

AK. PUB.

UTILITIES

COMM.

BURTON CARVER & CO., INC.

P. O. Box 40

SOLDOTNA, ALASKA 99669

(907) 262-9111

TRANSPORTATION
CHARTER SERVICE

REFUSE SERVICE
EQUIPMENT RENTAL

MASTER FILE COPY
HOUSE COMMERCE COMMITTEE

January 23, 1980

House Commerce Committee
Hugh Malone
Pouch V
Juneau, Alaska 99811

Re: APUC/Sunset Review

Dear Mr. Malone:

My name is Sky Carver. I am the manager of two Class II (\$100,000 to \$250,000) refuse utilities owned by Burton Carver & Co., Inc.; a family held corporation which is involved mainly with transportation.

Our entrance to the refuse business typifies the problems faced by small utilities who deal with the APUC. Both refuse utilities we purchased were owned by individuals who never had received an increase in rates and were on the brink of bankruptcy.

One of these companies, Homer Refuse, located in Homer and who's permit extends to Soldotna, had tried twice unsuccessfully to get an increase. The other, Alpine Refuse, located in Hope and who's permit covers the northern Kenai Peninsula and north of Turnagain Arm to Anchorage, to my knowledge had never applied for an increase. These companies had gone four and five years respectively without increases. Compare this to Anchorage Refuse which files a rate case every six months.

The reason these companies had never received rate increases was the lack of cash needed to hire a utility specialist. After purchasing Homer Refuse in 1977, we made two attempts in four months to get an increase. Our CPA firm prepared the case, but the first case was rejected because of insufficient data. For the second case we asked the staff of APUC for forms that would help us present the necessary information. We were given incorrect and outdated forms.

In the spring of 1978, Alpine Refuse temporarily went out of business. It's one truck broke down and the overflowing garbage dumpsters this caused brought about the Quality of Service Investigation that Commissioner Guess spoke of at the December 17 hearing.

APUC
E. Blum
Rose

The House Commerce Committee
Box 1370
Fairbanks, Alaska 99707

Attention: Mr. Allen Blume

Dear Mr. Blume:

December 21, 1979

In accordance with the expressed wishes of the Co-Chairpersons at the Performance Review of the Alaska Public Utilities Commission Hearing held on December 17, 1979, there is attached a copy of the outline which I utilized in presenting my testimony to the Commerce Committee. I would be most grateful if you would see that all members of both the Senate and the House Committees were provided with a copy of this material.

In addition to the points set out in the outline of my presentation, there were certain additional points made during subsequent questioning which I believe might provide clarification on certain portions of my testimony. They are:

1. In response to an inquiry of Senator Sturgulewski, I indicated it was my belief that the distinction made between economic regulation and regulation for the purpose of certification might be an improper distinction. It was suggested that perhaps the regulation associated with certification should be ongoing in the area of quality of service provided by the certificated utility. This would result in economic regulation looking only at the level of rates and rate design. It would appear that such clarification could be provided through concise definitions in any legislation which might result from the performance review.

2. In response to Representative Brown's questions concerning the use of hearing officers, it was suggested that hearing officers could be reasonably expected to utilize their expertise in the regulation of divergent utilities. The basic underlying principles of utility regulation should be readily applicable by a hearing officer for regulation not only of telecommunications but also electric, pipeline, transportation utilities, etc. I was in agreement with the Chairman of the committee that in certain highly technical areas a specific hearing officer might be required to preside because of his expertise in the area of telecommunication separations, peak load pricing for electric utilities, etc. Additionally, it is possible that staff support for one area of regulation could provide needed assistance in another area of regulation.

I wish to express my gratitude to the Chairpersons and each of the members of the committee for allowing me the opportunity to testify before them and for their sincere expression of interest and concern in this area.

Very truly yours,

ALASCOM, INC.



John E. McGill, Director
Regulatory Affairs

JEM:b1

Attachment: Testimony Outline

revenues. There are, however, a few considerations we would offer:

- A. Some regulation should be retained concerning pole attachment agreements between CATV operators and other utilities.
- B. As a partner with telephone cooperatives and small telephone companies in the provision of communications, it is important for Alascom to be able to approach the Commission with matters disputed between Alascom and the operating telephone company. Such matters could include:
 1. Level and quality of service.
 2. Settlements between the companies.
 3. Charges for through private line services.

The removal of such companies from economic regulation appears to indicate that they would be relieved of regulation as to rates, rate design and quality of service.

- C. Although the de-regulated telecommunications company may be small or controlled by its own members, it can have a substantial impact on state-wide service if the quality and level of service is substandard.

IV. Alascom supports the need to clarify the statute and administrative code presently used by the APUC.

- A. Although we recognize the validity of the particular recommendation in the legislative audit, we believe there are other areas requiring review.
- B. We recommend that the Commission, through its staff, conduct a thorough review of AS 42.05 and 3AAC48 to further the benefits of this recommendation. We would

hope that members of the regulated industries would have an opportunity to participate in this review and recommend up front various amendments. An Industry Task Force with the APUC staff would be effective.

- V. Alascom supports the recommendation that professional salaries be reviewed to determine whether they are adequate to attract and retain professional staff.
 - A. We would urge a comparable review of Commissioner's salary levels.
 - 1. Alascom as a responsible public utility, constantly reviews its salary grades for various professional and/or exempt employees in order to assure itself that it offers compensation competitive in the labor market. These reviews lead us to believe that the Commissioner's salaries, in the present labor market may not be competitive enough both to attract and retain qualified personnel.
- VI. Alascom does not believe it is proper for it to comment on the internal administration of the APUC. However, we do believe it is necessary to clearly delineate the statutory role of the Commission staff. On page 24 of the Audit Report there is mention of ex parte communications between the staff and the Commission when the staff assumes the role of a party to Commission proceedings.
 - A. When the staff is indeed a party to a proceeding (e.g. a rate case) the Commission does not have available to it

the necessary support and assistance the Commission would normally expect from its staff.

b. Solution

Alascom would support limiting the role of the staff to one of support for the Commission without designation as a party to proceedings. The staff would prepare material for the Commission to be used in conducting proceedings. The Commission would be expected, through this collective expertise to represent the public interest. Alascom would favor this solution.

VII. Alascom offers no opinion as to implementation of a time management system or collocation codes.

VIII. General Observations

- A. The Performance Review does not comment on the level of staffing at the APUC. It is Alascom's opinion that the Commission is understaffed and unable to deal with the many questions brought before it in a timely manner. Nor does the Commission staff possess expertise in all areas adequate to evaluate major policy questions in all of their facets. Too often telecommunications policy is formulated by default rather than by design. The public interest is not best served by this circumstance.
- B. Alascom believes that it is necessary to limit regulatory lag statutorily. Such a limitation would be beneficial not only to the utility but also the ratepayer. Additionally, Alascom would suggest that consideration be given to utilization of hearing officers under the guidance of the Administrative Procedures Act.

Arvin

Representative Fred Brown
Assembly Building Room 206-207
Pouch V
Juneau, Alaska 99801

Dear Representative Brown:

The rate hike requested by GVEA disgusts me—10 times Seattle rates, 5 times Anchorage rates, and 40% above permanent rates. I personally have seen my bill go from \$25.00 (summer rate) to \$73.00 (highest winter rate). My husband and I have conserved and have knocked the GVEA bill back down to \$54.00 and will continue to do whatever we can. This reduction in our bill is no thanks to GVEA; the reduction is something we have done.

I requested the APUC to not allow any rate hike through a note taken to them when they were in Fairbanks giving more detail than I am giving you. So, APUC decides that GVEA needs a higher rate hike. I believe that GVEA and APUC should be replaced by organizations that will truly bring us the cheapest rates possible as is GVEA's slogan and purpose.

If GVEA's rate hike is due to government intervention and regulation, I suggest that GVEA prove the regulations to be unnecessary and get government off GVEA's back. This matter between GVEA and EPA should be settled before GVEA is granted any rate hike.

Why are businesses and government so quick to just pass any monetary increases on to the public? It seems to me that either GVEA has a problem or the government has a problem. Why pass this on to me?

I have not even had a cost of living allowance increase since 1978!

Thanks for your time and patience.

Sincerely,

Karen Flesher

Karen Flesher (Mrs.)
101 Maple Drive
Fairbanks, Alaska 99701

*8/16/80
C. Flesher*

44
9-45-80
2

Dear Members:

The lack of a needed right-of-way easement could hold up your service for months--it's happened more than once already and things are not getting better.

When MEA was just starting back in 1942, the cooperative's biggest worry was getting the poles up with wire and transformers hung on them. But, now, the right-of-way acquisition job threatens to be the largest and most costly problem, taking longer than either engineering or construction. One five-mile line project MEA recently did required three years of work to get the easements. We recall numerous service extensions run last summer that were delayed anywhere from a few days to many months--some never got built at all because of right-of-way problems!

Why is this? There's many reasons, maybe the owner lives in Mexico, Florida, or Saudi Arabia, or possibly right in Anchorage at an unknown address. Maybe he won't answer his mail or stalls if we call on the long distance telephone or just plain turns us down when at long last we locate the land owner. Maybe we can find an alternate route and start the process all over again. Maybe we can't! While we go through all the easement work, an impatient and often desperate customer fumes over the delay while he waits, but we dare not go ahead without the easement. If we do, we're certain to be sued as a result of the most minor encroachment.

More and more owners of land whom we contact are tightening the restrictions they place on us as conditions for granting the easement. Access is being limited, the amount and method of clearing are conditional, and right-of-way widths are being reduced so that construction and maintenance gets more difficult and costly. Rights-of-way are often so narrow and tree cutting is so restricted that line security is in jeopardy every time it storms!

More people get in the act everyday. We now find that we must deal with private landowners, many non-residents. There are all kinds of organizations, including corporations or developers, State and National parks, National monuments, State and National forests, public lands held by the Borough, State and Federal government, mental health lands, school lands, Indian lands, withdrawn lands, and Native land selections. The list goes on and on, including environmental groups.

We have to deal with cities, boroughs and divisions of the State, such as Department of Highways, Department of Fish and Game, sometimes the State clearing house, Division of Aviation, Division of Lands, Division of Parks and the Department of Environmental Protection. Federal agencies include the Bureau of Land Management, National Park Service, National Forest Service, Corps of Engineers,

Alaska Railroad, Federal Aviation Agency, and more!

Right now we are applying to the State Division of Lands for a right-of-way permit for a transmission line that's desperately needed to furnish the electric needs of residents in a major portion of MEA's system. Three months have rolled by with no real sign of progress. The outlook, if it's granted at all, is continued delay that will see construction delayed for at least a year--a delay almost certain to see MEA members exposed to sub-standard service conditions and MEA construction crews working on a costly crash program to prevent serious consequences.

This immensely complicated right-of-way problem has become frightfully costly! The burden of this skyrocketing cost is right on the pocketbook of every one of us every time we pay a light bill--that's where the money comes from in the end! No relief will come until private individuals and all public officials recognize this fact and adopt a realistic approach to the need for adequate rights-of-way free of the cost burden now placed on your Rural Electric Coop.

NOTICE--MEA is currently advertising for an electrical engineer to fill the Manager of Engineering Services position. Applicants must have a B.S. degree in Electrical

Engineering, a minimum of five years of electrical utility design, construction supervision, and operation experience. Must have demonstrated ability to plan, organize, and manage at the departmental level. Interested and qualified persons should contact or send resume to me at the above address.

Willard H. Johnson, P.E.
General Manager
Matanuska Electric Association, Inc.

A.P.U.C

21 April 1977
P.O. Box 456
Eagle River, AK 99577

- ✓ Senator JOHN RADER
- ✓ Senator ED WILLIS
- Senator JOE ORSINI
- Senator BRAD BRADLEY
- Representative TIM KELLEY
- Representative SAM COTTON
- Representative RANDY PHILLIPS
- Representative BOB BRADLEY

Hi,

Enclosed is a copy of Matanuska Electric Association's Managers letter for May publication in the Ruralite magazine. I am sending this to you to call attention to a very real obstacle hindering Electric Utilities in Alaska at present. Hopefully, a little Legislator involvement with the State Agency's may do much to alleviate the excessive time delays spoken of on page three of the letter.

Also another subject: Member owned utility Associations (Cooperatives) are under a certain amount of fiscal control by the Rural Electrification Administration in Washington, D.C. User/Members also have the opportunity every year or two to elect new Directors should they believe new leadership favoring another policy or direction is advisable. Thus, members have a stronger voice in controlling their Co-ops than have users of Municipal owned utilities.

During the next ten or so years the cost of electricity is predicted by experts to increase more than six times over present costs due both to inflation and to the Federally required changes in generation fuel from gas and oil to coal. This will require numerous rate increases which, if under P.U.C. requirements, will cost Matanuska Electric Association alone well in excess of \$100,00.00 just in preparing rate studies for presentation to the P.U.C. This, in my opinion, is totally a waste of the consumer's money especially since utility Co-ops are of a non-profit nature anyway.

I would propose that the Legislature remove Co-ops from rate regulation by the Alaska Public Utility Commission. They should, however, retain the power to determine and control territorial boundaries of all Utility Co.

Sincerely
Robert C Johnson



CITY OF KENAI
"Oil Capital of Alaska"

P. O. BOX 580 KENAI, ALASKA 99611
TELEPHONE 283 - 7535

March 10, 1980

FOR PRESENTATION AT TELECOM CONFERENCE:

TO: State Senate Committee

FROM: Vincent O'Reilly
Mayor *Vincent*

RE: Combining Alaska Public Utilities Commission, Alaska Transportation Commission, etc.

The City of Kenai has benefitted from the regulatory methods as regards refuse collection inside the City.

First: no complaints as to service, rates or collection procedures have been brought to Council or City attention.


Second: The Council had the responsibility of selecting refuse collectors and was not performing at optimum in this regard due to inexperience of technical matters, lack of knowledge on comparability and inability to choose between two or more local proposers.

Third: The refuse problem is of an area-wide nature and should be dealt with by an area-wide agency experienced and competent in this field.

I would recommend continuation of the present regulatory arrangement.

This matter has not been brought to full Council consideration out are my views of the sense of Council.

VOR:jw



Anchorage Refuse, Inc.

PHONE 344-1542 6301 Rosewood St.

ANCHORAGE, ALASKA 99502

December 14, 1979

House Commerce Committee
Box 1370
Fairbanks, AK 99707
Attn: Allan Blume

Re: Performance Review of Alaska Public Utilities
Commission

Gentlemen:

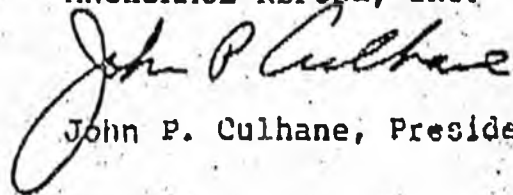
Reference is made to your teleconferencing public hearing scheduled for December 17, 1979. By letter dated November 26, 1979, Gordon J. Zerbetz, Chairman of the Alaska Public Utilities Commission, indicated written testimony in lieu of oral testimony at the hearing could be sent to you at the above address.

Please find enclosed written testimony I would appreciate being entered of record for the above hearing.

If you should have any questions on this written testimony, please feel free to bring your request to my attention.

Sincerely yours,

ANCHORAGE REFUSE, INC.



John P. Culhane, President

JPC/csn

WRITTEN TESTIMONY OF JOHN P. CULHANE, PRESIDENT
ANCHORAGE REFUSE, INC. FOR THE DECEMBER 17, 1979
HOUSE COMMERCE COMMITTEE HEARINGS
REGARDING THE PERFORMANCE OF THE
ALASKA PUBLIC UTILITIES COMMISSION

Anchorage Refuse, Inc. is a utility regulated by the Alaska Public Utilities Commission serving most of the area outside of the old city limits of Anchorage within the Municipality of Anchorage. Anchorage Refuse, Inc. has been in operation for several years and was regulated by the Alaska Transportation Commission prior to the 1973 legislative amendments that placed refuse regulation under the Alaska Public Utilities Commission.

It appears that it is not in the public interest to deregulate the service area or rates of refuse companies or to change the service area regulation or rate regulation from the APUC to the municipalities. If you deregulate the service area, the public will find:

- (1) Increased frequency of refuse trucks on residential streets. There will be the same amount of refuse containers on the streets to pick up, however, there will now be more trucks from different refuse companies to provide the service. This could provide a safety hazard, noise pollution and considerable inconvenience

to the residents of the area where the refuse is being collected.

(2) The times during any given week of collecting the refuse from a certain area will not be consistent by each of the companies operating in the area. This will cause refuse containers to be placed on the sides of the streets in a given area more than the once or twice a week required when one refuse company is serving the area. This would be unsightly and could provide unhealthy conditions.

(3) The type of equipment that would collect the refuse could not be the modern refuse truck. The refuse business would be relatively easy to enter by any person wishing to purchase unsafe, unsanitary and inefficient equipment. You could find dump-type equipment used in the collection of refuse. Safe, sanitary and efficient compactor truck equipment are relatively expensive.

(4) In the refuse business it would be just as easy to abandon your customers as

it would be to acquire customers. Such abandonment of the services by a refuse company could provide considerable inconvenience to the abandoned customers until another refuse company was able to start service to the effected customers.

It does not appear to be in the public interest to have economic deregulation while at the same time maintaining area regulation. Basically, this would give a monopoly the right to charge what the market will bear. The considerable inconvenience to persons hauling their own refuse would probably dictate a high rate in the market if the rate was not regulated.

Regulation of refuse companies should be maintained at the Alaska Public Utilities Commission. Placing such regulation with municipalities will require most municipalities to create a new structure to handle such regulation. This new structure will increase the demand upon the municipal budgets. It appears more economical to have one centralized structure handling many utilities to be responsible for regulating refuse companies rather than having many smaller regulating structures spread through the municipalities of the State of Alaska. A slight increase in the Alaska Public

Utilities Commission's budget to handle refuse company matters may be more economical to the residents of the State than having each municipality hiring experts to regulate only one or two refuse utilities in the municipality. The public might also save by having the Alaska Public Utilities Commission regulate refuse because of the experience of the Alaska Public Utilities Commission in regulating utilities. This experience insures that the refuse company will make no less and no more than a reasonable rate of return. A municipal government inexperienced in the complicated rate regulation concepts would be more likely to err in establishing rates. A rate too low would severely injure the services of the refuse company which would not be in the public interest and a rate too high would result in the public paying more than is necessary for this type of service.

Finally, it should be noted that we have had very few customer complaints concerning the regulation of refuse companies or the services of our company. It does not appear necessary to change the process that the public appears to be satisfied with because of a desire by some to have the Alaska Public Utilities Commission budget be dedicated to regulation in other areas. Rather than

disturb something that is workable, it is suggested that if necessary, the budget of the Alaska Public Utilities Commission be increased to add new staff members so that all utilities can be properly and expeditiously regulated, including refuse utilities.

STATE OF ALASKA
Inter-Department Route Slip

TO:
MAIL STATION NUMBER 3100

DEPARTMENT Legislature

ATTENTION Senator Willis

- | | |
|--|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return As Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return For Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input type="checkbox"/> For Your File | <input type="checkbox"/> Your Information |

Remarks:

FROM:
MAIL STATION NUMBER 3100

DEPARTMENT Legislature

BY Rep. Kris Lethin DATE 4/12/77

02-002 (REV.10/73)



Alaska State Legislature

POUCH Y, STATE CAPITOL
JUNEAU, ALASKA 99811

TO: All Members
Alaska State Legislature

FROM: Kris W. Lethin
Representative

DATE: April 12, 1977

SUBJECT: SB 259
Municipality Utilities Regulation

Attached, for your information, is a copy of a memorandum to the Anchorage Municipal Assembly from Richard E. Hanger, President of Automated Communications, Inc.

The attached memorandum outlines the facts in favor and against both methods of regulating the Utilities.



Automated Communications, Inc.

11300
Anchorage, Alaska 99501
907-556-1130

*Legal Monopoly
not a question of
regulation but who
regulates*

March 17, 1977

TO: ANCHORAGE MUNICIPAL ASSEMBLY
FROM: RICHARD E. HANGER, PRESIDENT
AUTOMATED COMMUNICATIONS, INC.
SUBJ: UTILITY REGULATION

As I indicated at your meeting of March 8, 1977, our expertise is only in the area of ATU.

The purpose of this letter is to objectively give each of you what we consider facts in favor and against both methods of regulating the Utilities.

Assembly Regulation of the Utilities

Pro

1. More citizens attend and participate in Assembly meetings than attend PUC hearings. ACI has been the only participants and formal parties at the ATU hearings throughout the past 15 months, at the PUC.
2. Assemblymen are elected officials and are directly accountable to the people.
3. The Assembly may have fewer legal restrictions affecting their judgement and decisions.

Con

1. Tariffs are complex and difficult to understand. In order for the Assembly to effectively "judge", it will necessitate many hours of "homework".
2. Being elected could make it difficult to make good business decisions if decisions would be unpopular politically.
3. The Assembly would have to add additional staff with expertise in tariffs, legal, and accounting. No citizen's committee could spend the time necessary to handle this job.
4. The Municipality would be subject to far more legal suits, -- class action, individual, and special interest groups.
5. Must contend with the morality of the "Board of Directors" regulating their own company, which is a legal monopoly.

6. ATU is tied to a state-wide network, as well as to the "south 48". This automatically involves regulations of the FCC and PUC for inter and intra state activities. The Assembly would have to inter-relate with those agencies.

PUC Regulation of the Facility

Pro

1. Appointed officials are normally less likely to be influenced politically or by special interest groups.
2. Specializes in utility tariffs.
3. Required by law to:
 - a. Protect the financial viability of the Utility.
 - b. Assure them a fair rate of return.
 - c. And determine that tariffs are fair, just, non-discriminatory, non-preferential, and compensatory.
4. Already have a staff, on the Public payroll, who specialize in Utility matters.
5. Have access and experience with the other Utilities throughout Alaska, National Trade Associations (NARUC) etc., to compare requests and filings.

Con

1. Are required by law to adhere to "Due Process" which necessitates formal hearings and notice to the Public.

Miscellaneous "Grey Areas"

1. ATU spent over \$400,000 on rate cases in the past 15 months. Some of that was attributable to deficient filings and questionable appeals, and some was attributable to the PUC being excessively lenient with ATU. If filings were better prepared and the regulating body were firmer, there would definitely be savings. Question -- Would the Assembly be more decisive than the PUC, thereby shortening the process?
2. With Assembly control -- They and the Mayor would have direct control over the cash, profits, charges, and where the money was used. Is this good or bad?
3. Would the taxpayers be paying for a second level of government staff, or would the PUC reduce their staff in proportion to that added to the Assembly?

4. The major motivations for the pending Resolution and changes to AS 77-59 Utilities seem to be:
 - a. the excessive costs of recent rate cases.
 - b. the over-ruling by the PUC of the Municipal Ordinance which would have returned 100% of the profits to the original City Service Area.
 - c. the dismissal of a rate structure that would have increased cash flow and income in initial years, but left expenses and costs to be absorbed by future rate payers.
 - d. the refund of 1.2 million that is pending per PUC and Court Order, and which is being contested by ATU.

Are these valid motivations, and would they have arisen if ATU had been regulated by the Assembly rather than the PUC is a question which should be addressed.

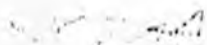
5. Chairman Rose and Assemblyperson Sturgulewski have suggested amendments which would allow the Assembly to monitor and pre-judge filings before they go to the PUC. This would seem to be a "safe" way to arrive at some of the answers to the above questions.

ACI, as the only formal participant from the private sector in the past 15 months of hearings, feels qualified and willing to answer any questions of either side.

ACI, being in the telephone business and regulated by the free enterprise system and competition, rather than a regulatory body, feels we should abstain from taking sides. On behalf of our 200 business subscribers, we would need to poll them prior to speaking for them.

Sincerely,

AUTOMATED COMMUNICATIONS, INC.


Richard E. Hanger
President

cc: Mayor George Sullivan

Al Pistorius, Manager
Anchorage Telephone Utility

**Municipality
of
Anchorage**



POUCH 6-650
ANCHORAGE, ALASKA 99502
(907) 274-2525

ANCHORAGE ASSEMBLY

April 4, 1977

Honorable Ed Willis
Vice Chairman, Community and Regional
Affairs
Pouch V
Juneau, Alaska 99811

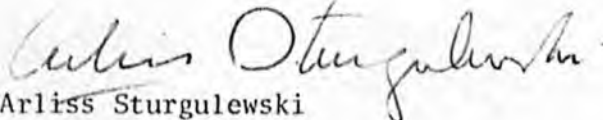
Dear Ed:

The draft of the minutes of the Assembly meetings regarding Resolution No. AR 77-7 were available this morning. Since Senate Community and Regional Affairs has scheduled a hearing on SB 259 on Tuesday, April 5, I am sending this information via special carrier.

Many equities are involved in utility regulation. Charter provisions calling for profits of the utilities to accrue to the old City Service Area for a period of five years dictate complex considerations. It seems to me that before de-regulation is seriously considered, we must develop locally a specific method for handling utility rates and service areas.

Please understand this letter states my individual concern.

Very truly yours


Arliss Sturgulewski

Enclosures: AR 77-7
copy of letter from Norman Kaelber
portion of draft Minutes, 3/22/77 Spec. Meeting
portion of draft Minutes, 3/8/77 Regular Meeting





ALASKA RURAL ELECTRIC COOPERATIVE
ASSOCIATION, INC.

801 W. FIREWEED LANE • SUITE 101 • ANCHORAGE, ALASKA 99503 • (907) 276-3235

November 20, 1979

Senator W.E. Bradley
P.O. Drawer 8-Q
Anchorage, Ak. 99508

Dear Senator Bradley:

Alaska is facing many energy related issues on which decisions need to be made soon. Last month, the managers of the electric utilities in the state were invited to sit down informally and discuss from their individual perspectives the issues which affect their utilities. A two day conference ensued, and the enclosed "Statement Toward a State Energy Policy" is a product of that meeting.

We know that the collective decisions made by Alaskans on these issues in the relative near future will profoundly affect the state for a long time to come. We submit this brief document to you in the hope that our views will be considered as you deal with these issues.

Sincerely,

David

David Hutchens
Executive Director

DH:ra

Chris,

*Notify Dave Hutchens to testify
on APUC - I figure APUC + the
Guidelines & Control Bd will be our "biggie".*

DEMOCRACY IN ACTION

We need to get these going Braed



ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

801 W. FIREWEED LANE • SUITE 101 • ANCHORAGE, ALASKA 99503 • (907) 276-3235

November 19, 1979

STATEMENT TOWARD A STATE ENERGY POLICY

On October 24th and 25th, 1979, an ad hoc group of ten electric utility managers, hosted by the Alaska Rural Electric Cooperative Association, met in Anchorage. We discussed the energy situation in Alaska and the probable impact of various state policy decisions which could be made. The following statement does not attempt to be encyclopedic, but it represents the majority view of the participants. We urge that this statement be considered in the formulation of a state energy policy.

I. Energy problems exist in every region of Alaska.

Rural villages face current costs so staggering that economic development is effectively precluded, the availability of energy to maintain bare existence is in question in some areas, and the people are suffering real hardship. The regional trade centers enjoy modest economies of scale, but energy costs there are rising so rapidly that their future, projected from present trends, approximates the conditions which exist in the villages today. The energy problems of both villages and regional trade centers come from their dependence on oil which is rapidly rising in cost.

Interior Alaska finds it uneconomic to further develop its use of coal because of the Clean Air Act Amendments of 1978. This federal legislation is not satisfied with achieving objective standards in protecting air quality, but insists that "best available control technology" be used regardless of the quality of coal that is used.

The production of Cook Inlet natural gas for liquifaction and export will certainly raise the price and possibly threaten the supply of natural gas for southcentral Alaska. The long-term energy supply for this region is further threatened by the Powerplant and Industrial Fuel Use Act of 1978. This federal law prohibits the use of oil or natural gas in new powerplants. Although exemptions from this Act are possible, there is no certainty that natural gas can be used in new powerplants in the future, even if it is available.

II. We must strive for the optimum use of energy.

It must be recognized that because of climate and geography, life in Alaska will always be contingent on a relatively high per capita energy use. There is a direct relationship between the productive use of energy and the productivity of an economy. In the rural villages, the productive use of energy

is so low that a great deal of desirable economic activity is prevented. In this kind of situation, we must encourage increases in the productive use of energy.

It must also be recognized that energy conservation can and should be encouraged. Every region within this state can improve its efficiency in using energy, and in some instances, the appropriate use of insulation and weatherization can reduce the energy consumption of an individual consumer enough to prevent personal hardship. The State, through the Division of Energy and Power Development, must be encouraged to continue to lead and coordinate efforts to insulate and weatherize existing buildings which have a remaining useful life of reasonable duration.

III. An efficient energy delivery system must be encouraged by actions of public agencies.

To encourage economies of scale, the State must confirm as its policy that all public agencies and institutions under its authority will purchase their electricity from the public utilities certificated to serve that area. The State could then cease the unnecessary expense of duplicating in its own facilities the generating capacity which already exists in the community. Federal agencies and institutions operating in Alaska should be requested to take similar action.

IV. The rise in oil prices has dramatically increased revenues to the State of Alaska.

As a major landowner, second only to the U.S. Government, the State of Alaska controls much of the energy wealth of this state. Revenues from energy production which the State receives either in its capacity as landowner or taxing sovereign now account for more than 81% of total revenues received by the State.

The State has pursued a policy of maximizing revenues from State owned resources. The world market for petroleum now has prices administered by the Organization of Petroleum Exporting Countries. With each new price increase by OPEC, state revenues increase. While these price increases cause a permanent and increasing drain on the people of Alaska, the state government is awash in new revenues. If 1979 taxing and spending policies remain unchanged, tremendous surplus revenues will accumulate in 1980, and for a number of years thereafter.

V. The State must assist in solving Alaska's energy problems.

The State may well decide to distribute "energy dividends" to its citizens, reduce taxes, or refine and sell oil to its citizens at less than market price. All of these proposals would help, and none of them would be in

conflict with the following policies which we urge the State to adopt and implement:

1. A portion of this state's oil and gas reserves adequate to meet the needs of Alaskans must be retained for consumption within the State. The State should not commit future production of royalty oil and gas to the export market without call back provisions adequate to meet in-state needs.
2. A major effort must be directed toward developing our hydroelectric and other renewable or long-term energy resources. Alaska has a great opportunity to use revenues from depletable resources to develop our renewable resources. Innovative financing and power marketing arrangements for these projects must be developed and used by the Alaska Power Authority. When it is necessary, the State should assist with the front end costs of these long-term solutions to our energy problems so they can be accepted without hardship by the first consumers served by them.
3. The State must promptly develop an energy plan which includes a list of the energy projects suitable for development. This inventory must show estimated costs, estimated output, deliverability of energy produced, estimated time for construction, and indicate the reasonable environmental issues which must be considered. All utilities and other power generators - private, state and federal - will need to participate in this study. This inventory of resources should be completed within one year.
4. The State must promptly consider and make a decision on all pending energy projects. When the lead agency has determined that a project should be developed, all other state agencies must be required to cooperate in promptly resolving any remaining concerns within their jurisdiction.
5. While these long-term solutions are being developed, the State should provide interim direct subsidies to electric utilities with above average fuel costs to offset the tremendous increases they have experienced in their fuel costs, provided that continuing best efforts are being made toward long-term solutions.

The following utility managers may individually differ with specific items in this statement but participated in its formulation:

Thomas Stahr, Anchorage Municipal Light and Power
Loyd Hodson, Alaska Village Electric Cooperative
LeRoy J. Schultz, Chugach Electric Association
James Palin, Copper Valley Electric Association
Douglas Bechtel, Cordova Electric Cooperative
Robert Huffman, Golden Valley Electric Association
W.C. Rhodes, Homer Electric Association
Malcolm Cheek, Matanuska Electric Association
David Bouker, Nushagak Electric Cooperative
Robert Martin, Tlingit/Haida Regional Electrical Authority

3-3-80

Adorn



DEAR SIR,

I AM OPPOSED TO THE HISTORY OF CONTINUED RATE INCREASES GRANTED TO GOLDEN VALLEY ELECTRIC ASSOCIATION. I AM A MEMBER OF THAT ASSOCIATION AND FEEL THE INCREASES ARE NOT JUSTIFIED.

THERE MUST BE OTHER ALTERNATIVES OTHER THAN CONTINUOUS RATE INCREASES. FOR EXAMPLE, STAFF REDUCTIONS, LIQUIDATION OF ASSETS, CONSOLIDATION OF DEPARTMENTS, REDUCING FIXED OR VARIABLE EXPENSES.

I URGE YOU TO REQUIRE G.V.E.A. PROVE BEYOND A REASONABLE DOUBT THEY HAVE DONE EVERYTHING POSSIBLE BEFORE THEY ARE GRANTED A RATE INCREASE.

THANK YOU FOR LISTENING.

SINCERELY,

Mark R. Townsend

*called on 3/9/80
2-6774*

MR & MRS MARK H. TOWNSEND
201 HAMILTON AVE #19
FAIRBANKS AK 99701

APUC

JAY S. HAMMOND, Governor

STATE OF ALASKA
ALASKA PUBLIC UTILITIES COMMISSION
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

1100 MacKay Building
338 Denali Street
Anchorage, Alaska 99501

Phone (907) 276-6222

March 25, 1980

Representative Robert H. Bettisworth
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Bettisworth:

Enclosed is a compilation of 1979 unaudited gross revenue figures for all regulated utilities. As you can see, a number of utilities did not respond to our initial request. As a result, the Commission has initiated a second request to these utilities requesting this information. Hopefully, it will be forthcoming within the next month. In the meantime I wanted you and the Commerce Committee to have the results of our inquiries to date.

Sincerely,

CSG

Carolyn S. Guess
Commissioner

cc: Rep. Fred Brown, Chairman House Commerce Committee
Senator W.E. Bradley, Chairman Senate Commerce Committee

Enclosure
CSG/rt

<u>ID</u>	<u>UTILITY</u>	<u>GROSS REVENUE</u>	<u>TYPE</u>
1	AEL&P	5,578,801	Electric
2	GHEA	737,299	Electric
3	Homer Electric Assoc.	8,112,651	Electric
4	Nushagak Electric Coop.	907,734	Electric
5	Municipal Light & Power	16,794,180	Electric
6	Naknek Electric	981,700	Electric
7	Kodiak Electric	6,538,098	Electric
8	Barrow Electric Coop.	2,309,354	Electric
9	Pelican Utility Co.	141,583	Electric
10	Sand Point Utility	422,020	Electric
11	Kotzebue Electric Assoc.	154,375	Electric
12	Yakutat Power Inc.	430,975	Electric
13	Barrow Utilities & Electric	879,366	Electric
14	Chugach Electric	35,172,472	Electric
15	MEA	11,222,142	Electric
16	Copper Valley Electric Assoc.	4,543,820	Electric
17	Aniak Power Co.		Electric
18	Northway Power & Light		Electric
19	Bethel Utilities corp.		Electric
20	McGrath Light & Power		Electric
21	Teller Power Co.		Electric
22	Fort Yukon Utilities		Electric
23	Manley Utility Co., Inc.		Electric
24	Northern Power & Engineering Corp.		Electric
25	Tanana Power Company		Electric
26	Bettles Light & Power		Electric
27	Alaska Village Electric Coop.		Electric

<u>ID</u>	<u>UTILITY</u>	<u>GROSS REVENUE</u>	<u>TYPE</u>
28	AMFAC Foods, Inc.		Electric
29	Tlingit-Haida Regional Elect. Authority		
30	Circle Electric		Electric
31	Golden Valley Elect. Assoc., Inc.		Electric
32	Haines Light & Power		Electric
33	Cordova Electric		Electric
34	AGAS	35,166,237	GAS
35	KUSCO	761,747	GAS
36	Greatland	513,528	Telephone
37	ATU	46,800,241	Telephone
38	Gabtel	129,355	Telephone
39	National Telephone	516,970	Telephone
40	OTZ Telephone Coop.	808,321	Telephone
41	General Telephone	4,210,599	Telephone
42	Copper Valley Telephone	2,218,988	Telephone
43	Interior Telephone	1,740,733	Telephone
44	NTA	7,168,466	Telephone
45	Alascom	150,797,429	Telephone
46	Nushagak	589,589	Telephone
47	Sitka	2,253,140	Telephone
48	Juneau Douglas Telephone	8,131,895	Telephone
49	GSTC	16,208,462	Telephone
50	United Utilities	222,266	Telephone
51	Cordova Telephone		Telephone
52	Girl Friday		Telephone
53	Bristol Bay Telephone Comm.		Telephone
54	Yukon Telephone Co.		Telephone

<u>ED</u>	<u>UTILITY</u>	<u>GROSS REVENUE</u>	<u>TYPE</u>
55	Whittier Telephone Co.		Telephone
56	Communications Engineering, Inc.		Telephone
57	ASTAC		Telephone
58	Thorne Bay	20,175	Cable TV
59	B-C Cable	1,039,000	Cable TV
60	Sitka	471,631	Cable TV
61	KATV	797,200	Cable TV
62	Port Lions General Store		Cable TV
63	ASRC Communications		Cable TV
64	KCCS TV Cable		Cable TV
65	Kotzebue TV Cable		Cable TV
66	Bethel Cablevision		Cable TV
67	Cordova Cable System, Inc.		Cable TV
68	WPTV, Inc.		Cable TV
69	Capital Cable Vision		Cable TV
70	Nome TV Cable, Inc. & KOTV, Inc.		Cable TV
71	Skagway Network Television		Cable TV
72	Eklutna	2,023	Water
73	Settlers Bay	904	Water
74	Salmantoff	480	Water
75	CAU	2,600,198	Water
76	College	478,723	Water
77	S & S	81,822	Water
78	Valley	48,904	Water
79	Pelican Utility Co.		Water
80	Robert Lee Stewart		Water
81	Romig Park Dev.		Water

	<u>UTILITY</u>	<u>GROSS REVENUE</u>	<u>TYPE</u>
82	Sunny Slopes		Water
83	Dawn Development		Water
84	Equitable Inc.		Water
85	Matanuska Utility Co.		Water
86	College	352,118	Sewer
87	Far North Sanitation	622,103	Garbage
88	Carver	120,456	Garbage
89	Carney	69,803	Garbage
90	J.D. Refuse	11,730	Garbage
91	N.S. Borough	198,910	Garbage
92	Kodiak Sanitation	280,000	Garbage
93	Tongass	196,883	Garbage
94	Peninsula Sanitation	365,984	Garbage
95	Dillingham Refuse	36,335	Garbage
96	Eagle River Refuse	206,441	Garbage
97	Anchorage Refuse	3,717,674	Garbage
98	Copper Valley Const. Co.	34,274	Garbage
99	Anderson Garbage		Garbage
100	Lando Collection & Disposal		Garbage
101	Yakutat Disposal		Garbage
102	Eagle River Hts. Utilities, Inc.		Garbage
103	Seward Service		Garbage
104	Allan W. Duke		Garbage
105	Drakes Sanitation		Garbage
106	March Disposal		Garbage
107	Interior Service		Garbage
108	David R. Shelbourne		Garbage

ID UTILITY

GROSS REVENUE

TYPE

109 Patterson Sanitation & Refuse

Garbage

110 Anchorage Refuse, Inc.

Garbage



Alaska State Legislature

House of Representatives

Committee on Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

Chris -
Call Sen. Sturgalewski
& give her full assistance
Thanks - *Brad*

Dec. 10, 1979

FOR IMMEDIATE RELEASE

Commerce Committee to begin "Sunset Review" of APUC

Rep. Fred Brown, Chairman of the House Commerce Committee announced today that joint hearings between the House and Senate Commerce Committees would be held on the "Sunset Review" of the Alaska Public Utilities Commission.

"We will be convening at the Anchorage Legislative Information Office at 11:00 A.m., December 17 to take public, industry and regulated utility testimony on the Legislative Audit of the Commission," Brown said.

Use of the Legislative Teleconference Network is planned for Fairbanks, Anchorage and Juneau. Other sites may be activated as demand warrants.

"There are significant areas of public policy involved in this review, not the least of which is the possible transfer of some utility authority from the state to local government entities. Further the audit recommends the combination of the Commission with the Alaska Transportation Commission and the Pipeline Commission,

State Senator Arliss Sturgelewski, of Anchorage, Vice-Chair of the Senate Commerce Committee will preside along with Brown.

The committee is seeking preliminary testimony from groups affected by the APUC regulatory authority, as a first step to the formal hearings planned during the legislative session in Juneau.

Persons wishing to testify are urged to obtain copies of the audit report titled A Performance Review of the Alaska Public Utilities Commission, dated August 1, 1979. This report is available from the Division of Legislative Audit, Pouch W, Juneau, Alaska 99811, State Legislative Information Offices, and is on file with the Public Utilities Commission, and may be reviewed during regular business hours.

For further information, contact the House Commerce Committee, P. O. Box 1370, Fairbanks, Alaska 99707, Attention: Allen D. Blume, or telephone 456-8370. In Anchorage, contact Christian Basler, 1016 W. Sixth Ave., Suite 201, telephone 278-1581.



KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669
PHONE 262-4441

DON GILMAN
MAYOR

April 22, 1980

Fred Brown, Chairman
House Commerce Committee
Pouch V
Juneau, Alaska 99811

W. E. Bradley, Chairman
Senate Commerce Committee
Pouch V
Juneau, Alaska 99811

Re: Alaska Public Utilities Commission;
Sunset Bill Hearings

Dear Chairmen Brown and Bradley:

In connection with the Sunset Bill hearings regarding the Alaska Public Utilities Commission, it is my understanding that a proposal has been made that municipal corporations split the jurisdiction over certain truckers, namely solid waste haulers and carriers, with the Alaska Public Utilities Commission.

As I understand it, the Alaska Public Utilities Commission would act in an appellate capacity on appeal from the municipal corporation's legislative body.

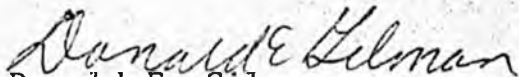
This is to advise you that the Kenai Peninsula Borough is strongly opposed to any such split jurisdiction because it not only creates another layer of government regulation, but more importantly it places the primary jurisdiction to regulate these carriers in the municipal corporation which has neither the expertise nor the administrative set up nor the budget to undertake this highly technical regulation. It would take considerable amount of investigation and the establishment of other

Fred Brown, Chairman
W. E. Bradley, Chairman

April 22, 1980
Page 2-

machinery in order to effectuate such primary jurisdiction at the municipal level. In view of the highly specialized nature of this matter of regulating private enterprise, the Alaska Public Utilities Commission must either be permitted to exercise efficient and qualified expertise, and resume its lawful jurisdiction, but this attempt to split the regulation between jurisdictions would only be duplicative, cost inefficient and a pragmatic approach which would further compound the problem and not assist it in anyway.

Yours very truly,


Donald E. Gilman
Borough Mayor

DEG/tb

"AN ACT CONTINUING THE EXISTENCE OF THE ALASKA PUBLIC UTILITIES COMMISSION AND AMENDING THE STATUTES RELATING TO ITS RESPONSIBILITIES; AND PROVIDING FOR AN EFFECTIVE DATE"

1. THIS BILL IS THE RESULT OF THE "SUNSET" REVIEW LEGISLATION AS 44,66.010 AND 44,66.050.
2. THIS BILL PROVIDES FOUR NEW EXEMPTIONS FROM ECONOMIC REGULATION BY THE APUC:

(A) THE FIRST EXEMPTION IS AVAILABLE TO ALL UTILITIES AND PROVIDES FOR RATE DEREGULATION FROM THE APUC. THE TELEPHONE AND ELECTRIC UTILITIES WITH GROSS REVENUES OF UP TO \$250,000 AND ALL OTHER UTILITIES WITH GROSS REVENUES OF UP TO \$100,000 HAVE THE OPTION OF POLLING THEIR SUBSCRIBERS ONCE EVERY 2 YEARS BY A BALLOT PROCEDURE.

A BALLOT MAY BE INITIATED BY THE UTILITY OR BY A PETITION OF 10 PERCENT OR MORE OF ITS SUBSCRIBERS. TO ELECT AN EXEMPTION, 51 PERCENT OF THOSE ELIGIBLE TO VOTE MUST VOTE AND A MAJORITY OF THOSE VOTES MUST BE FOR AN EXEMPTION.

(B) THE SECOND EXEMPTION IS FOR ELECTRIC AND TELEPHONE COOPERATIVES. THESE ORGANIZATIONS MAY ELECT ECONOMIC DEREGULATION BY THE SAME BALLOT PROCEDURES ALREADY MENTIONED FOR THE UTILITIES.

(C) THE THIRD EXEMPTION IS FOR ECONOMIC DEREGULATION FOR CABLE TELEVISION, WHICH IS PRESENTLY EXEMPTED FROM REGULATION BY APUC, BUT WILL BE REVIEWED PRIOR TO JULY 1, 1983. IF THE LEGISLATURE FAILS TO EXTEND THE EXEMPTION PRIOR TO THAT DATE, CABLE TELEVISION THEN WILL BE REGULATED BY APUC.

IN EACH OF THESE THREE CASES, THE EXEMPTION IS FROM

ECONOMIC REGULATION BY THE APUC, BUT CERTIFICATION WILL REMAIN WITH APUC.

(D) THE FOURTH EXEMPTION IS FOR REFUSE UTILITIES. THIS EXEMPTION WILL ALLOW EITHER APUC OR THE MUNICIPALITY TO REGULATE RATES AND BE RESPONSIBLE FOR CERTIFICATION. *franchises* HOWEVER, A REFUSE UTILITY THAT IS COMPLETELY OUTSIDE THE BOUNDARIES OF A MUNICIPALITY WILL BE REGULATED BY THE APUC.

3. THESE CHANGES IN THE STATUTE HAVE THE CONCURRENCE OF THE APUC, DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS, AND ALL UTILITIES INVOLVED.
4. MR. PRESIDENT, I RECOMMEND CONTINUING THE EXISTENCE OF THE APUC AND AMENDING ITS RESPONSIBILITIES AS I HAVE SUMMARIZED AND WHICH ARE EXPLAINED IN DETAIL IN THE SECTION-BY-SECTION ANALYSIS PLACED ON YOUR DESK YESTERDAY.

APUC

MR. CHAIRMAN - MEMBERS OF THE COMMITTEE. MY NAME IS ROY PASCHAL. THANK YOU FOR THE OPPORTUNITY TO TESTIFY TODAY. I APPEAR AS PRESIDENT OF THE ALASKA CABLE TELEVISION ASSOCIATION. °

WE ARE OPPOSED FIRST OF ALL TO COMBINING THE PUBLIC UTILITIES COMMISSION WITH SEVERAL OTHER COMMISSIONS THAT PRESENTLY REGULATE OTHER INDUSTRIES. THE EXPERTISE THE PRESENT VARIOUS PUBLIC UTILITIES COMMAND FROM THE ALASKA PUBLIC UTILITIES COMMISSION IS SPREAD THIN ENOUGH NOW AND TO EXPAND THE FIELDS COVERED BY THE COMMISSION WOULD APPEAR TO ONLY REDUCE EFFICIENCY.

WE ARE OPPOSED TO COMPLETE REMOVAL OF ALASKA PUBLIC UTILITIES COMMISSION REGULATION FROM CABLE TELEVISION. ALTHOUGH CABLE DOES NOT IN TRUTH MEET THE CRITERIA OF A TRUE PUBLIC UTILITY THERE ARE ASPECTS OF THIS BUSINESS THAT ARE BETTER COORDINATED BY A STATEWIDE BODY THAN ON A LOCAL LEVEL. THE MAIN ONES ARE THOSE OF ALLOCATION OF SERVICE AREAS AND SETTING STANDARDS OF PERFORMANCE. THEREFORE WE ARE OPPOSED TO COMPLETE REMOVAL OF ALASKA PUBLIC UTILITIES COMMISSION REGULATIONS.

CABLE IS ONLY PARTIALLY REGULATED TODAY IN ALASKA. FEDERAL LAW HAS PREVENTED THE ALASKA PUBLIC UTILITIES COMMISSION FROM REGULATING "PREMIUM" SERVICES, SUCH AS HBO, SHOWTIME, MADISON SQUARE GARDEN, ETC.

WE DO BELIEVE THAT REMOVING RATE REGULATION IS IN THE PUBLIC INTEREST. IT HAS BEEN NECESSARY TO GO THROUGH A VERY COMPLICATED, LENGTHY AND EXPENSIVE ACCOUNTING AND LEGAL PROCEDURE TO OBTAIN RATE INCREASES THAT WERE VERY EVIDENTLY NEEDED SIMPLY BY LOOKING AT THE FINANCIAL STATEMENTS. IT WAS NECESSARY TO COMPLETELY RE-DO THE ACCOUNTING SYSTEMS, ONES THAT WERE ACCEPTABLE TO THE IRS BUT NOT TO THE ALASKA PUBLIC UTILITIES COMMISSION.

JUST TO PAY FOR THE RATE CASES AMOUNTED TO APPROXIMATELY A 7 1/2 PERCENT INCREASE TO EACH SUBSCRIBER, AND THIS PERCENTAGE WOULD INCREASE DRASTICALLY AS THE SYSTEM DECREASES IN SIZE. WE BELIEVE THE MARKET PLACE WOULD HOLD CABLE TV RATES TO A REASONABLE AMOUNT BETTER THAN REGULATION. TO THE BEST OF OUR KNOWLEDGE EVERY SINGLE CABLE TV RATE INCREASE THAT HAS BEEN REQUESTED FROM THE ALASKA PUBLIC UTILITIES COMMISSION HAS EVENTUALLY BEEN GRANTED TO WITHIN A FEW CENTS PER MONTH OF THE REQUEST. IN MOST CASES IF THE FULL RATE REQUESTED HAD BEEN GRANTED SERVICE WOULD HAVE BEEN EXPANDED AND AT AN EARLIER DATE.

IN CONCLUSION WE SUGGEST:

1. THE ALASKA PUBLIC UTILITIES COMMISSION NOT BE MERGED WITH ANY OTHER COMMISSION.
2. THAT THE ALASKA PUBLIC UTILITIES COMMISSION CONTINUE TO REGULATE CABLE TV IN ISSUANCE OF CERTIFICATES OF PUBLIC CONVENIENCE AND TO DETERMINE AREAS OF SERVICE.
3. CONTINUE AS A "WATCHDOG" OVER PUBLIC COMPLAINTS ABOUT SERVICE WITH THE POWER TO LEVY CIVIL PENALTIES AND REMOVE CERTIFICATES.
4. ELIMINATE ECONOMIC REGULATION.

I ESTIMATE THE ELIMINATION OF ECONOMIC REGULATION OF CABLE TV WOULD REDUCE THE PORTION OF THE ALASKA PUBLIC UTILITIES COMMISSION BUDGET ALLOCATED TO CABLE TV BY 95 PERCENT.

ELIMINATION OF ECONOMIC CONTROLS WOULD SAVE CUSTOMERS "PASSED ALONG COSTS" OF EXPENSIVE AND UNNECESSARY RATE HEARINGS.

WE ARE MORE THAN WILLING TO WORK WITH THE COMMITTEE IN DRAFTING
PROPOSED LEGISLATION AND OFFER ANY ASSISTANCE THAT THE COMMITTEE OR STAFF
MIGHT REQUIRE.

THANK YOU AGAIN FOR THIS OPPORTUNITY TO TESTIFY.

Box 1081
Petersburg, Ak 99833
13 Mar 1980

Senator Bradley
Senate Commerce Committee
Pouch V
Juneau, AK 99811

Dear Senator Bradley;

I wish to comment on the actions or rather non-actions of the
Alaska Public Utilities Commission.

Over one month ago I sent a letter to the Chairman of the Commission expressing my concern over the way the commission allowed Alascom to refund the excess rate increases.

So far I have not even received an acknowledgement of receipt from the commission. On Capitcl 80 I saw some of their replies to questions from the public and surely financial constraints cannot be so pressing that a letter of reply is too costly.

The reason that I wrote to the commission is that at least two weeks of January has gone past before I was informed about the "Great consumer refund" policy which Alascom was allowed. Lower phone rates in Alaska during the months of January and February. If I had not accidentally bought a paper I would not have known about the refund at all. At the very least the commission should have made Alascom wait until it had informed the public via our usual monthly bills. I felt that the very secretive way Alascom was allowed to refund to its customers did not benefit the public at all. I thought one of the commissions duties was to safeguard the interests of the public.

Sincerely yours,

Timothy Osborne

APUC SUNSET REVIEW

CERTIFICATION:

Before a utility may operate in the State of Alaska application for a Certificate of Public Convenience and Necessity must be made to the APUC as prescribed in AS 42.05.221 - 281. The Commission reviews the application and may reject, modify, or award a Certificate to the applicant. The Certificate may be as broad or as specific as the Commission chooses to issue and this is stated on the face of the Certificate.

AS 42.05 is quite specific as to the types of endeavors that are classified as utilities. Although, CATV is not mentioned in the statute the definition of telecommunications (AS 42.05.701 (2A and 8) states; "the transmission and reception of messages, impressions, pictures and signals by means of electricity." This clearly indicates that CATV meets the criteria of an utility and is subject to the provisions of AS 42.05.221 (Certification) to protect the public interest.

Therefore, the APUC may judge the qualifications of an operator on criteria established by the Commission. Due to the fact that the language used on the face of the Certificate, is prescribed by the Commission, an operator is subject to that criteria. Since no utility may operate without a Certificate the APUC has ultimate control as to the qualifications of an operator.

In other language contained in AS 42.05.221 - 281 no Certificate may be transferred without making application to the Commission. Once again, the APUC has complete control over new or existing services.

Since such a structure is in place to protect the public interest it does not make sense to remove the Certification of CATV from the APUC who is best equipped to handle it.

RATE REGULATION:

It is interesting to note that the language contained in AS 42.05 (Ch 113 SLA 1970) is permissive vs. mandatory regarding the regulation of utilities. The rate regulation and proceedings have evolved through regulations adopted and decrees of the Commission. Since the rate proceedings have become more complicated, during this evolution, they have also become longer and more costly. After the passage of ten (10) years, since the enabling legislation (SCSCS HB 202 am (S); CSHB 202 am, passed the House 30-7-3, April 9, 1969; SCSCSHB 202 am (S), passed the Senate 16-4, April 22, 1970; the House concurred in the Senate amendment) it is appropriate that the Legislative Audit and the Legislature's Sunset Review of the APUC is under consideration.

Rate deregulation of the Cable TV industry is an interesting concept due to the fact that an operators revenues are divided

between regulated rates and non-regulated rates and that may vary from a 20% - 80% split to a 50% - 50% split. Thus, two systems with gross receipts annually of \$1,000,000 may be broken down as follows:

System J	
Gross Receipts	\$1,000,000
80% non-regulated	\$800,000
20% regulated	\$200,000

System K	
Gross Receipts	\$1,000,000
50% non-regulated	\$500,000
50% regulated	\$500,000

This indicates a disparity of \$300,000 of revenue on regulated rates when the actual reason for the difference is purely economics based on aggressive marketing and the variety in programming offered to the public and to the public's taste in viewing matter.

Another factor of economics that applies, is that the cost of a rate proceeding is passed through to the consumer. This is by decree of the APUC. An example would be that the operator of system "K" feels that due to economic conditions (i.e. renegotiated labor contracts, increase in energy costs, inflation, etc.) a rate increase of \$1.00 per month per subscriber is in order. He makes application to the Commission for this increase and the proceedings go forth. With the time involved and the special consultants, auditors and legal counsel the pass through, varies but, could make the increase granted \$1.50 per month or a 50% increase over the original request and/or higher. This 50% is not reflective of expanded or improved service but just the cost of the rate proceeding that the consumer must pay.

Rate deregulation would save the consumer the cost of the proceeding and would let the economic conditions and consumer demand establish the rate charged for service provided. In most cases this would mean no increase or an increase that would be less than in the regulated circumstance. Under the regulated rate structure there is not a difference in proceedings according to the size of the operator's system. Thus, the system in a small community is subject to the same proceeding as a system in a large metropolitan area. And the small system may be less able to afford the cost as would the larger operator.

CONCLUSIONS:

It could be concluded that the public interest is best served by the APUC retaining the function of Certification and evaluating the operators and systems qualifications and rate deregulation to eliminate the disparity of controlled vs. noncontrolled revenues and the added expense to the consumer of the rate proceeding. It should be noted that the controlled and noncontrolled rates are first subject to the approval of the

FCC and this circumstance exists because of an order by the FCC.

Applying this set of criteria to the Cable TV industry would allow the APUC full control over the operation of a system, through its authority under AS 42.05, and allow the market place, through economic conditions, to establish the rate. Provision should be made that after a period of time (3 to 5 years) the Legislature (perhaps through Legislative Audit) have an overview of the Commission and the industry to evaluate the workings of these circumstances and offer a further check and balance.

Another benefit would be the cost saving to the Commission. Those public funds (now used for rate regulation) could be applied to other functions, that APUC is charged with, and staff time would be available for other purposes.

In conclusion it is noted that AS 42.05 is specific in definition and procedure for Certification of a cable system where as the rate regulation provisions are not as specific and the public would be best served by rate deregulation of Cable TV by the Legislature.

APUC: Alaska Public Utilities Commission

Commission: APUC

CATV: Community Antenna Television

FCC: Federal Communications Commission

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 26, 1980

SUBJECT: SB ⁵⁷⁷~~556~~ - APUC Sunset Legislation

TO: Senate Commerce Committee
ATTN: Frank Lee

FROM: Thomas A. Sofo
Legislative Counsel *TAS*

Under the most recent version of this bill, those utilities which might be exempted from APUC regulation by an amendment to AS 42.05.711 (pp. 5 and 6) are potentially exposed to municipal regulation by virtue of an existing statute, AS 29.-48.060. If further review of this area convinces you that municipal regulation, or the potential thereof, is undesirable, the following amendment should be offered:

page 3, line 4:

Insert "or exempt under AS 42.05.711(e) - (h)"
after "AS 42.05".

TAS:jdn