebuild and recover. Loved ones were lost, homes and possessions were destroyed and those who lived through the worst of them, especially the littlest ones among us, will deal with painful memories for many years to come.

It was recently estimated that FEMA will spend \$1 billion to clean up and rebuild parts of our state, which ranks the damage just outside the top ten disasters in U.S. history, and insurance companies will be responsible for up to \$3.5 billion in claims.

Within hours of the storms’ passing, I was in the field inspecting infrastructure damage and working with regulated utility companies on providing needed services to the areas as soon as possible. The total devastation in many of the areas I toured was breathtaking and something I will carry to my final breath.

While touring Tuscaloosa, Alberta City, Pleasant Grove, Pratt City and other areas, it seemed that portions of our electrical grid’s infrastructure simply disappeared with the

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Cavanaugh Statement
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twisters' winds. In order to restore power and ensure stability, Alabama Power Company has had to spend \$200 million to make repairs to its system. That's more than the cost of damage from Hurricanes Ivan, Katrina and Dennis combined.

Much of the cost of those repairs came from the company's Storm Reserve Fund, which is used as an emergency funding mechanism during times of disaster. With an active hurricane season predicted, along with a tornado season that continues through August, it is important that the Storm Reserve Fund has ample resources for the next disaster. Otherwise, thousands of customers could be literally left in the dark the next time a disaster hits. *[Note: NOAA predicts 12 – 18 tropical storms, 6 – 10 hurricanes and 3 – 6 major hurricanes in 2011.]*

I think it is similar to the savings accounts families like yours and mine have in case of emergency. If something happens that demands we dip into our savings, we must build it back up or be caught flat-footed the next time a family emergency occurs.

When elected, I said I would take a cautious approach when it came to tinkering with rate adjustments. But, when you consider the logical need for the Storm Reserve Fund to be replenished, along with other costs directly associated with the unprecedented tornado damage, it is hard to sit idle, especially when you consider the dire threat that an active hurricane season can bring.

We should note that the 3% tornado damage adjustment being requested is less than the 4.5% the TVA levied on its customers even though it services only a portion of North Alabama.

I hope the predictions of potentially damaging hurricanes and other summer storms do not come true, but if they do, I think we will all agree it will be better to be prepared to respond quickly rather than to be sorry.

Please visit our website at www.psc.alabama.gov to see a video of the July Commission meeting where this issue was discussed at length. Also, feel free to call the Commission to obtain a copy of the resulting order.

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