

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 119(L&C)
 (H) Publish Date: 3/26/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Grants to Regulated Public Utilities BRU Regulatory Commission of Alaska (399)
 Component Regulatory Commission of Alaska
 Sponsor Representative Coghill
 Requester House Labor & Commerce Component No. 2417

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1141 - RCA Receipts	*	*	*	*	*	*
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Please see analysis continuation.

Prepared by: Jim Strandberg, Commissioner Phone 907-276-6222
 Division Regulatory Commission of Alaska Date/Time 3/19/03 3:13 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/19/2003
 Agency Department of Community & Economic Development

ANALYSIS CONTINUATION

This legislation would make public water and sewer utilities eligible for grants for projects if they serve as the primary utility for a municipality and their rates are regulated by the Regulatory Commission of Alaska under AS 42.05.

Legislative Audit recommended that the Commission determine the appropriate regulatory environment for small rural water and sewer utilities. For very small unsophisticated utilities, certification and economic regulation is difficult and expensive. For these utilities, local oversight and input is less costly. The RCA has held hearings and drafted regulations on small water and sewer regulation. The regulations are scheduled for discussion at the Commission's 4/9/03 public meeting. As currently proposed, the regulations would reduce the regulatory burden on small water and sewer utilities by establishing 3 classes of water/sewer utilities based on size: exempt, for very small utilities; reduced regulation, for the majority of smaller utilities; and certification and/or economic regulation for the very largest class. Passage of this legislation may cause some of the utilities to seek a higher degree of regulation in order to be eligible to receive these grant funds.

If large amounts of funds are available, this legislation could require an additional engineer and tariff analyst to analyze approximately 250 water and 125 sewer utilities who may apply for certification and economic regulation within the statutory timeliness deadlines. Two water and two sewer utilities currently certificated may require rate review to become economically regulated and eligible to receive grants. After two years, these positions can be reduced to part-time. Economic regulation will require the Commission to review and analyze all changes to each utility's rates and tariffs within the statutory deadlines. RCA's budget is funded through the Regulatory Cost Charge (RCC) mechanism and direct charge mechanisms. No general funds are allocated for support of the agency. The RCC is recalculated each year and allows the agency to recover its operating costs through an assessment on the revenues of the utilities and pipeline carriers it regulates. The RCC is capped at 0.8 % of regulated utilities annual gross revenues; the agency's current budget is too close to the cap to allow funding these positions.