

FISCAL NOTE No. 2

STATE OF ALASKA
1999 LEGISLATIVE SESSION

Bill Version: CSSB 52 (FIN)
(S) Publish Date: 5-14-99

Revision Date/Time (Note if correction) _____ Dept. Affected Commerce
Title Competition in local exchange telephone service BRU
Component Ak Public Utilities Commission
Sponsor Sen. Pete Kelly
Requester _____ Component Serial No. 364

Expenditures/Revenues (Thousands of Dollars)
Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	124.2	124.2	124.2	76.1	0.0	
Travel	1.5	1.5	1.5	0.9	0.0	
Contractual	11.6	11.6	11.6	7.1	0.0	
Supplies	2.7	2.7	2.7	1.7	0.0	
Equipment	0.6	0.6	0.6	0.4	0.0	
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	140.6	140.6	140.6	86.2	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	140.6	140.6	140.6	86.2	0.0	0.0
-------------------------------	--------------	--------------	--------------	-------------	------------	------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)	140.6	140.6	140.6	86.2	0.0	0.0
TOTAL	140.6	140.6	140.6	86.2	0.0	0.0

Estimate of any current year (FY99) cost: _____

POSITIONS

Full-time	2.5	2.5	2.5	1.5	0.0	
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Please see attached narrative.

Prepared by Robert A. Lohr Phone 276-6222
Division APUC Date/Time 4/20/99 2:55 PM
Approved by Commissioner [Signature] Date 4/21/99
Agency _____

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information, call the Governor's Legislative Office

#2

SB 52 - Narrative for Fiscal Analysis

SB 52 directs the commission to "provide for competition in local exchange telephone service in a timely manner" and to "adopt regulations that eliminate impediments to entry for local exchange carriers fit, willing and able to provide service."

SB 52 directs the commission to adopt by July 1, 1999, regulations on universal service and access charges that are compatible with full competition. The first phase of rulemaking proceedings (Dockets R-97-5 and R-97-6) to reform universal service and access charge issues has been completed. Rules have been adopted to remove implicit subsidies from access charges and to create an Alaska universal service fund to ensure the continued availability of services to all customers.

The Bill also directs the Commission to adopt by July 1, 1999, any further regulations necessary to allow and promote local exchange competition in the service areas of all local exchange carriers that served 25,000 or more access lines on January 1, 1999. This would affect five incumbent local exchange companies, Anchorage Telephone Utility, Telephone Utilities of Alaska, Telephone Utilities of the Northland, PTI Communications and Matanuska Telephone Association. The Bill delays effectiveness of the Bill for cooperative telephone companies for two years. This effectively delays implementation in the Matanuska Telephone Association service area for two years. Therefore, the changes brought by the Bill will allow competition in the service areas of the PTI companies (Fairbanks, Juneau and the Kenai Peninsula) by July 1, 1999.

To the extent that SB 52 means that the three companies will face competition the commission expects an increase in the number of tariff filings as competitors and incumbents propose new services and rates.

SB 52 requires that the Commission approve or deny applications to provide competitive local exchange telephone service within 90 days after the filing of a complete applications. If the Commission fails to approve or deny an application within 90 days after the Commission has received a complete application, the application is considered approved. To fulfill its statutory responsibility to ensure that only fit, willing and able applicants are certificated to provide service the Commission will need to increase its engineering personnel to assure competent analysis and commission consideration within the ninety day period.

Personnel Costs

a) Review of Applications: Assuming an average of one new application for each local exchange telephone company, the engineering section will see an increase in the number of telephone applications it receives in the first years following implementation of local telephone competition. One full-time Utility Engineering Analyst II will be required to analyze the filings.

b) Review of Tariffs: In June 1998, the Commission adopted rules governing local exchange competition in the Anchorage area. Competitors have begun to introduce new services and modify existing rates which has resulted in increases in the number of tariff revisions filed

SB 52
#2

with the Commission. In the first 8 and one half months in FY99 the Commission has experienced a 30 percent increase in the number of tariff filings as compared to the entire twelve months of FY98--70 percent of that increase is telecommunications related tariff filings. Even under the competitive rules which allow rate changes to go into effect automatically (after 30 days notice to the Commission), a basic review of filings is required to ensure that rates are just and reasonable and that the filings are neither discriminatory nor anti-competitive. Estimate of additional staff required: one full-time Utility Tariff Analyst II. In addition the basic record keeping responsibilities that are created by an increase in tariff filings will require a full time Administrative Clerk II.

The original Bill directed the Commission to provide for competition in service areas of over 5,000 access lines that affected nine incumbent local exchange companies. The fiscal note analysis was based on those criteria. Subsequent changes to the Bill have narrowed the field of local exchange companies subject to competition to three. However, those three companies serve Fairbanks, Juneau and the Kenai Peninsula which are areas most likely to experience competition in the near future. The original analysis considered competition in the service areas of the three companies (Telephone Utilities of Alaska, Telephone Utilities of the Northland, PTI Communications) to be a major contributing factor in increased Commission workload. This revised fiscal note for SB 52 takes into account the narrowing of the scope of competition by incorporating a fifty percent reduction in the Utility Tariff Analyst II FTE.