

HIB

316

COMMITTEE REPORT

3/20/75

HOUSE

Mr. Speaker:

Date

2/25/76

The Committee on COMMERCE has had HB 316

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 HB 316 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:

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

Ferguson recommends: DO NOT PASS

Rudd recommends: no rec

_____ recommends:

[Signature] Chairman

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

ALASKA PUBLIC UTILITIES COMMISSION

JAY S. HAMMOND, GOVERNOR

1100 MACKAY BUILDING
338 DENALI STREET - ANCHORAGE 99501

March 11, 1976

The Honorable Bob Bradley
Representative
Pouch V
Juneau, Alaska 99811

Dear Representative Bradley:

Re Your Letter Dated February 18, 1976

This letter is in response to your request for an explanation of how deposits paid by utility customers are taken into account in the rate-making process.

In computing the rate base of a utility, i.e., the investment upon which a utility is allowed to earn a return, customers' deposits are deducted so as to preclude the utility from earning a return on interest-free funds provided by the customers. If the utility pays its customers interest on their deposits, then the deposits are not deducted in computing the rate base.

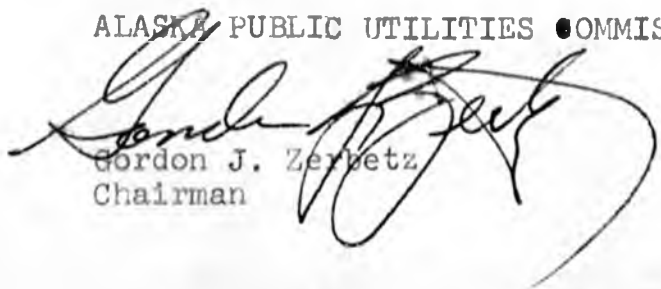
Any interest earned by the utility through investment of customers' deposits is considered as income for rate-making purpose; i.e., it reduces the amount necessary to be earned by the utility through operating revenues, thereby indirectly reducing the monthly rates to be paid by the utility customers.

I regret the delay in replying but the Commission has been "on the road" conducting hearings out of town during this month.

If you would like additional details or have any further questions, please let me know.

Very truly yours,

ALASKA PUBLIC UTILITIES COMMISSION


Gordon J. Zerpetz
Chairman

KENAI UTILITY SERVICE CORPORATION

A BLUE FLAME COMPANY
BENCO BUILDING P.O. BOX 614
KENAI, ALASKA 99611
(907) 283-7932

April 4, 1975

Dear Legislator:

As a taxpayer, public utility consumer and public utility operator, I wish to protest in the strongest terms against the provision of H.B. 316 relating to interest payments on customer deposits held by utilities. Seldom, if ever, have I reviewed a bill so poorly thought out.

The obvious effect of H.B. 316 would be to impose unreasonable administrative costs upon the utilities in order for them to comply with the quarterly interest payment provision. By way of example, our normal residential customer deposit is \$50.00. If the interest to be paid on this amount is computed at 8% per annum, on a quarterly basis, each interest payment is then only \$1.00. Working at a rather rapid rate of six payment computations (including ledger posting) per hour a bookkeeper earning a conservative \$6.00 per hour will expend at least \$1.15 (including personnel benefits) in labor costs to make the payment. If the payment is to be made by check (the bill says paid) additional costs of approximately \$.12 for a voucher check, \$.02 for stationery and \$.08 for postage will be incurred. The total cost to make this magnificent \$1.00 payment then becomes about \$1.37. Of course if the interest rate is lower than 8%, or the deposit is less than \$50.00, the same \$1.37 must be spent to make a payment measured in pennies.

The primary justification for utility deposits is to protect the utility against bad debts. The consumers are thereby protected against rate schedules designed to accommodate significant amounts of uncollectible accounts. Under H.B. 316 the utility has two choices:

1. Refund all deposits (including those on questionable accounts) after one year, thus exposing all of its customers to the situation described.
2. Pay the interest as required and formulate future rate structures to support the added and unnecessary administrative costs of doing so.

H.B. 316

Call APUC

April 4, 1975
Page 2

In 1974 the Alaska Public Utilities Commission ordered that utility companies refund all deposits of two years standing to those consumers with good credit history. Such refunds will automatically continue to new utility customers as they qualify. This is a reasonable and workable arrangement. It was formulated after a considerable amount of input from the public and the utilities, and at considerable expense to all concerned including the State of Alaska. The rule was enacted by a panel of experienced commissioners possessing a great deal of insight into all facets of the subject. It should be left as is.

Very truly yours,

KENAI UTILITY SERVICE CORPORATION


Oscar L. Thomas, Vice-President

OLT:ilw

LAW OFFICES OF
FAULKNER, BANFIELD, DOOGAN & HOLMES

HERBERT L. FAULKNER (1882-1972)
NORMAN C. BANFIELD
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WILLIAM B. ROZELL

SUITE 201, 311 FRANKLIN STREET
JUNEAU, ALASKA 99801

TEL. 586-2210
AREA CODE 907

JAN VAN DORT
LAWRENCE T. FEENEY
CHARLES N. DRENNAN

March 27, 1975

The Honorable Bob Bradley
Chairman, Commerce Committee
Alaska House of Representatives
Pouch V, Capitol Building
Juneau, Alaska 99811

Re: H.B. No. 316, Relating to Deposits
Required by Utilities

Dear Chairman Bradley:

I represent eight electric and telephone public utilities in the State of Alaska, some of which have very small operations such as at Craig, Tok, Yakutat and Pelican.

Heretofore, the legislature has seen fit to allow the Alaska Public Utilities Commission to regulate the tariffs to be filed by the utilities. The Commission has a regulation on Uniform Deposit Practices which is 3 AAC 48.420, copy of which is attached. It provides that if a deposit is required by the utility it must set forth the maximum amount of the deposit which cannot exceed two months billings. It also requires that the utility will specify how long it will retain a customer's deposit and that retention is limited to two years providing that in the interim period the utility has not been forced to discontinue service because of delinquent payments and the customer has not been delinquent more than once in twelve months.

The tariffs are not uniform as to the amount of the deposit but they generally require about \$20.00 or an estimated two months billings. It is hard to estimate what the average two months billing deposit is for the respective telephone, electric, water, gas and sewer utilities and the various classes of customers by each. The electric would run well over \$20.00 for two months. The telephone and gas billings may run about \$20.00 for two months but the water and sewer charges are generally considerably less. If we consider the average deposit to be \$20.00 and the rate for advances by the 12th Federal Reserve District to be 6 per cent, the amount of interest which would be payable annually would be \$1.20. This would be 30 cents per quarter year which would have to be deducted from the bills.

The Honorable Bob Bradley
Alaska House of Representatives
Juneau, Alaska

March 27, 1975
Page Two

(1) The small amount of the interest involved, (2) the clerical work and bookkeeping necessary to charge the interest periodically on the individual deposits, which are not all the same, and (3) the fact that this expense must be absorbed by the rate payer, are reasons why the Commission has never seen fit to require the payment of interest on a deposit although some of the utilities voluntarily do so and make payments annually.

Another reason advanced for not charging interest is that many customers are delinquent in their payments and this tends to equalize the use of money of each party by the other.

I do not think the legislature should try to regulate such details. Rather it should recognize that the Commission was established to create a body with expert knowledge and experience which is better able to make regulations and to completely regulate the utilities rather than have such determinations made by the legislature and the courts.

However, if the legislature considers it advisable to regulate such details, then the utilities would much prefer a set rate of interest such as 6 per cent and have the computation made once a year or at the most, twice. No interest should be required to be paid if the customer has been delinquent during the period.

Many persons think that all customers have a deposit. That is not true. Some utilities have no deposits because of the nuisance of collecting them and refunding them. Those utilities which do require deposits under their tariffs cannot retain them more than two years unless the customer has been delinquent. Therefore, the most a customer can get on a \$2.00 deposit for two years at 6 per cent is \$2.40.

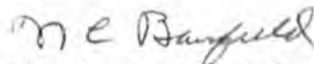
In regulating the rates of utilities for their various services the Commission allows a percentage of return on the rate base. The rate base is computed at book value of the plant plus working capital and inventory. If the company requires deposits the average amount of the deposits in the test year is deducted from the rate base in determining the return which is generally about 11 per cent. If the company has to pay interest on these deposits, then the Commission will not be entitled to deduct the amount of the deposits from the rate base. This will result in the customer

The Honorable Bob Bradley
Alaska Souse of Representatives
Juneau, Alaska

March 27, 1975

getting about 6 per cent on his deposit but having his rates increased by 11 per cent on an amount of rate base equal to his deposit.

Yours very truly,


N. C. Banfield

NCB: db

cc: Alaska Public Utilities Commission

/ / , Reg.)

Authority: AS 42.05.141(1)
AS 42.05.151(a)
AS 42.05.361
AS 42.05.411

3 AAC 48.410. TARIFF OF ACQUIRED UTILITY. Every utility acquiring ownership or control of another utility or portion of one and filing a notice adopting the rates, rules and regulations, etc., of that utility shall, within 90 days after the filing of such adoption notice, file such rates, rules and regulations, etc. as a part of its own tariff or as a separate tariff in its own name if it plans to continue to operate in accordance with them. (Eff. / / , Reg.)

Authority: AS 42.05.141(1)
AS 42.05.151(a)
AS 42.05.361
AS 42.05.411

3 AAC 48.420. UNIFORM DEPOSIT PRACTICES. (a) When a deposit is required as a condition of receiving utility service the rule which established the deposit requirement shall also set forth the maximum amount of the deposit to be paid, which in no case shall exceed the following amount for a customer of the indicated type of utility as determined by the utility after consultation with the customer:

- (1) two-months telephone billings, including toll charges as estimated by the utility;
- (2) two-months electric billing based on the utility's estimate of usage;
- (3) two months water charges at the flat rate, or two months of metered charges as estimated by the utility;
- (4) two-months gas billings as estimated by the utility;
- (5) two-months sewer service fees.

(b) The deposit rule shall clearly state the length of time the utility will retain a customer's deposit, but under no circumstances shall a utility retain a customer's deposit longer than two years, providing that in the interim period, the utility has not been forced to disconnect that customer's service for reasons of delinquency in payment of charges, and that the customer has not been delinquent in payment more than once in any 12 consecutive months. The deposit is to be returned to the customer within 25 days of discontinuance of service, except within 60 days for deposits for telephone service, after deducting monies due to the utility. (Eff. / / , Reg.)

Authority: AS 42.05.141
AS 42.05.151
AS 42.05.361

LAW OFFICES OF
ALASKA LEGAL SERVICES CORPORATION
315 FIFTH STREET, SUITE B
JUNEAU, ALASKA 99801
TELEPHONE 586-~~XXXX~~ 6425

*File under
HB 316*

MEMORANDUM

TO: Representative Bob Bradley
FROM: Donald E. Clocksin *DM*
RE: HB 316 - Utility Deposits
DATE: April 30, 1975

I have received a lot of information regarding the present utility deposit practices of the Alaska Public Utilities Commission. To start with, the rules of the APUC do not require as a general practice that utilities pay interest on deposits. However the rules do require that a deposit not be retained longer than two years unless the customer is a bad risk. A copy of these regulations, appearing at 3 AAC 48.420, are attached to this memorandum.

The Alaska Gas and Service Company (also known as Anchorage Natural Gas) has a tariff with the APUC which requires that it refund commercial deposits which are held for three years or more and which requires refunding and interest on residential deposits. See the attached tariff. Despite the title of the subsection which refers to "refunds", the section on residential deposits does not appear to mandate the return of a deposit.

I am also enclosing a two-page paper entitled "Staff Opinion on Payment of Interest on Customer Deposits". I am also enclosing a memorandum from J. Lowell Jensen, Executive Director of the Alaska Public Utilities Commission relating to the interpretation of the regulation which I have referred to above.

In summary, the APUC requires that a deposit be returned within two years but does not require the payment of interest. Anchorage Natural Gas provides for the return of commercial deposits after three years and a good payment record, and also provides for payment of interest on both residential and commercial deposits. I suggest that you bill be amended to impose a mandatory requirement upon the APUC both to require that interest be paid on deposits and that those deposits be returned if there is a good credit record.

I have a whole pile of legal memoranda presented to the APUC when this issue was in front of them. If you wish any of this material or a synopsis of it, do not hesitate to ask.

DEC:mjb
Attachment

(c) Until such time as an adopted tariff is refiled in the name of the utility which adopted it, all revisions of it subsequent to adoption will bear, at the top part of each tariff sheet, the name of the utility whose tariff was adopted and, at the bottom part of the sheet after "Issued by," the name of the utility that adopted the tariff and is issuing the revisions of the tariff. A tariff adopted by one utility may not be adopted by another utility, but instead must be filed as the tariff of the filing utility without any substantive change in the rates, charges, rules and regulations of the predecessor utility. (Eff. 11/16/73, Reg. 48)

Authority: AS 42.05.141(1)
AS 42.05.151(a)
AS 42.05.361
AS 42.05.411

3 AAC 48.410. **TARIFF OF ADOPTED UTILITY.** Every utility which is under the control of another utility or portion of one and filing a notice adopting the rates, rules and regulations, etc., of that utility shall, within 90 days after the filing of such adoption notice, file such rates, rules and regulations, etc., as a part of its own tariff or as a separate tariff in its own name if it plans to continue to operate in accordance with them. (Eff. 11/16/73, Reg. 48)

Authority: AS 42.05.141(1)
AS 42.05.151(a)
AS 42.05.361
AS 42.05.411

3 AAC 48.420. **UNIFORM DEPOSIT PRACTICES.** (a) When a deposit is required as a condition of receiving utility service the rule which established the deposit requirement shall

also set forth the maximum amount of the deposit to be paid, which in no case shall exceed the following amount for a customer of the indicated type of utility as determined by the utility after consultation with the customer:

(1) two-months telephone billings, including toll charges as estimated by the utility;

(2) two-months electric billing based on the utility's estimate of usage;

(3) two-months water charges at the flat rate, or two months of metered charges as estimated by the utility;

(4) two-months gas billings as estimated by the utility;

(5) two-months sewer charges.

(b) The deposit rule shall specify the length of time the utility will retain a customer's deposit, but under no circumstances shall a utility retain a customer's deposit longer than two years, providing that in the interim period, the utility has not been forced to disconnect that customer's service for reasons of delinquency in payment of charges, and that the customer has not been delinquent in payment more than once in any 12 consecutive months. The deposit is to be returned to the customer within 25 days of discontinuance of service, except within 60 days for deposits for telephone service, after deducting monies due to the utility. (Eff. 11/16/73, Reg. 48)

Authority: AS 42.05.141
AS 42.05.151
AS 42.05.361

6-25-74

Staff
Submitted by
PUC Staff
@ 6-25-74
W. W. W.

Staff Position on Payment of
Interest on Customer Deposits

When the Commission held its hearing concerning the adoption of its Rules of Practice and Procedure, Article 2, Section 3 AAC 48.420, Uniform Deposit Practices, received considerable input from those utility representatives present. Generally the utilities were opposed to a Commission Rule which would require the payment of interest on customer security deposits.

The chief reasons advanced by the utilities for not paying interest were:

1. The administrative cost would offset any gain from interest paid.
2. The deposits being subject to refund would restrict the use of which the money can be put.

The staff cannot accept either of these reasons for not paying interest on deposits. The Commission Rule would not require the utility to make periodic calculations of the interest earned and then pay the interest. Instead, the calculation would be made only once, at the time of refund, and would merely be a single additional step to the issuance of the final bill or deposit refund. The

staff is of the opinion that any additional administrative cost would be minute. The staff is aware of the Commission having received at least two requests for permission to delay making deposit refunds to eligible customers having deposit accounts more than two years old. The reason given for delaying these refunds was that the cash flow would be adversely affected. Thus, the plea that the character of the deposit money held by a utility restricts its usage is not valid, at least not in all instances. Further the staff believes that payment of interest on deposits gives the public a greater direct benefit than by giving effect to the deposits through a rate base determination.

It is the opinion of the staff that customer security deposits held by Alaska utilities constitutes a source of capital, and that it is in the public interest to require each utility to pay interest on such deposits at a rate and in a manner to be determined by the Commission.

STATE OF ALASKA

DEPARTMENT OF CONSUMER SERVICES
ALASKA PUBLIC UTILITIES COMMISSION

WILLIAM A. EGAN, GOVERNOR

APR 30 REC'D

1100 MACKAY BUILDING
338 DENALI STREET — ANCHORAGE 99501

November 23, 1973

RECEIVED

NOV 23 1973

To All Public Utilities and Interested Parties:

Gentlemen:

Alaska Legislature

Re Tariff Rules which became
effective on November 16, 1973

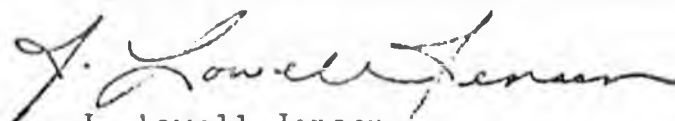
It has been brought to the Commission's attention that its tariff Rule 3 AAC 48.420(b), concerning the length of time a utility may retain a customer's deposit, requires clarification.

As now written, the rule possibly could be misinterpreted as requiring a utility to enforce a harsh disconnect policy solely to protect its right to retain a customer's security deposit (even though the customer's payment record may have been so poor that it of itself normally would constitute sufficient grounds for not refunding the deposit). This is not the interpretation desired by the Commission.

The Commission intended, rather, that the rule would enable a utility to reduce its risk of loss (from a customer who had not established a good payment record) by retaining the customer's deposit beyond the two-year maximum holding period prescribed in the rule, regardless of whether or not it had been necessary for the utility to actually disconnect the customer's service for nonpayment at some time during the two-year period. Hence, if the utility determines that either one of the criteria stated in Rule 48.420(b) applies to a particular customer (i.e., that during the two-year period either he has been disconnected for non-payment or he has been late in payment more than once in any twelve consecutive months) the utility will have the option of retaining that customer's deposit longer than the two-year holding period specified in the rule. The customer will not be entitled to the refund of his deposit until such time as he has established a two-year record of good payment.

By Direction of the Commission:

ALASKA PUBLIC UTILITIES COMMISSION



J. Lowell Jensen
Executive Director

JLJ:dj

Current
AGAS
tariffs

ARC
Sheet No.

4

1st Revision

APR 30 REC'D

Sheet No. 5

Cancelling

Original of 8/15/63

Sheet No. 5

RECEIVED

MAR 30 1972

State of Alaska
Public Utilities Commission

ALASKA GAS AND SERVICE COMPANY

Section 400 - Customer-Company Relations Regarding Service Page 5

401 Application for Service - Application for service may be made at any business office of the Company, by mail or in person.

The Company may require each prospective customer to sign an application for the service desired, and to establish his credit.

The application should show the following information:

- a. Location of the premises to be served.
- b. Date applicant desires service.
- c. Whether or not the premises have previously been supplied.
- d. Use to be made of service and description of appliances.
- e. Address for billing.
- f. Whether the applicant is owner, agent or tenant of the premises.
- g. Rate schedule desired.
- h. Such other information as the Company may reasonably require.

The application is only a request for service and does not bind the Company to serve except under reasonable conditions, nor does it bind the customer to take service for a longer period than the minimum requirements of the rate.

402 Contract for Service - A contract for service may be required by the Company, to be signed by the customer when he signs the application for a meter. Any contract differing from filed tariff rates will be subject to the prior approval of the Alaska Public Utilities Commission.

No other contract is required except:

- a. Where such contract is required as set forth in the rate schedule approved by the Alaska Public Utilities Commission.
- b. In case of gas main extensions or temporary service where the contract period may not exceed one (1) year.

Each contract for gas service will contain the following provisions:

"This contract shall at all times be subject to such changes or modifications by the Alaska Public Utilities Commission as said Commission may, from time to time, direct in the exercise of its jurisdiction."

403 Credit Establishment and Re-establishment - Each applicant for service will be required to establish or re-establish his credit to the satisfaction of the Company before service will be rendered.

- a. Establishment of Credit

The applicant's credit will be deemed established:

Effective: APR 18 1972

Issued by: Alaska Gas and Service Company, Division of Alaska Interstate Company

Dale Teel
Dale Teel

Title: President

Cancelling

RECEIVED

JAN 24 1974

State of Alaska
Public Utilities Commission

ALASKA GAS AND SERVICE COMPANY

403 Credit Establishment and Re-establishment (Continued)

- (1) If he is the record owner of the property to be served by the Company or of other real estate within the limits of the Company service, which property ownership is of sufficient value, and he will satisfactorily warrant against future encumbrances or conveyances, or
- (2) If he makes a cash deposit to secure the payment of any bills for service to be furnished by the Company as provided in Rule 6 Regulation No. 403 (c), or
- (3) If he furnishes a bond or an undertaking satisfactory to the Company, or
- (4) If the applicant has a record of prompt payment for service satisfactory to the Company for twenty-four (24) months or more for previous use, provided such service occurred within four (4) years from date of new application for service.

(c)

b. Re-establishment of Credit

- (1) A customer who fails to pay his bills for gas after a second notice, or after service has been discontinued for non-payment may be required to pay his bills and re-establish his credit by making a cash deposit equal to twice the estimated monthly bill for service.
- (2) A customer who pays his bill with a check that is subsequently returned to us unpaid by the bank will be deemed to have never paid that bill and subject to the provisions of paragraph 403 (b)(1). The company shall charge a customer a handling fee of five dollars (\$5.00) for each such returned check.

(B)

c. Amount of Deposit

- (1) The amount of the deposit required to establish the credit of an applicant for gas service for residence or domestic use shall not exceed the estimated bill for two (2) months' consumption, but shall not be less than ten dollars (\$10.00).

(2) Other Classes of Service:

The amount of the deposit to establish the credit for all classes of gas service, other than residential or domestic, shall not exceed a sum equal to twice the estimated average periodic bill for that service.

(3) Re-establishment of credit:

The amount of the deposit to establish the credit for any class of gas service, to a customer whose service has been discontinued for failure to pay bills for such service, shall not exceed twice the estimated average periodic bill for that service.

Tariff Advice No. 73-1

Effective FEB 22 1974

Issued by: Alaska Gas and Service Company, Division of Alaska Interstate Company

Alaska Gas

President

P.C.

4

1st Revision

Sheet No. 7

Cancelling

Original of 8/15/63

Sheet No. 7

RECEIVED

MAR 30 1972

ALASKA GAS AND SERVICE COMPANY

State of Alaska
Public Utilities Commission

403 Credit Establishment and Re-establishment (Continued)

Page 7

d. Deposit Receipts

Each deposit receipt for gas service will contain the following provisions:

"Deposit to be refunded only upon surrender of receipt properly endorsed and the full payment by the depositor of all charges for gas consumed or piping and appliances used, and after twenty-four (24) hours' notice shall have been given the Company in which to read the meter and remove the appliances."

e. Return of Deposit

The Company will refund the deposit as set forth under Rules and Regulation No. 403 (f) upon surrender to the Company of the deposit receipt properly endorsed, or upon signing a cancellation receipt for the same.

- (1) When the service is ordered discontinued by the Customer, except when there are charges due the Company for gas service to the customer, in which case the deposit will be applied to the charges and the excess portion of the deposit will be returned.
- (2) When the customer has established his credit to the satisfaction of the Company, as set forth in Rule & Regulation No. 403 (a) (3).

f. Interest on Commercial Deposits

The Company is not obliged to pay interest upon commercial deposits which it may from time to time require under the provisions of Rule & Regulation No. 403.

Where interest is payable upon commercial deposits, the rate shall not exceed five (5) per cent per annum, and interest is payable only after continuous service has been received for the period of one (1) year and all bills for such service have been paid in accordance with the Rules & Regulations pertaining thereto, as approved by the Alaska Public Utilities Commission. When interest is payable, it will only be paid when deposit is returned or when service is discontinued. No interest will be paid on such interest-bearing deposit receipts if service is discontinued for any cause within less than twelve (12) months from the date of making deposit, and in no case will interest be paid on refunded or unclaimed deposits after discontinuance of service, or after the Company has served written notice or mailed a check to the depositor, at his address of record in the Company's files, as set forth in Rule & Regulation Section 900 hereof, that it no longer requires the deposit.

Refunds of deposits held three (3) years or more on customers who have established their credit, will be made upon request, and from time to time without request, where there is no record of payments being delinquent.

g. Refunds and Interest on Residential Deposits

Deposits will bear 5% interest from the date of January 1, 1970, subject to the following conditions:

- 1. That the customer's record shows consistently prompt payment during the twelve (12) months preceding the date the deposit is returned.
- 2. That the deposit has been on file, interest free, for a period of twelve (12) months (or more) prior to the start of interest accrual.
- 3. That the deposit refund is made on routine scheduling at the Company's convenience (i.e., that it does not require special handling).
- 4. That the customer's account is still active at the time the deposit is refunded.

474 Rates and Optional Rates - The rates to be charged by and paid to the Company for gas service will be the rates on file with the Alaska Public Utilities Commission. Complete schedules of all rates in effect will be kept at all times in the Company's offices where they will be available for public inspection.

APR 18 1972

Effective

Issued by: Alaska Gas and Service Company, Division of Alaska Interstate Company

Alan Reed President

Date

Title



Anchorage Daily Times

Anchorage Firm To Pay Gas Deposit Interest

Anchorage Natural Gas changed its position on paying interest on security deposits during the opening minutes of a public hearing here yesterday.

The firm, also known as Alaska Gas and Service Co., in February filed a tariff revision with the Alaska Public Utilities Commission which would allow it to stop paying interest on security deposits.

At the commission hearing yesterday, Paul Robison, the firm's attorney, said paying interest had not been as burdensome administrative task as it was originally thought to

be, that it was reasonable to pay interest on deposits and that it would not be unfairly discriminatory to require the company to pay interest not required of other utilities.

The gas company requires deposits of either \$25 or \$50. It refunded more than \$300,000 in security deposits to more than 6,000 customers at Christmas time.

Mrs. Judy Adrian had filed a protest through her attorney, James Grandjean of Alaska Legal Services, over the proposal to stop paying interest on security deposits.

Grandjean maintained that common law requires a utility to pay interest on security deposits.

Robert Lindblom, chief of the commission's tariff section, testified that it is the staff's opinion that customer security deposits constitutes a source of capital.

In a bench order issued less than an hour after the hearing opened, the company was directed to withdraw the tariff revision deleting interest on security deposits, and to begin

paying interest on the deposits.

Commissioner James Henderson, in announcing the verbal decision, said no evidence in favor of dropping the interest payments had been given. He said he personally was not convinced that it is in the public interest to require interest payments on deposits held for only two years because of the high administrative costs but that, in view of the testimony, "my hands are tied in the proceeding."

The decision applies only to the gas company, and will be optional for the remainder of the utilities, he said.

Rules of practice and procedure, adopted last year by the commission, do not require a utility to pay interest on security deposits. It does require the utility refund the deposit after two years if the customer has a good credit rating.

Mrs. Adrian will not gain from the decision, since her attorney said the gas company already had returned her deposit.



Homer Electric Association, Inc.

P. O. BOX 255

HOMER, ALASKA 99603

PHONE (907) 235-8551

April 3, 1975

*File
with
HB 312*

The Honorable Leo Rhode
House of Representatives
Alaska State Legislature
Pouch V
Juneau, Alaska 99801

Dear Leo:

Enclosed is the information we discussed on the telephone today, with the pertinent Sections circled in red.

Interest on the deposits held for such a short term would simply be a nuisance to the utility and not much real advantage to the consumer.

The copy of the Commissions ruling, which was effective November 16, 1973, contains only the front and back sheets. There are several other pages that have no bearing on your current problem, but could be obtained locally if you need them.

We wish you luck in your current endeavors, and hope that you can make the joint meeting with the Chugach Board in Soldotna on April 11.

Sincerely yours,

HOMER ELECTRIC ASSOCIATION, INC.

W. C. Rhodes
General Manager

WCR: em
Enclosures

ARTICLE 2. UTILITY TARIFFS

Section

EFFECTIVE, November 16, 1973

- 200. Scope of regulations
- 210. Waivers
- 220. Filing of tariff
- 230. Billing and contract forms
- 240. Delivery of tariff
- 250. Tariff on file for public inspection
- 260. Public notice of tariff inspection privilege
- 270. Advice letters
- 280. Notice and effective date
- 290. Response to notice
- 300. Waiver of statutory notice
- 310. Suspension and rejection of tariffs
- 320. Effective tariff controlling
- 330. Format of tariff sheets
- 340. Tariff sheet designation
- 350. Separate tariff for each utility
- 360. General arrangement and content of tariff
- 370. Content of rules and regulations
- 380. Content of rate schedules
- 390. Provisions of special contract
- 400. Adoption notice
- 410. Tariff of acquired utility
- 420. Uniform practices

3 AAC 48.200. SCOPE OF REGULATIONS. The regulations contained in secs. 200 - 420 of this chapter cover the construction, filing, posting and publication of utility tariffs, including special contracts. (Eff. / / , Reg.)

Authority: AS 42.05.151
AS 42.05.361

3 AAC 48.210. WAIVERS. (a) Any requirement in secs. 200 - 420 of this chapter may be waived, in whole or in part, by order of the commission upon application and a showing of good cause.

(b) Applications submitted under this section shall be in writing and shall set forth the pertinent facts in sufficient detail to support a finding by the commission that no legitimate public interest will be served by enforcing the requirement designated in the application. An application as required by this section may be made to the commission by an advice letter.

(c) Application for the waiver of a requirement shall also include application for exemption from a related provision of AS 42.05 if waiver of the requirement cannot be granted without also exempting the applicant from the governing law. (Eff. / / , Reg.)

Authority: AS 42.05.141(1)
AS 42.05.151
AS 42.05.361
AS 42.05.711(d)

Register , , 1974 COMMERCE 3 AAC 48.400
3 AAC 48.420

/ / , Reg.)

Authority: AS 42.05.141(1)
AS 42.05.151(a)
AS 42.05.361
AS 42.05.411

3 AAC 48.410. TARIFF OF ACQUIRED UTILITY. Every utility acquiring ownership or control of another utility or portion of one and filing a notice adopting the rates, rules and regulations, etc., of that utility shall, within 90 days after the filing of such adoption notice, file such rates, rules and regulations, etc. as a part of its own tariff or as a separate tariff in its own name if it plans to continue to operate in accordance with them. (Eff. / / , Reg.)

Authority: AS 42.05.141(1)
AS 42.05.151(a)
AS 42.05.361
AS 42.05.411

3 AAC 48.420. UNIFORM DEPOSIT PRACTICES. (a) When a deposit is required as a condition of receiving utility service the rule which established the deposit requirement shall also set forth the maximum amount of the deposit to be paid, which in no case shall exceed the following amount for a customer of the indicated type of utility as determined by the utility after consultation with the customer:

- (1) two-months telephone billings, including toll charges as estimated by the utility;
- (2) two-months electric billing based on the utility's estimate of usage;
- (3) two months water charges at the flat rate, or two months of metered charges as estimated by the utility;
- (4) two-months gas billings as estimated by the utility;
- (5) two-months sewer service fees.

(b) The deposit rule shall clearly state the length of time the utility will retain a customer's deposit, but under no circumstances shall a utility retain a customer's deposit longer than two years, providing that in the interim period, the utility has not been forced to disconnect that customer's service for reasons of delinquency in payment of charges, and that the customer has not been delinquent in payment more than once in any 12 consecutive months. The deposit is to be returned to the customer within 25 days of discontinuance of service, except within 60 days for deposits for telephone service, after deducting monies due to the utility. (Eff. / / , Reg.)

Authority: AS 42.05.141
AS 42.05.151
AS 42.05.361

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Conciling

Original

Sheet No. 3-16

DEC 27 1974

State of Alaska
Public Utilities Commission

HOMER ELECTRIC ASSOCIATION, INC.

The fees, deposits, and service charges indicated above are for each meter, and/or each occurrence. Other charges and fees are applicable to damage to Association's facilities, temporary service or construction service on contract as stated elsewhere in these policies.

The minimum meter deposits, (b. and c. above), are for new consumer-members that receive electrical service from existing distribution lines. Larger deposits are required for service and line extensions over 151 feet. (See No. 32 of these policies.) The minimum meter deposits shall be refunded after two (2) years of continuous service providing that in the interim period, the Association has not been forced to disconnect for reasons of delinquency in payment of charges, and that the member has not been delinquent in payment more than once in any twelve (12) consecutive months.

8. RATE SCHEDULES: The monthly cost of electric energy used by the consumer-members shall be computed from published Rate Schedules. Such Rate Schedules shall be developed, revised, and amended by the Association's Board of Directors from time to time as required. Each Rate Schedule shall state to which consumer-member classification the rate applies, the type service available under the rate, the cost of the electric energy used under the rate, and the conditions which service will be rendered under the rate.

A specific Rate Schedule shall apply to each consumer-member classification. Each consumer-member within a given classification shall pay according to the Rate Schedule applicable to that classification.

Reclassification of service may be requested by a consumer-member for legitimate reasons. Reclassification of service will not be approved by the Association for the sole purpose of permitting periodical rate advantages for the individual consumer-member making such a request.

The Board of Directors may develop a specific Rate Schedule for a consumer-member that does not qualify for an existing Rate Schedule. Such a rate schedule will generally be incorporated in a contract between the consumer-member and the Association and by so being is effective only for the term of such contract.

Issued December 16, 1974 Effective MAR 1 9 1975

Issued by HOMER ELECTRIC ASSOCIATION, INC.

By W. C. Rhodes Title General Manager

M E M O R A N D U M

TO: Susan Andrews
EDP Coordinator
Division of Legislative Finance
Room 409
Capitol Building

FROM: Chief Clerk
House of Representatives

SUBJ: Legislation
Identification _____

Secretary of the Senate

The following information is transmitted for the bill or resolution named above:

- 1. KEYWORDS - Keywords are important words from the title or from the body of the legislation under which the measure will be listed in the alphabetic index.

*Public utilities
Deposits*

- 2. STATUTE REFERENCES - List sections of the statutes added, amended, repealed, or repealed and reenacted.

As 42.05.551

- 3. DEPARTMENTS - List departments or agencies referred to or principally affected by the legislation.

Public Utility Commission

February 18, 1976

MEMORANDUM

TO: Representative Bob Bradley,
Chairman, House Commerce Committee

FROM: Terry Berman, Administrative Assistant

SUBJECT: SSHB 468, HB 316

SSHB 468 is a response to requests from firefighters in the state for adequate safeguards against human injury during fires. It provides for the installation of sprinkler systems in buildings seven or more stories high. It was pointed out to Representative Sullivan by fire officials that sprinkler systems have always proved effective when installed throughout buildings. Building owners are given seven years to comply and until automatic systems are installed, they must have emergency escape devices.

HB 316 permits utilities to require deposits under regulations issued by the APUC. Additionally it provides that interest will be paid on deposits held for more than one year. Present APUC regulations provide that deposits cannot be held longer than two years if the customer has not been delinquent in payment more than once in twelve consecutive months nor had his service discontinued for reasons of delinquency. However, such deposits do not bear interest for the consumer. Utility companies are free to invest the funds as they see fit. There is a hidden cost to the consumer in that he receives no interest on the money and after two years, the sum he had on deposit is worth less than when it was initially paid to the utility company.

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#310 Prospector Hotel, 340 Whittier St., Juneau, Ak. 99801 U.S.A.

EDWARD W. BORGEN, Sr.
Legislative Representative

May 6, 1975

The Honorable Bob Bradley
Chairman, House Commerce Committee
Alaska House of Representatives
Juneau, Alaska 99811

Dear Representative Bradley:

Re: HB 468
Fire Escapes

As this bill is scheduled for a hearing on Thursday afternoon, we would like to make some comments for your consideration.

It quite possible that the building codes in the cities and the boroughs in Alaska already have regulations that adequately cover the subject of fire escapes for business and residential buildings. We know, from our experience as a member of the OSHA Review Board (Occupational Safety and Health) that the state has very strict standards for fire exits and escapes for any building where employees are exposed.

It is not unusual, these days, to find several different regulations covering one specific subject. This often leaves people confused, and finds them in violation of some ordinance, regulation, or law that they felt, in good faith, they had properly met.

Perhaps the areas in the unorganized boroughs pose some particular problem in the residential sector. Industrial, even in the unorganized boroughs, is amply covered under the State OSHA statute.

May we suggest that the areas discussed above be checked before a measure which may cause a conflict is passed out of committee?

Thank you for this opportunity to present our views.

Very truly yours,
KETCHIKAN PULP COMPANY

Edward W. Borgen, Sr.
Edward W. Borgen, Sr.