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Referred: Labor & Commerce
and Finance

1 IN THE HOUSE

BY LINDAUER

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 220
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public utilities; and providing
7 for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 42.05.381(a) is repealed and reenacted to read:

10 (a) All rates demanded or received by a public utility, or by
11 any two or more public utilities jointly, for a service furnished or
12 to be furnished for profit shall be just and reasonable. However, a
13 rate may not include an allowance for the costs of

14 (1) political contributions;

15 (2) lobbying;

16 (3) public relations;

17 (4) advertising;

18 (5) consulting, management, service, administrative, in-
19 spection, and audit fees in excess of \$1,000,000 paid during a finan-
20 cial year of a utility for services produced outside the geographical
21 area served by the utility, except when an inspection or audit paid
22 for by the utility verifies that the utility is unable to obtain such
23 services within the geographical area served by that utility;

24 (6) products purchased from the owner of the public utility
25 or from a subsidiary or affiliate of the owner, in excess of the
26 actual cost of the products to the owner, subsidiary or affiliate; or

27 (7) services purchased from the owner of the public utility
28 or from a subsidiary or affiliate of the owner at prices that exceed
29 the value of such services.

1 * Sec. 2. AS 42.05.381 is amended by adding new subsections to read:

2 (e) A rate demanded or received by a public utility for a ser-
3 vice that is provided for a profit may not include an allowance for a
4 rate of return on capital investments of the utility in excess of an
5 amount equal to the paid-in capital and retained earnings of the
6 utility less

7 (1) money provided or advanced by the utility to acquire
8 ownership of the utility;

9 (2) money provided by the utility for a loan, advance, or
10 deposit to an owner of the utility or to a subsidiary or affiliate of
11 the utility;

12 (3) money invested by the utility or a subsidiary or affil-
13 iate of the utility in a nonregulated company;

14 (4) money deposited or invested in a financial institution
15 located outside the state; and

16 (5) money or the value of other assets pledged or guaran-
17 teed on behalf of an owner, subsidiary, or affiliate of the utility.

18 (f) In establishing rates under this chapter the commission
19 shall consider the revenues and profits of a public utility derived
20 from operations in the state and shall consider the revenues and
21 profits of other businesses operated in the state that are owned by
22 the utility or a holding company, subsidiary, or affiliate of the
23 utility if the utility and its holding companies, subsidiaries or
24 affiliates have combined annual sales in excess of \$5,000,000. If a
25 nonutility company that operates in the state and is owned by a util-
26 ity operating in the state or a holding company, subsidiary, or affil-
27 iate of the utility, has annual sales in excess of \$1,000,000, 15
28 percent of the gross revenues of the nonutility is considered to be
29 utility revenue for the purpose of establishing utility rates.

1 * Sec. 3. AS 42.05 is amended by adding a new section to read:

2 Sec. 42.05.655. INSPECTION JURISDICTION. The on-site inspection
3 jurisdiction of the commission is limited to areas within the state.

4 * Sec. 4. AS 42.05.720(4) is amended to read:

5 (4) "public utility" or "utility" includes every corpora-
6 tion (whether public, cooperative, or otherwise), company, individual,
7 or association of individuals, their lessees, trustees, or receivers
8 appointed by a court, that owns, operates, manages or controls any
9 plant, pipeline or system for

10 (A) furnishing, by generation, transmission or distri-
11 bution, electrical service to the public for compensation;

12 (B) furnishing telecommunications service, except for
13 cable television service, to the public for compensation;

14 (C) furnishing water, steam, or sewer service to the
15 public for compensation;

16 (D) furnishing by transmission or distribution [OF]
17 natural or manufactured gas to the [ALASKA] public for compensa-
18 tion;

19 (E) refining, furnishing for distribution, or
20 distributing [BY DISTRIBUTION] petroleum or petroleum products
21 for [TO] the [ALASKA] public for compensation [WHEN THE CONSUMER
22 HAS NO ALTERNATIVE IN THE CHOICE OF SUPPLIER OF A COMPARABLE
23 PRODUCT AND SERVICE AT AN EQUAL OR LESSER PRICE;

24 (F) FURNISHING COLLECTION AND DISPOSAL SERVICE OF
25 GARBAGE, REFUSE, TRASH OR OTHER WASTE MATERIAL];

26 * Sec. 5. AS 42.05.711(i) is repealed.

27 * Sec. 6. This Act takes effect July 1, 1984.