

The **B**uilding **B**locks

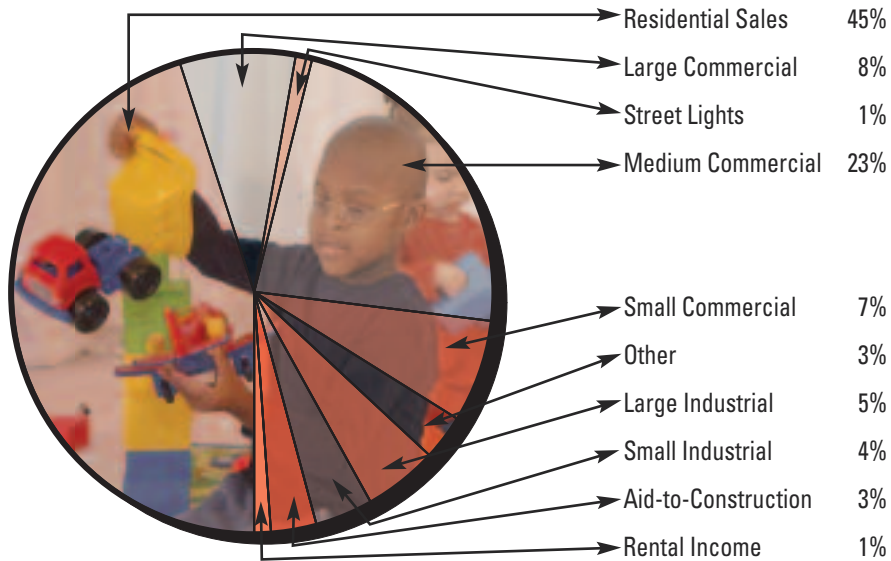
of Our **C**ommunity



Electric Department Profile

Source of Funds

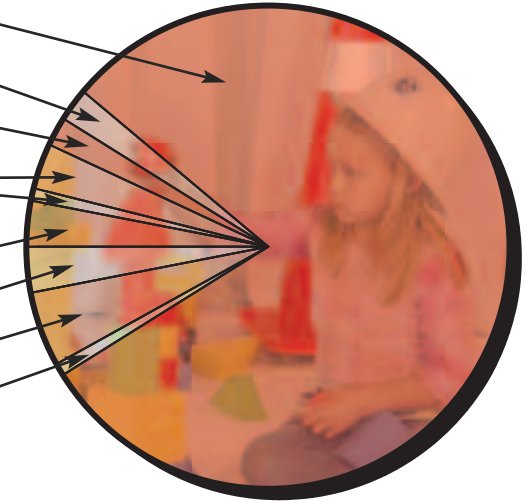
Total \$381,859,443



Use of Funds

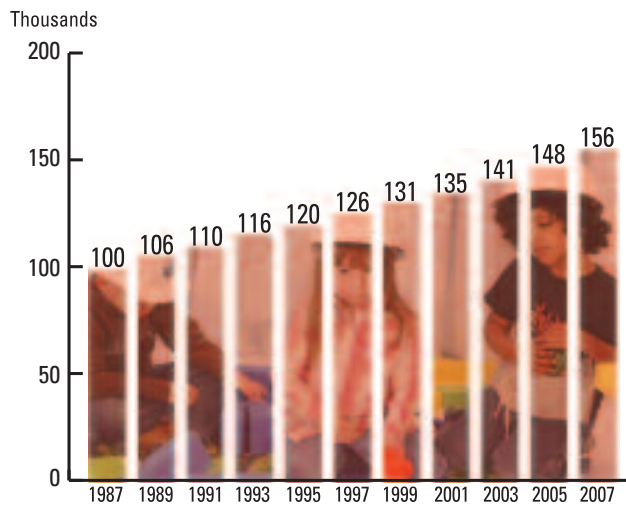
Total \$379,044,966

- Purchased Power 80%
- Transformers 2%
- Outside Services & Contract Labor 2%
- Tax Equivalents 3%
- Other Capital Purch. 1%
- Other Expenses 3%
- Construction Material 3%
- Payroll 5%
- Debt - Prin. & Interest 1%

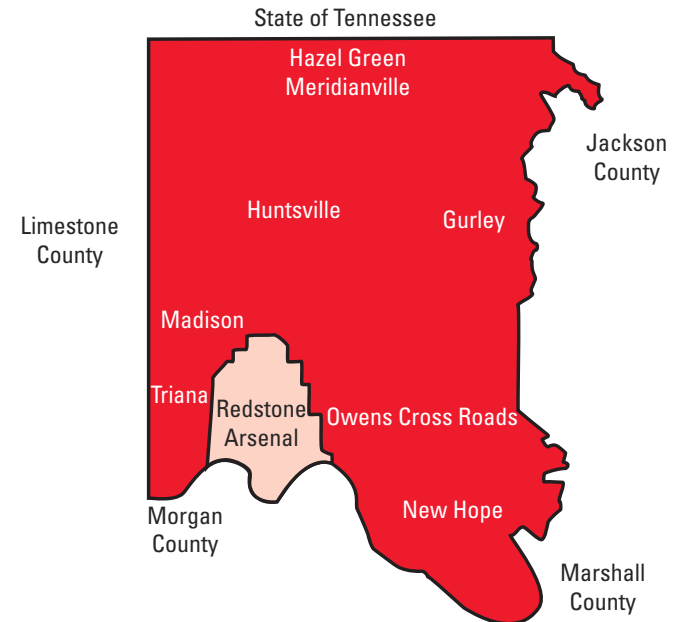


Customer Growth

Fiscal Years 1987-2007,
Two-Year Increments

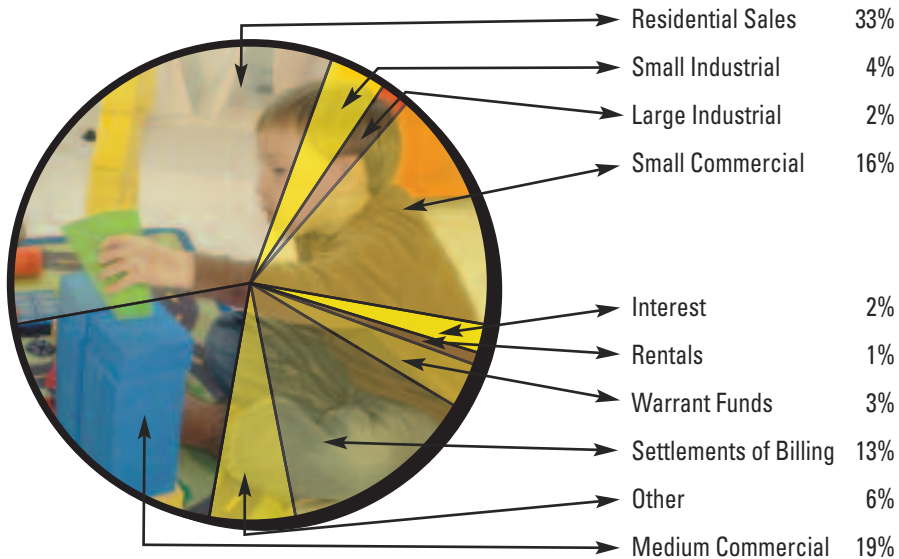


Service Area



Natural Gas Department Profile

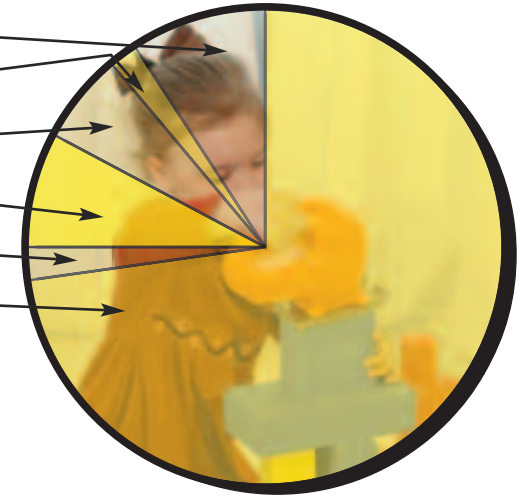
Source of Funds **Total \$74,575,358**



Use of Funds

\$62,033,680

- Other Expenses 3%
- Other Capital Purchases 1%
- Tax Equivalents 6%
- Payroll 5%
- Construction Material 3%
- Purchased Gas 80%

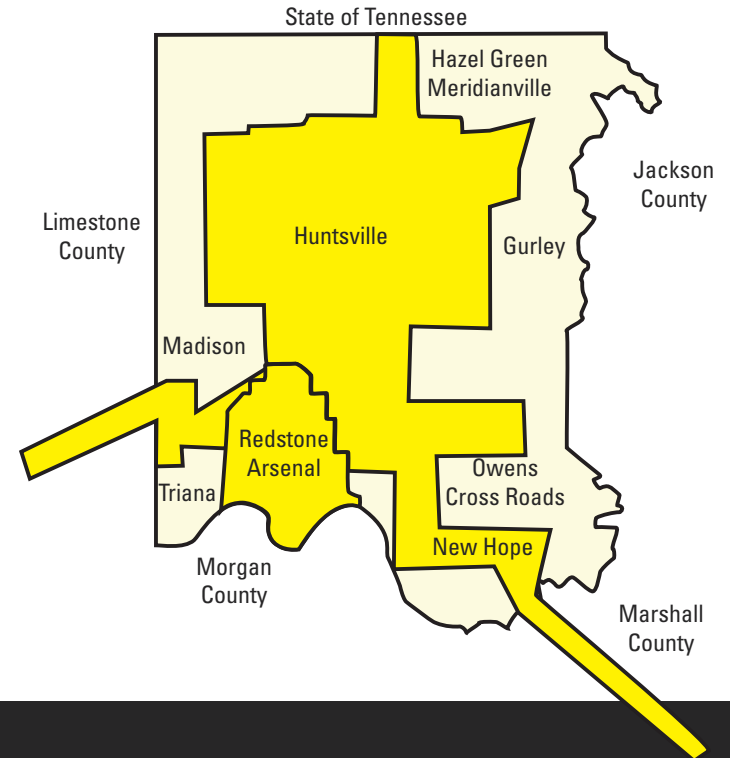
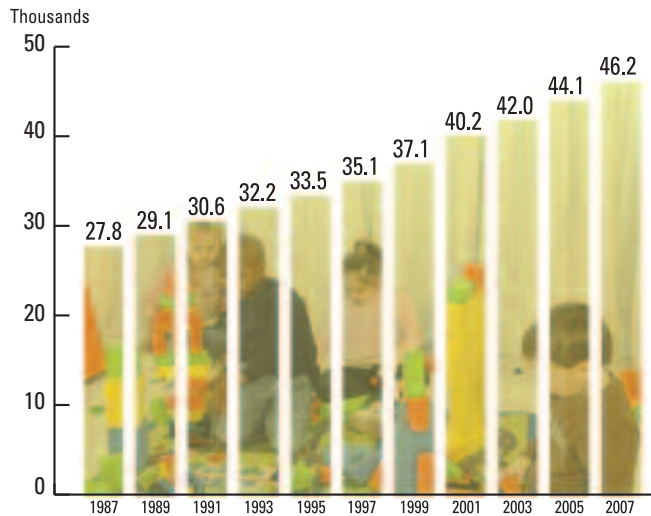


Service Area



Customer Growth

*Fiscal Years 1987-2007,
Two-Year Increments*

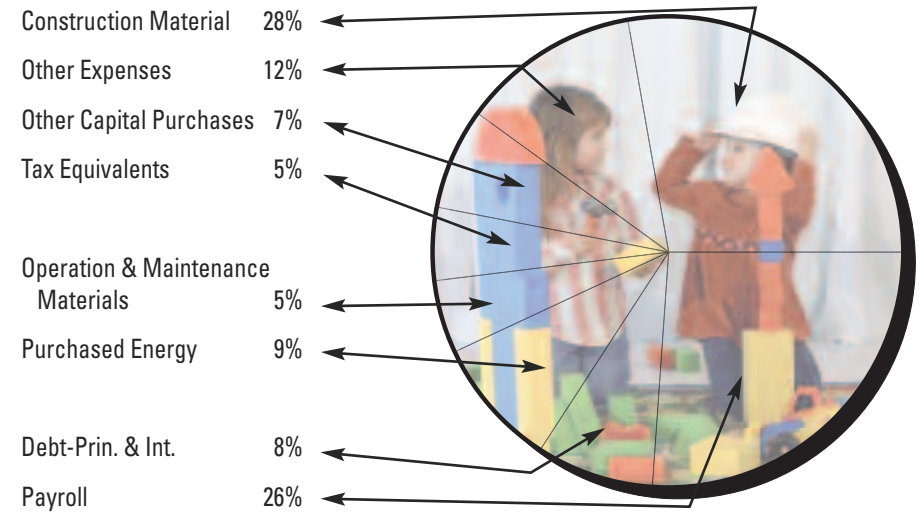


Water Department Profile

Source of Funds Total \$29,847,517

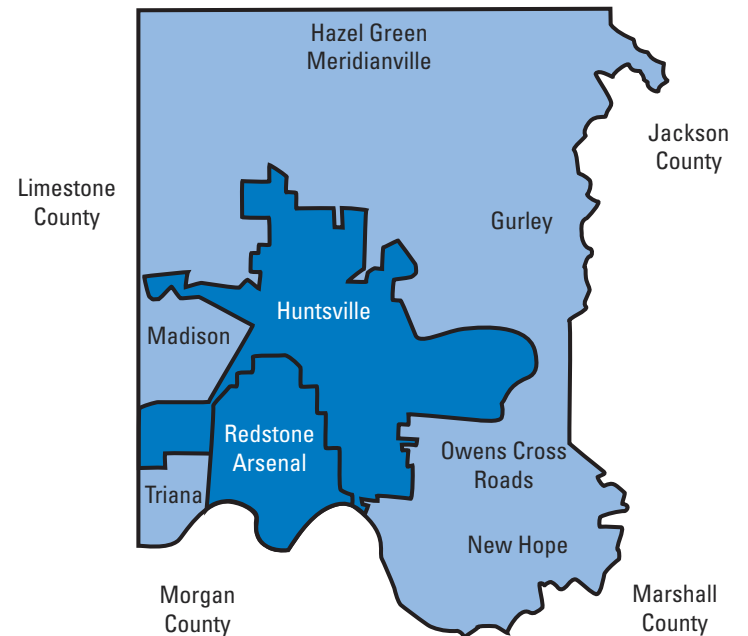


Use of Funds Total \$28,667,497



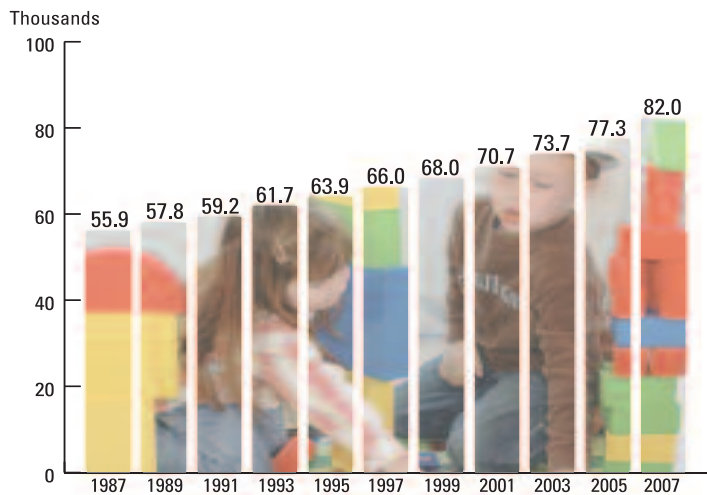
Service Area

State of Tennessee



Customer Growth

Fiscal Years 1987-2007,
Two-Year Increments



The Building Blocks of Our Community

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Meet our building block engineers:

- 1 - Amber, daughter of Gas Operations employee Harvey Atchley;
- 2 - Mackenzie, daughter of Water Engineering employee Allen Wright;
- 3 - Kensley, daughter of Electric Operations employee Dustin Kelley;
- 4 - Kaylee, daughter of Human Resources employee Mashay Baker;
- 5 - Tucker, son of Electric Engineering Services employee Bennett Higgins;
- 6 - Oscar, grandson of Public Relations employee Deb Hudson;
- 7 - Brantley, son of Electric Operations employee Dustin Kelley;
- 8 - Wyatt, son of Water Engineering employee Allen Wright; and
- 9 - Adrian, grandson of Public Relations employee Deb Hudson.





William C. Pippin
President, Chief Executive Officer



Tim McKee
Vice President of Administration,
Chief Financial Officer



Jay C. Stowe, PE
Vice President of Operations

Friends and Neighbors,

North Alabama continues to grow, real estate is retaining its value, and the job market is healthy, unlike major portions of the nation. Huntsville is consistently rated on top 10/25/100 lists by some of the world's leading publications. In order to build such a strong tradition, the community has to have a solid foundation and reliable energy sources upon which to build. Huntsville Utilities is one of the building blocks upon which this area has grown.

During the 2007 fiscal year Huntsville experienced significant growth and distinctive events. From the stellar twenty-fifth anniversary of the U.S. Space and Rocket Center to the opening of the lifestyle venue, Bridge Street Town Centre, residents saw how opportunity has shaped our community for decades.

Even as we watch the community grow outward, we must look at the heart of the area and the growth required to keep it healthy. From the much needed widening of Governors Drive to the revitalizing projects in downtown, changes to enhance the community's growth are underway all around us ... and your utility company is on the scene.

This year the Electric Department completed one new substation, and started work on a new delivery point with TVA that will serve the Cummings Research Park and Thorton Industrial Park areas. The Gas Department received a National Fleet Award from the National Safety Council and facilitated a 2.6% growth in customers. The Water Department completed plans for a water plant expansion that will facilitate community growth ... even during drought years.

The heat and lack of water caused by the summer's heat wave and the continuing drought, tested Huntsville Utilities' systems during July and August, but the equipment and utility workers held up with only minor repairs and load shifts to facilitate the extreme conditions. The electric system set six high usage records with the final peak at 1217 megawatts on August 16. The Water Department also set several pumpage records, with the final peak sitting at 79.5 million gallons on August 15. The opportunity was seized to evaluate the systems and make plans for improvements that will increase efficiency and reliability system wide.

Another area of significant advancement was in customer service. The Customer Services Department expanded payment options and service procedures to help customers save personal time. New training opportunities are being designed to help service personnel give our customers the best experience possible as they sign up for utility service, change service options, or conduct a number of utility-focused activities.

Huntsville Utilities is very excited about the experiences of 2007. We are proud to share this documentation of our accomplishments and future plans. We are continually striving to provide service as consistent, reliable building blocks the community may build upon.

Sincerely,

William C. Pippin
President & CEO, Huntsville Utilities

2007 Huntsville Utilities Board Members and Management Team



Ronald W. Boles

Electric Utility Board Chairman

Ronnie Boles is the proprietor of General & Automotive Machine Shop. He has served on the board since 1981.



D. Thomas Winstead

Electric Utility Board Vice Chairman

Thomas Winstead is the proprietor of Oral Arts Dental Laboratory. He has served on the board since 2003.



George A. Moore, Esq.

Electric Utility Board Secretary

George Moore is a lawyer in the legal firm of Johnson, Moore, Maples & Thompson. He has served on the board since 1998.



E. Cutter Hughes, Jr., Esq.

Electric Utility Board Attorney

Cutter Hughes is a lawyer in the legal firm of Bradley, Arant, Rose & White.



William M. Johnson

Natural Gas & Water Utility Boards Chairman

William Johnson recently retired from Alabama A&M University. He has served on the board since 1990.



Dr. James S. Wall, Jr.

Natural Gas & Water Utility Boards Vice Chairman

Dr. Wall operates a local dental practice. He has been on the board since 1995.



Stanley Statum

Natural Gas & Water Utility Boards Secretary

Mr. Statum is a general contractor specializing in residential building. He has served on the board since 1993.



J. Robert Miller, Esq.

Natural Gas & Water Utility Boards Attorney

Robert Miller operates a private law firm.



Anna Parvin

Customer Services Manager



Jimmie Butler

Natural Gas Department Manager



Anthony F. Owens

Water Department Manager



Steve Wright

Electric Department Manager



Gail Weber

Human Resources Director



Kerry Williams

Controller



April West

Internal Audit Director



Larry Denman

Community Relations Superintendent



Gary W. Sparks

Chief Information Officer



Ron McLeroy

Technical Services Manager



Mike Cornett

Safety & Security Director



Bill Yell

Communications Director



Lucreacia Points

EEO/Organizational Development Specialist



Glenda Waller

EEO/Organizational Development Specialist

No structure is strong unless the primary building blocks upon which it is placed are strong. The historic heat wave and extreme drought conditions of 2007 tested the electric system of Huntsville Utilities. The results were a system that handled the uncommon conditions and kept delivering the power to nourish the growth of our community while fulfilling the already present energy needs.

By monitoring the electric system through the computer monitoring system, engineers were able to identify stressed equipment and take action to reduce the possibility of transmission failures. Circumstances surrounding the only large substation transformer failure during the heat wave suggested that the damage had probably been caused by an earlier incident, possibly lightning. The delivery stations ran at 49 to 98 percent of their load capacity. Observations during this heat wave helped determine if there was any need to redistribute load or increase planned future upgrades.

During Fiscal Year 2007, the Garth Mountain substation was completed and now supplies power to the fast growing Airport Road and Walton Mountain area. The Perimeter Park Substation neared completion and will go online during the winter. New distribution circuits were added to the system supplying power to the commercial district west of Research Park Boulevard and University Drive. The Thorton Substation and Delivery Point in Cummings Research Park will be completed during Fiscal Year 2008, adding 40 MVA to the Jetport availability. Big Cove Primary will also be completed adding 60 MVA to the Central Delivery area feeding east Huntsville and Madison County. The Steger Road Substation will be completed adding capacity to North Huntsville, Meridianville, and the

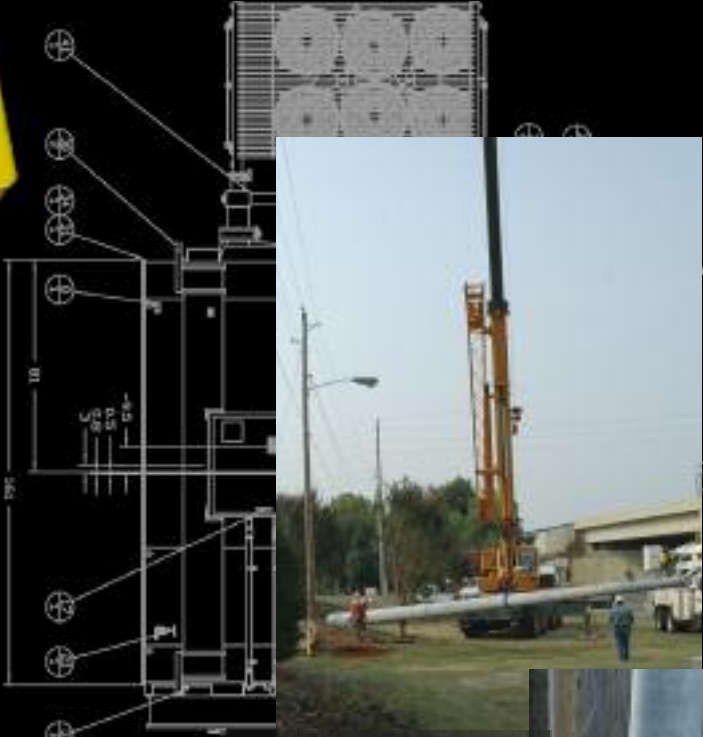
north central portion of Madison County. Equipment and capacity additions were also completed on Oakwood, Vestavia, Big Cove, and Owens Cross Roads substations as well as a new transmission tie along Oakwood Road and Research Park Boulevard.

The Electric Department collected \$11,038,214 in Aid-To-Construction payments for new construction, an increase of 35% from 2006 which had seen a 45% increase from 2005. Strong growth in the area contributed to processing 218 preliminary plats, a 14% increase, and work orders for new subdivisions totaled 3,663 residential lots. Service was also provided to several large industrial customers located in Cummings Research Park and Thorton Industrial Park including Verizon, the Hudson-Alpha complex, Digium, SAIC, Lockheed Martin, Armstrong Services, and Highland Park Office Center as well as infrastructure along new roads in the area. The Bridge Street Town Centre complex also initiated installation of 64,000 feet of three phase underground feeder circuits and 20 transformers to provide service to the 100 acre complex. The Department also completed 34,215 requests to locate underground utility facilities, an average of 135 locates a day, an increase of 8% from 2006.

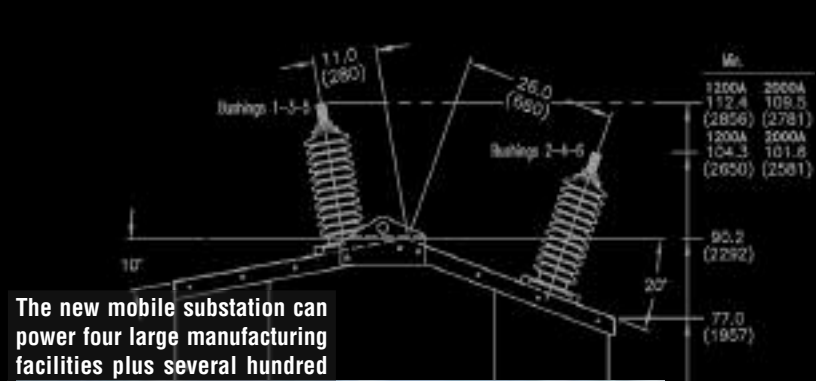
Vegetation Management has become a major concern as the Electric Department works to maintain system stability. During Fiscal Year 2007, the Electric Department initiated a new customer contact program including town meetings, mailings and personal contact with customers with vegetation line clearance issues needing resolution. Working with the Public Relations and Purchasing Departments, the Vegetation Management Section's public awareness program was recognized by the Southern Public Relations Federation for its excellence. The section also completed 707 miles of clearance along distribution lines, exceeding the 640-mile goal. The current maintenance plan has vegetation maintenance on a four-year system cycle.

Monitoring electric load, performing regular maintenance, and planning for future growth are all daily functions in the Electric Department. These activities help maintain a reliable energy distribution system upon which the service area depends. This foundation allows for growth and a continued high quality of life, building blocks upon which Huntsville Utilities customers can rely.

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Crews installing concrete poles along Research Park Boulevard and Oakwood Road.



The new mobile substation can power four large manufacturing facilities plus several hundred homes simultaneously.



Underground Facility Locations Completed	34,215
Line Clearance Maintenance	707 miles
New Substations Completed	1
Substations Upgraded	4
New Lines Installed	141.4 miles
Electric Customers	155,991
New Electric Customers	4,474



A lineworker connects Huntsville Utilities customers to the new Thorton Substation/TVA Delivery Point.



Huntsville Utilities Natural Gas Department prides itself on providing an efficient energy source as a stable building block upon which the community can plan and expand. Though over the past several years, natural disasters and market forces have driven the price up for the energy source, the quality and efficiency of natural gas has never been in question.

The Natural Gas Department received several awards and recognitions during the fiscal year. The department was the recipient of the American Public Gas Association's Safety Award, as well as being recognized by the National Safety Council with the National Fleet Award. The department also completed their 14th year in a row without any lost time accidents, quite an achievement in any industry.

Natural Gas crews and engineers installed 186,384 feet of new gas mains during the year. As of September 30, 2007 Huntsville Utilities had 46,165 gas customers, a 2.6% increase over the previous year.

The department completed system projects on Zierdt Road, Jeff Road, Old Monrovia Road, and Indian Creek Road. An odorant injection system and bulk storage tank were replaced and new control valves were installed at the Madison Pike Station. The department also completed relocation of gas mains for Phase 1 of the Governors Drive Project.

During the next fiscal year, the Natural Gas Department has set goals to install 1,000 new service lines and 116,160 feet of new gas mains. They plan to replace 350 old service lines and 36,960 feet of cast iron gas mains. The department is also taking measures to insure continuation of the no lost time accident record throughout the next fiscal year, including training, work site monitoring, and equipment inspections.

During 2008, the fourth year of the department's five-year plan, completion of two system improvement/expansion projects is scheduled. The first system improvement project involves installation of 17,000 feet of 12-inch high pressure gas main to facilitate the Eastern Loop Project. The second system improvement project will take place along John's Road and Oakwood Road.

Four highway improvement projects are planned around Madison County in conjunction with the Alabama Department of Transportation and City of Huntsville. The Highway 53 road widening project will necessitate replacement of approximately 10,500 feet of 12-inch, 800 feet of 14-inch, and 800 feet of 18-inch and various smaller size lines. The Highway 53/ Jeff Road intersection improvement project will also mean replacement of approximately 1,380 feet of 8-inch and 1,850 feet of 4-inch lines. The other two projects will take place on Meridian Street and in Harris Hills.

System improvements and relocation projects help strengthen the backbone of the Natural Gas system. In a community where growth is the norm, such utility-based building blocks support the immense investments builders and developers are making in our hometown.



A new rectifier is installed to prevent corrosion in the natural gas pipes.



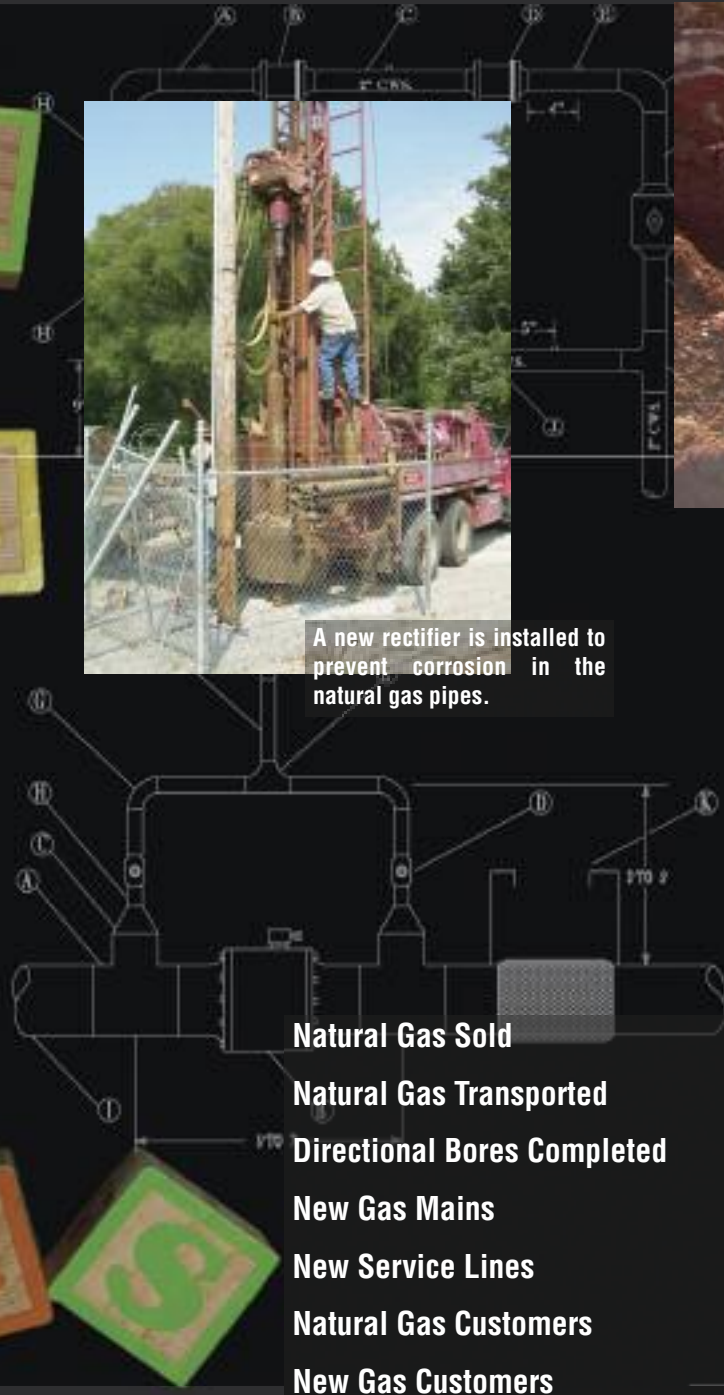
Relocation of natural gas, as well as water and electric services, continues along Governors Drive.



Gas meter technicians train on removing a turbine from a turbine meter for calibration as part of the regular maintenance program at this city gate station.



Natural Gas Sold	3,803,349 mcf
Natural Gas Transported	1,301,098 mcf
Directional Bores Completed	18 miles
New Gas Mains	35 miles
New Service Lines	1,140
Natural Gas Customers	46,165
New Gas Customers	1,165



As an essential element of life, water has always maintained a position of extreme importance in any community. In fact, the presence of an adequate water source and delivery system has become of primary importance in the southeastern United States during the extreme drought conditions which have occurred during the last three years. Area residents have greatly benefited from Huntsville Utilities' utilization of the Tennessee River. Furthermore, the water system has been repeatedly recognized as one of the best operated systems in the nation. Indeed, Huntsville Utilities' Water Department is a primary building block for north Alabama.

Due to the drought, customers produced record usage statistics for the year. The final peak day of 2007, August 24, yielded 75,655,000 gallons pumped. Prior to the multiple records set in 2007, the pumpage record was at 72.4 million gallons set on July 19, 2006. The year ended with the highest all-time month being August 2007 with 2,032,637,000 gallons pumped, an average of 65,568,000 per day.

Rehabilitation of several existing water tanks was underway. Three older tanks - the Weatherly, East Governors Drive, and Chase tanks - were sandblasted, repaired, and painted inside and out. They also received new computer monitoring and control equipment, upgrades which were also implemented on 15 other tanks in the distribution system.

Improvements also continued on the Redstone Arsenal system. Pressure and flow equipment was installed at delivery points for this government installation, as well as an additional delivery point and approximately 4,560 feet of 12-inch pipe. An additional 10,000 feet of 12-inch pipe is scheduled for installation on the base in 2008.

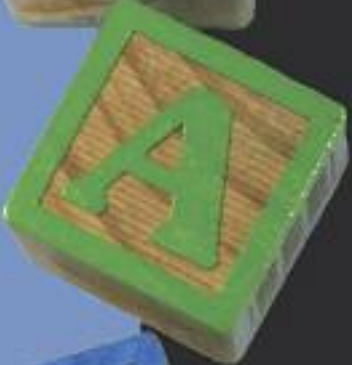
Improvements to the water treatment plants included two raw water pumps at the Southwest Water Treatment Plant being rebuilt, bringing them back to full design capacity. New media was placed in the filters at the Lincoln Dallas Water Treatment Plant to improve water quality. The Lincoln Dallas Water Treatment Plant received recognition for operational excellence from the Alabama Water and Pollution Control Association.

Additionally, the Water Department is 95% complete in the design for the expansion of the South Parkway Water Treatment Plant. An initial 8 million gallon per day (MGD) expansion will be upgradeable to 12 or 16 additional MGD, increasing the plant's capacity to approximately 52 MGD. Completion of the project is expected to occur in late 2009.

A new booster station is under construction on Slaughter Road to add pumping capacity to the northern part of the distribution system. The department has also installed new fencing, lighting, and security equipment at several tanks and booster stations throughout the service area.

The Water Department has completed approximately 95% of Phase One work on the Governors Drive relocation project. Additionally, 1,840 feet of 36-inch ductile iron pipe was relocated for the Verizon Phone Center project in Research Park, as well as 30,000 feet of 24-inch main being installed in conjunction with the Highway 72 East Loop Project.

The Water Department's foresight into the future has spearheaded plans to adapt the system to meet the needs of a growing community. Building upon the existing system will allow much needed expansion in the near future, and plans for a new water treatment plant on the Tennessee River will help with growth plans in the longer term. The health and welfare of the communities it serves on a daily basis strengthen the resolve of Huntsville Utilities' Water Department to provide a primary building block, water, to an expanding service area where and when needed.



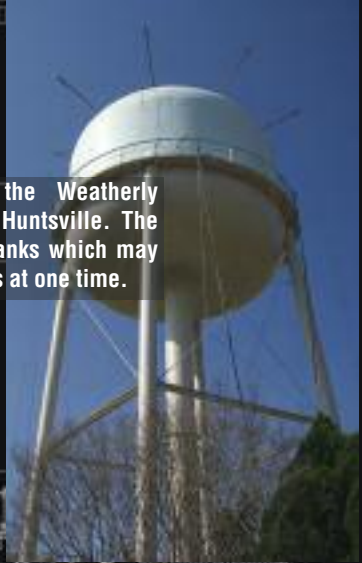
Locating and repairing underground water leaks is an important function of the operations division.



The water quality lab conducts tests for contaminants and other hazards on a daily basis.



This water tank serves the Weatherly neighborhood in southeast Huntsville. The water system includes 37 tanks which may store up to 56 million gallons at one time.



New Water Main Installed	29 miles
Water Pumped (gallons)	16.3 billion
Quality Tests Performed Annually	390,445
Total Water Customers	82,035
New Water Customers	2,568
Fire Hydrants Maintained	2,973



Customer satisfaction is not just garnered through the purchase of utility products. Information aimed at helping customers save money, time, and energy has become the building blocks upon which our high customer satisfaction rating is based. Customer surveys have repeatedly shown that the general public is pleased with the service they receive from Huntsville Utilities.

Information on saving energy and lowering utility costs is available to the public through a variety of programs offered jointly by Huntsville Utilities and TVA through the Energy Services Menu and the *energy right*® program. The Energy Services Menu includes a “New Homes Program” in which 624 houses were computer-rated and inspected for energy efficiency, including a state record 172 new homes that qualified for EPA/DOE Energy Star certification. The “Efficiency Program” also provided information and free inspections to customers who replaced heating and cooling equipment. Ten local heating and cooling contractors are certified as members of the “Quality Contractor Network”.

The “Home e Valuation Survey” Program provided detailed reports to 279 residential customers who filled out energy surveys during the 2007 fiscal year. The report uses actual customer account information to estimate where energy is being used within the home and then offers recommendations as to how energy usage can be reduced. In the industrial sector, 58 commercial customers took advantage of the free “Comprehensive Survey” Program learning how to reduce energy costs. The company plans increased participation in both programs during 2008.

An exciting new program for residential and commercial customers was added to the Energy Services Menu this year in which customers can produce electricity and deliver it onto the electrical power grid. Information and assistance on Generation Partners is provided to help customers purchase and install the necessary solar panels and wind turbines. TVA purchases the electricity that is produced and adds it to their mix of renewable generation.

In an effort to promote industry and assist with economic growth in the area, Huntsville Utilities participates in the TVA Enhanced Security Deposit Program for qualifying Commercial and Industrial customers. Fiscal Year 2007 saw qualifying customers reach 273 with security deposits provided in the amount of \$17,025,500 at no cost to the customer or Huntsville Utilities. There was also a 24.5% increase in the Consolidation Billing Program which helps reduce billing expenses to non-residential customers with multiple utility bills.

The Customer Services Department continues to make utility transactions more convenient. During the fiscal year the new Convenience Pay payment option was initiated in conjunction with Western Union. Twelve locations offer the service in a variety of hours. Over 6,200 customers chose to use the service during its first partial year of availability.

Another payment method with an increasing number of users is the bank draft program. Bank drafts increased 12% over the last fiscal year, averaging over 20,000 payments per month. Another popular payment method that saves customers a trip to a payment center or drive thru is credit card payments. Payments by credit card saw a 28% increase last year, as well as a reduced convenience fee to the customers.

The Customer Service Department also continued to battle loss of revenue (which can drive up customer costs) by expanding the Theft of Service Department which collected payments for over 7500 locations utilizing unauthorized utility services. Another effort contributing to maintaining our low rates is the net write-offs at only .03%, one of the lowest percentages in the industry.

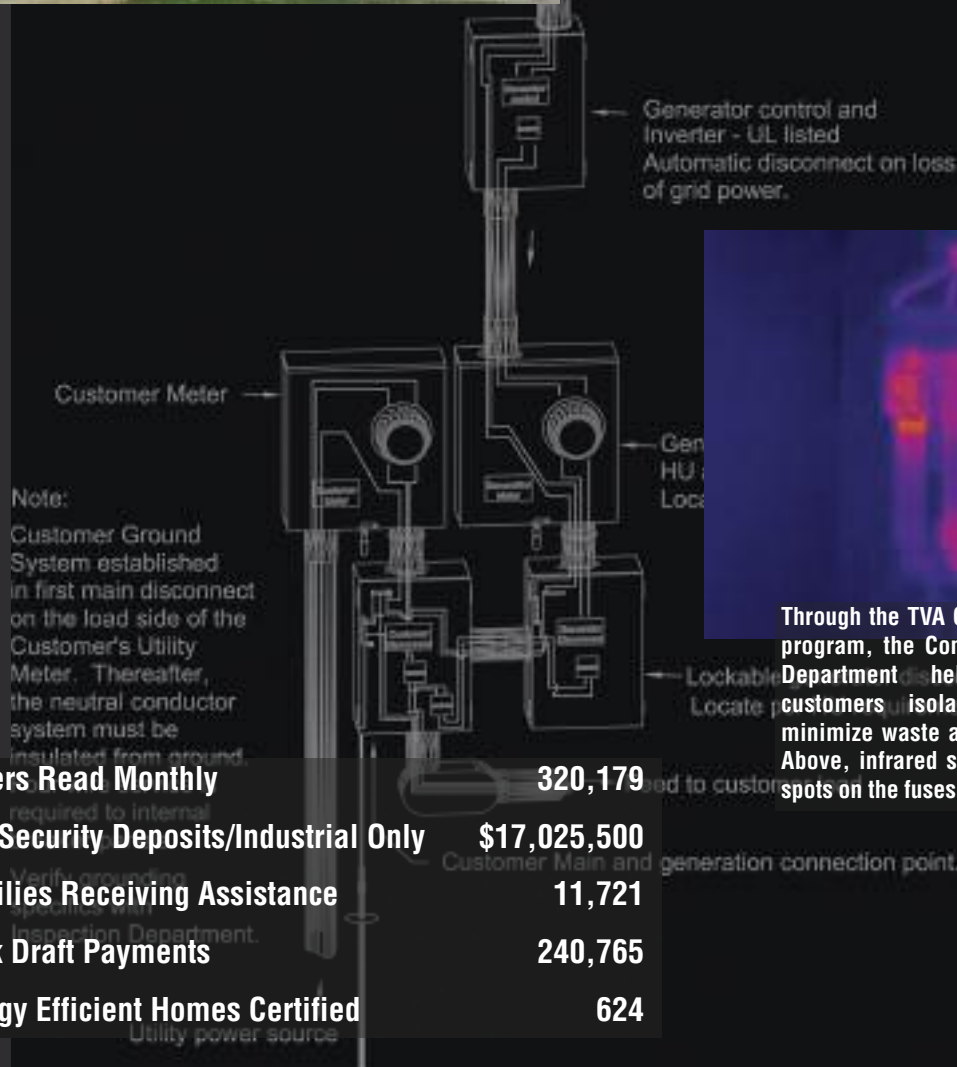
Usage of the Interactive Voice Response System (IVR) has also steadily increased. The average number of monthly payment agreements submitted through the IVR grew to 9,416 by September, versus 7,172 agreements made with agents in the Customer Information Center. The IVR system is also used to update customer information, check account balances, make payments, and report power outages.

The Customer Services staff also works closely with local churches and assistance agencies to help families needing assistance. In Fiscal Year 2007 the utility assisted 11,721 families for a record high of \$1,623,767 in utility assistance through 45 agencies and churches in the service area. Through customer contributions the Project Share Program, a joint effort between the utility and the Salvation Army, assisted 802 families for a total of \$142,638 toward their gas and electric bills during the winter. Another 307 families received electric bill assistance adding up to \$15,000 during July and August of 2007.

A solid foundation is required to run one of the most efficient utility companies in the southeastern United States, keeping rates low and customers satisfied. This solid foundation is one of the building blocks upon which the experience and reliability of Huntsville Utilities rests.



The new Generation Partners program was coordinated with TVA during Fiscal Year 2007. The first residential installations took place in early 2008.



Through the TVA Comprehensive Services program, the Commercial and Industrial Department helps large industrial customers isolate energy losses to minimize waste and save on utility bills. Above, infrared scanning illuminates hot spots on the fuses pinpointing energy loss.

Meters Read Monthly	320,179
TVA Security Deposits/Industrial Only	\$17,025,500
Families Receiving Assistance	11,721
Bank Draft Payments	240,765
Energy Efficient Homes Certified	624

From mapping ... to accounting ... to fleet maintenance ... the administrative side of Huntsville Utilities is an important asset of the company. Without the departments that supply parts and pay the bills, utility workers would never complete their objectives. The administrative staff and the duties they perform truly strengthen the building blocks Huntsville Utilities provides to a growing service area.

During Fiscal Year 2007 the company began the transition from the legacy mainframe computer environment to a modern relational database platform. A major accomplishment on the project was achieved in September of 2007 when a Request for Proposal (RFP) was issued to software vendors for HUBS (Huntsville Utilities Business Systems) Phase I. The first of the two phases includes back-office functions such as Financials, Human Resources, Payroll, Purchasing, Inventory and Work Orders, along with hardware and implementation services. This was the culmination of major efforts by not only the MIS staff and the HUBS team, but also key employees companywide. The 90-page document also featured approximately 7,000 functional requirements. During FY2008 the proposals will be evaluated, a vendor selected, and implementation of Phase I will commence. Phase II will involve the Customer Information Systems. In the meantime, the Management Information Systems and Data Processing Departments continued to provide 99.9% mainframe uptime for users.

In conjunction with the Electric Department, the Geographic Information and Mapping Services (GIMS) Department delivered an upgraded G/Technology facility mapping system from Intergraph. Upon completion of the HUBS project, Huntsville Utilities will have a state of the art, integrated GIS system providing project estimation, mapping, facilities and asset maintenance, outage management, and dispatch operations.

The GIMS section obtained and processed color photography for the entire county as a joint project with the Madison County

Tax Assessor's office. The result was a significant savings for both entities, while providing a total refresh, in color, of the entire Madison County area maps.

Improvements were made in various communications networks for Huntsville Utilities, many of which involved the installation of approximately 30 miles of fiber optic backbone for the internetworking of Huntsville Utilities, State of Alabama, and City of Huntsville sites. Increased capabilities and network security were realized through these joint efforts, at a fraction of the cost of leasing network capacity or contracting these installations. Electric Department employees played a vital role in the installation process. Two new radio repeaters were installed to increase efficiency and replace 20+ year old equipment.

Stores inventory accuracy was increased and maintained in excess of 98%. Storeroom employees continued responsibilities for compliance with PCB regulations set forth by the Environmental Protection Agency (EPA). This work resulted in the disposal of over 100,000 pounds of PCB contaminated oils with no adverse contaminations, and the testing of over 2,700 transformers for PCB containing oils. Additional regulations requiring cleanup of all oil spills, whether PCB or not, resulted in excess of 60 cleanup operations, all of which were completed in compliance with EPA regulations. Audits conducted by the EPA resulted in zero comments or recommendations for improvements. Additionally, over \$325,000 of scrap materials was salvaged and sold this year, and over 6,000 pounds of classified waste materials was disposed of in compliance with Alabama Department of Environmental Management (ADEM) regulations.

The Facilities Department completed more than 11,000 work requests (an increase of approximately 30% over the previous year) including landscaping, concrete repairs, and facilities maintenance items. All facilities were maintained and kept in good repair with no additional personnel. Preparations were made for the new structural addition at the Chase Customer Service Center and to rent space in the downtown building to the YMCA.

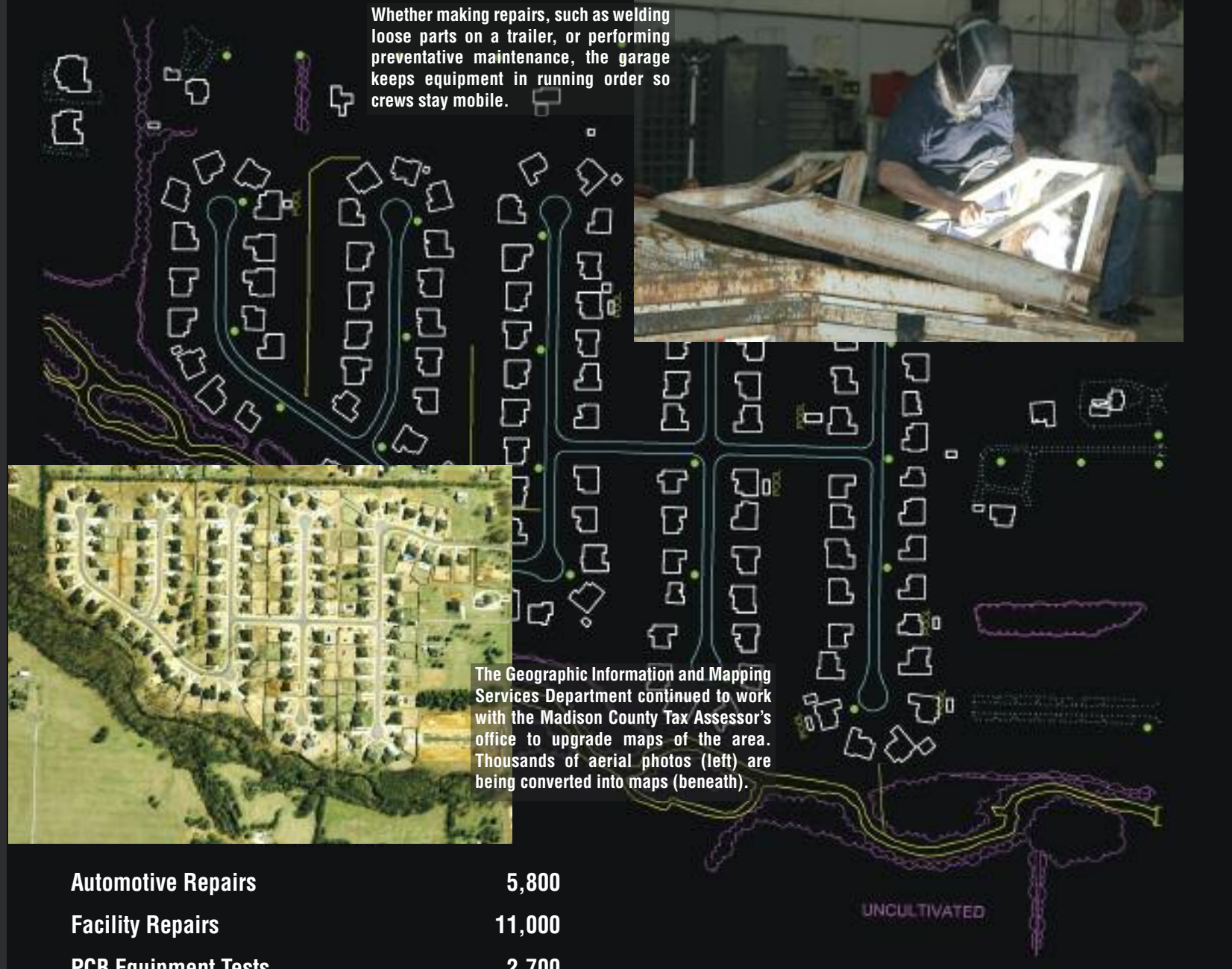
Over 5,800 repairs were made to a fleet of over 670 vehicles/equipment, with no increase in personnel. The garage maintains warranty certificates for much of the equipment and fleet, resulting in both cost and downtime savings. Through expert repair work and rebuilds, significant savings are realized by keeping equipment in good operating order and eliminating replacement needs. Quick turnaround on repairs keeps our crews and equipment working for the customers in an efficient manner.

The Purchasing Department has worked closely with all departments to obtain materials to provide services to over 4500 new residential lots and accommodated a 40% commercial and industrial rate of growth. Labor and material contracts have facilitated construction of four substation. In all, during Fiscal Year 2007, the Purchasing Department managed acquisitions totally \$33,825,008.

The goal of the administrative staff is to accommodate the daily operations of the utility departments while planning for future growth and needs. By providing these services, the Administrative staff helps strengthen the building blocks upon which the Huntsville Utilities customers depend.



Whether making repairs, such as welding loose parts on a trailer, or performing preventative maintenance, the garage keeps equipment in running order so crews stay mobile.



The Geographic Information and Mapping Services Department continued to work with the Madison County Tax Assessor's office to upgrade maps of the area. Thousands of aerial photos (left) are being converted into maps (beneath).

Automotive Repairs	5,800
Facility Repairs	11,000
PCB Equipment Tests	2,700
Fiber Network Installed	30 miles

Huntsville Utilities' employees come from all walks of life. They are softball coaches, Sunday School teachers, scout leaders, and part-time firefighters who earn their living working in the trenches for the Water Department, relocating natural gas lines, calibrating electric meters for new construction, and helping customers finalize documents for new service accounts. These community members are the building blocks upon which the company and the citizens of this area rely.

Huntsville Utilities' employees are active in the community through company efforts to assist individuals and groups with special needs. Employees celebrated their second year as the top fundraising team in the Large Industrial classification for the American Cancer Society's Relay for Life campaign, raising \$16,409 for cancer research. They also donated 101 pints of blood during two blood drives. Led by the employees' Volunteer Council, the community activity leadership team, the utility workforce made additional donations to the Arthritis Foundation, American Heart Association, Huntsville Child Care Center, Floyd "Tut" Fann Veteran's Home, H.E.A.L.S., B.U.D.S., and CASA. They collected 872 pounds of food for the North Alabama Food Bank, and completed their second wheelchair ramp in conjunction with CASA's Wheelchair Ramp program.

Internal training is provided to employees on a variety of subject areas including Time Management, Basic Computer Know How, Holding Effective Meetings, and Workplace Violence among others. New supervisors attend supervisor training, and all supervisors are required to attend Drug and Alcohol Abuse Recognition training as well as EEO/Sexual/Racial Harassment classes.

The Human Resource Department is currently working with Customer Services to develop a new apprentice-like training program. The Electric, Natural Gas, and Water departments currently have apprentice classes with 33

participants. The three operations departments require employees to complete three-to-four years of apprentice training for many jobs.

Energy related information is provided through customized presentations to all types of organizations and civic groups during the year. Examples include Executive Women International, The North Alabama African American Chamber of Commerce, the Metro Kiwanis' Club, Garden Clubs, Church Groups, the Sierra Club, and a variety of corporate-sponsored events for employees through which more than 1,000 people were reached. Huntsville Utilities also provides educational presentations to students including a field trip called "Education Days". During Fiscal Year 2007, 995 students from thirteen area schools attended to learn about their water, natural gas, and electric systems. The demand for our educational programs is expected to increase in 2008 as energy-related issues become more of a national issue.

The company also utilizes a mascot to teach children about safety issues concerning utilities. Safety Squirrel visited 725 students in the company's service area presenting safety information. The students are given an opportunity to learn the safety credo and become "licensed" safety heroes. Sixteen students also participated in the Junior Achievement/Chamber of Commerce Job Shadowing program. The students were paired with utility employees in occupations they expressed interest in to learn about the jobs. The company also hosted six individuals through the World of Work program which introduces mentally-challenged students to real jobs.

Community events provide another way in which information can be provided to our customers. The Home & Remodeling Show, the Senior Expo, and Panoply provided a stage in 2007 by which more than 6,500 personal contacts were made with customers to explain customer service programs and promote the benefits of energy efficiency.

Employees are also urged to make safety a priority on a daily basis. The Safety Department conducted 284 worksite visits during the year and certified 73 employees with CPR and First Aid Training. A new guidebook organizing Emergency Action Procedures was developed and distributed. Vehicles were inspected and driving records checked on all business-related drivers.

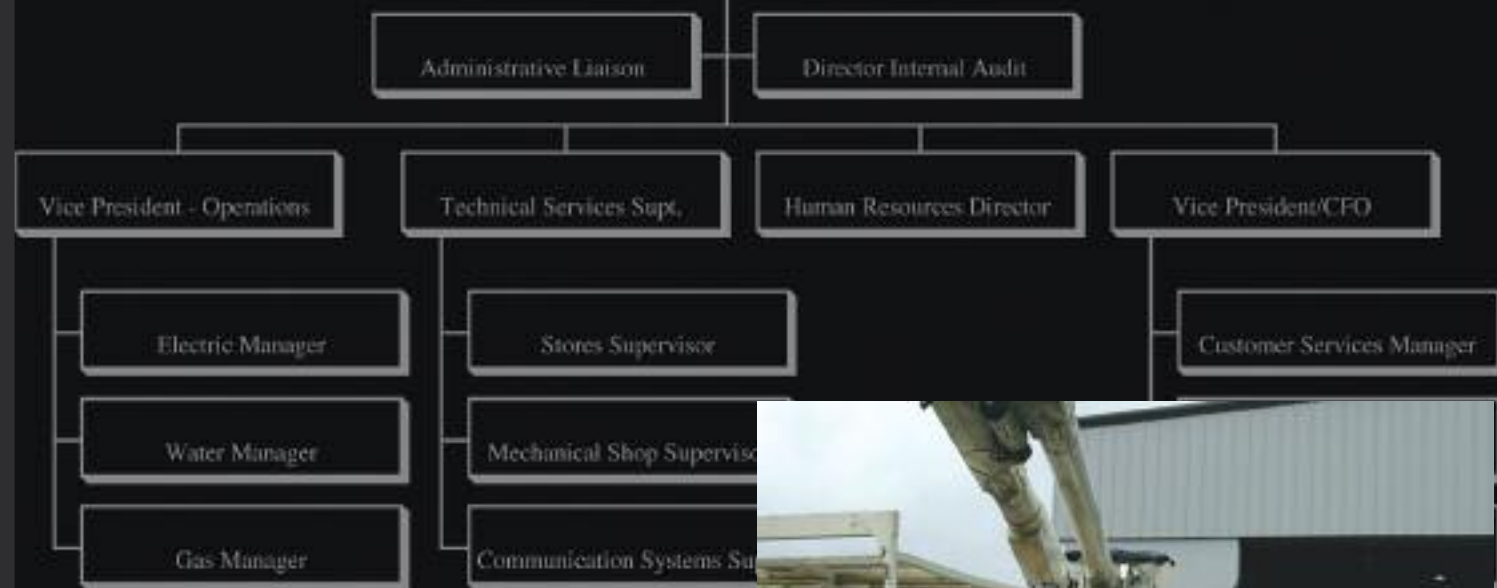
Huntsville Utilities' attention to safety issues has earned them national attention repeatedly in the industry and by private companies. The National Safety Council recognized the company for fleet safety accomplishments, the individual operations departments were recognized by their affiliated professional organizations, and the entire company was recognized by Liberty Mutual Insurance Company for zero lost-time incidents, a rare occurrence in the utility industry.

Huntsville Utilities' employees are solid citizens with a solid foundation of moral and ethical beliefs. These are neighbors you can depend on for support. These individuals can be counted upon as building blocks upon which the community can build.

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Huntsville Utilities employees, family members, and friends braved the rain to attend the American Cancer Society's 2007 Relay for Life. Another record-breaking fundraising year led to the Top Large Industrial Fundraising Team of the Year award again.



Electric Department Employees	193
Natural Gas Department Employees	83
Water Department Employees	91
Customer Service Employees	118
Joint/Administrative Employees	99
Temporary Employees	49
Total Employees	633
Customers per Employee	487



Two lineworkers explain the functions of the equipment they use on utility lines from their bucket truck to visiting elementary students during an "Education Days" field trip.

William C. Pippin

President and Chief Executive Officer

Timothy D. McKee, Sr.

Vice President of Administration
and Chief Financial Officer

Jay C. Stowe

Vice President of Operations

Gary W. Sparks

Chief Information Officer

Steve Wright

Electric Manager

Jimmie Butler

Natural Gas Manager

Anthony F. Owens

Water Manager

Anna Parvin

Customer Services Manager

Ron McLeroy

Technical Services Manager

Kerry M. Williams

Controller

Gail A. Weber

Human Resources Director

April West

Director of Internal Audit

Larry Denman

Community Relations Superintendent

Bill Yell

Communications Director

Mike Cornett

Safety & Security Director

