

HCR 100

COMMITTEE REPORT

2/17/76

HOUSE

Mr. Speaker:

Date

3/26/76

The Committee on CONFERENCE has had HCR 100

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>Lisa Rudd</u>	_____	_____

Members NOT concurring in the Majority report:

_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:

_____ Chairman



Alaska State Legislature

House

JUNEAU ALASKA

March 10, 1976

MEMORANDUM

TO: Rep. Bob Bradley

FROM: Terry Berman
Administrative Assistant

SUBJECT: HCR 100

The dramatic increase in utility rates has prompted us to think about the structure of the rates themselves. Currently, in Alaska, they work to the advantage of large consumer's with industrial users paying less per kilowatt hour than small consumers.

The heavy industrial use of utilities leads to capital expansion the cost of which is then passed on to the customer. With the existing rate structure, the residential consumer is forced to pay higher rates even when he was not responsible for the new facilities that drove up his utility bill. Because of high construction costs, increased demand can be costly to the small user of electricity, whose needs are adequately met by existing facilities. In reality, the residential customer subsidizes the industrial user.

House Concurrent Resolution 100 asks that rates be looked at more carefully so that wasteful practices not be encouraged by the rate structure itself. If an industrial user buys service in bulk, there is no incentive to not waste energy.

Various price structures that are more equitable have been implemented in both the United States and abroad. These encourage the most efficient use of energy. One concept is a progressive rate structure with rates increasing with increased consumption. Another is varying rates according to the demand of the time of day or season. If consumption is responsive to price, the need for capital expenditures may be eliminated and keep the price of utility service stable.

The resolution asks that a study be undertaken to find the most equitable rate structure for Alaskans. With this information, we might be able to resolve some of the conflicts that are currently raging between the utility companies and consumers, with benefits to both.



They - hold for receipt of
Alaska State Legislature
Resolution
LEGISLATIVE AFFAIRS AGENCY
Resolution Needs

POUCH Y, STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3800

MEMORANDUM

January 16, 1976

SUBJECT: Utility Rates (Work Order #1629)
TO: The Honorable Robert Bradley
FROM: *James Owens*
James Owens, Research Analyst
(with Gregg Erickson, Director of Research Services)

The following summarizes some of the issues raised by your request for a study of utility rates.

As an example of present pricing practices, I have used the tariff schedule of the Chugach Electric Association for service in the urban areas of Anchorage prior to their request for a permanent rate increase. The tariff schedule distinguishes four classes of users: general residential service, residential service--large use, commercial light and power, and industrial and commercial large power. As is typical with the practice of most utilities, the rates are designed to favor the bulk use of electric power through what is known as a "declining block rate structure." For example, the first 500 kilowatt hours for a large industrial user cost 2.3 cents per KWH, the next 2,500 KWH cost 1.9 cents per KWH, the next 17,000 KWH cost 1.5 cents per KWH and over 20,000 KWH cost 1.0 cent per KWH.

In addition to these charges, large industrial and commercial users must also pay a "demand charge." In essence, the demand charge is a reflection of the fact that an electric utility must always maintain a certain standby capacity in generators, transformers, and transmission lines to meet the peak demands of a large industrial user. Chugach Electric charges large industrial and commercial consumers \$1.50 per kilowatt each month, based on the peak during that month, for the first 50 KW and \$1.25 per KW for each additional KW over 50 KW of peak demand.

Thus, the minimum monthly bill for a large user is in this case likely to be a function of his peak demand over some period of time. For this reason, at certain times of the year, a user with widely fluctuating demand for electric power over the year might be faced with a large minimum bill in an off season. For example, a manufacturer who has all his employees take their vacation at the same time and shuts down during that period would have little if any incentive to curtail

power consumption during the period of closure. This could possibly stimulate some waste of electricity. However, this is probably not the reason why many buildings leave lights on during off hours. In the past, structures have occasionally been designed so that the lighting system is itself an integral part of the building's heating system. In such buildings, heat generated by the lights is sometimes necessary to maintain internal temperatures at acceptable levels. Like all electric heat installations, the thermal efficiency of such systems is quite low compared to direct on-site burning of the fuel.

More often, though, the reasons lights are left on are related to a lack of forethought in electrical system design. For example, switches may not be located near exits, or large banks of lights may have to be lit in order to illuminate the office of one "night owl." If sufficient financial incentive exists in the rate structure, efforts will be made to overcome these design induced problems, and in extreme cases it may even make economic sense to rewire a building with this in mind. The amount of electricity saved could be considerable. Nationwide, it is estimated that commercial high rise structures use 50% of the electricity generated. Legislation might also mandate electrical system designs that make it convenient to cut lighting when not required.

As was mentioned above, peak use demand charges may eliminate the incentive for a large consumer to conserve power during the part of the year (or month) when demand is low. Similarly, any consumer faced with a minimum bill is being offered some measure of "free" consumption, in the sense that he will pay for a given amount of power whether he uses it or not.

Bulk consumption discounts and minimum bills are justified by utilities on the grounds that a substantial amount of fixed capacity is necessary to serve any given customer regardless of whether he actually consumes power or not.

If power demand were less variable, then the costs of maintaining generating plant and distribution facilities could be spread over a larger quantity of power, and thus the average cost per kilowatt could be reduced. The device of the demand charge does penalize consumers who draw large quantities of power for very short periods of time, and who thus require the year-round maintenance of substantial facilities, but they do not reflect the fact that peak consumption by a given consumer at a time of day when the demands from other customers are low can be supplied with little or no additional investment. "Time of day pricing" has been suggested as a means of bringing about the desired evening out of electrical loads, and of more accurately reflecting the real costs of providing electrical energy to various consumers. In the past there have been technical problems with respect to metering of electricity which made this type of rate structure difficult to implement, but these have been overcome, and such a system is now operative

in a number of areas, for example, Madison, Wisconsin.* Of course, time of day pricing has been practiced for many years by other utilities, i.e., telephones. Although it would certainly require some further study, there may very well be steps that the legislature could take to encourage this type of rate alignment.

Over all, it is probable that electrical utility rates have lagged behind changes in operating conditions and no longer as accurately reflect costs. The idea behind the declining block rate structure has been that the utility company can recoup all its fixed overhead costs on the first few blocks. From then on, further use of electricity involves costs which vary directly with the amount of out-put, such as fuel costs. Until recently, fixed costs in the utility business were high compared to variable costs, but as fuel charges have risen, out-put costs have taken up an increasing share. Even though this is true, recent rate increases in Alaska have applied a fixed percentage to all rates rather than address the fundamental fact that the nature of costs have shifted. This means that small users may subsidize a large user. Here again, further study would be necessary, but if you consider it appropriate we could look at possible legislative means of encouraging an appropriate restructuring of electrical utility rates in order to take these new conditions into account. Such changes might be expected to curtail the kinds of wasteful practices as you mention in your work request.

GE/JO:jm

* In the case of a Washington, D.C., utility it was discovered that the institution of time of day pricing would make unnecessary the expansion of generating plant that had been advocated by the utility company.

Cancelling

Sheet No.

RECEIVED

JAN 8 1973

State of Alaska
Public Utilities Commission

TARIFF NO. 1

CHUGACH ELECTRIC ASSOCIATION, INC.

Anchorage, Alaska

SCHEDULE OF CHARGES

FOR ELECTRIC SERVICES APPLICABLE

IN THE

URBAN AREAS

OF THE

GREATER ANCHORAGE AREA BOROUGH

Effective Feb 9 1972

Chugach Electric Association, Inc.
P. O. Box 3518

Issued by

by Feb 10

L. J. Schuler

Title

General Manager

Cancelling

1st Revision

Sheet No.

43

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JUL 1 1975

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO. 1

GENERAL RESIDENTIAL SERVICE

Available for customary and ordinary residential use and incidental domestic power. Nominal voltage is 120 volts and 120/240 volts, single phase.

Monthly Rate

First	50 KWH at 7.0¢ per KWH
Next	200 KWH at 3.5¢ per KWH
Next	500 KWH at 2.2¢ per KWH
Next	750 KWH at 1.9¢ per KWH
Over	1,500 KWH at 1.6¢ per KWH
Minimum Bill--\$3.50	

Conditions

1. Above service provided subject to CEA rules and regulations.
2. These schedules are restricted to service used exclusively for general domestic and household purposes, as distinguished from commercial, industrial and other uses.
3. These schedules apply only to single family dwellings and other separately metered dwelling units.
4. These schedules will be applied to each meter at point of delivery and in no event will meter readings be combined.

NOV 6 1975

Effective

Chugach Electric Association, Inc.

Issued by: P. O. Box 3518 - Anchorage, Alaska 99501

L. J. Schultz

General Manager

Cancelling

1st Revision

Sheet No.

44

RECEIVED

JUL 1 1975

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO. 2

RESIDENTIAL SERVICE - LARGE USE

D

NOV 6 1975

Effective

Issued by

Chugach Electric Association, Inc.
P. O. Box 3518 - Anchorage, Alaska 99501

By

L. J. Schultz



Title

General Manager

Cancelling

RECEIVED

JUL 1 1975

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO. 3

COMMERCIAL LIGHT AND POWER
(Not Exceeding 10 KW)

Available for general commercial use. Nominal voltage shall be 120/240 or any other user voltage available.

Monthly Rate

First	100 KWH at 5.0¢ per KWH
Next	400 KWH at 3.2¢ per KWH
Next	1,000 KWH at 2.8¢ per KWH
Next	1,500 KWH at 2.6¢ per KWH
Over	3,000 KWH at 2.3¢ per KWH
Minimum Bill - \$3.50	

Conditions

1. Above service provided subject to CEA rules and regulations.
2. These schedules apply to general lighting, incidental power and other services used by commercial and industrial enterprises and by multiple dwelling units when supplied through one meter. A residential service through which a rental unit is likewise served will be billed pursuant to this schedule.
3. These schedules will be applied to each meter at point of delivery, as appropriate, and in no event will meter readings be combined.
4. CEA shall provide a demand meter for a consumer when his monthly use exceeds 3,000 KWH, or if his maximum demand is estimated to be in excess of 10 KW. All consumers with maximum 15-minute integrated demands in excess of 10 KW will be billed under the Commercial and Industrial Service rate schedules.

Effective: NOV 6 1975

Chugach Electric Association, Inc.

Issued by: P. O. Box 3518 - Anchorage, Alaska 99501

By: L. I. Schultz  General Manager

Cancelling

1st Revision

Sheet No. 47

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JUL 1 1975

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO. 4
(11 KW - 50 KW Incl. - Rev. Acct. 442.1)

SCHEDULE NO. 54
(Over 50 KW - Rev. Acct. 442.2)

INDUSTRIAL AND COMMERCIAL LARGE POWER

Available for industrial and commercial uses, including lighting, heating and power. Available at 120/240 volts, single phase; 120, 240, 480, 120/208, 2, 300/4, 160 and 7, 200/12, 470 volts, three phase.

Monthly Rate

Demand Charge:

First 25 KW of Billing Demand at \$2.20 per KW
Over 25 KW of Billing Demand at \$1.70 per KW

Energy Charge:

First 100 KWH per KW of Billing Demand at
2.3¢ per KWH
Next 200 KWH per KW of Billing Demand at
1.6¢ per KWH
Over 300 KWH per KW of Billing Demand at
1.0¢ per KWH

Billing Demand - The billing demand shall be the maximum 15-minute integrated demand in the billing month.

Minimum Monthly Bill - The highest demand charge established in the preceeding 11 months, including any adjustment for power factor, but in no case less than \$0.75 per KVA of installed transformer capacity.

Electric Space Heating Rider

D

NOV 6 1975

Effective

Chugach Electric Association, Inc.
P. O. Box 3518 - Anchorage, Alaska 99501

Issued by

L. J. Schultz

General Manager

By

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JUL 1 1975

Cancelling

1st Revision

Sheet No. 52

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO. 80

INDUSTRIAL AND COMMERCIAL LARGE POWER -
SINGLE METER ELECTRIC HEAT
(50 KW - 300 KW)

Not Available For New Service

Available north of the Rabbit Creek Substation to commercial and industrial consumers for electric space heating where utilized in addition to normal lighting, water heating, and other general electric use.

This rate is only applicable to those consumers receiving service as of July 1, 1975.

Available at 120, 240, 480, 120/208, 2,400/4,160, and 7,200/12,470 volts, three phase.

Rate

First 20,000 KWH per month at 2.1¢ per KWH
Excess of 20,000 KWH per month at 1.4¢ per KWH
Minimum Charge - \$150.00 per meter per month

Conditions

1. Service provided subject to CEA rules and regulations.
2. If metering is on primary side of the transformer, the measured KWH will be decreased by 3% to reflect credit for transformer loss incorporated into schedule.
3. If service is received at 480 volts, the consumer will furnish and install on his premises the transformers necessary for any service at a lower voltage.

Effective: NOV 6 1975

Chugach Electric Association, Inc.
P. O. Box 3518 - Anchorage, Alaska 99501

Issued by:

L. J. Schultz



General Manager

RECEIVED
JUL 1 1975

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO: 5

SERVICE TO CHURCHES AND SCHOOLS

Available for school and church uses, including lighting, heating and power. Available at 120/240 volts, single phase; 120, 240, 480, 120/208 volts and primary voltage, three phase.

Monthly Rate

Demand Charge:

First 25 KW of Billing Demand at \$1.90 per KW
Over 25 KW of Billing Demand at \$1.40 per KW

Energy Charge:

First 150 KWH per KW of Billing Demand at 2.5¢ per KWH
Next 150 KWH per KW of Billing Demand at 1.7¢ per KWH
Over 300 KWH per KW of Billing Demand at 1.2¢ per KWH

Billing Demand - The billing demand shall be the maximum 15-minute integrated demand in the billing month.

Minimum Annual Bill - \$9.00 per KVA of installed transformer capacity. If at the end of twelve months the total charges from the above rates are less than the minimum annual charge, a charge for the difference shall be added to the bill for the twelfth month.

Conditions

1. Above service provided subject to CEA rules and regulations.
2. The maximum demand will be measured by a meter or indicator furnished and installed by CEA on a meter base furnished and installed by the consumer.

Effective: NOV 6 1975

Effective:

Chugach Electric Association, Inc.

P. O. Box 3518 - Anchorage, Alaska 99501

Issued by:

L. J. Schultz

General Manager

By:

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Cancelling

APR 26 1974

Sheet No. _____

State of Alaska
Public Utilities Commission

SCHEDULE 11
RESIDENTIAL SERVICE

Applicable to:

Single-family dwellings, for domestic and household purposes.

Character of Service:

Single phase 60 hertz alternating current at 120/240 volts.

Monthly Rate:

First 50 Kwh at 5.5¢ per Kwh

Next 200 Kwh at 3.0¢ per Kwh

Over 250 Kwh at 1.7¢ per Kwh

Minimum Monthly Charge: \$2.00

Conditions:

This schedule may be applied to a home occupation conducted in the single-family dwellings by the family members if the demand and energy consumption created by the business is less than and incidental to the demand and energy consumption of the residential load.

Effective: MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Cornell G. Shaver Title: Utility Manager

RECEIVED

Cancelling

APR 26 1974

Sheet No. _____

State of Alaska
Public Utilities Commission

SCHEDULE 12

RESIDENTIAL SERVICE
WITH WATER HEATING

Applicable to:

Single-family dwellings with electric water and/or space heating, for domestic and household purposes.

Character of Service:

Single phase 60 hertz alternating current at 120/240 volts.

Monthly Rate:

- First 50 Kwh at 5.5¢ per Kwh
- Next 200 Kwh at 3.0¢ per Kwh
- Next 750 Kwh at 1.2¢ per Kwh
- Over 1000 Kwh at 1.5¢ per Kwh

Minimum Monthly Charge: \$2.00

Conditions:

1. This schedule may be applied to a home occupation conducted in the single-family dwelling by the family members if the demand and energy consumption created by the business is less than and incidental to the demand and energy consumption of the residential load.

2. Water shall be heated by a storage tank type electric water heater of at least thirty (30) gallons capacity with non-inductive heating elements of not more than 5000 watts capacity.

Effective MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Carroll G. Elvick Title: Utility Manager

Cancelling

Sheet No. _____

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APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 13

RESIDENTIAL WATER
HEATING SERVICE

Applicable to:

Separately metered water heaters in single-family dwellings, for domestic and household purposes.

Character of Service:

Single phase 60 hertz alternating current at 120/240 volts.

Monthly Rate:

First 175 Kwh -- \$3.50

Over 175 Kwh at 1.8¢ per Kwh

Minimum Monthly Charge: \$3.50

Minimum Annual Charge: \$42.00

Conditions:

1. Service to the water heater shall be separately metered.
2. The water heater shall be an insulated storage type tank of 30 gallons minimum capacity with two non-inductive elements thermostatically controlled with a double-throw thermostat.
3. Service under this schedule is not available to new customers after July 15, 1956.

Effective: _____

MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Carroll A. Dwyer Title: Utility Manager

Cancelling

Sheet No. _____

RECEIVED

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 14

GENERAL SERVICE
WITH SPACE HEATING

Applicable to:

Dwellings or commercial establishments where electricity is used as the main source of space heating and the demand does not exceed 40 kilowatts.

Character of Service:

Single phase 60 hertz alternating current at 120/240 volts.

Monthly Rates:

For all energy used between the hours of 7:00 a.m. and 7:00 p.m. -- 2.0¢ per Kwh

For all energy used between the hours of 7:00 p.m. and 7:00 a.m. up to the amount used between 7:00 a.m. and 7:00 p.m. -- 1.0¢ per Kwh

For all energy used between the hours of 7:00 p.m. and 7:00 a.m. in excess of the amount used between 7:00 a.m. and 7:00 p.m. -- 0.6¢ per Kwh

Minimum Monthly Charge: \$9.00

Effective:

MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Carroll A. DeWier Title: Utility Manager

Cancelling

Sheet No. _____

RECEIVED

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 21

GENERAL SERVICE, SMALL

Applicable to:

Any class of service which does not qualify for a residential rate schedule and where the demand does not exceed 10 kilowatts.

Character of Service:

Single or three phase 60 hertz alternating current at 120/240, 240/120, 208Y/120, or 480Y/277 volts as available.

Monthly Rate:

- First 20 Kwh at 10.0¢ per Kwh
- Next 130 Kwh at 3/2¢ per Kwh
- Next 150 Kwh at 2.8¢ per Kwh
- Over 300 Kwh at 2.4¢ per Kwh

Minimum Monthly Charge: \$2.00

Effective: MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Carol G. Oliver Title: Utility Manager

RECEIVED

Cancelling Sheet No. _____

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 22

GENERAL SERVICE, LARGE

Applicable to:

Any class of service with a demand consistently exceeding 300 kilowatts or where electricity is used as the main source of space heating.

Character of Service:

Three phase 60 hertz alternating current at the following voltages where available:

Secondary: 208Y/120 or 480Y/277 volts

Primary: 4160Y/2400 or 1247/7200 volts

Monthly Rate:

Demand:

First 250 kW at \$1.00 per Kw

Over 250 KW at \$0.80 per Kw

Energy:

First 20 Kwh per Kw of billing demand at 2.0¢ per Kwh

Next 50 Kwh per Kw of billing demand at 1.5¢ per Kwh

Next 80 Kwh per Kw of billing demand at 1.25¢ per Kwh

Next 100 Kwh per Kw of billing demand at 1.00¢ per Kwh

Over 250 Kwh per Kw of billing demand at 0.8¢ per Kwh

Minimum Monthly Charge: \$50.00

Effective: MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Carroll G. Olson Title: Utility Manager

Cancelling

Sheet No.

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 23

GENERAL SERVICE, INTERMEDIATE

Applicable to:

Any class of service with a demand consistently between
10 kilowatts and 300 kilowatts.

Character of Service:

Single or three phase 60 hertz alternating current at the
following voltages where available:

Secondary: 120/240, 240/120, 208Y/120 or 480Y/277 volts

Primary: 4160Y/2400 or 12470Y/7200 volts

Monthly Rate:

Demand:

First 10 Kw at \$2.00 per Kw

Next 40 Kw at \$1.75 per Kw

Over 50 Kw at \$1.50 per Kw

Energy:

First 10 Kwh per Kw of demand at no charge

Next 90 Kwh per Kw of demand at 2.0¢ per Kwh

Next 200 Kwh per Kw of demand at 1.5¢ per Kwh

Next 200 Kwh per Kw of demand at 1.25¢ per Kwh

Over 500 Kwh per Kw of demand at 1.0¢ per Kwh

Minimum Monthly Charge: \$4.00

Effective:

MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By:

Carroll G. Oliver

Title:

Utility Manager

Cancelling

Sheet No. _____

RECEIVED

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 32

OFF PEAK GENERAL SERVICE

Applicable to:

Service between the hours of 11:00 p.m. and 7:00 a.m. only.

Character of Service:

Single or three-phase 60 hertz alternating current at
120/240, 240/120, 208Y/120, or 480Y/277 volts as available.

Monthly Rate:

All Kwh at 1.4¢ per Kwh

Minimum Monthly Charge: \$5.00

Conditions:

1. The customer shall provide a magnetic switch which may be operated by a time clock or other switching device to disconnect the service between the hours of 7:00 a.m. and 11:00 p.m.
2. Service under this schedule is not available to new customers after December 31, 1971.

Effective: _____

MAY 26 1974

Issued by: Municipal Light & Power Department
City of AnchorageBy: Carroll A. Oliver Title: Utility Manager

IV. UTILITIES

Community-owned utilities not only provide the important infrastructure of a city at costs well below those of the private market, but also could serve as the point of entry for broad public ownership of productive enterprise. Certain of the utilities, such as water, sewer and garbage collection, are already in widespread public ownership. Several thousand U.S. cities also own their electric power distribution systems. Many also produce their own electricity as well. Municipally-owned telephone and coal gas systems were once common. A handful of cities now own and operate cable television systems. For the most part, costs to the residents for these services are lower than equivalent private utility rates, and the cities earn substantial revenues above in lieu tax payments.

The success of power production could be a stepping stone to other community-owned productive enterprise. The Tennessee Valley Authority originally intended to maintain public ownership of the nitrate and aluminum plants it created and supplied with power near Muscle Shoals, Alabama. Those proposals were gutted by private industry, but the potential still exists in local communities.

The political history of publicly-owned utilities is as important as present economic considerations. Small groups

of citizens have fought for public ownership in this area for nearly a century, battling the Insull Power Trust, the Bell system, corrupt regulatory agencies and bought judges. The people lost a lot of those battles, but they also won a few. The surviving systems across the country are living symbols of the successes and benefits of community ownership. They may not always be perfect symbols, but they are irrefutable proof that community ownership works.

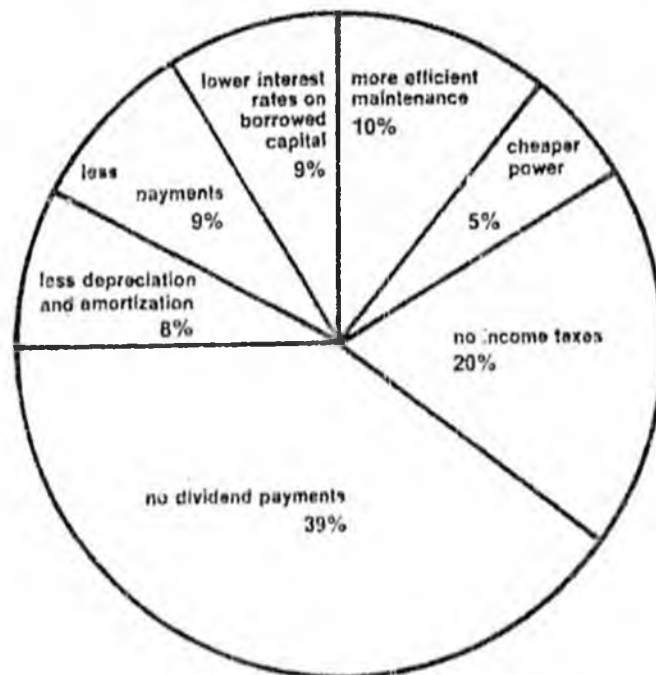
A. PUBLIC POWER

Local publicly-owned electric utilities exist in every state but Montana and Hawaii. The more than 2,000 systems include 1,893 municipally-owned electric utilities, and 109 state, county, or public utility district facilities. In addition, 930 electric cooperatives serve large sections of rural America. Together, public and cooperative electric systems reach 22 percent of the population, or nearly 50 million people.

The economics of public vs. private power are straightforward. Federal Power Commission figures for public and private utilities in 1971 show lower costs per kilowatt-hour (kwh) in virtually every aspect of the public systems' operation. The savings are even more remarkable considering the typically smaller scale at which publicly-owned utilities operate (one-twentieth the size on the average).

Exclusive of retained earnings, local publicly-owned

utilities show an average of 30 percent lower costs per kwh delivered than private utilities (see Chart). Public systems spend less on advertising, less for public relations, less for lobbying, less for local political donations, less for accounting and collecting, less for executive salaries, less for internal bureaucracy.



WHERE THE SAVINGS ARE FROM

This efficiency applies to electric power generation as well. The 1971 FPC statistics report that municipal power systems have 10 percent less net electric plant per customer than the investor-owned utilities, but deliver 12.2 percent more kilowatt-hours per customer. Delivering more electricity per customer from less plant is a very good indication of efficient operation.

The second major benefit of public power is local control. Management of community-owned utilities is directly responsible

to local residents, not to absentee owners. Basic decisions, such as plant location, rate of expansion, placement of power lines, type of power generation, and electricity rates can be made in public forums. Community-owned systems have no built-in reason for "padding" the rate base, or for setting rates at other than a level consistent with costs and local policies.

The publicly-owned power systems should be expanded into geothermal, solar, methane, wind, and other energy sources. The city of Santa Clara already has a pilot solar energy program. Solar heating units in this area are now nearly competitive in price to natural gas service. In a very short time, community solar utilities could well compete with natural gas service, especially if the price of natural gas is deregulated.

The Berkeley struggle to own its electrical distribution system goes back about ten years. In the mid-sixties, advocates of public power, supported by the recommendation of the then city manager, attempted to commission a feasibility study of public ownership. It was not until 1971, with the issue coming up each year, that the council agreed to commission the study. A relatively conservative engineering firm was chosen, approved by both Pacific Gas and Electric Company and the by then desperate public power advocates.

The feasibility study showed a clear pattern of future profits for the city of Berkeley, even though the projections were based on low utility rates (which have risen ten times

faster than projected), and high costs of operation and acquisition of the system. A public power measure was put on the ballot during the 1973 municipal election. PG&E and corporate friends spent over \$100,000 to defeat it, and also contributed heavily to the slate of corporate liberal candidates for city council which opposed the measure. The ordinance was defeated by a 42 percent to 58 percent vote.

The technical nature of the report enabled opponents of the measure to confuse much of the electorate during the campaign. The same feasibility study was used to "prove" that public power would bankrupt the city and force cutbacks in social programs serving the minority communities. PG&E flyers also emphasized the supposed inability of the city to run an electric distribution system, a claim that ignores the more than 2,000 municipal, district, and cooperatively-owned utilities in the country.

The Committee for Public Power again placed the initiative on the ballot in 1974, this time in the wake of election reform and huge PG&E rate increases. The committee was still vastly outspent, but it won 47.5 percent of the vote -- a significant increase. For now the issue is dormant, but a regional group called Electricity and Gas for People (E&GP -- turn PG&E around) has been continually exposing the profit-hungry activities of the utility. These activities will improve the chances for public power in Berkeley.

B. CABLE TELEVISION

Community-owned cable television not only can provide extraordinary public services and ultimately contribute generously to the general fund, but also holds the potential for a wide range of city functions. Use of CATV channels by the city government, school system, public health, public works, fire and police departments could easily provide sufficient benefits to warrant any internal subsidies necessary for community equipment pools and programming.

There are presently 14 community-owned cable television systems in the country, the largest in San Bruno, California, on the San Francisco peninsula. The existing systems are generally in small towns, but generate substantial income for local government.

Despite the potentially high profitability of CATV operations over the life of a system, initial capitalization and apprehension about the technology continue to persuade many cities to grant private franchises rather than undertake the enterprise themselves.

Larger cities have also been reluctant to undertake operation of the system because private cable companies in the urban areas have often lost money. Signal reception in the cities tends to be good, with a large number of broadcast stations to choose from. Urban cable companies realize they must offer new services to attract subscribers, but many simply have not been able to raise the capital to develop two-way communications or other innovative uses of the cable.

Berkeley has been squabbling with its CATV franchise since the day the system began operation in 1971. Bay Cablevision is currently in violation of performance, public service, and cable undergrounding requirements, and has not paid the minimum \$40,000 franchise fee to the city for the past two years. For its part, the city refuses to grant subscriber rate increases or official suspension of franchise requirements until the system makes its payments to the general fund. The two parties have been at a standoff for more than a year.

The city could easily sue Bay Cablevision for breach of contract, but the present council majority is not committed to public ownership, and it fears angering the remaining subscribers by throwing the system out of town.

A citizen's CATV Commission was established in 1974 to review the existing contract and make recommendations to the council. There is now considerable support on the commission for eventual community ownership, but no chance of securing the necessary funds from the council majority for a formal feasibility study. Until a detailed financial study of public ownership can be made, city council and commission alike are willing to let Bay Cablevision die a natural death.

Financing a community-owned system will normally be available through borrowing with city revenue bonds, or directly out of city long-term savings. Minority communities may in addition be eligible for federal funds, such as a MESBIC minority enterprise loan.

C. TELEPHONE SYSTEMS

The 1,500 small private and rural cooperative telephone companies in the U.S. offer the best evidence of a continuing financial rationale for community ownership. Operating in a market dominated by AT&T, these small systems generally maintain good service, solid growth, and often substantial return for investors or surpluses for user-owners.

The U.S. once had a great number of municipal telephone systems. Today only nine systems remain -- four in Alaska, one in Puerto Rico, and four rural systems in the Midwest. But this does not mean publicly-owned systems are not feasible. Among the Alaska systems are Fairbanks and Anchorage, well-run municipal urban telephone operations. The Puerto Rican system serves the entire island, with nearly 350,000 telephones in San Juan alone. Municipal telephone systems are still prevalent in the western provinces of Canada.

With the exception of urban nightmares like New York City, wiring a community with switching equipment and routing calls beyond local borders is a relatively simple matter. There is no compelling reason to duplicate AT&T's corporate structure, or its employment, service, and financial practices on the local level.

Local systems, public or private, have the option of purchasing low-cost equipment from the Asian markets at a considerable savings from AT&T-administered Western Electric prices. Community systems might also subscribe to alternative

long-distance relay systems now emerging from the specialized carrier industry.

The possible acquisition of the local telephone system in Berkeley has been suggested in all past Coalition platforms. However, no serious efforts have been made to commission a feasibility study or catalyze public support.

There have been relatively few condemnations of public utility facilities in the U.S., and none in the telephone industry. But the California State Constitution, and those of several other states, includes "communications" as a legitimate municipal responsibility. Condemnation proceedings would approximate those used against private power companies, involving either the State Public Utilities Commission or the courts.

D. COMBINED COMMUNICATION SERVICES

The services currently being offered by competing firms in the telecommunications field are the most diverse ever. Whole urban systems could be built with low-cost Asian equipment, customized interconnection, specialized carrier service via microwave and coaxial cables, and complementary CATV networking. An aggressive, farsighted community could finance such a total communications resource through tax-exempt bonds, and own it for posterity. Such systems would not only produce local jobs and retain community revenue, but also would broaden the scope and definition of the terms

"utility" and "public service."

On a more immediate level, cities can own and operate radio, broadcast television and newspaper operations. For example, New York City currently operates a radio station, WNYC. These have been discussed but not formally proposed as part of the Coalition program in Berkeley.

September 1973

ALASKA LEGAL SERVICES AND THE
ALASKA PUBLIC UTILITIES AND
TRANSPORTATION COMMISSIONS

The philosophy behind the creation of regulatory commissions in the United States was generally the protection of the public interest while allowing a reasonable financial return to regulated monopolies. The "reasonable" rate of return has occasioned voluminous case law--mainly because regulated monopolies seldom, if ever, face competition, that bastion of free enterprise.

The Alaska Public Utilities Commission

The Alaska Public Utilities Commission (APUC), ostensibly created to regulate utilities in the public interest, has since its creation demonstrated more of a philosophy of casual perusal of the operations of the Alaska public utilities. Certain members of the APUC, and staff members, have publicly expressed displeasure at even the remotest involvement by the public in utility proceedings.

There has never been an organized consumer group, or a rate-payers association, or any consumer entity to make an active presence in APUC proceedings. Alaska Legal Services (ALSC) has gained the reputation, at least with the APUC, as a consumer voice in utility proceedings. The APUC erroneously assumes that ALSC "speaks" for the consumer; in fact, ALSC lawyers have represented many clients in utility proceedings, but the Program has never held itself out to be a general advocate of the public interest or a monitor of regulatory commissions.

ALSC lawyers have indeed represented clients in many different types of utility proceedings. Currently on appeal to the Alaska Supreme Court is a case where an ALSC client challenged discrimination

gas rates assessed on residential consumers, occasioned by a natural gas company granting an illusorily favorable rate to large volume consumers. The APUC sustained that rate and the ALSC residential client appealed. The gas rate in question was not just a volume discount; it resulted in the residential consumers bearing an unfair share of the costs of service for the entire gas system.

The challenge was initiated in 1970; the APUC hearing process was lengthy, and the Superior Court appeal entailed one full year. Exhaustive briefs were filed by all sides, with eleven (!) full days of oral argument in the Superior Court.

In another case, ALSC's client village of South Naknek formally intervened in the RCA Bush Telephone proceeding, an extensive ongoing matter involving 142 different villages. This was done to get telephone service installed in South Naknek. ALSC later filed further motions with the APUC and formally requested that a hearing be held in South Naknek re the hardships caused by the lack of phone service there.

The morning following that ALSC motion, the APUC proposed an interim solution. The APUC ordered RCA technicians to set up the engineering, and proposals for interim and final solutions were formally presented by the APUC a week later. The interim solution was approved by ALSC's client village. A telephone is now operative in South Naknek.

Another proceeding involved Tok's local phone company's application to the APUC to delete certain communities adjacent to Tok from its service area. Residents of those communities feared that this move would convert the heretofore local phone rates into

toll rates.

The APUC had scheduled a public hearing in Tok on 4 days' notice on this application; ALSC protested the insufficient notice on behalf of its Dot Lake client, causing the APUC to cancel that hearing and reschedule another one, with three weeks' notice.

ALSC appeared at the rescheduled hearing and formally protested the application for reduction of the Tok service area, arguing that the resulting shift of responsibility to customers in the affected areas would hasten the change of heretofore local rates to toll rates. Heavy snowfall forced the RCA representatives to miss the Tok hearing, so ALSC requested that RCA respond in writing to all the queries in the hearing record that RCA would have had to answer had it been present. ALSC further requested that all customers who would be affected by the reduction in service area be supplied with RCA's response and given a chance to rebut. The APUC so ordered.

RCA's response was characteristically ambiguous, so ALSC filed a brief requesting an APUC Order (1) clarifying the utility's responsibility to customers, (2) a definitive statement on possible future toll rates occasioned by prospective higher switching costs because of a reduced service area, and (3) a finding on the inadequate notice of the application that was given to the phone subscribers.

The APUC later sustained the phone company's application, but assured all the subscribers that the decision would not result in higher phone rates.

The issue of "adequate notice" to Alaska rate payers had been propounded to the APUC by ALSC in another proceeding. The APUC had informed the public that it would soon promulgate its first official rules of practice and procedure, so ALSC submitted

numerous proposals and recommendations on behalf of its clients, and proposed numerous amendments to the APUC's own proposed new rules.

A hearing on the new rules was held on November 15, 1972. The daylong session was dominated by heated discussions on ALSC's proposals re in forma pauperis (the APUC had provided for none); bilingual notices and interpreters (the APUC had provided for none); adequate notice for bush areas (the APUC had provided for none); plus other poverty-related issues such as policy on security deposits and disputed bills, etc. ALSC submitted the only proposals in the public interest.

The APUC adopted almost every ALSC recommendation. The regulations regarding rate increases, etc., were to come later, so the matter of Notice (adequate, bilingual, and otherwise) remained a burning issue.

ALSC actively advised the APUC on the forthcoming regulations, especially on provisions for bilingual notice to customers. The APUC even requested a copy of ALSC's California PUC Rules which ALSC had cited as precedent for several proposals. The APUC had never even seen the California Rules. ALSC has the practice rules of every state and federal regulatory commission.

The second round of the promulgation of new APUC rules came in an all-day hearing on May 30, 1973. ALSC's extensive recommendations for its clients regarding effective notice of rate increases, and security deposit policy, were prime topics of discussion. On several occasions the APUC called upon ALSC to render an opinion on behalf of consumers, since everyone else present in the hearing represented utilities.

In addition to the natural gas case, ALSC's mushrooming technical expertise in utility matters further emerged in the Glacier Telephone rate case. On November 24, 1972, the APUC gave two weeks' public notice that the Glacier State Telephone Company, serving Kodiak, Seldovia, Nome, North Pole, Nenana, Delta Junction, Homer and Kenai, had applied to increase (double) its service and mileage rates.

On December 8th ALSC filed a formal protest on behalf of the Kodiak Area Native Association, on the grounds that (1) the phone company would realize an unreasonable rate of return; (2) the rate increase was not consistent with President Nixon's Economic Stabilization Program; (3) the proposed rates were discriminatory. ALSC requested a formal investigation by the APUC into the phone company's existing rate structure.

ALSC had made a similar request to the APUC in 1970 regarding the Anchorage Natural Gas Company which was denied; this is a major part of the appeal now before the Supreme Court.

In the Glacier Telephone case, however, the APUC suspended Glacier's rate application on December 12, 1972. The APUC stated that numerous protests had been received, so it felt it necessary to examine (1) whether the phone company would realize an unreasonable rate of return; (2) whether the rate increase was consistent with President Nixon's Economic Stabilization Program; and (3) whether the proposed rates were discriminatory. The APUC ordered a formal rate investigation into the phone company's existing rate structure.

ALSC challenged the proposed rate increase on behalf of its client native association in the public hearings held on the

Glacier rate application. For the first time in any APUC proceeding, the APUC Staff appeared as a party to the Glacier proceeding and conducted a full rate study into the phone company's existing rates as well as the proposed ones. In fact, the APUC Staff vigorously opposed the Glacier State application, and utilized its technical expertise to pick apart Glacier's "boilerplate" application. Since the APUC Staff adequately covered the technical aspects of the Glacier rate case, ALSC focused its protest on inadequacy of service as a basis for denying the higher rates.

It is safe to assume that directly because of ALSC's probing, technical, and competent practice before the APUC, the APUC Staff has finally taken a position in a rate case that it should have been taking ever since the creation of the APUC. One would be hard-pressed to think of another reason, since it has been ALSC alone which has represented consumer interests before the APUC. The action by the APUC Staff in the Glacier rate case is one of the most beneficial results of ALSC's practice before the APUC. Hopefully the APUC Staff will carry on.

Ever since ALSC has increased its participation in technical public utilities matters, ALSC recommendations on rules of practice and procedure have been adopted by the APUC; the APUC Staff has taken a position on behalf of Alaska consumers, although the APUC and/or its Staff would probably never admit it. A telephone was installed in a remote village; a small thing, perhaps, but an event with enormous impact on the adjacent area encompassing thousands of square miles.

ALSC keeps in touch with APUC proceedings by subscribing to the APUC mailing list of all APUC Public Notices, and by constant

scrutiny of regulations and decisions of other state and federal regulatory commissions, and the Courts. It is unfortunate in a sense that ALSC has gained the reputation with the APUC that it "represents" Alaska consumers; that function should be carried out ~~by~~ by the Attorney General's Consumer Protection Division, or an organized consumer group, etc. However, the fact remains that ALSC's low-income clients gain direct benefit from ALSC's technical public utilities expertise, regardless of the benefit to other consumers.

The Alaska Transportation Commission

ALSC also subscribes to all Public Notices of the Alaska Transportation Commission (ATC). The ATC regulates all intra-state common carriers in Alaska: airlines, busses, taxis, freight trucks, garbage trucks, tow trucks, etc., etc.

Compared to the ATC, the Alaska Public Utilities Commission is a model of decorum, ethics, and public-spirited cooperation. The ATC has never publicly acknowledged even the remotest interest in the public. Every protested application or proceeding always involves only competing carriers, or disgruntled other businesses affected by proposed changes in rates and/or service.

what's → Ex parte contacts are standard procedure with the ATC; most reputable private attorneys deplore the ex parte ATC practice, but feel they "have to do it". If they don't, they will be rolled over by the opposition who does.

Lately, however, the ATC has taken notice of the public interest, largely because of an ATC proceeding in which the Fort Yukon Native

Association intervened, represented by ALSC.

The Upper Yukon area had only one air taxi and scheduled carrier when another private carrier petitioned the ATC for an air taxi certificate in that area. An earlier application by another carrier had been denied. ALSC's client native association had been granted standing ^{by the ATC} to intervene in that earlier proceeding, but the ATC never granted the Fort Yukon hearing that ALSC requested.

In the later proceeding, however, the native association intervened in support of the new carrier's application, hoping to enhance the air transport situation in and around Fort Yukon by competition and increased service. ALSC ~~requested~~ requested a hearing in Fort Yukon rather than the customary Anchorage hearing, since all the prospective passengers reside in Fort Yukon.

The ATC ordered a Fort Yukon hearing, with language to the effect that the hearing would attempt to include the overall air service investigation promised by the ATC to the native association in the earlier proceeding.

During the Fort Yukon hearing, and before the native association could present its case showing the inadequacy of the present service offered by the existing sole carrier, the applicant and the protestant (the existing carrier) made a deal. They figured out between themselves who they would divide up the territory, and made agreements as to restrictions on service, etc.

However, ALSC reminded both parties that any "deal" would have to be a three-way deal, since the native association was an official party to the proceeding. The native association objected to some of the items in the original two-way "deal", but the other

parties quickly agreed to the changes proposed by the native ~~association~~ association, and a stipulation was placed into the hearing record. Part of the stipulation was an urging by all the parties that an informal investigation of all the air service in the whole Upper Yukon region be made forthwith by the ATC.

A significant factor in the settlement of this case was that the protestant carrier had hearings set soon on two applications of its own. The same hearing officer in the Fort Yukon matter would conduct at least one of the hearings, probably both. The protestant carrier was well aware that ALSC could (and would) parade three or four non-stop days of atrocity testimony on the protestant's service before the ATC, so it decided to make the "deal".

The native association had ~~enhanced~~ enhanced the three-way deal by subtly informing the applicant and the protestant that if they did not agree to the native associations's changes in the original deal, the native association would be forced to intervene in every single ATC proceeding involving carriers in the Upper Yukon region in order to put the case for the people before the ATC. The parties were on notice that in the event the ~~application~~ application was granted but the air service investigation was ignored, the native association would reopen the whole proceeding.

The Fort Yukon case, including both proceedings, was the first ATC case that ALSC actively participated in. ALSC clients are constantly informing ALSC lawyers about problems with air service, rates, credit, safety, customer relations, etc., etc.

Low-income clients and the general public would certainly benefit ~~from~~ from the ATC assuming a more public-interest oriented approach to transport regulation. For example, during the winter of 1972-73, an international bus line operating between Whitehorse

and Fairbanks wrote a letter to the ATC requesting authority to suspend its winter operations until the summer when the line would again be profitable. The rationale was that the carrier was ~~losing~~ losing money in the winter.

The ATC summarily granted the bus line's request, even though it had no jurisdiction to do so, and without even the slightest notice of the bus line's request or the ATC decision to the public.

The only notice to the public along the bus route was the fact that one day the bus service mysteriously stopped. Queries to the bus company received the typical response that the bus company had been granted the proper authority to suspend its winter service.

Somebody informed the Interstate Commerce Commission, however, and within a couple of days the ATC was eating its own words and the busses were running. The ATC was forced to issue another formal "Order" rescinding the first formal order, and to admit that it lacked the jurisdiction to suspend service of an international bus line. The ICC didn't fool around; the busses went back on schedule, regardless of the lack of winter profits.

The action by the ATC in that bus matter is merely typical of the flavor of ATC proceedings today. If any area of Alaska administrative law demands reform and scrutiny by the public, it is the ATC. Similar to ALSC's actions with the APUC, increased involvement with the ATC by ALSC on behalf of its clients can only result in an improvement of that so-called "regulatory" commission.

Public Utilities and Transportation are ~~two~~ two areas of administrative law sufficiently limited so technical expertise can be quickly developed by legal services lawyers. The impact

of the decisions made by these commissions is tremendous, both on the low-income and general public.

ALSC's involvement with the APUC has already produced tangible results, with more definitely forthcoming. The ATC has barely been jostled, but increased participation by ALSC will virtually assure a permanent reserved seat for the public interest in air, ground, and water transportation proceedings in the near future. That result will be a great benefit to everybody, in addition to low-income clients.

Continued (or increased) specialization within these two regulatory commissions can easily be done by one or more legal services lawyers allocating a significant portion of their time to cases in this area. A considerable amount of time must be spent on utility matters, including preparation, research, and technical education. The technical aspect is very important, since many APUC and ATC cases involve tortured questions of economics, demand, revenue, returns, and a myriad of terms and concepts from the lexicon of utility economics.

Because of the present state of ~~flux~~ flux of these two commissions, now is the time to act. The Attorney General's Consumer Protection office will hopefully assume someday the role in the regulatory proceedings that has been thrust upon ALSC. It is the duty of that office to do so.

In the interim, however, as long as it may be required, ALSC's participation in these regulatory proceedings on behalf of its clients has the force and effect of massive class actions. The relief granted for one client is granted across the board to everyone within that client's class of service or rates. The Public Utilities Commission realized this long ago; witness their impression that ALSC is the Alaska "voice" of the public interest.

State Needs a Public Energy Corporation

ARCO Gas Deal Shows Lack of Comprehensive Policy for California

BY DEREK SHEARER

This is the day that the Assembly's energy committee begins hearings on the Atlantic Richfield/Southern California Gas exploration arrangement—one of the most controversial decisions in the 64-year history of the state's Public Utilities Commission.

PUC commissioners Leonard Ross and Robert Batinovich, among others, will be called to explain the energy deal—which Batinovich has labeled "blackmail" but which he voted for, explaining he had no choice. "Dealing with ARCO," he says, "is like dealing with a foreign power."

Under the arrangement, consumers will pay an added charge on their utility bills, averaging \$2.50 a month over seven years. The \$600 million thus collected will pay the interest and taxes on borrowings from commercial banks for ARCO's "development costs" at the Prudhoe Bay gas fields in Alaska. In return, ARCO will offer Southern California Gas the right to negotiate purchase of natural gas supplies, which might otherwise become precariously low.

In due course, the PUC is expected to approve an equally complex deal to help cover Exxon's costs in developing Alaska gas—a supply source slated for sale to Pacific Gas and Electric in Northern California.

In effect, the public will be providing capital to private oil companies—but with far fewer gains than customarily accrue to the venture capitalist. Batinovich blames the pro-industry policies of the Federal Power Commission for forcing such deals on California.

The deal, in fact, provides no guarantee—only a strong likelihood—that Alaska gas will actually reach Southern California. It remains theoretically possible for ARCO to sell the gas elsewhere, in which case ARCO would have to return the \$600 million plus 7% interest.

The PUC's decision to approve the plan is one more example—the offshore oil controversy is another—of the state's failure to adopt a comprehensive energy policy. Instead, public officials move from crisis to crisis, choosing lesser evils on a stopgap basis rather than formulating long-range policy for the ultimate benefit of all Californians.

The PUC, of course, is established by statute as a regulatory body, so it cannot be held primarily at fault for failing to produce long-term policy. Further complicating its function is the governor's failure to give it solid guidance. Under the Warren-Alquist bill passed last year, the new State Energy Commission supposedly plays the key role in forging overall energy policy for California. Experience so far indicates that the commission is unlikely to fulfill this task, for it has been

so mired in controversy and internal bickering that paralysis has set in.

Gov. Brown himself lacks a definite energy philosophy—a deficiency reflected in the mixed quality of his appointments to the new commission. Former Assembly Speaker Bob Moretti was obviously named for political reasons—he has no special background in the energy field—and apparently has outfoxed the other commissioners, not least of all Chairman Richard Maullin. By placing his own people in key staff positions, Moretti appears to have gained dominance for his pro-growth and pro-nuclear views.

Another commissioner, Dr. Ronald Doctor, is so disturbed by the workings of the commission—particularly the secrecy of its meetings—that he and Moretti are in a state of open warfare. In his public comments, Doctor makes no bones about the commission's inability to promulgate energy policy in the public interest. No wonder the Public Utilities Commission is obliged to pick up the pieces as

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best it can, for it has been cast by default in a policymaking role.

If the energy commission is incapable of charting an energy course—let alone implementing it—policy will continue to be made by the energy companies working through the PUC, as happened in the ARCO deal.

What is needed to avoid this pitfall is the institutional means for setting policy in the public interest and then to carry it out. Such a cohesive policy has been proposed for California by Dr. John Wilson of the Cornell Energy Study Group. In a memo to the Legislature, he set these basic targets:

—Conserving available energy resources.

—Increasing energy supplied in ways consistent with economic development and environmental protection.

—Restraining unwarranted price hikes rooted in monopolistic excesses or inefficiency.

Given the present void in energy planning, the Legislature itself should move in. To begin with, it should declare that providing adequate supplies of electricity, refined petroleum, natural gas, coal and other energy sources is essential for the health, safety and well-being of the people of California. But it should go further than these generalities and obtain governmental access to data on resources, costs and other aspects of energy

production, distribution and sales. Even more important, the Legislature should find some way to assure that the supply of energy is controlled by a public body—for everybody's benefit.

The staff of the Assembly's Energy Committee believes that one way to implement a comprehensive policy is by establishing a new, publicly accountable state mechanism—either a state energy agency or an energy corporation.

Earlier this year, Committee Chairman Charles Warren (D-Los Angeles) introduced AB 632, which would set up a California Public Oil and Gas Corp. Models envisioned by Warren are public energy companies already operating in Canada to assure adequate energy supplies at reasonable prices.

Under Warren's bill, a state body of this type would engage in such functions as joint partnerships with private companies, independent studies of offshore oil and reserves on public lands, brokering of oil and gas for public utilities and research on alternative energy sources from solar to geothermal. Thus, a public corporation could negotiate directly for gas with the state of Alaska or with Canada.

"A public corporation would save us money and prevent more ARCO-type deals," says PUC Commissioner Batinovich. Like his fellow commissioners, he has endorsed Warren's bill, provided that such a corporation is exempted from civil service and operated on a business-like basis.

How likely is passage? Opposition, to say the least, is formidable. Part of it comes from the energy companies, whose power to make favorable deals would be diminished. Also opposed are free-enterprise traditionalists who lament any further intrusion by government into the private sector. And then there are all those—perhaps including the governor himself—who eye with deep suspicion any growth of the bureaucracy, with the additional red tape they fear that would entail.

But, on balance, creating a public energy corporation is an idea whose time has come. To choose against it would be to choose for a continuation of the present slapdash system that militates against the consuming public.

Energy markets today are so dominated by a handful of multinational corporations that reliance on the "free market" concept is illusory. Since energy policy on the federal level is oriented toward the interests of industry, the Legislature and the governor of this state should adopt the principle that energy resources be publicly controlled.

That is the only way to prevent California's whole energy future from being determined in the board rooms of Exxon and ARCO.

Report on Alaskan Utilities

Alaskan Public Interest Research

December, 1976

James Love

INTRODUCTION

This paper is an attempt to analyze the effectiveness of utility regulation throughout Alaska and to give other background in terms of types of utilities operating, whether they are publicly or privately owned; to give a background of the members of the Public Utilities Commission; to bring out some of the major issues that will be facing our state within the next few years; and attempt in this brief, informal paper to impart a basic understanding of how most Alaskans relate to utilities in the State of Alaska.

PROFILES OF ALASKAN UTILITIES

In Alaska there are approximately 190 utilities operating which hold certificates of public convenience from the Public Utilities Commission. Of these, 109 are privately owned, 14 are REA cooperatives and the remaining 67 are run by municipalities. Of these 190 utilities, 121 are regulated as to rates and services by the PUC and the remainder are either regulated by a local government or not regulated at all. Alaskan utility law is that all municipal utilities or private utilities which gross less than \$25,000 a year may be exempted from regulation by the Public Utilities Commission. Municipal utilities can elect to come under the jurisdiction of the PUC which is the case in Anchorage as well as some other cities in Alaska. These 190 utilities are broken down into 47 electrical, 39 telecommunications, 50 water, 26 sewer, 5 gas, 1 steam and 22 garbage and refuse utilities.

In the months of January to November, 1975, approximately 95 rate cases were filed with the PUC. Of these, 39 were either permanent or interim rate increases and 56 were fuel rate cost adjustments which were simply the pass-through of increased fuel costs. These rate increases are broken down into seven rate increases filed for garbage and refuse companies; 15 either interim or permanent increases and 55 fuel rate cost adjustments filed by electrical companies; two rate cases filed by natural gas companies; one fuel adjustment clause flow-through filed by natural gas companies; seven rate increases filed by cable

Profile of Alaskan Utilities, Continued

television; three by water utilities; five by telephone companies. The amount of increases which were filed for by various utilities ranges from a low of approximately 10% to a high of up to 425% for one water utility. The majority of the increases being filed for ranges between 25% to 60%.

Investigation into these rate cases is conducted by a woefully inadequate PUC staff. At present the Public Utilities Commission employs for purposes of investigating proposed rate increases five individuals who are either tariff or fiscal experts. In addition to these persons, the PUC staff has part-time access to counsel from the Attorney General's Office.

Until recently the activities of the Public Utilities Commission were not taken seriously by Alaskan legislators. The original PUC was called the Public Service Commission, which was established through legislation passed in 1962. At that time the Public Services Commission included the regulation of the transportation as well as the utilities in Alaska. The Public Services Commission did not actually begin functioning until January 1, 1964 (approximately five years after statehood). From 1964 until 1970, the Public Services Commission operated with three part-time commissioners appointed to serve in a semi-voluntary capacity. Transportation was separated from the Public Services Commission into its own regulatory body in 1966. In 1970 the Public Utilities Commission was created by the Legislature and three full-time commissioner positions were then established. From that time until very recently, the member-

Profile of Alaskan Utilities, Continued

ship of the PUC was pro utility and effective regulation of utilities was a joke in Alaska. This changed recently, partially through the addition of two new members to the Public Utilities Commission which swelled its membership to five. In addition, Commissioner James Hendershot, one of the worst of the previous commissioners, was forced to resign last winter when a telegram surfaced revealing communication between Hendershot and the head of RCA Alaska. It was clear from this correspondence that Hendershot was RCA's representative on the PUC.

In 1975, general public dissatisfaction with the Commission led the Legislature to create two new consumer member positions. These members are appointed from the general public at-large. Presently, the two consumer members are Susan Knowles and Carolyn Guess. Susan Knowles, an AkPIRG member whose appointment AkPIRG lobbied for, is bright, idealistic, and a very capable member of the Commission. Carolyn Guess, also an AkPIRG member, is the other consumer member on the Commission. Carolyn was reportedly appointed in sympathy of the fact that her husband, a former Speaker of the House and candidate for the U.S. Senate in 1974 died of a heart attack last winter. Prior to her appointment to the Public Utilities Commission, Carolyn's background with utilities included an appointment to the Alaska Broadcasting Commission, and her late husband was a member of the Board of Directors of Central Alaska Utilities, one of the more dis-

Profile of Alaskan Utilities, Continued

reputable utilities companies operating in Alaska.

The other members of the PUC include a lawyer, a person with a business background and an engineer. The Commissioner now serving the lawyer slot has served on the Commission for one year. He is probably the strongest member of the Commission and is performing like a real consumer advocate. The engineer sitting on the PUC is Marvin Weatherly. Mr. Weatherly was formerly appointed by Governor Hammond as the head of the Governor's Office of Telecommunications and was one of the prime negotiators in the Governor's Office between the state and RCA over the establishment of satellite telecommunications for rural Alaska. Weatherly made his name as a tough public advocate who has taken a hard line against RCA on behalf of the state. Mr. Weatherly is considered an unknown factor as far as other utility issues are concerned. The business representative on the PUC, Mr. Gordon Zerbetz, has been on the Commission on and off since its inception.

The Legislature added the consumer members to the PUC specifically to stack the Board's membership more towards the public interest. At this time, we're really not sure how the consumer members are going to differ from the other members in terms of their role on regulatory issues. So far, and I think the way it will probably be in an ongoing way, is that the two consumer members of the Public Utilities Commission sit with the other three members as a five member body and hear testimony and make decisions. The consumer members don't bring evidence before the

Profile of Alaskan Utilities, Continued

Commission or provide direct testimony themselves or in any other way perform a different function than the other three members of the Commission. In effect, the consumer members are hampered as the other commissioners are in that they have to make their decisions based upon the testimony provided them (by utility companies, by their own inadequate staff and by whatever public participation may come forward) in the quasi-judicial setting and they are not in a position to otherwise influence the outcome of rate cases.

The primary benefit to consumers is that the two new members of the Commission perceive themselves as consumer advocates. They feel their responsibility is more towards consumers and accordingly have taken more of an interest in a lot of the issues that concern the consumer, i.e., possible new rate structures which favor residential users, certain types of service complaints. They have taken a larger interest in the consumer side of the public utility regulation and are generally more responsive to arguments which favor consumers. However, in essence, their actual role in hearings is no different than any other member of the Public Utilities Commission.

On conflict of interest statements, Commissioner Guess reported income from one of the larger law firms in Alaska, Ely, Guess & Rudd, a firm which has included two former attorney generals and a former Speaker of the House as partners. Guess's association with this law firm is largely ended since the death

Profile of Alaskan Utilities, Continued

of her husband and her appointment to the PUC. Susan Knowles shows income primarily from a development and engineering firm which employed her and Grizzly Burger, a hamburger restaurant owned by her husband. Her husband, Tony Knowles, is a member of the Anchorage Municipal Assembly. Mr. Weatherly, the engineer member of the Commission, is a stockholder and an incorporator for a broadcasting corporation for Juneau and has worked extensively in the broadcasting field throughout Alaska. Commissioner Zerbetz is probably the wealthiest of the commissioners, owning large amounts of real estate in Ketchikan, stock in numerous corporations doing business in Alaska and holding numerous natural resource leases. Commissioner Edwards, the commissioner serving the lower slot, reported income for his wife in a number of energy and utility corporations including Union Oil of California, Baltimore Gas and Electric, Exxon, Black Hills Oil Marketeers, Chevron Oil Corporation, American Electrical Power Company, Montana/Dakota Utility Company, Gulf Oil, Texaco Oil and several other corporations which are not directly energy or utility related. Edwards also lists natural resources leases, including an apparent joint ownership with Commissioner Zerbetz on one natural resource lease which was sold in December, 1974 to another party (the approximate time of Edwards' appointment).

ISSUES IN ALASKAN UTILITIES TODAY

Natural Gas:

In 1959, large natural gas deposits were discovered on the Kenai Peninsula approximately 100 miles from Anchorage, Alaska's largest city. The leaseholders sold their interests to Union Oil of California and Marathon Oil Company who is the group I'll refer to as the owners of the gas deposits. Union/Marathon then entered into an agreement with Honolulu Gas, an Hawaiian based company, to build a pipeline from the Kenai area to Anchorage and a distribution company for natural gas.

Honolulu Gas constructed and operated the gas company and the distribution company and financed it with bonds guaranteed by Union/Marathon. The first gas meter was turned on in Anchorage in 1961, three years previous to the actual functioning of the Public Services Commission. Shortly thereafter, the pipeline company and the distribution company were acquired by Alaska Interstate, a Houston based holding company which owns a number of engineering, energy, agricultural, manufacturing and construction firms and other enterprises in Alaska, the United States and other parts of the world, including Indonesia.

At this time, the gas company (the distribution and the pipeline company hereafter jointly referred to as AGAS) is the second largest private utility in Alaska. (RCA which serves the telephone long-line service is the largest private utility in

Natural Gas, Continued

Alaska). In 1974, AGAS had annual receipts of approximately 25 million dollars. Since its inception and since it actually began selling gas to Anchorage consumers in 1961 until 1975 AGAS has never undergone a full scale rate investigation by the Public Utilities Commission. Never at any point has there been an attempt made by the PUC to establish what the proper and reasonable rate of return would be for the gas company. Consequently, the public has never known whether or not the company's profits were excessive.

In the gas company's first 8 years of operation, the legislature had given jurisdiction to the PUC for regulating the distribution company but not the pipeline company which was the sole supplier of natural gas for the distribution company. During this time both the distribution company and the pipeline company were owned by the same holding company. Alaska Interstate merely hid the profits of the gas company's operations in the unregulated pipeline company and so the distribution company showed small profits and occasional losses in its annual reports.

This defect was finally dealt with by the Alaskan legislature in 1969 and at that time it was widely assumed that the change in statutes which gave the PUC the authority to regulate the pipeline company would result in a rate investigation initiated by the PUC. However, this did not occur at that time and was not actually initiated until 1975.

Natural Gas, Continued

During the period of time when the company was allowed to separate their profits for the purpose of regulation Wally Hickel, a major stockholder in Alaska Interstate, was the governor of Alaska. While Hickel was governor and before he was the Secretary of the Interior, the pipeline company negotiated a contract for natural gas sales to the military base located in Anchorage. This contract put 200 coalminers out of work in the Matanuska Valley. (They had previously been supplying coal to the military base.) The gas company put on a big to-do saying the sale of natural gas to the military would result in a cut in residential consumer rates.

The sale to the military was consummated in 1967 but the promised rate decrease never materialized to the extent that was originally promised. Profits for the pipeline company soared, still unregulated.

The individual who negotiated the contract for the military was General Reeves. The year after the contract was negotiated, General Reeves retired from the Army and became the president of the gas pipeline company. Reeves retained his presidency up until this past year. He's now retired and drawing a pension from Alaska Interstate.

In addition to owning the pipeline company and the distribution company, Alaska Interstate owns the engineering firm which built the pipeline; the corporation which leases office and warehouse space to the distribution company; and is currently involved in natural gas exploration in the Cook Inlet area which, if successful, will then sell natural gas to the distribution company.

Natural Gas, Continued

In 1969, a study was commissioned by the PUC to the accounting firm of Ernst & Ernst to probe into whether or not the gas company was realizing excessive profits on its natural gas distributorship in Anchorage. As a result of the study, Ernst & Ernst recommended that the Public Utilities Commission examine the reasonableness of the many costs directed at either the regulated companies or those companies which were not regulated and also to establish whether or not the costs and expenses that were borne by Anchorage consumers could have been borne or accounted to other areas of Alaska Interstate activities.

Up to this point, an investigation into the reasonableness of these rates and relationships has never been conducted by the PUC. There is a current rate case that was initiated this year for the natural gas rates in Anchorage. The reason that the case was initiated was that the gas company renegotiated its wellhead contract with Union/Marathon. The renegotiation resulted in an approximate doubling of the wellhead price of natural gas. At that time, the natural gas distribution company had a fuel adjustment flowthrough in their tariff and they attempted to flowthrough the doubling of the wellhead price to Anchorage consumers.

Alaskans were fortunate at that time that there had recently been an appointment of a consumer oriented member to the PUC, Commissioner Dick Edwards. The gas company's flowthrough attempt was suspended by Edwards and Zerbetz, with

Natural Gas, Continued

Hendershot dissenting. An investigation was initiated into whether or not the flowthrough provision should be dropped from the tariff, whether or not the gas company should file for a permanent rate increase and go through rate hearings.

The gas company threatened to interrupt service to its customers and for the first time PUC got tough and initiated investigation into whether or not they should lift the gas company's certificate of convenience. The gas company was brought into line by this action and the current status is that an interim rate hike has been given the utility which was about 60% of what they originally requested. A permanent rate case has been filed by the utility and is under review.

One recommendation that AkPIRG has made during the gas company's rate cases is that the Public Utilities Commission recommend to the legislature that they (PUC) be given the authority to regulate the price of natural gas at the well-head. There is a good deal of sympathy for this on the PUC and among certain legislators but we're sure there will be a good deal of political opposition as well. The reason for this opposition can be traced by reviewing who the actual leaseholders of the Kenai gas are and how they originally obtained their gas rights.

The story goes back to 1957 and is a miniature Teapot Dome Scandal. In 1957, Fred Seton, then Secretary of the Interior, and a collection of Anchorage businessmen flew down to the Kenai peninsula on a private outing. Shortly after that trip,

Natural Gas, Continued

every one of the businessmen who had been on the plane filed on oil and gas leases in the Kenai - Swanson River areas. At that time, no one in Alaska had ever heard of oil and gas leases.

Two of these leaseholders are Bob Atwood, the publisher of Alaska's largest newspaper, the powerful Anchorage Times, and his brother-in-law Elmer Rasmusson, the president of the state's largest bank. Their contracts and the others with Union/Marathon reportedly include a percentage of the company's sale price for the gas so any rollback in the wellhead price of natural gas will mean lost bucks and will meet with considerable resistance.

At the recent interim rate hearings the Gas Company asked the PUC to allow them a special Alaska Factor of 2% which would be added to any percentage of the rate of return that their own experts could justify as reasonable. In theory, the Alaska Factor is to make the Alaskan utilities on a par with utilities in other states on the capital market since Alaska is such a distant unknown area that investors are generally ignorant and reluctant to risk making investments up here. We think this argument is about as absurd as a Colorado or Nebraska Factor. What makes this argument even more ridiculous is that the Alaska Gas Company has been using the same financial institutions for a majority of their financing for over a decade. Furthermore, the gas company's own experts admitted under cross examination by

Natural Gas, Continued

AkPIRG that contracted and known uncommitted natural gas reserves which are available to the utility are the single most important consideration in determining risk for a gas company. The Alaska utility is far superior to almost any utility in the country as far as the reserves that are available.

The gas company brought in expensive consultants from Texas and Washington, D.C., who hammered at this and other points. The PUC commissioners, against their biases, gave an Alaskan Factor on its rate of return. This is one area we hope to knock down in the permanent rate increase hearings by providing economists and experts who can give knowledgeable testimony to discredit this practice.

Telecommunications:

RCA Alaska is the state's telephone long lines carrier and the state's largest private utility. RCA Alaska grossed over 41 million dollars in 1974. As the state's long lines carrier, RCA Alaska Communications, Inc. grossed over three times more than the next largest telephone utility which is the Anchorage Municipal Telephone Company.

RCA Alaska is reportedly one of the national RCA's most profitable subsidiaries. The company has a reputation for poor service and there is a great deal of suspicion that the rates are unreasonably high. Jon Rowe and I spoke with Commissioner Dick Edwards who felt that one of the next major utility cases

Telecommunications, Continued

in Alaska would be a rate case initiated by the public or by the PUC to get a reduction in long lines telephone rates. This is due to the fact that the technology for RCA has been improved to the extent that the cost has been greatly reduced.

The general public dissatisfaction with RCA has caused the state to be somewhat apprehensive about jumping into bed with RCA insofar as developing satellite communications for the majority of rural Alaska. What's at stake is the launching of a satellite to serve Alaska and the building of earth stations throughout the state. The state wants to own as many of the facilities as possible and simply lease them to whatever private utility operates them so that it can be in a better bargaining position.

RCA is doing everything it can to see that it launches the satellite and owns the earth stations. Recently, AT&T intervened in the proceedings before the FCC and indicated a desire to compete with RCA's proposal. This controversy will be ultimately resolved by the Alaska Legislature and the Federal Communications Commission.

Interestingly enough, Ma Bell at this time has no foothold in any of the Alaska Telephone companies. The largest Outside telephone company doing business in Alaska is Continental. The two largest telephone companies, next to RCA, are municipal telephone utilities in Fairbanks and Anchorage.

Hydroelectric Power:

Hydroelectric power, primarily for Southeast Alaska, has been pushed rather hard by the Southeast Conference. There are some who question the economic wisdom of committing the state to large hydroelectrical projects in Southeast Alaska. As a result, the Legislature authorized a \$200,000 interim study into the economics of hydroelectric power in the southeast primarily comparing the cost to that of conventional diesel power.

Although results of this study are not yet known, there is considerable speculation that the study will discredit the cost advantages of hydroelectric projects. The lobbyist for the Southeast Conference, Bill Boardman, is a former Speaker of the House of Representatives who is currently married to Senator Genie Chance, Chairwoman of the Legislative Council. The Legislative Council is the interim body which administers legislative studies, etc.

In a move to trim the Legislature's somewhat wasteful budget, Senator Chance recently attempted to cut the power study appropriation without informing other Council members. Although unsuccessful, it at least provides an indication that the hydroelectric lobby is opposed to the completion of this study.

Electrical Utilities:

As mentioned previously, the largest amount of rate cases that have been filed in Alaska have been for electric utilities.

Electrical Utilities, Continued

This includes five interim rate cases being filed in 1975, 10 permanent rate cases and 55 fuel rate cost adjustments.

In Anchorage, the municipal electrical company has recently filed for a 51% increase. The primary reasons for the increase are whopping big wage settlements, higher interest rates and the effect of the rate hike for natural gas which is the chief source of power for electricity in Anchorage. The 51% rate figure was only filed for by the electrical company in October of this year.

Utility officials actually knew in late 1974 that the electrical company was in bad financial shape. A political decision was made to hold up the filing of any large rate increase for the electrical company until after the September 9th mayoral election. The electric company was run by the City of Anchorage at that time when the two governments (City and Borough) were divided. The election for the unified government of the city and the borough had two main contenders: the borough mayor and the city mayor. The city mayor ran on a platform of fiscal responsibility, having run utilities at low and efficient rates and keeping taxes down.

In 1974, the electrical company was forced to subsidize the tax base beyond what was economically wise. As a result of this and the belated filing of the rate increase, the electric utility jeopardized its bond trading and was forced to defer important capital improvements which must now be

Electrical Utilities, Continued

financed in a generally poor market for municipal bonds.

The Anchorage consumer is going to pick up the tab for this decision through poor service and an inflated cost at providing capital improvements and financing them.

Alaskan consumers probably need to take a look at the management practices of other electrical utilities in Alaska. AkPIRG has received complaints about corrupt practices in Chugiak Electric Association, the state's largest REA cooperative. This same utility recently changed its bylaws to eliminate the right of co-op members to make nominations for the Board of Directors from the floor at the annual meeting. In order to be a candidate for the Board of Directors, you have to be nominated by the nominating committee which is appointed by the incumbent Board of Directors. AkPIRG hopes to organize a challenge to this at their next annual meeting.

Water Utilities:

The state's second largest regulated water utility is Central Alaska Utility. CAU has a reputation for poor service and shady financial dealings. Its predecessors, Spenard Utilities, made a good deal of its money by its questionable obtaining of water rights. For example, in the mid-sixties an incredible rip-off of water was pulled off with the aid of the State Housing Authority (ASHA).

The scene of this rip-off was a moderate to low-income subdivision called Nunaka Valley. Nunaka Valley was originally

Water Utilities, Continued

an FHA financed project which had gone belly up in the mid-fifties. The project was placed in receivership and managed by ASHA for FHA. Nunaka Valley had good water wells which supplied the local homeowners at no cost.

In the mid sixties, Spenard Utilities was attempting to develop a water concession in the general area surrounding the Nunaka Valley subdivision. Spenard Utilities entered into a lease with ASHA for the water wells with an option to purchase. Spenard Utilities then turned around and began selling the water to nearby subdivisions. At the time the lease with the option to purchase was negotiated, Don Mellish, a member of the ASHA board of directors and currently the president of the National Bank of Alaska, the state's largest bank, was the largest stockholder in Spenard Utilities.

When the option to purchase was exercised, a former utility board member was again on the ASHA board of directors.

Upon exercising their contract of purchase, Spenard Utilities began billing the Nunaka Valley residents for their water rights. The outraged citizens hired an attorney and sued the water company and the Housing Authority. The lawsuit was settled out of court with the utility company retaining the water and the residents getting their streets paved. The paving was paid for by the Housing Authority and the local government (Read Taxpayers).

Water Utilities, Continued

It appears from my research that this is only one of several cases when Spenard Utilities obtained water rights through questionable means. The board of directors of the utility company includes several bankers and developers. Currently, the utility manager's wife sits on the Anchorage Rent Review Board. This company was recently granted a 59% increase in water rates.

Another water company operating in Anchorage recently filed for a 425% increase in rates. Bell Utilities is currently attempting to raise its monthly charge for residential units from \$10 a month to \$46 a month.

Miscellaneous Utility Issues:

At this time it appears that no plans have been made for nuclear power as an energy source in Alaska. It is possible that uranium will be mined and plutonium refined in Alaska. The possibility of this has been brought up in the past, but it has met stiff resistance from Senator Mike Gravel, a well-known national adversary of the nuclear power combine.

Rural areas of the state, particularly small native villages, have been ripped-off for years by the companies providing oil. Oil will be delivered seasonally, maybe once a year in different parts of Alaska, placed in large storage tanks and then sold to local residents on a periodic basis throughout the year. During that year's period of time, the price of oil will rise. This increase in price will be

Miscellaneous Utility Issues, Continued

charged off to the local residents even though the oil that is actually in the storage tanks was purchased at an earlier time at a cheaper rate.

RUCAG:

I have discussed the RUCAG concept with members of the Public Utilities Commission and several Anchorage legislators. The members of the Public Utilities Commission are generally receptive to the idea of the establishment of a RUCAG in Alaska and in fact are very desirous of personal input from the public in rate cases. Legislators, on the other hand, are not quite so receptive.

The main reason for this is that in the 1975 legislative session the legislature expanded the membership of the Public Utilities Commission from three members to five members, the two new members being consumer representatives. From our point of view, that hasn't really solved the problem since the consumer members perform the same function as the other members of the Public Utilities Commission and are not allowed to present direct testimony themselves during rate cases, or assume the role of an adversary, which we feel is so badly needed in rate cases. I doubt, however, that the legislature would approve in 1976 the establishment of a RUCAG. And we have pretty much decided not to push it this year.

For one reason, the two new consumer members of the PUC have yet to establish what their roles are going to be in rate

RUCAG, Continued

cases. Until they really get established and we see how they perform and how they define their own role, it's going to be premature in terms of gaining the type of support among legislators we need to get this proposal passed. A bill is being drafted, however, and will be introduced this session for purposes of discussion.

When I have brought up the concept of RUCAG to discuss with various legislators, in almost every single instance they have asked me why we should put so much work into a proposal for utilities if it did not address many of the other problems of consumer advocacy, including regulation of the transportation industry and all of the other various areas of interest up here.

A part of the RUCAG controversy or discussion up here is going to be the thinking through by Alaskan legislators and consumer groups about the best overall design for consumer advocacy in all areas of regulation and policy making.

Under consideration are proposals running the gamut from a Department of Consumer Affairs at a cabinet level to increased duties of the Consumer Protection Agency; the appointment of a People's Council for the purpose of intervening before any type of regulatory board or commission, variations of the RUCAG proposal which would include other types of industry, and hybrids of all of the above.

RUCAG, Continued

We're going to put a big push on during this next legislative session to have either a citizens' board or a legislative interim committee be established to study the various methods of providing ongoing consumer protection and consumer advocacy at a state level.

In the meantime, representation by consumers and by the public before the Public Utilities Commission in rate cases is going to be pretty much left up to the Commission's inadequate staff and the few citizens' organizations which have shown interest in the past (this has been limited to AkPIRG and Alaska Legal Services).

Summary:

AkPIRG is going to continue to appear before the Public Utilities Commission to provide testimony to important rate investigations and important rule-making petitions. Members of the Public Utilities Commission are generally receptive to Alaskan consumers and are soliciting ideas from AkPIRG in a wide range of areas. For example, in a recent hearing on a flow-thru tariff for gas companies, Commissioner Guess asked AkPIRG if they felt that new life line rate structures for gas and electrical companies would be desirable in Alaska. The implication from the Commission members was that if AkPIRG was to provide such a proposal, the Commission would give it serious consideration.

Summary, Continued

Thus, we are in a somewhat different situation than consumer groups in other states as the Alaska Public Utilities Commission, which was in the past an incredibly unresponsive group, has been newly constituted as a commission that is truly dedicated towards preserving the public interest.

The next step is to provide the structure for ongoing, adversary representation by consumers in the specific rule-making and rate hearings.

Alaska State Legislature

LEGISLATIVE AFFAIRS AGENCY

POUCH Y, STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3800



MEMORANDUM

January 16, 1976

SUBJECT: Utility Rates (Work Order #1629)

TO: The Honorable Robert Bradley

FROM: James Owers, Research Analyst
(with Gregg Erickson, Director of Research Services)

The following summarizes some of the issues raised by your request for a study of utility rates.

As an example of present pricing practices, I have used the tariff schedule of the Chugach Electric Association for service in the urban areas of Anchorage prior to their request for a permanent rate increase. The tariff schedule distinguishes four classes of users: general residential service, residential service--large use, commercial light and power, and industrial and commercial large power. As is typical with the practice of most utilities, the rates are designed to favor the bulk use of electric power through what is known as a "declining block rate structure." For example, the first 500 kilowatt hours for a large industrial user cost 2.3 cents per KWH, the next 2,500 KWH cost 1.9 cents per KWH, the next 17,000 KWH cost 1.5 cents per KWH and over 20,000 KWH cost 1.0 cent per KWH.

In addition to these charges, large industrial and commercial users must also pay a "demand charge." In essence, the demand charge is a reflection of the fact that an electric utility must always maintain a certain standby capacity in generators, transformers, and transmission lines to meet the peak demands of a large industrial user. Chugach Electric charges large industrial and commercial consumers \$1.50 per kilowatt each month, based on the peak during that month, for the first 50 KW and \$1.25 per KW for each additional KW over 50 KW of peak demand.

Thus, the minimum monthly bill for a large user is in this case likely to be a function of his peak demand over some period of time. For this reason, at certain times of the year, a user with widely fluctuating demand for electric power over the year might be faced with a large minimum bill in an off season. For example, a manufacturer who has all his employees take their vacation at the same time and shuts down during that period would have little if any incentive to curtail

power consumption during the period of closure. This could possibly stimulate some waste of electricity. However, this is probably not the reason why many buildings leave lights on during off hours. In the past, structures have occasionally been designed so that the lighting system is itself an integral part of the building's heating system. In such buildings, heat generated by the lights is sometimes necessary to maintain internal temperatures at acceptable levels. Like all electric heat installations, the thermal efficiency of such systems is quite low compared to direct on-site burning of the fuel.

More often, though, the reasons lights are left on are related to a lack of forethought in electrical system design. For example, switches may not be located near exits, or large banks of lights may have to be lit in order to illuminate the office of one "night owl." If sufficient financial incentive exists in the rate structure, efforts will be made to overcome these design induced problems, and in extreme cases it may even make economic sense to rewire a building with this in mind. The amount of electricity saved could be considerable. Nationwide, it is estimated that commercial high rise structures use 50% of the electricity generated. Legislation might also mandate electrical system designs that make it convenient to cut lighting when not required.

As was mentioned above, peak use demand charges may eliminate the incentive for a large consumer to conserve power during the part of the year (or month) when demand is low. Similarly, any consumer faced with a minimum bill is being offered some measure of "free" consumption, in the sense that he will pay for a given amount of power whether he uses it or not.

Bulk consumption discounts and minimum bills are justified by utilities on the grounds that a substantial amount of fixed capacity is necessary to serve any given customer regardless of whether he actually consumes power or not.

If power demand were less variable, the costs of maintaining generating plant and distribution facilities could be spread over a larger quantity of power, and thus the average cost per kilowatt could be reduced. The device of the demand charge does penalize consumers who draw large quantities of power for very short periods of time, and who thus require the year-round maintenance of substantial facilities, but they do not reflect the fact that peak consumption by a given consumer at a time of day when the demands from other customers are low can be supplied with little or no additional investment. "Time of day pricing" has been suggested as a means of bringing about the desired evening out of electrical loads, and of more accurately reflecting the real costs of providing electrical energy to various consumers. In the past there have been technical problems with respect to metering of electricity which made this type of rate structure difficult to implement, but these have been overcome, and such a system is now operative

in a number of areas, for example, Madison, Wisconsin.* Of course, time of day pricing has been practiced for many years by other utilities, i.e., telephones. Although it would certainly require some further study, there may very well be steps that the legislature could take to encourage this type of rate alignment.

Over all, it is probable that electrical utility rates have lagged behind changes in operating conditions and no longer as accurately reflect costs. The idea behind the declining block rate structure has been that the utility company can recoup all its fixed overhead costs on the first few bloc. . . From then on, further use of electricity involves costs which vary directly with the amount of out-put, such as fuel costs. Until recently, fixed costs in the utility business were high compared to variable costs, but as fuel charges have risen, out-put costs have taken up an increasing share. Even though this is true, recent rate increases in Alaska have applied a fixed percentage to all rates rather than address the fundamental fact that the nature of costs have shifted. This means that small users may subsidize a large user. Here again, further study would be necessary, but if you consider it appropriate we could look at possible legislative means of encouraging an appropriate restructuring of electrical utility rates in order to take these new conditions into account. Such changes might be expected to curtail the kinds of wasteful practices as you mention in your work request.

GE/JO:jm

* In the case of a Washington, D.C., utility it was discovered that the institution of time of day pricing would make unnecessary the expansion of generating plant that had been advocated by the utility company.

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. HCR 100
 Title: Relating to electric and gas utility regulations
 Requested by: _____ Date: March 26, 1976
 Return Date Requested: _____
 Agency: Legislature Program: Legislative Affairs Agency

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Legislative Affairs Agency

A. EXPENDITURES: (Thousands of dollars)

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

B. FUNDING: (Thousands of dollars)

GENERAL FUND *		0				
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY MAN MONTHS (P./T.)	/	0 / 0	/	/	/	/
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III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Fiscal Note assumes utilization of following funds already requested for FY 77

100 Personal Services	\$ 9,000
200 Travel*	1,440
400/500 commodities & equipment	500
Total	\$10,940

*To be transferred from unallocated contractual service moneys

IV. ATTACHMENTS

Memorandum of March 27, 1976 to Director of Research Services

V. DATE: 3/26/76 PREPARED BY: Legislative Affairs Agency
 (B. Sorensen, Research Analyst)

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

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

MEMORANDUM

Terry
March 29, 1976

[Handwritten circle around subject line]
SUBJECT: Fiscal Note for HCR 100
TO: Terry Berman
(c/o Honorable Bob Bradley) *[Handwritten initials]*
FROM: Gregg K. Erickson
Director of Research Services *[Handwritten initials]*

*File - For floor
action + Senate
reference*

As you requested, we have prepared a fiscal note on this resolution and forward it herewith, along with an explanatory memo.

GKE:jim
Enclosures

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JL'NEAL ALASKA 99811
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 27, 1976

SUBJECT: Fiscal Note for HCR 100

TO: Gregg Erickson
Director of Research Services

FROM: Barbara Sorensen
Research Analyst

The study will be undertaken by in-house personnel. We would propose the transfer of unallocated contractual services moneys already requested for FY 77 to cover travel and per diem costs.

<u>Task</u>	<u>Object</u>	<u>Cost</u>
Study Outline	Personnel 0.5 mm	\$ 1,250.00
Literature research, data accumulation; analysis of data collected; preparation of report and suggested legislative changes (based upon one-half time time of research personnel, normal secretarial support.	3.5 mm	\$ 7,750.00
Interview of PUC personnel, utilities personnel. Five trips for three days each to Anchorage.	Transportation Per Diem	\$ 765.00 \$ 675.00
Equipment, commodities		\$ 500.00
Total		\$10,940.00
Transfer requested		\$ 1,440.00