

COMMITTEE REPORT

2/23/76

HOUSE

Mr. Speaker:

Date March 22, 1976

The Committee on FINANCE has had HB 631

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR \_\_\_\_\_ DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

<u>[Signature]</u>	recommends: <u>do not pass</u>
_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:

[Signature] Chairman

Introduced: 1/20/76  
Referred: Judiciary

BY THE RULES COMMITTEE BY REQUEST  
OF THE LEGISLATIVE COUNCIL SUB-  
COMMITTEE ON TELECOMMUNICATIONS

1 IN THE HOUSE

2 HOUSE BILL NO. 631

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for a communications carriers section  
7 in the Alaska Public Utilities Commission."

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

9 \* Section 1. AS 42.07 is amended by adding a new section to read:

10 Sec. 42.07.123. COMMUNICATIONS CARRIERS SECTION. (a) There is  
11 established within the commission a communications carriers section  
12 which shall develop, recommend and administer policies and programs with  
13 respect to the regulation of rates, services, accounting and facilities  
14 of communications common carriers within the state involving the use of  
15 wire, cable, radio and space satellites.

16 (b) The section shall advise and make recommendations to the com-  
17 mission and represent the commission in matters pertaining to communica-  
18 tion common carrier regulation and licensing and shall participate, as a  
19 party, in adjudicatory hearings in which significant common carrier is-  
20 sues are involved.

21 (c) It is the responsibility of the communications carrier sec-  
22 tion in its participation in rate or tariff adjudication proceedings  
23 to advocate and provide support for the lowest practicable rate under  
24 the circumstances.

25  
26  
27  
28  
29

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THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE

Second Session - Ninth Legislature  
REVISED 4/4/76

I. REQUEST

Bill No. HB 631

Title: An Act providing a communications carriers section in P.U.C.

Requested by: House Finance

Date: \_\_\_\_\_

Return Date Requested: \_\_\_\_\_

Agency: Commerce & Econ. Development

Program: Regulation of Bus. & Professions

II. FISCAL DETAIL

Budget Request Unit(s) Affected: PUBLIC UTILITIES COMMISSION

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES		76.8				
200 TRAVEL		-0-				
300 CONTRACTUAL		5.2				
400 COMMODITIES		7				
500 EQUIPMENT		4.3				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		87.0				

B. FUNDING: (Thousands of dollars)

GENERAL FUND		87.0				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	3 /	/	/	/	/
MAN MONTHS (P./T.)	/	36 /	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

It is the intent of the House Finance Committee to appropriate funds for a Communications Engineer, Utilities Financial Analyst IV and a Clerical position.

The agency's travel request was denied. Current funding level seems sufficient when compared with FY 76 travel expenditure--during first seven months of FY 76 (7/1/75-2/29/76) they have expended \$17,640 or 39.9% of their travel allocation. The contractual services, commodities and equipment objects are funded according to the agency's request adjusted for the two disallowed positions.

Communications testing equipment will be considered in the operating budget.

IV. ATTACHMENTS

V. DATE: 4/4/76

PREPARED BY: Robert F. Schroeder

At request of House Finance Committee  
Chairman

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

50.4  
↓

56.9

APUC / FB

APUC COMMON CARRIER BUREAU

PERSONNEL

1	Communications Engineer (u.E. IV, R22C)	32,112	
1	Utilities Financial Analyst IV (R21C) <i>OK</i>	29,808	
1	Utilities Financial Analyst III (R18C)	23,928	
1	Secretary (R10C) <i>OK</i>	<u>13,596</u>	99,444
	Benefits (21%)		<u>20,883</u>
			120,327

TRAVEL: *4.0*

Average 6 trips per month, 2 days per trip

72 trips at \$90	6,430	
144 Days at \$40 per day	<u>5,760</u>	12,190

CONTRACTURAL: *3.6*

Office Space:

3 each at 1,890	5,670	
1 each at 705	<u>705</u>	6,375

Telephone:

4 each at \$240	<u>960</u>	960
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Commodities:

Stationery and Office Supplies <i>500</i>		
4 offices at \$230	<u>920</u>	8,255

EQUIPMENT: *2.5*

3 ea Desks at 295		
1 ea Desk at <u>340</u>	1,225	
3 ea Chairs 135		
1 ea Chair <u>110</u>	515	
	at	
1 ea Typewriter	610	
4 ea File Cabinet at 190	760	
3 ea Calculators at 150	450	
3 ea Dictating Machines 450	1,350	
1 ea Transcriber <u>650</u>		5,560

Communications Testing Equipment	<u>10,000</u>	15,560
		<u>156,332</u>

APUC COMMON CARRIER BUREAU

ADDITIONAL POSSIBLE EXPENSES:

CONSULTANTS FEES	50,000 per year
OUT OF STATE TRAVEL	10,000 per year

NOTE: The foregoing represents the minimum organization required to maintain a modicum of regulatory surveillance over the long lines carrier.

THIS FISCAL NOTE WAS ADOPTED BY HOUSE FINANCE  
COMMITTEE on SATURDAY, MARCH 20, 1976.

*Revised  
again  
4/4/76*

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST  
 Bill No. HB 631  
 Title: An act providing a Communications Carriers Section in P.U.C.  
 Requested by: House Finance Date: 3/23/76  
 Return Date Requested: \_\_\_\_\_  
 Agency: Commerce & Econ. Dev. Program: Reg. of Bus. & Professions

II. FISCAL DETAIL  
 Budget Request Unit(s) Affected: Public Utilities Commission  
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES		50.4				
200 TRAVEL		-0-				
300 CONTRACTUAL		3.1				
400 COMMODITIES		.5				
500 EQUIPMENT		2.9				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		56.9				

B. FUNDING: (Thousands of dollars)

GENERAL FUND		56.9				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	2 /	/	/	/	/
MAN MONTHS (P./T.)	/	24 /	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

It is the intent of the House Finance Committee to appropriate funds for a Utilities Analyst IV and a Clerical position.

The agency's travel request was denied. Current funding level seems sufficient when compared with FY76 travel expenditure- during first seven months of FY76 (7/1/75-2/29/76) they have expended \$17,640 or 39.9% of their travel allocation. The contractual services, commodities and equipment objects are funded according to the agency's request adjusted for the two disallowed positions.

Communications testing equipment will be considered in the operating budget.

IV. ATTACHMENTS

V. DATE: 3/22/76 PREPARED BY: Robert F. Schroder

At request of House Finance Committee  
3/20/76

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE  
 Second Session - Ninth Legislature

I. REQUEST

Bill No. HB 631  
 Title: Communications Carrier Act  
 Requested by: Legislative Finance Date: \_\_\_\_\_  
 Return Date Requested: ASAP  
 Agency: APUC Program: Communications Carrier Section

II. FISCAL DETAIL

Budget Request Unit(s) Affected: APUC

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES		120.3				
200 TRAVEL		12.2				
300 CONTRACTUAL		7.3				
400 COMMODITIES		.9				
500 EQUIPMENT		15.6				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		156.3				

B. FUNDING: (Thousands of dollars)

GENERAL FUND		156.3				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	4/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. ATTACHMENTS

V. DATE: 22 March 1976 PREPARED BY: G.J. Zerbetz

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

Re H B 631 - Fiscal Note

## MEMORANDUM

State of Alaska

TO: Marco A. Pignalberi  
Special Assistant  
Office of the Governor

DATE: April 11, 1975

FILE NO:

TELEPHONE NO: 272-1487

FROM: Commissioner B. Richard Edwards  
Alaska Public Utilities Comm.

SUBJECT: Contractual Services  
for Fiscal Year 1976

Pursuant to our conversations with respect to the consulting money this Commission needs to properly handle its anticipated caseload in FY 1976, I have compiled the following information. The following companies have either filed for or are in the process of filing for a rate change: B-C Cable Company; Central Alaska Utilities, Inc.; Anchorage Refuse, Inc.; Kotzebue Electric Cooperative; Chugach Electric Association; WPTV; Nome TV; KOTV; KCCS TV; Cordova TV; Boling Enterprises TV; Ketchikan TV; Sitka TV; Matanuska Electric Association; Glacier Highway Electric Association; Alaska Village Electric Cooperative; Alyeska Utilities, Inc.; S&S Development, Inc.; Anchorage Water Utility; Anchorage Municipal Light & Power; Anchorage Telephone Utility; Alaska Electric Light & Power; Matanuska Telephone Association; Glacier State Telephone Company; Juneau-Douglas Telephone Company; Alaska Gas & Service Co.; General Telephone Company; and RCA Alaska Communications, Inc.

For each of these companies I have broken down the necessary consulting requirements into the following categories: Revenue Requirements (rate base and operating expenses), Operating Expenses, Rate of Return and Rate Design.

The approximate cost for a consultant in the Revenue Requirement area is \$15,000-\$30,000 per case. An example of this cost is the Greater Anchorage Area Borough Sewer case for which we recently received a bill from Price Waterhouse & Co., for \$29,358. The average cost of a revenue requirement consultant, therefore, will be approximately \$20,000 per case. It is the Commission's opinion that a revenue requirement consultant will be needed for the following rate cases: Anchorage Refuse, Inc.; Chugach Electric Association; Anchorage Water Utility; Anchorage Municipal Light & Power; Anchorage Telephone Utility; Alaska Electric Light & Power Co.; Matanuska Telephone Association; and Alaska Gas & Service Co. The total amount needed, therefore, for revenue requirement consultants for FY 1976 is \$160,000.

The average cost for a consultant in the Operating Expense area will be approximately \$10,000. It is the Commission's opinion that an operating expense consultant will be needed only in the Central Alaska Utilities rate case. Consequently, \$10,000 in consulting fees for FY 1976 will be needed in the operating expense area.

With respect to the consultants needed in the Rate of Return area, the Commission has already received an estimate for each of the TV rate cases from a consultant in the amount of \$1,500 for each filing to prepare and testify on rate of return. As you will note above, in the list of rate cases there are nine television rate cases involved. Thus for television rate cases only, a total of \$13,500 is needed for rate of return consultants. In the much larger cases, rate of return consultants cost approximately \$10,000 per case. This is approximately the amount that the Commission paid for a rate of return expert in the Juneau-Douglas Telephone rate case a year and a half ago. It is the Commission's opinion that a \$10,000 rate of return consultant will be needed in the following rate cases: Anchorage Water Utility; Anchorage Municipal Light & Power; Anchorage Telephone Utility; Alaska Electric Light & Power Co.; Matanuska Telephone Association; Glacier State Telephone Co.; and Alaska Gas & Service Co. This adds up to an additional \$70,000 needed for rate of return consultants. This totals \$83,500 for rate of return consultant fees.

In the Rate Design area where the consultants that we would hire would determine which classification of customers (residential, commercial or other classification) will pay what amount for the services they are receiving, it is the Commission's opinion that rate design consultants will cost approximately \$7,500 each and that rate design consultants will be needed in the following cases: Chugach Electric Association; Anchorage Municipal Light & Power; Alaska Electric Light & Power Co.; and Matanuska Telephone Association. Thus, the total cost for rate design expertise in FY 1976 will be \$30,000.

In addition to the above figures, it is the Commission's opinion that the RCA Alaska Communications' case contemplated to be filed by January 1, 1976, will require revenue requirement and rate of return consultants in the amount of approximately \$50,000. We expect RCA Alaska Communications, Inc., to file a rate case requesting an increase in intrastate rates somewhere in the neighborhood of \$2 million.

As you will note, all of the cases that I have listed at the beginning of this memorandum do not necessarily show up in each of the categories. Our present staff will be able to handle each of the categories for the following cases: Kotzebue Electric; Matanuska Electric; Glacier Highway Electric; Alaska Village Electric Cooperative; Alyeska Utilities, Inc.; S&S Development, Inc.; and General Telephone Company. Additionally, as you will note, in most of the cases listed above our staff will handle the categories where consultants are not hired.

If my calculations are correct, therefore, and adding an additional \$25,000 for reporting services, it appears that the

April 11, 1975

Commission needs for FY 1976 in contractual services a total of \$358,500. This is an increase over FY 1975 of \$248,500. This is the amount by which our budget should be increased.

Although the amount we are requesting might sound alarming, it should be noted that prior to 1974 fewer than ten rate cases had been filed with this Commission which took any kind of expertise in the areas of revenue requirements, rate of return or rate design. Because of the escalating costs in every segment of our society, many of the utilities which we regulate now find it necessary to come forward and file rate cases to increase rates to the general public of the State.

If you need any further assistance from me on this matter, please feel free to bring your questions to my attention.

BRE:McP

"THE ABOVE MEMO WAS TELECOPIED TO YOU BY LORI CALHOUN IN THE GOV.'S OFFICE IN ANCHORAGE--APRIL 12, 1975 (Saturday)"

STATE  
of ALASKA

## MEMORANDUM

\* The time period per  
exhibit is 6 moTO: Gordon J. Zerbetz, Chairman  
B. Richard Edwards, Commissioner  
Marvin R. Weatherly, Commissioner  
Carolyn S. Guess, Commissioner  
Susan M. Knowles, Commissioner

DATE : January 21, 1976

THRU: J. Lowell Jensen, Executive  
FROM: Director  
Maurice H. Oaksmith, Deputy  
DirectorSUBJECT: Prospective Estimated Ex-  
penditures for ConsultantsFROM: Dwight W. MacCurdy, Jr.  
Utility Financial Analyst III

The attached page shows a chart of prospective estimated expenditures for consultants in the upcoming months. In my estimation it is a conservative estimate of the expenditures for consultants which will be required for pending and upcoming rate cases. In summary the chart shows that an estimated \$18,000 will be spent on consultants in the Juneau Douglas and Glacier State Telephone Company cases and the AGAS case. According to Elaine there is approximately \$25,000 in our consultant fund and the expenditures on consultants for these three rate cases would consume a large portion of that \$25,000.

At this point in time it is difficult to foresee whether or not expenditures on consultants will be necessary in the ATU and/or RCA rate cases prior to the new fiscal year. If such expenditure is necessary it is very possible that the amount of available funds for consultants will be insufficient and could result in shortcomings in the staff's investigation and representation of the public interest. As the chart reflects, rate of return testimony in a number of these cases will be given by Commission staff personnel which represents somewhat of a divergence from past practices wherein the norm was to obtain rate of return testimony from outside consultants. This practice, however, will represent a substantial savings to the Commission in consulting fees.

In the area of separations, both the Glacier State and Juneau Douglas Telephone Company rate cases include major proforma adjustments to revenues to account for the switchover in calculating separations from the Charleston method to the Ozark method. There apparently is no one at the staff level who is intimately familiar with the cost separation study who could analyze the volumes of cost sheets which go into such a study within the time frame of the Commission staff workload, or who feels comfortable with the many ramifications of cost separation studies. The impact of the proforma adjustments from the altered separations formula on Juneau Douglas and Glacier State customers is between three-quarters of a million and one million dollars. Accordingly, there appears to be a need to hire an expert in this area to review the cost separation studies prepared by Continental Telephone Company and to provide the staff with expert assistance and testimony in public hearings.

January 21, 1976

Since the Juneau Douglas and Glacier State rate cases are of a smaller magnitude than either the ATU or RCA rate cases, they offer a good jumping off point into the area of cost separation studies. In such studies the size of the utility, measured by diversity of plant, by traffic, or usage, determines to some extent the size or volume of the cost separation study itself. The ATU cost separation study is expected to be more voluminous than either the Juneau Douglas or Glacier State studies, and in turn the RCA cost separation study should be even more voluminous and require a far greater number of manpower hours in order to ascertain the validity of the study.

The estimated expenditures on the attached page were guesstimated after having discussed the matter with separations personnel from the consulting firm of Ernst & Ernst. Accordingly, these estimates should only be used as guidelines. There are separations consulting firms which charge less than Ernst & Ernst and there are firms which charge more for separations work. As such, the estimates contained on the attached page which show gross expenditures of approximately \$75,000 may either be overstating or understating the actual cost. However, I felt that it would be appropriate at this time to review said prospective expenditures so as to give the Commission some ballpark estimation of foreseeable expenditures on consultants.

DWM:dj

## CONCURRENCE:

Bruce C. Milne, Chief  
Finance and Accounting

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Russell N. Staley, Chief  
Engineering Section

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Robert A. Lindblom, Chief  
Tariff Section

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RESPECTIVE ESTIMATED EXPENDITURES & CONSULTANTS

FILING	Actual (A) or Expected (E) End of Suspension Period.	AMOUNT OF CONSULTING ASSISTANCE		
		Separations	R. of Return	TOTAL
FD	5-22-76 A	\$4,000	IN HOUSE	\$4,000
GSTC	5-22-76 A	4,000	✓	4,000
AGAS	6-8-76 A	—	\$10,000	10,000
MLAP	6-30-76 E	—	IN HOUSE	—
CEA	3-15-76 A	—	—	—
ATU	12-31-76 E	5,000	IN HOUSE	5,000
RCA	10-15-76 E	40,000	10,000	50,000
AWU	9-15-76 E	—	IN HOUSE	—
GVEA	9-30-76 E	—	✓	—
GHEA	7-31-76 E	—	✓	—
Down Development	8-31-76 E	—	—	—
MITA	6-15-76 E	—	IN HOUSE	—
MEA	3-1-76 A	—	✓	—
SATV & KATV	3-19-76 A	—	✓	—
GAAZ	8-15-76 E	—	✓	—
CEI	7-1-76 E	—	?	—
WPTV	1-31-76 A	—	IN HOUSE	—
		\$53,000	\$20,000	\$73,000
			Deduct Available Funds	<25,000>
			Potential Shortage	\$48,000

100% of the projected expenditures may not be expended before the new fiscal year, but probably the full amount of even RCA/ATU expenditures (\$18,000) will be utilized by July 1, 1976, budget permitting. It is possible that the RCA/ATU cases will require some expenditures before July 1, 1976, in which case the remaining balance in our consultant fund (25,000 - 18,000 = \$7,000) may be insufficient.