

HUNTSVILLE UTILITIES



Huntsville



ANNUAL REPORT

2009

It's Simple...

reliable, low-cost

Utilities

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
and Chief Operating Officer

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

Janice Capshaw
Human Resources Director

April Jackson
Director of Internal Audit

Larry Denman
Community Relations Superintendent

Bill Yell
Communications Director

Mike Cornett
Safety & Security Director

Muntzville



HUNTSVILLE UTILITIES



It's Simple...
reliable, low-cost
Utilities

2009

ANNUAL REPORT

Inside.....

Welcome.....	Page 2
Management	Page 3
Electric Department	Page 4
Natural Gas Department	Page 6
Water Department	Page 8
Customer Services	Page 10
The Employees	Page 12
The Administration	Page 14
Information Systems	Page 16
Customer Growth Charts.....	Page 18
Financial Statements.....	Page 19
Funding Charts	Inside Back Cover





William C. Pippin
President, Chief Executive Officer

It's Simple



Jay C. Stowe, PE
Vice President of Operations,
Chief Operating Officer



Tim McKee
Vice President of Administration,
Chief Financial Officer

Friends and Neighbors,

The Huntsville area is simply a great place to live. If you are lucky enough to live in such an area, you want to know that you can count on the services that improve the quality of life. The employees of Huntsville Utilities are dedicated to providing good, reliable service. The management is dedicated to making that happen at a reasonable cost. That's how simple our philosophy is.

It's amazing how well this area has fared during the economic struggle of the last 16 months. With sales suffering in the housing market and unemployment up, this area still continues to thrive. The Electric Department initiated work orders for over 100 new residential building sites per month. Though construction has slowed, there is still enough strength in the area to keep a moderate building phase financed.

The Water Department is making steady progress on increasing the water availability to accommodate the area's growth. During Fiscal Year 2009, the addition to the South Parkway Water Treatment Plant was completed, which added 12 million gallons a day to the system. A great deal of planning and testing has already gone into the new water plant to be located on the Tennessee River near the Guntersville Dam.

The department most affected by the economic slowdown is undoubtedly the Natural Gas Department. The slowdown in building has worked to the Gas Department's advantage though. Crews have taken the opportunity to replace aging cast iron pipe with new pipes, strengthening the entire system. The department also completed the second phase of the Eastern Loop Project. When the six-phases of this project are completed, the entire area will benefit from a stronger, more reliable natural gas system.

Perhaps the biggest news has been the upgrade of the company's computer system to SAP software. The upgrade will allow departments to more easily share information with one another. This project has taken the company from an old-fashion sequential record search and relational database system to a more universal system using integrated applications that can be optimized throughout the company. This relationship between the primary software and all departments will equate to better information sharing and system flow.

It is so simple. We want to be the best utility company we can be. The employees work hard to make that happen. The majority of them are members of this community. Providing you with the most reliable service and the best price is our goal.

ole... reliable, low-cost Utilities



D. Thomas Winstead

Electric Utility Board
Chairman

George A. Moore, Esq.

Electric Utility Board
Vice-Chairman



Ronald W. Boles

Electric Utility Board
Secretary



E. Cutter Hughes, Jr., Esq.

Electric Utility Board
Attorney



Stanley Statum

Natural Gas & Water Utility Boards
Chairman

William M. Johnson

Natural Gas & Water Utility Boards
Vice-Chairman



Dr. James S. Wall, Jr.

Natural Gas & Water Utility Boards
Secretary



J. Robert Miller, Esq.

Natural Gas & Water Utility Boards
Attorney



Anna Parvin

Customer Services Manager



Jimmie Butler

Natural Gas Department Manager



Anthony F. Owens

Water Department Manager



Steve Wright

Electric Department Manager



Larry Denman

Community Relations
Superintendent



Ron McLeroy

Technical Services Manager



Janice Capshaw

Human Resources Director



Kerry Williams

Controller



Gary W. Sparks

Chief Information Officer



April Jackson

Internal Audit Director



Lucreacia Points

EEO/Organizational
Development Specialist



Glenda Waller

EEO/Organizational
Development Specialist



Mike Cornett

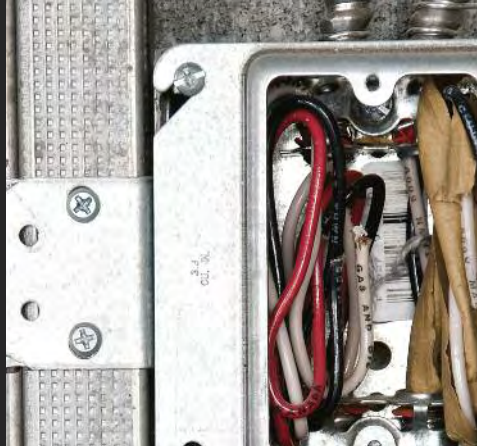
Safety & Security Director



Bill Yell

Communications Director

It's Simple



It's simple ... the Huntsville area is continuing to grow, even in a slow economy. This means Huntsville Utilities has to plan for the growth and continue to build upon the infrastructure that plays a large part in the success of the area. From substation expansions and planning to road projects to ease traffic congestion and facilitate building expansion, the Electric Department is involved in the majority of all construction work in the service area. Reliable energy and future planning are two of the main factors that make our Electric Department a leader in the public power industry.

A significant contribution to the strength of North Alabama is the attraction to the area by industrial customers. During Fiscal Year 2009, the Electric Department provided service to several large industrial customers in both Research Park and Thornton Industrial Park. The entrance to the Jetport was renovated and infrastructure was installed along new roads. Upgrades to the area also included adding a 161/46V station to the Thornton Substation. A 100MVA transformer was installed and equipped for four future 46kV circuits. Keeping this popular industrial area equipped for growth is important to the fiscal health of this area.

A new substation, Big Cove Primary, was completed and energized early in the fiscal year. In all, eight substations received upgrades during Fiscal Year 2009. The locations were widespread from outlying county areas to inner city. The North Huntsville Substation received a facelift with new poles and insulators in addition to being painted to improve its appearance. Feeder circuit maintenance was performed on four New Market Substation breakers to reduce outages in the area. A capacity addition of 25 MVA was added to the Walnut Substation in Madison in addition to a new transmission tie to allow more flexibility in switching stations. The South Parkway Water Plant Substation was rebuilt to accommodate the plant's expansion. The Southwest Water Treatment Plant Substation also had a new circuit added.

In addition to improvements, all 95 substations were subjected to infrared scan inspections during the past year. Delivery points were rescanned during summer and winter peak loads. This will increase system efficiency. Twenty substations had wire pulled in response to the voltage regulator replacement program. Voltage reduction boards will be installed throughout the distribution system. Thirty substations have already been tested and targeted for this improvement. In addition to the 95 substations, crews performed regular maintenance on 310 circuit breakers and 156 power transformers in addition to the thousands of miles of lines, transformers, and utility poles running throughout the 800 plus mile service territory.

The Electric Department received \$2,554,476 in pole attachment revenue during FY2009. This amount includes fees from cable television, telephone, and other telecommunication providers to place equipment on utility poles that were erected to transmit electricity to utility customers. The department also collected \$3,770,835.03 in Aid-To-Construction to fund the infrastructure in new housing and other developments where utilities were not previously installed. The department completed 3,472 underground inspections for new construction and

Pole... reliable, low-cost Utilities

initiated work orders for 1,215 residential lots in new subdivisions. On average that's over 100 new homes a month ... during a slow economy!

The pole inspection and vegetation management programs have proven very beneficial as preventative maintenance measures. To date, 10,241 poles have been inspected, with 755 identified as needing replacement. Crews had previously removed 1,100 old poles from the system. The areas targeted for FY2009's phase of the inspection program included northeast portions of the county as well as areas served by the Medical District and Tenth Street substations. The right-of-way management project – keeping service lines free of trees and other vegetation – cleared 553 miles. This included removing 26,192 trees, trimming 23,563 trees, treating another 4,711,400 sq. ft. with herbicide and 2,164 trees with growth retardant. These maintenance programs strengthen the reliability of the system.

A major part of the success of the Electric Department can be attributed to the training each department member is required to attend. Operations and office personnel are required to attend monthly safety trainings, a factor which contributed to another year of “No Lost-Time Accidents” for the largest department in the company. Operations personnel are also required to attend special equipment and work method trainings to stay up-to-date on the latest technology and procedures for fieldwork.

To put it simply ... Huntsville Utilities strives to provide reliable electricity to the service area. Maintenance, upgrades, training, and planning for growth are key factors in providing this service. Whether it is cleanup after a storm or a one-house outage, when customers see a Huntsville Utilities truck drive down their street they feel a simple sense of relief that soon their power will be restored.



Pole-setting crew members guide a new 50 ft. pole into its hole, part of an installation in a rural area soon to be developed. Planning for future growth strengthens the community's infrastructure. After the pole is in place, lineworkers install the hardware, such as insulators (pictured) ready the pole for use.



Underground Facility Locations Completed	53,547
Line Clearance Maintenance	553 miles
New Substations Completed	1
Substations Upgraded	8
New Lines Installed	48 miles
Electric Customers	161,179
New Electric Customers	1,515



It's Simple

It's really quite simple ... Huntsville Utilities Natural Gas Department works hard to maintain a solid, reliable system, consistently monitoring the growth of the community and expanding to meet the growing needs of the area's population while maintaining one of the most impressive safety records in the industry.

Using the slowdown of new construction projects to our benefit, Huntsville Utilities replaced 36,783 feet of cast iron mains and 344 feet of welded steel gas mains as part of the modernization of the aging system. The Gas Department replaced 620 service lines and relocated eight service lines. This was in addition to 54,400 feet of new gas mains, 592 new service installations, and 99,990 feet of directional bores.

A big accomplishment for the year was the completion of the second phase of the Eastern Loop Project. Once complete the Eastern Loop Project will form a perimeter around the service area for transporting natural gas and will maintain adequate pressure systemwide. This will help ensure the reliability of Huntsville Utilities' natural gas service.

Another significant project was the completion of the new Ed White School rectifier and ground bed system. The existing ground-bed had failed, and the rectifier was out-of-date, so the decision was made to overhaul the system. This improvement will improve performance and reliability of the gas system by providing cathodic protection to reverse corrosion.

Safety is a major concern for the Gas Department. Concern for the safety and well-being of all department employees as well as the customers has led the department to actively promote public awareness focused on telling citizens how to recognize and what to do in case of a natural gas leak. Additionally, the department takes part in annual training for public works and public safety occupations such as police officers, firefighters, ambulance drivers, elected officials, contractors, and road construction crews. By educating the community about natural gas safety, the more aware of its benefits everyone becomes.

During the 2009 fiscal year, Huntsville Utilities received word that the Natural Gas Department was the recipient of the American Public Gas Association's (APGA) Safety Award for 2008. They were also featured on the APGA's website and in their December 22, 2008 edition of the Public Gas News with a full-page story about the department, its safety record, and the company's gas purchasing policy. The department was also recognized by the National Safety Council with the 2008 Occupational Excellence Achievement Award.

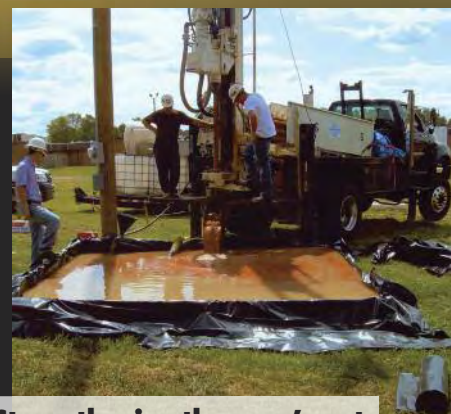
A significant improvement in the safety of the natural gas system was the completion of installation of fiber optic cable and alarms at three of the city gate stations. This advancement will allow off-site monitoring of the property for theft and vandalism while also conveying important data about the system and transport of natural gas through the area.

ole... reliable, low-cost Utilities

The Gas Department has three system improvement/expansion projects planned for 2010. Projects are planned along Highway 53, New Hope Road and on Taylor-Denton. Three state/City of Huntsville highway improvement projects are scheduled for completion including the Highway 53 project from Research Park Boulevard to Jeff Road, and South Memorial Parkway and Meridian Street improvements.

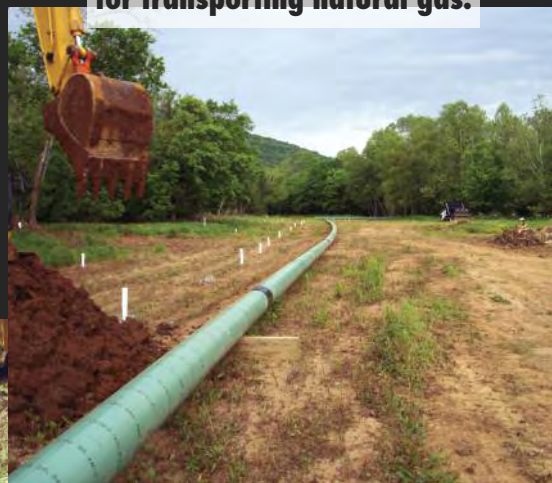
Of the twelve major gas system expansion/improvement projects planned during the initial five-year capital plan, eight were completed and one was partially completed. Crews remained busy replacing cast iron mains and completing relocation work for various road projects.

Simply put, natural gas is a safe, clean-burning, convenient, economical energy source for customers of Huntsville Utilities. This is due to informed, intelligent purchasing policies and a department that works to solidify the system and consistently provides service in a reliable, safe manner to its customers.



Strengthening the area's natural gas system means upgrading existing service while increasing reliability. Above, workers install a new rectifier system at Ed White Middle School. Below, crews work on installing pipeline for the East Loop which will improve pressure systemwide and form a perimeter around the service area for transporting natural gas.

Natural Gas Sold	4,276,526 mcf
Natural Gas Transported	2,696,321 mcf
Directional Bores Completed	99,990 feet
New Gas Mains	54,400 feet
New Service Lines	592
Natural Gas Customers	47,243
New Gas Customers	332



It's Simple



Simply the best ... that's the way Huntsville Utilities feels about the water service provided to its customers. Department employees work to achieve the best quality water, the best service to the community, and the best plans to keep ahead of our growing community.

Huntsville Utilities is not the only organization that thinks our Water Department is great. During 2009 the Water Department was recognized for its outstanding service and facilities multiple times. The Alabama Water Pollution Control Association (AWPCA) awarded the "Best Operated Plant Award" to the Southwest Treatment Plant. The Lincoln/Dallas plant also received an "Award of Excellence" from the AWPCA. Both the South Parkway and Southwest plants were recognized by the Alabama Department of Environmental Management with the "Plant Optimization Award" for efficient use of the facilities.

Why is Huntsville Utilities' Water Department so highly regarded? One reason is the testing facility and water supply personnel. Huntsville Utilities constantly monitors the quality of the water treated for community consumption. The laboratory performed 278,948 tests during the year-every half hour, hourly, or daily-to ensure customer safety and satisfaction. Huntsville's lab also runs tests for other water systems which do not have the necessary equipment and personnel. During Fiscal Year 2009 they tested over 3000 bacteriological samples for surrounding systems.

Another factor contributing to the department's respected reputation is efficiency. The Water Department installed SCADA monitoring systems on reservoirs and booster stations, resulting in an annual savings of \$23,000. The SCADA controls will result in reliable information from each location and a reduction in overtime spent physically visiting locations.

The department has completed several projects in-house, saving the company and the customers thousands of dollars. Assessments of surface and ground water were completed by Water Department staff instead of paying a consultant \$25,000. The assessments are part of the required renewal of the water supply permit. Department personnel also rebuilt a 25-million gallons per day (MGD) raw water pump, resulting in a significant savings for the company.

The South Parkway Water Plant Expansion project was completed and permitted by ADEM. This addition increased the system capacity by 12 MGD, bringing total system treatment capacity to approximately 100 MGD. Work on plans for the new Guntersville plant also continued as the department received all necessary permits from TVA, the Army Corps of Engineers, and ADEM. Property was purchased for the new plant, and department personnel continue to work on the treatability study and technology reviews for the proposed Guntersville plant. This is being done utilizing in-house personnel, a significant cost savings to the company.

ole... reliable, low-cost Utilities

The Water Department also concluded another year with No Lost Time Accidents while completing one of the largest in-house construction projects in the Water Department's history – the Highway 72 East Project. The new water line is in service. The project was completed at \$4.2 million, \$1 million lower than the estimated \$5.2 million. Another notable accomplishment was the reclamation of nearly 5 million gallons per day in leaks on the distribution system. The leak detection crew located the leaks, and the Water Operations division continues to make the necessary repairs.

Operations crews installed 191 new service lines, 1,274 service reruns, and 1,317 extra stubs and set 834 new meters in subdivisions. This was in addition to installing 50 new fire hydrants and 32 vaults with fire flow meters as part of the fire protection plan. They also worked on relocation projects along Highway 72 East, Wilson Cove, South Memorial Parkway, Taylor Lane, and Meridian Street for the State of Alabama and City of Huntsville.

It's really simple. The crews, engineers, meter staff, and support personnel of Huntsville Utilities Water Department strive daily to provide the best water in the most efficient manner to you, our water customer.



The Water Department works diligently on up-keep and preventative maintenance of equipment as evident in this photo of a booster station. Pictured below is construction of the water plant expansion at the South Parkway Water Treatment Facility.

New Water Main Installed	58,471 feet
Water Pumped	14,057,965,000 gallons
Quality Tests Performed Annually	278,948
Service Line Re-runs	1,317
Total Water Customers	84,579
New Water Customers	1,056





It's Simple

Keeping it simple ... and focused on you, the customer, that's the goal for outstanding customer service at Huntsville Utilities. Whether it's the convenience of multiple payment methods and locations or assistance in finding ways to reduce your energy usage, Huntsville Utilities is simply focused on outstanding customer service.

Though customer service begins with the reliability of utility services Huntsville Utilities supplies, the broader picture includes service programs to help customers reduce energy usage and processes that simplify customer transactions.

Conservation has become more of a priority for residents during the year, whether concerned with gasoline, electricity, natural gas, or water. Huntsville Utilities feels a strong obligation to help customers with issues related to conservation and has been providing information and service programs for residential, commercial, and industrial customers for many years. Much of our work is in conjunction with TVA and the Department of Energy. In 2009, Huntsville Utilities assisted local builders in certifying more than 600 new homes through the "energy right®" and the Energy Star New Homes programs. Huntsville Utilities has worked with local builders to qualify more Energy Star Homes than any other entity in the State of Alabama and is a leader among power distributors within the seven-state Tennessee Valley region and southeastern United States.

The Commercial & Industrial Department helped 237 business customers reduce their energy costs by qualifying for security deposit coverage through the TVA Enhanced Security Deposit Program. A total of \$15,577,900 in deposit coverage was provided at no cost to qualifying customers. Commercial and Industrial customers continue to utilize the free Comprehensive Services Program to improve energy costs with 64 customers participating this past year. This program includes infrared scans to prevent energy loss, management of lighting and HVAC systems, and other tests to detect energy losses.

The Energy Department also works with customers on a daily basis to help improve energy efficiency in existing homes. The Efficiency Program provides residential customers with free inspections of heating and cooling systems that are installed by specially-trained and certified heating and cooling contractors. The network of participating heating and cooling contractors has grown to seventeen this year, and 60 residential customers took advantage of the free inspections to ensure efficiency, comfort, and longevity when they replaced heating and cooling equipment.

The Home Evaluation Survey program helps customers understand their energy consumption and offers recommendations of ways utility costs can be lowered. Surveys were completed by 276 customers who received reports during FY2009. Huntsville Utilities also offers a program called "Generation Partners" that assists homeowners and businesses in the generation of electricity and provides a means by which this generation can be put back onto the electrical grid and sold to TVA. Customers who wish to purchase electricity generated through wind, solar, or landfill gas may participate in a program called "Green Power Switch."

The Customer Service Department also utilizes several programs to help customers save time and gasoline when requesting service, changes to their service, or making payments. In FY2009, over 8,929 requests for

...reliable, low-cost Utilities

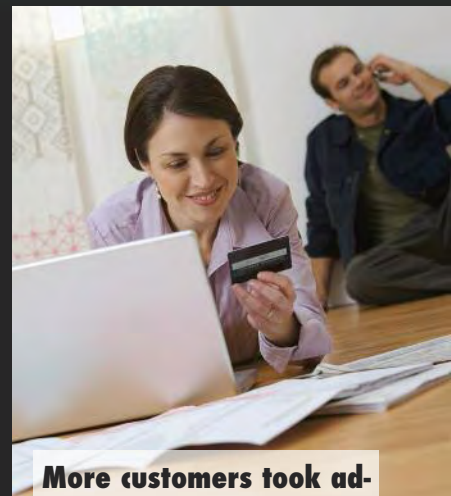
service were processed via fax, postal, or e-mail service. The automated phone system (IVR) processed 129,330 payment arrangements (a 3.5% increase over the previous year) as well as 11,319 payments and 842 check resubmissions, a 7% increase.

The newest payment option, Convenience Pay through Western Union, completed its second year with a 13.52% increase in customer usage. The number of payment locations has increased to seventeen throughout the utilities' service area. Bankdrafts increased 9.9% to 298,540 during the fiscal year. Credit card payments increased by 14% with 110,403 payments processed in this manner during FY2009.

During FY2009, Huntsville Utilities' Customer Services Department implemented the InService Program. This program improved efficiency and offered real-time communication with Field Service personnel. An added benefit afforded the office personnel the ability to view real-time updates of field work orders.

With growth in Huntsville Utilities' service area, we now read 4,033,000 meters annually. The Field Services office, which includes Meter Readers, Field Service Representatives and Accounts Inspectors, has 53 employees in the field daily. During FY2009, they achieved their seventh straight year of "No Lost Time Accidents" and were recognized by the State of Alabama Department of Industrial Relations with the "Workplace Safety Award of Superior Achievement."

To put it simply, Huntsville Utilities is a publicly-owned, not-for-profit utility aimed at providing the electric, natural gas, and water services needed for a quality lifestyle. Helping customers save money on their utility bills through energy efficiency and making business transactions with our company easy and convenient demonstrates the company's commitment to superior customer service.



More customers took advantage of the convenience of online and credit card payments during the year. Huntsville Utilities' residential energy team has learned through participation in pilot programs and has designed energy audit procedures that can be used in the future. Pictured is a specially-equipped van which allows inspectors to download information and print reports for customers on location.



Meters Read Monthly	336,083
TVA Security Deposits/Industrial only	\$15,577,900
Bank Draft Payments	298,540
Energy Efficient Homes Certified	609
Customer Information Center Calls	450,077
IVR (Automated) Self Service Calls	141,491



It's Simple

It's simple ... the employees of Huntsville Utilities are your neighbors. As members of the communities Huntsville Utilities serves, our employees are concerned about the quality of life, educational system, safety, taxes ... all of the community standards which concern you. The employees go to church with you, coach youth sports, and live next door. This degree of involvement has led the company and its employees to put extra effort into training for their jobs, remaining safe so they can continue to serve you and put something extra back into the community.

A concern that has shown up as a priority nationwide is planning for events that could cripple communities, such as an epidemic or extreme weather event. The Safety and Security Department has worked with all departments to implement a plan for such an occurrence. Security at operating facilities throughout the service area has been improved and provisions made to isolate the necessary manpower to keep utilities functioning within communities Huntsville Utilities serves in case of a crippling event such as a pandemic or major tornado.

The Safety and Security group also led initiatives that reduced recordable injuries by 50% and resulted in fifteen months with no "lost-time" accidents. Gas, Water, Electric, Administration, and Customer Services Departments were recognized by the Alabama Department of Industrial Relations for a year of no "lost-time" accidents. For most departments, this added on to multiple-year no "lost-time" accident records.

Safety programs launched in 2009 that resulted in these improved statistics included reliability testing of electrical protection equipment; improvement of excavation and trenching equipment and training; flame-retardant clothing compliant with new National Electric Safety Codes to protect line workers, meter readers, and gas operations personnel from arc flashes and flames; purchase of DOT required rain suits and vests and retro-reflective stripes for hard hats; and publishing safety posters featuring HU workers to remind employees to be safe. Other training initiatives sponsored by the Safety and Security group were First Aid and CPR certification and lift-truck operator certification.

Huntsville Utilities employees take an active role in the community participating in fundraising events and lending a hand to various projects. For the fourth year in a row, the utility company was the top large industry fundraiser for the American Cancer Society's Relay for Life. Employees raised \$11,875 despite the shaky economy. Employees also raised \$14,361 during the annual United Way campaign as well as donating nearly \$5,000 to the March of Dimes, ALS Association, Huntsville Firefighters' Association, Honor Flight Network, and an assortment of food pantries. In all, employees contributed \$31,181 in assistance to charities and community efforts.

Employees also volunteered their time to help host the Tennessee Valley Public Power Association's Linemen's Rodeo held for the first time in Huntsville. Employees helped with the Salvation Army's Angel Tree by registering families and sorting and distributing gifts, as well as helping at Santa's Village in Constitution Hall Park. A team of volunteers has repeatedly helped pack weekend food bags for local school children as part of the Children First program.

...reliable, low-cost Utilities

Additionally, the Human Resource Department has been actively involved in increasing diversity awareness within the community as well as the company. They have provided presenters for Black History Month, the National Children's Advocacy Center, and Women's Business Center of North Alabama. The company has also supported Delta Sigma Theta sorority events and the North Alabama African American Chamber of Commerce. Among other activities, the department worked with the Huntsville Rehabilitation Center to develop a work program in industrial embroidery for some of the workers with disabilities.

A powerful give back to the community, the Project Share program is funded 100% by customer contributions and is administered by the Salvation Army. The Project Share program and other community agencies and churches helped 8,800 families with financial assistance in the sum of \$2,373,823 during Fiscal Year 2009. This relief was deeply needed by families affected by the economic downturn and other challenges.

Huntsville Utilities' management understands that the employees are a special part of the community. Recognizing that longevity with the company strengthens the community, the company offers a variety of training opportunities. Four Department of Labor-approved apprentice programs were started to provide for near-future needs in skilled positions in the operations' departments. Two of the programs, the Equipment Operators Certification and Meter Technician Apprenticeship, are new. Four out of nine Leadership Development modules were taught helping train and influence current and future management team members.

Put simply, employees at Huntsville Utilities make great neighbors and community leaders. They are committed to providing the best quality of life not only as part of their jobs but also by their show of dedication throughout the community.



Employees are active in fundraising for many community and charitable causes, including United Way. In the picture below, a representative of the Alabama Department of Public Health discusses emergency preparedness in case of a pandemic outbreak. Utility employees must be ready to maintain utility systems in all emergency scenarios.



Electric Department Employees	194
Natural Gas Department Employees	80
Water Department Employees	96
Customer Services Employees	123
Joint/Administrative Employees	103
Temporary/Contract Employees	38
Total Employees	634
Customers per Employee	492



It's Simple

Simply providing a strong backbone to support a strong utility company is the goal of the administrative departments of Huntsville Utilities. The Administrative side of the company provides inventory for added reliability, facilities to work from and store tools and inventory within, modernization of systems and equipment, and the strength of unity in the one simple goal of Huntsville Utilities – supplying the community with reliable services at a reasonable cost.

Every time you see a utility vehicle drive down a street, it compliments the hard work and impressive organization of the Fleet Department. This team is responsible for preventative maintenance and repairs on approximately 340 vehicles and 340 pieces of equipment used to supply natural gas, water and electricity. During FY2009, the department completed 5,328 repair orders. Fleet employees work to keep downtime on all equipment to a minimum and perform many tasks after operation departments' hours.

In 2010 the Fleet Department will address training for mechanics on the next EPA-mandated emission control on engines in 35,000 gwwr and above trucks. The department will also address new problem areas such as body work and upholstery wear due to extended vehicle life. Outsourcing may be necessary to address these issues, but the fact the department has aesthetic repairs due to good mechanical maintenance practices which extend vehicle life is a testament to the excellent work done by fleet personnel.

The Purchasing Department assisted in implementing stabilized fueling for Huntsville Utilities' vehicles. The tanks at Chase were converted to vendor-owned stock fuel on a consignment basis with the company being charged only for dispensed fuel. The process for installing diesel and gasoline tanks with pumps at Triana was started. When this task is completed during fiscal year 2010, all Huntsville Utilities vehicles will be able to use their vehicle cards for on-site or off-site fueling in locations countywide.

The Facilities Department continued to maintain four major company buildings and over 100 field sites with utility functions throughout the 800 plus mile service area. They completed over 9,400 tasks including repairs, building expansions and improvements, and grounds upkeep.

Additionally, the Facilities Department worked with the Stores Department and Electric Operations on containment systems for oil spills at substations. The Stores Department is required by EPA regulation to clean up all oil spills, non-PCB as well as PCB-contaminated. In FY2009, working as a team, the three departments identified 106 leaking transformers, including 78 with ground surface spillage. Approximately 90,000 pounds of non-PCB debris were collected from these spills and disposed of by ADEM standards. During the year 86 pieces of PCB- contaminated equipment were identified and disposed of along EPA guidelines for a total of 65,145 pounds of waste.

The Stores Department also continued their excellent inventory accuracy averaging 98.9% at the Chase Electric facility and 99.2 percent at the Triana storeroom which services the Water and Natural Gas Departments. The Stores Department is also in charge of disposal of scrap waste. During FY2009, they sold \$235,190 worth of scrap wire, copper, meters, steel and other materials. They are also responsible for disposal of other items that may need special care such as aerosol spray cans, batteries, mercury lamps, computer monitors, and electronic equipment.

Our Technical Services section completed the installation of new e-mail and network servers, accompanied by significant software and hardware upgrades and replacements utilizing virtual computing technologies. The

ole... reliable, low-cost Utilities

Mapping/GIS Department completed map updates based upon new aerial photography for half of our service area with the other half to be completed in 2010. This joint project with the Madison County Tax Assessors office provides detailed countywide mapping services at significant savings to both entities.

The Communication Department implemented the first phase of a new mobile radio system linked to the city's radio trunking system for the Water and Gas Departments. Implementation of the Electric section's switchover to this system, which greatly enhances our communications capabilities during times of trouble or outages, will be completed in 2010. The communications team has also worked actively with the facilities team in the implementation of the SCADA improvements at various structures throughout the company.

Citing low water rates and solid operating procedures, Standard and Poor's upgraded Huntsville Utilities Water Bond Rating from AA+ to AAA during the year. Other points influencing the upgrade included strong economic development within the system's service area; exceptionally low water rates (in comparison to rates of regional and national peers); solid financial performance and position; a manageable capital improvement program; a strong, proactive management team; and an expanding customer base, characterized by above-average wealth and income levels.

During FY2009, the Accounts Payable group processed and paid over 18,000 invoices. In light of the financial crisis being experienced by many banks in the United States, the Accounting team divided Huntsville Utilities financial interests over three additional banks to protect the assets of the company. Additionally the mail center processed 1,106,605 payments, including checks and ACH transactions, for a total of \$374,262,196.30.

In the past year the Purchasing Department competed, awarded, and executed contracts to expand two existing electric substations and construct one new substation. The Department also contributed to the acquisition and delivery of water, gas, and electric materials for expansion of the Eastern Bypass as well as service expansions in Research Park West and the Highway 53 road-widening project.

It's quite simple. In order to provide reliable services at a reasonable price, the administrative backbone of Huntsville Utilities has to be strong and competent. Constant monitoring of inventory management and business assets is one of the reasons Huntsville Utilities is a reliable public utility working for the citizens....it's that simple.



Repairs by the Facilities Department include landscaping, road and driveway repavement, and restoring property to its original condition prior to being disturbed by utility repairs. An in-house Technical Services Department includes certified technicians who maintain and upgrade computer systems for the entire company and keep customer records protected.

Automotive Repairs	5,328
Facility Repairs/Improvements	9,400
PCB/Gas Chromatography Tests	2,342
Fiber Network Installed	5 Miles
Payment Transaction Accuracy Rate	99.98%





It's Simple

Keeping it simple while managing and providing a great deal of information as needed is the goal of Huntsville Utilities' Management Information Systems (MIS) Department. Providing detailed information on hundreds of thousands of clients and millions of dollars of inventory is a challenge within itself. In order to keep it simple and supply the best information in a timely manner, your utility company decided a change was necessary to combine and simplify the management of information.

Huntsville Utilities embarked on a significant change in business applications during 2009. The MIS Department, along with key members from various business areas, accomplished the implementation of SAP's Business Suite of products. The project was named HUBS Spectrum (Huntsville Utilities Business Systems). New and improved functionality included Accounting, Fixed Assets, Purchasing, Inventory Management, Human Resources, Payroll, Work Management, Plant Maintenance and Reporting.

Over a thirteen-month period, all of these systems migrated from the legacy mainframe environment to the new SAP System and achieved the planned go-live date of August 2009. In addition to the new business applications, significant newer technologies were implemented with regard to interfaces with external and internal systems, secure FTP processes, virtualization and storage.

During fiscal year 2010, new challenges and opportunities will be introduced as the MIS Department expands the SAP Business Suite to encompass Customer Services applications including Collections, Billing, Meter Data Management, Printing, Cashiering and Call Center functionality.

Some of the significant accomplishments noted during FY2009 from MIS work with various departments on the HUBS Spectrum project included:

A new engineering design and facilities mapping system was installed and integrated with the SAP project. Commonly referred to as "the Bentley Project," this program provides automated design and material estimates for all developments within our service territories. Engineers and technicians can complete these estimates much quicker than before as many tasks and previously manual steps have been eliminated. Consistent, detailed, and accurate information and estimates of costs and material requirements are provided to developers, outside agencies, and our crews in a timely and efficient manner. The project was internationally recognized by Bentley Systems, Inc. as the top "Innovation in Utilities" accomplishment worldwide in 2009. Huntsville Utilities topped utility companies in Germany and Turkey for the recognition.

ole... reliable, low-cost Utilities

The Stores Department worked with MIS on conversion of \$11 million dollars of inventory to the new system. Additionally Stores adopted the Fleet Department's inventory, adding another 1,820 parts totaling \$79,000. The SAP system is designed to generate orders for many commonly used parts when inventory falls below a minimum level. This will ensure that the best quality parts are available at the best price when they are needed.

Human Resources also experienced big changes during the HUBS Spectrum development. Employee records, payroll, and benefit information are now part of the new system. Employees complete time sheets through a portal and can view their benefits, job postings and organizational information online. Human Resource personnel have more complete information online for employees with standard and customized reports, budgets, and work orders available.

During the thirteen-month period of discovery, education, and implementation, Management Information Systems and Data Processing continued to provide 99.9% mainframe uptime for users. The departments maintained the system and information in the legacy environment while working with developers to help the migration to the new system occur as smoothly as possible.

It is quite simply an adventure as the company strengthens its backbone and prepares for the new century. So many departments feel the technological improvements the new HUBS system is generating. As Customer Services is integrated into the new system during 2010-2011, we look forward to utilizing the many opportunities of working with customers in an even faster, more efficient manner as all information will be available on one integrated computer business system for the first time since the company was formed in 1940.



Part of preparing for HUBS Spectrum was meeting with all employees so they could provide input and understand the transition. As the project progressed, employees from all departments were integrated onto the project team.



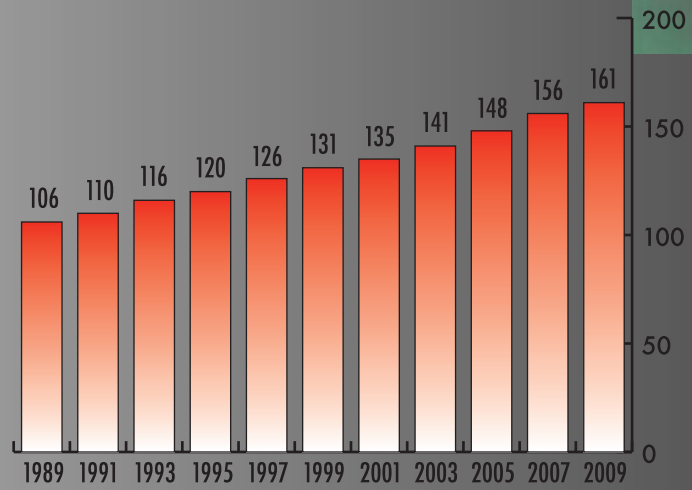
Data Conversion Statistics

Quantity of Meters	376,672
Quantity of Inventory Items	6,343
Fixed Assets (Gross)	\$777,240,396

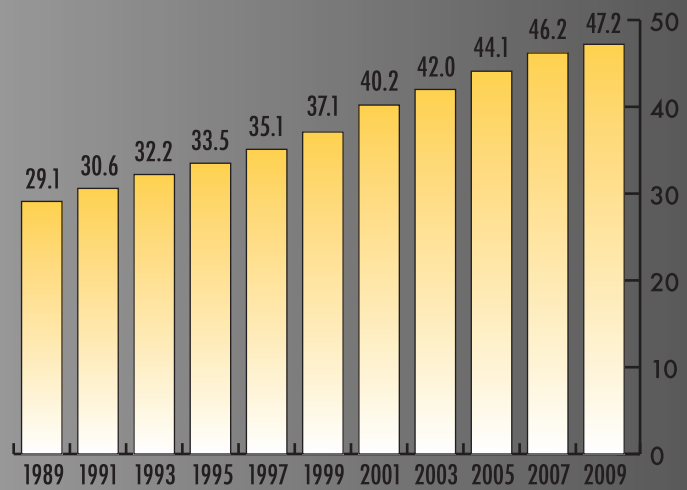
CUSTOMER GROWTH CHARTS

In Thousands, Rounded

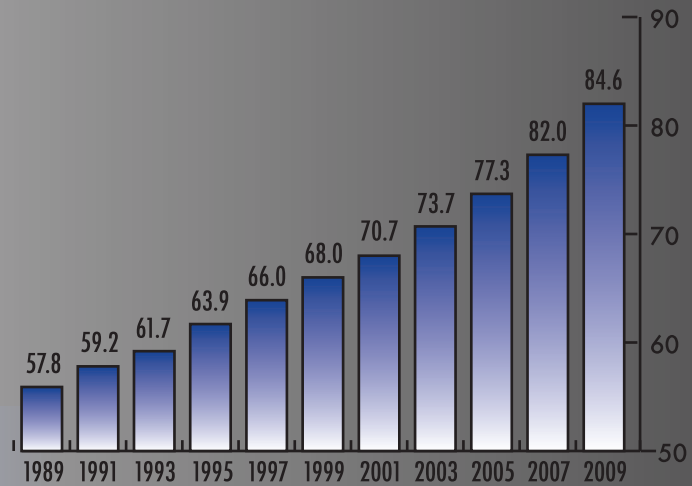
Electric



Natural Gas



Water

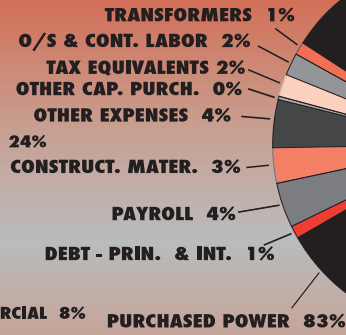
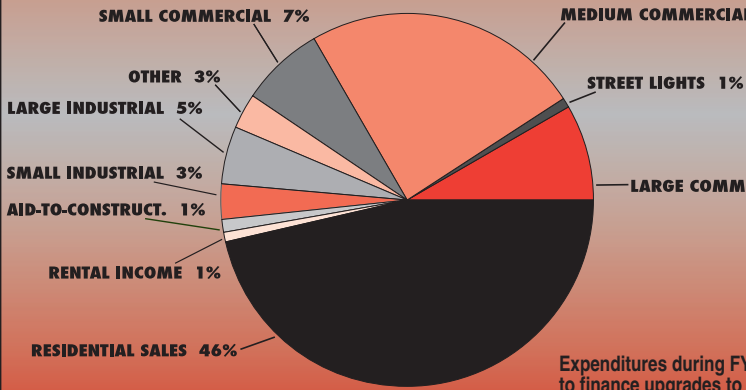


Funding Profiles

Note: Totals may not add to 100% due to rounding.

ELECTRIC

Source of Funds
Total \$460,913,325

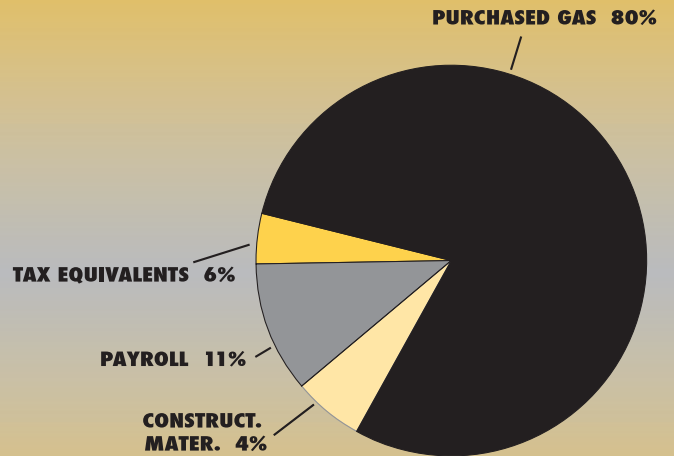
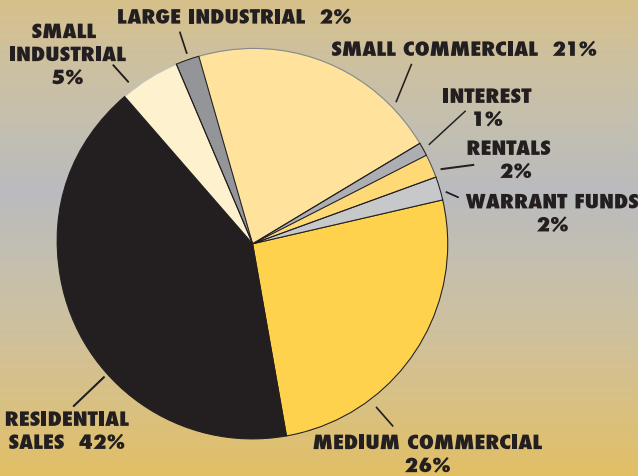


Use of Funds
Total \$468,603,042

Expenditures during FY2009 included reserve funds utilized to finance upgrades to administrative computer systems.

NATURAL GAS

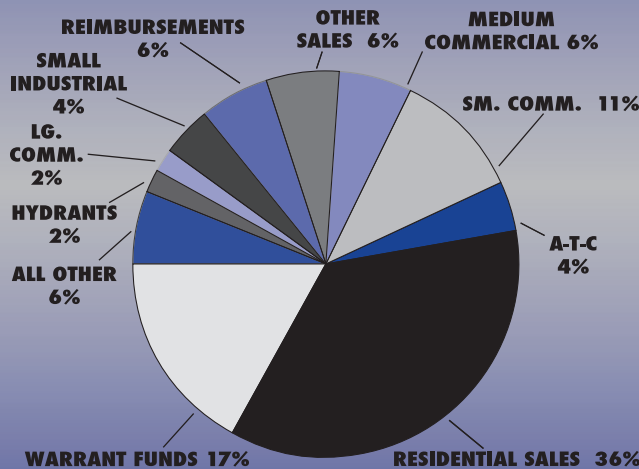
Source of Funds
Total \$66,206,620



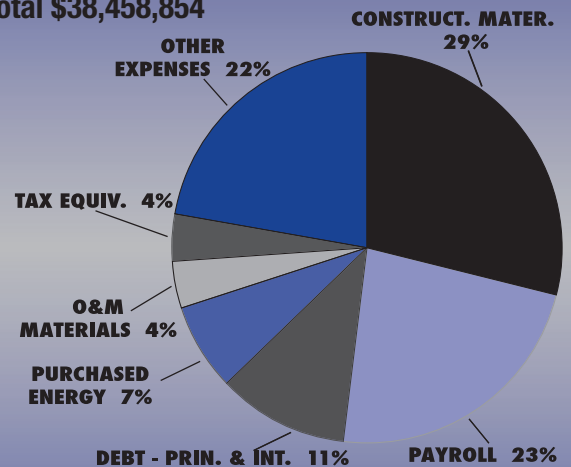
Use of Funds
Total \$64,111,309

WATER

Source of Funds
Total \$34,594,846



Use of Funds
Total \$38,458,854



Expenditures during FY2009 included reserve funds utilized to finance upgrades to administrative computer systems.