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76

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

1/25/84

Date: 2-7-84

Mr. President:

The Committee on CERCA has had SB 376

relating to power cost assistance; and.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)  same title
- replace with CS for \_\_\_\_\_  new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

*Mr. LaBott*  
 \_\_\_\_\_  
*Mr. Johnson*  
 \_\_\_\_\_  
*Mr. [unclear]*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
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 \_\_\_\_\_  
 \_\_\_\_\_

CHAIRMAN

SENATE AMENDMENT

By SENATOR FRECHSON

To: \_\_\_\_\_ SENATE BILL No. SB 375

To: \_\_\_\_\_ HOUSE BILL No. \_\_\_\_\_

PAGE: 1 LINE: 12

After "by" INSERT "at least".



Official Business

# Alaska State Legislature

*Senate*

*Committee on Finance*

Pouch V  
State Capitol  
Juneau, Alaska 99811

January 31, 1984

M E M O R A N D U M

TO: Senator Frank Ferguson  
Chair, Community & Regional Affairs

FROM: Senator John Sackett *JLS*

Re: SB-376, Power Cost Assistance  
(Rural Energy Assistance Program)

I would appreciate the above referenced bill (SB-376) being scheduled for hearing before your committee as soon as possible. I am prepared to appear before the committee and offer testimony at your convenience.

Thank you.

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 7, 1984

SUBJECT: Power cost assistance  
(SB 376)

TO: Senator Frank Ferguson  
Chairman, Senate Community and  
Regional Affairs

FROM: *LHA* Linn H. Asper  
Legislative Counsel

It has been suggested by Senator Sackett that the above-referenced bill could be improved by a change on line 12 so that the bill would read:

If the authority receives a petition requesting power cost assistance, signed by at least 25 percent. . .  
(emphasis added)

I agree that as the bill is now written there is a possibility, however slight, that it might be misinterpreted as requiring exactly 25 percent of the customers of the utility to sign the petition instead of 25 percent or more, which was the intention when the bill was drafted. Therefore, it is my opinion that Senator Sackett's suggested change would clarify the intent of the bill.

LHA:ojb  
J3/059

ENCLOSURES FOR SENATE BILL 376

1. Proposed Amendment by Senator Ferguson
2. Memo to Senator Ferguson from Linn Asper re: purpose of proposed amendment.
3. Fiscal Note from the Department of Commerce
4. Memo to Senator Sacket re: purpose of Senate Bill 376.

Attachments:

- a. Letter from City of Craig supporting Senate Bill 376.
  - b. Letter from the Alaska Power and Telephone Company of July 22, 1981 re: nonparticipation in Power Cost Assistance Program.
  - c. Letter from the Alaska Power and Telephone Company of October 7, 1981 re: nonparticipation in Power Cost Assistance Program.
  - d. Letter from the Alaska Power and Telephone Company of September 11, 1981 re: nonparticipation in Power Cost Assistance program.
  - e. Letter from Alaska Consumer Advocacy Program to Alaska Power and Telephone Company urging participation in Power Cost Assistance Program.
  - f. "Utility Owner Sticks to principles: But Aniak electricity consumers must pay a high price."  
Anchorage Daily News. July 10, 1983.
5. Letter to Senator Eliason from the APUC re: The Alaska Power and Telephone Company refusal to participate in the Power Cost Assistance Program.
  6. Copy of Alaska Public Utilities Commission U-82-51 Order No. 1. "In the Matter of the Investigation into the Management Practices of and Quality of Services Furnished by the Alaska Power and Telephone Company."  
(page 7.)

# COMMITTEE TAPE LOG 1984

tape no. \_\_\_\_\_

committee: Community & Regional Affairs date 02/07/84 to \_\_\_\_\_

bill numbers: SB 376 HB 162 \_\_\_\_\_

other information: Members present: Senator Don Gilman, Senator Frank Ferguson, Senator John Sackett  
Members Absent:

Date/Time	Tape Meter No.	Bill	Significant Information (Witness, Action)
02/07/84 2:05	000		Call to order by Chairman Ferguson
	010	SB 376	Ferguson, explanation, introduction
	036		Senator Sackett - explained bill and testified, proposal - minor amendments
	079		Senator Gilman - ? public utilities
	103		" " specific question
	106		Senator Sackett answers Gilman
	120		Senator Holford joins
	128		George Mattson, special assistant
	155		Senator Gilman ?
	162		Mattson continues and answers
	179		Dave Hutchins, Executive Dir.
	220		Sen. Ferguson, proposed amendments
			memo
	229		Motion by Sackett
	233		So ordered
	237		Moved
	249	HB 162	Ferguson
	255		Repr. Ward, prime sponsor
			Explanation of bill
	314		Senator Gilman - ? Title 329
	325		Repr. Ward answers
	332		Gilman





STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

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

REQUEST

Bill/Resolution No.: SB 376  
 Title: Relating to power cost  
assistance  
 Sponsor: Sackett, Ferguson  
 Requestor: Senate C & RA  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Commerce & Economic Development  
 Program Category Affected: Development  
 BRU, Program or Subprogram(s) Affected: Alaska Power Authority

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	N/A	91.0	91.0	91.0	91.0	91.0
800 MISCELLANEOUS						
TOTAL OPERATING	N/A	91.0	91.0	91.0	91.0	91.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: George Matz, Special Assistant Phone: 465-2079  
 Division: Office of the Commissioner Date: \_\_\_\_\_

Approved by Commissioner: Richard A. Lyon Date: 2/7/84  
 Agency: Commerce & Economic Development

Distribution (by Agency preparing fiscal note):

Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

12/1/83

ANALYSIS  
SB 376

A one percent increase for grant payments is expected which is approximately equal to the percentage increase in the utilities that would participate in the program.

February 6, 1984

M E M O R A N D U M

To: SENATOR JOHN SACKETT  
SENATOR FRANK FERGUSON

From: Max Gifford  
Administrative Aide

Subj: SB-376, POWER COST ASSISTANCE PROGRAM

This bill would create a new subsection in AS 44.83.162, permitting at least 25% of the customers of a regulated power utility to petition the Alaska Power Authority to require the utility in question to submit a power cost assistance application.

Currently, there are some customers of regulated utilities who DO NOT benefit from the power production subsidy authorized by the legislature in 1981.

The figure of 25% was selected to conform with other provisions of law (AS 42.05) relating to regulation of public utilities.

Attached are letters and articles relating to the problem.

FEB 03 1984



**CITY OF CRAIG**

---

P.O. Box 23  
Craig, Alaska 99921  
(907) 826-3275

*SB-376*

January 31, 1984

Senator John Sackett  
Senator Frank Ferguson  
State Capitol  
Juneau, Alaska 99811

Dear Senators:

This is to support SB376 relating to the power cost assistance program.

The electric customers in Tok, Hydaburg, and Craig have tried for years to get our local utility, Alaska Power and Telephone Co. to participate in this program. Not until this month, after a costly effort and a resultant Alaska Public Utility Commission request for briefs on the subject, did AP&T apply for this program.

The enclosed letters from AP&T eloquently reflect the utility's position and our frustration.

It is unfortunate that a law like this is necessary and more unfortunate that it was not passed years ago.

Sincerely,

David R. Palmer  
City Administrator

DRP/hg  
cc: Liz Cuadra

# Alaska Power & Telephone Company

702 WATER STREET, PORT TOWNSEND, WASHINGTON 98368  
TELEPHONE (206)303-1733

REC'D JUL 27 1981

ALASKA SOUTHERN POWER COMPANY  
SKAGWAY POWER & LIGHT SYSTEM  
TOK POWER & LIGHT SYSTEM  
NATIONAL UTILITIES, INC.  
ALASKA CENTRAL TELEPHONE SYSTEM  
SKAGWAY TELEPHONE SYSTEM  
SOUTHERN ALASKA TELEPHONE SYSTEM  
ALASKA POWER & TELEPHONE CORPORATION

ARTHUR GARRETT  
Chairman  
NANCY GARRETT BROWN  
Vice Chairman  
MARGUERITE GARRETT  
Secretary  
MARILOU K. RAYMOND  
Asst. Secretary

RALPH J. WILSON  
President  
VERNON I. NEITZER  
Vice President & Chief Eng.  
ROBERT S. GRUAM  
Vice President & Program

July 22, 1981

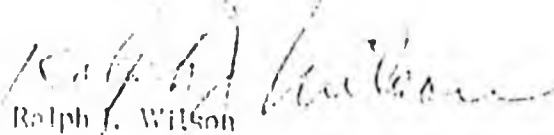
Mr. Thomas H. Abel, Administrator  
City of Craig  
P.O. Box 23  
Craig, Alaska 99921

Dear Mr. Abel:

In response to your letter of July 10, 1981, we feel that the program sets up a very dangerous situation where one person is charged one rate and another is charged a different rate. We are not sure that such discrimination is constitutional so we are not participating in the plan.

If the State is anxious to pay part of the power costs of certain people, it can make the payments directly to the people it chooses on any basis desired, thereby taking the responsibility for all questions of subsidization and discrimination upon itself, which is the proper role of a government agency.

Yours truly,

  
Ralph J. Wilson  
President

RJW:ly

# Alaska Power & Telephone Company

702 WATER STREET, PORT TOWNSEND, WASHINGTON 98368  
TELEPHONE (206)385-1733

OCT 13 REC'D

ALASKA SOUTHERN POWER COMPANY  
SKAGWAY POWER & LIGHT SYSTEM  
KODIAK POWER & LIGHT SYSTEM  
NATIONAL UTILITIES, INC.  
ALASKA CENTRAL TELEPHONE SYSTEM  
SKAGWAY TELEPHONE SYSTEM  
SOUTHERN ALASKA TELEPHONE SYSTEM  
ALASKA POWER & TELEPHONE CORPORATION

ARTHUR GARRETT Chairman	RALPH J. WILSON President
NANCY GARRETT BROWN Vice Chairman	VERNON J. NEITZER Vice President & Chief Engineer
MARGUERITE GARRETT Secretary	ROBERT S. GRIMM Vice President & Treasurer
MARILOU K. RAYMOND Senior Asst. Secretary	GAIL BROWN HOBBS Asst. Secretary & Asst. Treas.

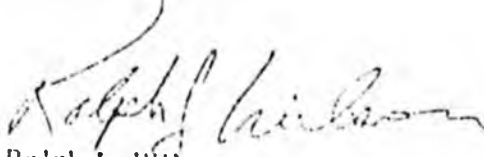
October 7, 1981

Elizabeth J. Hickerson, Research Assistant  
Alaska Consumer Advocacy Program  
P.O. Box 1093  
Anchorage, Alaska 99510

Dear Miss Hickerson:

If the State really wants to pay power costs and if you can get the payments made directly to the customer who is responsible for his charges, that would be just fine.

Yours truly,

  
Ralph J. Wilson  
President

RJW/rv

# Alaska Power & Telephone Company

702 WATER STREET, PORT TOWNSEND, WASHINGTON 98368  
TELEPHONE (206)385-1733

ASKA SOUTHERN POWER COMPANY  
AGWAY POWER & LIGHT SYSTEM  
K POWER & LIGHT SYSTEM  
ATIONAL UTILITIES, INC.  
ALASKA CENTRAL TELEPHONE SYSTEM  
SWAGWAY TELEPHONE SYSTEM  
SOUTHERN ALASKA TELEPHONE SYSTEM  
ASKA POWER & TELEPHONE CORPORATION

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MARILOU K. RAYMOND  
Senior Ass't Secretary

RALPH J. WILSON  
President  
VERNON J. NEITZER  
Vice President & Chief Engineer  
ROBERT S. GRIMM  
Vice President & Treasurer  
GAIL BROWN HOBBS  
Ass't Secretary & Ass't Treasurer

September 11, 1981

Ms. Elizabeth J. Hickerson, Research Assistant  
Alaska Consumer Advocacy Program  
P. O. Box 1093  
Anchorage, Alaska 99510

Dear Ms. Hickerson:

Thank you for your letter and the copy of Mr. Ranson's letter. We provide power at Craig for less cost than the people of Klawock can get it under the program of the Alaska Power Authority and the Alaska Consumer Advocacy Program and we see no reason to change our program.

Yours truly,

  
Ralph J. Wilson  
President

RJW:rly

A

# ALASKA CONSUMER ADVOCACY PROGRAM

P.O. Box 1093 Anchorage, Alaska 99510 272-6355

81-113

September 29, 1981

Mr. Ralph Wilson, President  
Alaska Power & Telephone Company  
702 Water Street  
Port Townsend, Washington 98368

Dear Mr. Wilson:

Thank you for your letter of September 11, 1981. I wish to point out again that participation in the Power Cost Assistance Program does not lower the total production cost of power but rather reduces the amount that the individual customer pays. Even if you presently provide power at Craig "for less than the people of Klawock can get it under the program" the total monthly amount due from your Craig customers would be reduced if Alaska Power and Telephone Company would participate in the program.

You might also note that the Alaska Consumer Advocacy Program does not administer the Power Cost Assistance Program. We are a state funded program designed to aid utility customers with their problems.

I again urge you to participate in the program for the economic benefit of all your customers in Tok, Dot Lake, Hydaburg, Skagway and Craig.

Sincerely,

ALASKA CONSUMER ADVOCACY PROGRAM

*Elizabeth J. Hickerson*

Elizabeth J. Hickerson  
Research Assistant

EJH/ljm

cc: Mayor Robert Massogee  
Mayor James J. Sprague  
Mr. Adrian LeGoran  
Mr. Robert L. Brean  
Mr. Ray Wipperman  
Mr. Gary Ransom

BILL SHEFFIELD, GOVERNOR

ALASKA PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

420 "L" STREET  
SUITE 100  
ANCHORAGE, ALASKA 99501  
(907) 276-6222

January 5, 1984

Richard I. Eliason  
Senator  
Pouch V (Mail Stop 3100)  
Juneau, Alaska 99811

Dear Dick:

Thank you for your letter of December 14, 1983, reiterating your concerns in regard to the service being provided to the people in Craig by Alaska Power & Telephone Company. I am enclosing a number of orders in various dockets which speak to the concerns that have been raised in regard to service provided by AP&T, request for rate increases by AP&T, and the decision of AP&T to decline to participate in the power cost assistance program. I am pleased that subsequent to the issuance of Order No. 7 in U-83-46, the utility has filed an application for power cost assistance. Staff expects to have a recommendation to the Commission on January 13, 1984 on the matter and action should be taken immediately.

Your Staff will observe that there are a number of matters still pending before the Commission in regard to not only the service being provided by this utility but the rates at which service is being provided. I estimate that the Commission will again spend a great deal of time this year attempting to work with the utility in rectifying documented problems and in investigating further subsequent concerns brought to the Commission's attention. It is extremely important that those individuals who are dissatisfied with the service being provided to them by AP&T document their complaints as specifically as possible and provide this information not only to the Commission at the above address but provide a copy to Alaska Power & Telephone Company. Their address is:

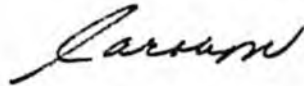
Post Office Box 222  
Port Townsend, Washington 98368.

Senator Eliason  
January 4, 1984  
Page 2

The Commission will continue to monitor the service provided by this utility; as I explained in our phone conversation, "due process" cannot be effected over night and investigations and resultant corrections do take time. The Commission is aware of the problems in this utility's service area and will continue to fulfill its responsibilities in that regard.

Please don't hesitate to contact me again if there is additional information that should be brought to our attention.

Sincerely,



Carolyn S. Guess  
Chairman

Enclosures:

cc: Mr. Ralph J. Wilson, President  
Alaska Power & Telephone Company

# Utility owner sticks to principles

## But Aniak electricity consumers must pay a high price

By ANN CONY  
Daily News business reporter

**A**NIAK — Artie DeMandle is a soft-spoken but stubborn entrepreneur who has earned a combination of praise and bitter resentment from his customers.

DeMandle is the owner of Aniak Light & Power.

He gets kudos for providing reliable service — something many rural Alaskans

don't enjoy.

But, despite repeated prodding, DeMandle refuses to participate in the state Power Cost Assistance Program. The subsidy program offers direct payment to utilities in villages where the high cost of fuel sends electric bills through the roof.

State officials say DeMandle's company is one of a handful of rural Alaska utilities

See Page A-12, UTILITY

# Utility owner sticks to his beliefs while others protest

Continued from Page A-1

that are eligible for the program but don't take it.

Because DeMandle shuns the program, residents of this Kuskokwim River village pay the highest electric rate of any regulated-utility customers in the state: 34.5 cents a kilowatt hour for the first 250 kilowatt hours, and 31.1 cents thereafter.

That may well be the highest unregulated retail electric rate in the country, according to Don Markle of the Alaska Power Authority. By contrast, Anchorage residents pay between 4.6 cents and 13.6 cents a kilowatt hour.

DeMandle has learned that in a town of 420, your customers are your neighbors. They know you by sight and cross your path frequently.

To defy the City Council or the traditional Native Council is to court ill will.

DeMandle has defied both.

The councils passed a joint resolution in April, 1982, asking him to apply for the Power Cost Assistance Program, which could cut electric bills roughly in half.

DeMandle says he has no intention of applying for the program.

Some Aniak residents say DeMandle's bullheadedness has cost him a lot of friends. But if it bothers DeMandle, he doesn't show it.

Lamont Albertson, mayor of Aniak, said he has contacted the Alaska Public Utilities Commission and learned there is nothing to be done about DeMandle's intransigence. So he and other frustrated Aniak residents have given up the fight.

But the grudge lingers. Albertson said his home electric bill for May came to more than \$379.

"He's an independent business guy," Albertson said of DeMandle. "I kind of like him. But I resent the fact that he won't take advantage of this program."

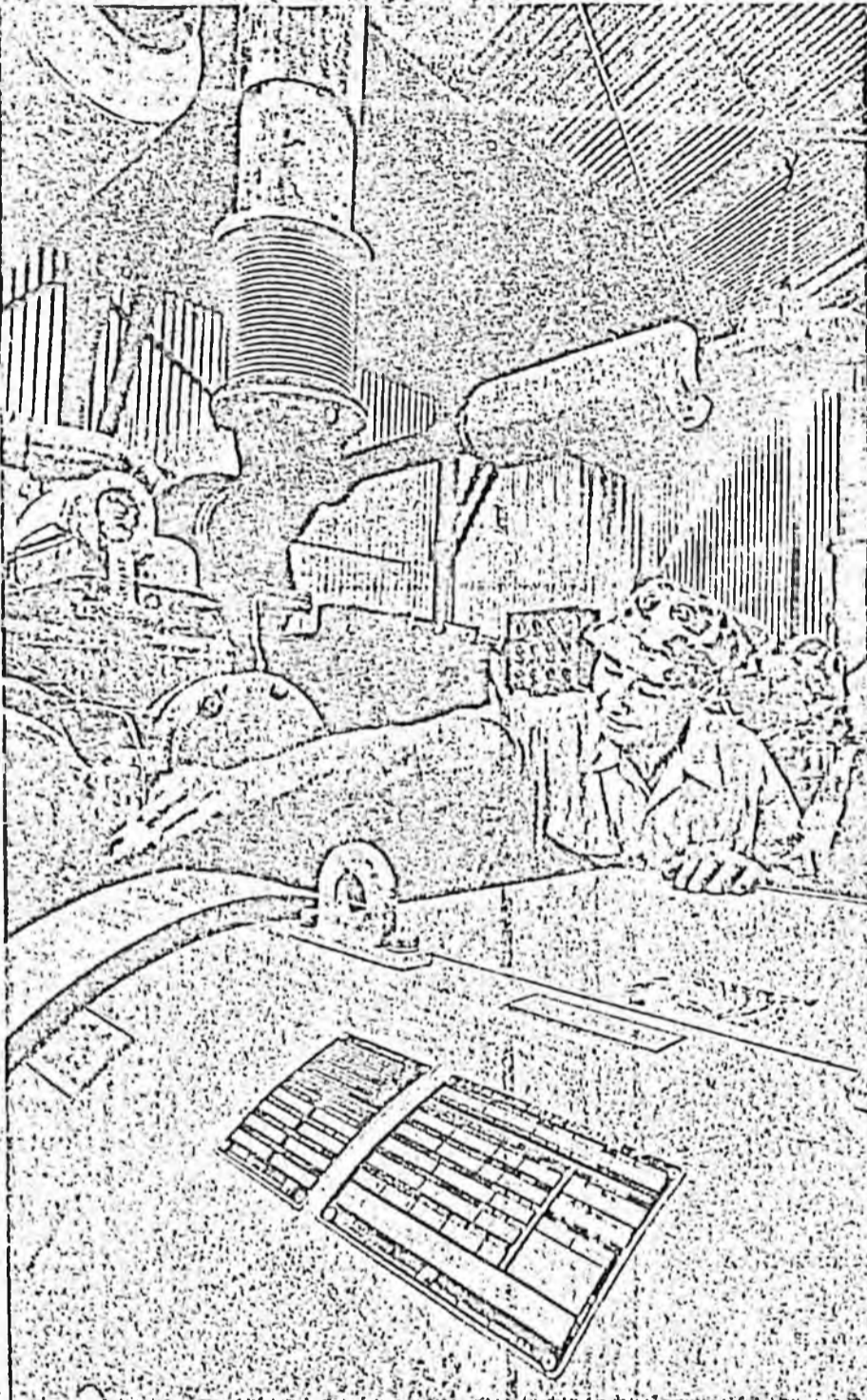
Aniak Light & Power is a family run business, and "that's another thing I like about it," Albertson said. "But he could still have the same damn thing, participate in the assistance program and save a lot of people in town a lot of money."

Some people in Aniak do get an electric-bill subsidy under a federally funded program to aid low-income families.

"Seems like the most people who are hollering about (high electric bills) have good jobs," said Margaret DeMandle, Artie's wife, who handles the company bookkeeping.

Artie DeMandle decries the paperwork that would come with participation in the subsidy, though the city has offered to pay the cost of bookkeeping, paperwork or any inconveniences he might incur as a result of the program.

He worries that participating in the program, with financial support from the city, might leave



Anchorage Daily News/Tian Duner

Artie DeMandle works on his generator in Aniak where electricity isn't cheap.

him to open his books to the state, the city or both. And DeMandle doesn't want any government agency sticking its nose in his business.

"If they want a subsidy," he said, "they should give it (directly) to the people and leave me out of it."

DeMandle has other arguments.

He believes the subsidy would dampen his customers' enthusiasm for energy conservation.

If electric use climbs, he may be forced to borrow money to install a new generator or make other costly plant improvements. Assuming state revenues fall off sharply, as anticipated, the legislature will kill the subsidy program. Aniak power customers would return to energy conservation with a vengeance. Then DeMandle would be stuck with

shrinking sales, an oversized power plant and a fat loan to pay off.

But some Aniak residents say they don't buy DeMandle's logic.

A half mile or so from DeMandle's home and generating plant, Bobette Bush lives with her husband and their two young children in a two-bedroom house equipped with a propane cooking stove. Like many townsfolk, she has a freezer in addition to a refrigerator, but few other appliances. The family's electric bill for the month of May was \$218. Even if the subsidy cut her bill in half, she would still have incentive to conserve energy, she said.

Albertson is of the same mind.

"People are going to spend that money on other things," he said of the savings the subsidy would pro-

vide. "Regardless of the cost of electricity, I'm only going to have the number of freezers I need, and I'm still going to unplug them in the wintertime."

But not everyone in Aniak is put out with DeMandle's refusal to take the subsidy.

City Manager John Hale said DeMandle is competent, hard working and conscientious.

According to Hale, the only power outages in the three years he has been in Aniak have been intentional, when DeMandle shut down the system for maintenance or repairs.

"Artie is an arbitrary guy. But his good points overshadow his bad points," Hale said. "If I had a choice between Artie DeMandle supplying our power or having the state assistance program, I'd take Artie any day."

ANIAK  
Electric

STATE OF ALASKA

ALASKA PUBLIC UTILITIES COMMISSION

4 Before Commissioners: Carolyn S. Guess, Chairman
5 Marvin R. Weatherly
6 Susan M. Knowles
7 Stuart C. Hall
8 Diana E. Snowden

7 In the Matter of Complaints )
8 Relating to the Provision by ALASKA ) U-78-24
9 POWER AND TELEPHONE COMPANY of )
10 Electric Utility Service in Skagway ) ORDER NO. 4

10 In the Matter of Complaints )
11 Relating to the Provision by ) U-78-25
12 NATIONAL UTILITIES, INC., of Tele- ) ORDER NO. 3
13 phone Exchange Service in Skagway )

13 In the Matter of the Filing of a )
14 Tariff Revision, Designated as ) U-79-50
15 TA103-2, by ALASKA POWER AND TELE- ) ORDER NO. 4
16 PHONE COMPANY for General Rate )
17 Increases at Craig, Hydaburg, )

17 In the Matter of the Filing of a )
18 Tariff Revision, Designated as ) U-82-50
19 TA206-2, by ALASKA POWER AND TELE- ) ORDER NO. 1
20 PHONE COMPANY for a Permanent )

20 In the Matter of the Investigation )
21 into the Management Practices of ) U-82-51 ✓
22 and Quality of Service Furnished by ) ORDER NO. 1
23 ALASKA POWER AND TELEPHONE COMPANY )

23 In the Matter of the Investigation )
24 into the Management Practices of ) U-82-52
25 and Quality of Service Furnished by ) ORDER NO. 1
26 NATIONAL UTILITIES, INC. )

ORDER SUSPENDING OPERATION OF PERMANENT
TARIFF REVISION, INSTITUTING INVESTIGATIONS
AND CLOSING DOCKETS

BY THE COMMISSION:

On May 28, 1982, ALASKA POWER AND TELEPHONE COMPANY
(AP&T), an electric utility, filed a tariff revision (TA206-2) in
which it proposed to incorporate present fuel surcharges into the

ALASKA PUBLIC UTILITIES COMMISSION
1100 Mackay Building - 338 Denali Street
Anchorage, Alaska 99501
Phone 276-5222

Handwritten initials or stamp in the bottom right corner.

2 charges for the Tok service area. AP&T stated that the proposed  
3 rates for Tok would increase that service area's existing rates by  
4 19.5 percent and that the present rates in the Craig, Hydaburg and  
5 Skagway service areas would not be affected.

6 The filing was noticed to the public on June 3, 1982,  
7 with a closing date for comments of July 2, 1982. Two letters  
8 opposing the increase have been received by the Commission.

9 The Commission Staff (Staff) has reviewed AP&T's filing  
10 and has concluded that there is insufficient basis upon which to  
11 allow a rate increase at Tok. Staff has recommended that the  
12 filing be suspended for an initial five-month period to allow a  
13 comprehensive audit of AP&T's accounts and records to investigate  
14 the reasonableness and propriety of the filing in question.

15 Staff's review indicated that AP&T's existing rates for  
16 the Tok Service Area are not inadequate. In fact, based on a  
17 preliminary review of the filing, Staff determined that AP&T has  
18 excess revenues from Tok of \$17,035. Staff's conclusion was based  
19 primarily on (1) a reduction in AP&T's reported 1981 fuel cost to  
20 reflect the most current price of fuel and (2) a reduction in rate  
21 base to reflect utilization of a 13-month average of net plant-in-  
22 service as required under 3 AAC 48.275(a). The Commission concurs  
23 with Staff's conclusion that AP&T's filing does not provide suffi-  
24 cient support for the Commission to immediately grant a permanent  
25 rate increase. Staff has indicated areas which require further  
26 investigation, and the Commission concurs with Staff that suspen-  
27 sion of the permanent operation of the tariff revision is appro-  
28 priate. On July 12, 1982, the utility was telephonically notified  
29 of the Commission's decision to suspend operation of the tariff  
30 revision.

31 In view of the significant change in rates proposed by  
32 the utility, the Commission also believes that AP&T should include

ALASKA PUBLIC UTILITIES COMMISSION  
1100 Mackay Building - 338 Denali Street  
Anchorage, Alaska 99501  
Phone 276-5222

ALASKA PUBLIC UTILITIES COMMISSION  
1100 Mackay Building - 338 Denali Street  
Anchorage, Alaska 99501  
phone 276-6222

1 in the next billing to each Tok customer an informative summary of  
2 the proposed rates requested at Tok. Under 3 AAC 48.280(e)(2),  
3 the Commission may require that the utility dispatch "individual  
4 notice to all customers known to be affected, either by direct  
5 mail at the expense of the utility under conditions prescribed by  
6 the Commission, or by the Commission itself using plain unsealed  
7 envelopes that have been stamped, addressed and furnished by the  
8 utility." AP&T may prepare the notice to be distributed to each  
9 customer, subject to Commission approval; or, it may mail to each  
10 customer a copy of the public notice prepared and distributed by  
11 the Commission, subject to appropriate editorial changes suggested  
12 by Staff.

#### 13 Cost of Service

14 In granting approval of a permanent rate increase in  
15 AP&T's most recent rate case (Docket U-79-50), the Commission  
16 ordered AP&T to file a cost-of-service study in conjunction with  
17 its next request for rate relief (Order No. 3, Ordering Paragraph  
18 No. 4). AP&T has not complied with this requirement. The Commis-  
19 sion is concerned that certain inequities between classes of con-  
20 sumers which appeared in that Docket, particularly with respect to  
21 fuel costs, would be perpetuated were AP&T's proposed increase to  
22 be approved. The Commission does not believe it feasible to study  
23 the cost of service only for the Tok service area as there are  
24 certain expenses which are incurred for the benefit of all AP&T's  
25 customers and, therefore, which cannot readily be segregated by  
26 service area. Therefore, the Commission will require AP&T to  
27 file, within 90 days of the date of this Order, a cost-of-service  
28 study for the Craig, Hydaburg and Skagway service areas in addi-  
29 tion to the Tok service area. The five-month suspension period  
30 for TA206-2 should begin as of the date of filing of this cost-  
31 of-service study.

Quality of Service

2           The Commission has the statutory authority and responsi-  
3 bility to regulate the service provided by a utility. AS 42.05.-  
4 141(2), (3), (4). To ensure the adequate, efficient and safe ser-  
5 vice and facilities which utilities are required by AS 42.05.-  
6 291(a) to provide, the Commission may prescribe the service or  
7 facilities to be furnished, including any repairs, changes, alter-  
8 ations, extensions, substitutions or improvements reasonably nec-  
9 essary for the public safety and convenience. AS 42.05.291(d).

10           The Commission also may impose other sanctions available  
11 for any violation of AS 42.05. These include the suspension, re-  
12 vocation or modification of a utility's certificate of public con-  
13 venience and necessity, AS 42.05.271, or the imposition of civil  
14 penalties up to \$100 per day for each continuing violation. AS  
15 42.05.571-.581.

16           Both in the past and present, the Commission has re-  
17 ceived numerous informal complaints concerning AP&T, alleging poor  
18 electric service as evidenced by frequent outages, brownouts and  
19 voltage fluctuations, and inadequate customer services.

20           Due to the high incidence of complaints from the util-  
21 ity's Skagway service territory, the Commission opened Docket  
22 U-78-24 to investigate the quality of electric service being pro-  
23 vided in that area.

24           On January 4, 1979, in that Docket, Staff and the util-  
25 ity filed a Stipulation as to Revenue Requirements and Permanent  
26 Rate Increases in which, among other things, the utility agreed to  
27 monitor voltage fluctuations and to file reports of the steps the  
28 utility was taking to assess the quality of service and to correct  
29 voltage fluctuations. On January 15, 1979, the Commission issued  
30 Order No. 3 in which it accepted the stipulation and imposed addi-  
31 tional conditions, including the requirement to upgrade the "North  
32 End" distribution system.

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1           On March 9, 1979, and April 12, 1979, AP&T filed reports  
2 with the Commission stating that no significant voltage fluctua-  
3 tions were recorded, but it had discovered areas requiring routine  
4 upgrading. It estimated that the North End could be upgraded at a  
5 cost of \$1,500 and the remaining system at a cost of \$6,000. Sub-  
6 sequent reports indicate that the planned improvements have been  
7 completed.

8           The Commission continues to receive complaints from  
9 Skagway to the effect that quality of service still is a problem.  
10 The City Manager, in a letter dated February 5, 1982, stated that  
11 the quality of electric service furnished by AP&T has not im-  
12 proved. The allegation is supported by a petition bearing 229  
13 signatures representing 21 percent of the total number of cus-  
14 tomers in Skagway.

15           On July 8, 1982, the Skagway City Manager telephoned  
16 Staff to complain of unsafe conditions in the electrical distri-  
17 bution system. Reference was made to inadequate vertical clear-  
18 ance over certain streets, driveways, and communication conduc-  
19 tors; inadequate horizontal clearances from structures; and exces-  
20 sive sag in some power line segments.

21           The Commission also has received complaints of poor  
22 electric service from AP&T's Craig and Hydaburg service areas.  
23 Pursuant to these complaints, Staff arranged an inspection trip to  
24 investigate. Staff's report, dated May 18, 1982, which is attach-  
25 ed to this Order as an Appendix, indicates serious deficiencies in  
26 both operations and maintenance at Craig and Hydaburg. It is  
27 alleged that plant at both sites is poorly planned, constructed,  
28 and maintained (frequently without regard for provisions of the  
29 National Electric Safety Code) and that the utility's personnel  
30 are poorly trained and supervised.  
31  
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1 Stair's report contains allegations that poor construction  
2 tion and maintenance in the Tok-Dot Lake service territory compro-  
3 mises the quality of service provided, as well as the safety of  
4 the utility's employees.

5 Based on the continuing complaints from Skagway and on  
6 Staff's report of deficiencies in the remaining service areas of  
7 AP&T, the Commission believes that it would be in the public in-  
8 terest to institute, as provided for in AS 42.05.141(2) and (3)  
9 and 42.05.291(a) and (d), an investigation into the quality of  
10 service provided by AP&T to customers in all of its service areas.  
11 Unresolved issues remaining in Docket U-78-24 should be subsumed  
12 in this new comprehensive docket of investigation (U-82-51). De  
13 minimis allocable costs of \$8.20 should be absorbed by the Commis-  
14 sion; and Docket U-78-24 should be closed.

15 Besides noting deficiencies in electric service, the  
16 May 18, 1982, Staff report alleges inadequacies in the construc-  
17 tion, operation and maintenance of telephone plant by NATIONAL  
18 UTILITIES, INC. (NUI), in Craig, Hydaburg and Tok. Several  
19 letters of complaint have been received from customers in Craig  
20 and Tok. The adequacy of trunking between Craig and the neigh-  
21 boring town of Klawock has been a continuing problem and a source  
22 of frequent complaints. Further, in July, 1982, there was a  
23 two-week period in which the Hydaburg telephone system did not  
24 have access to the toll network. In response to Staff's inquiry  
25 about the reason for the delay in restoring service, the reply  
26 given by NUI management was that it lacked the tools/parts to  
27 repair the system.

28 Moreover, the Commission notes the tendency of NUI to  
29 purchase and install used switching and other outdated telephone  
30 equipment; e.g., acquisition of Cordova's step-by-step switch for  
31 installation at Tok rather than purchase and installation of  
32 state-of-the-art digital equipment.

U-78-24(4), U-78-25(3), U-79-50(4), U-82-50(1), U-82-51(1),  
U-82-52(1)

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1 The Commission has an open proceeding (Docket U-78-25)  
2 investigating the quality of telephone service in Skagway; how-  
3 ever, in view of the alleged inadequacies in other areas served by  
4 NUI, the Commission believes that the investigation should be  
5 expanded to the entire service area of NUI. Among other things,  
6 the Commission will examine whether NUI has been meeting the  
7 telephone service standards under 3 AAC 52.200-3 AAC 52.340. It  
8 has been alleged that NUI does not accept long distance calls from  
9 its subscribers/customers to its Port Townsend, Washington, busi-  
10 ness office as required by 3 AAC 52.210(c) when billing and other  
11 service matters cannot be resolved by on-site personnel in the  
12 local service areas. Unresolved issues in Docket U-78-25 should  
13 be subsumed in the expanded investigation (U-82-52); and Docket  
14 U-78-25, which contains no allocable costs, should be closed.

15 Management Practices

16 The Commission likewise has authority and responsibility  
17 to oversee the management practices of a utility. AS 42.05.141  
18 and 42.05.511. If the Commission finds such practices unreason-  
19 able, it may take appropriate action or order correction of the  
20 unreasonable practices or may impose the sanctions prescribed in  
21 AS 42.05.271 and 42.05.571-.581 described above.

22 The Commission has received numerous inquiries from AP&T  
23 electric customers concerning the State of Alaska's Power Cost  
24 Assistance (PCA) program. This program provides financial assist-  
25 ance to electric consumers in the form of cash payments to utili-  
26 ties to be offset against a portion of each consumer's electric  
27 bill. Consumers, therefore, benefit by direct reductions in their  
28 bills each month. Application for participation in this program  
29 must be made by the utility, but AP&T has chosen not to partici-  
30 pate. The Commission is concerned with AP&T's apparent indif-  
31 ference to a program beneficial to its customers. Letters to the  
32 Commission from NUI customers also allege utility management

1 indifference to the quality of telephone service furnished its  
2 subscribers.

3 Moreover, the Commission notes AP&T's failure to, among  
4 other things, comply with filing requirements mandated by  
5 U-79-50(3); specifically, failure to file a cost-of-service study  
6 in support of TA206-2 and failure to file minutes of its monthly  
7 Operating Committee meetings as more fully discussed below.

8 In addition, the Commission is gravely concerned about the plan-  
9 ning and construction deficiencies and the inadequate employee  
10 training and supervision alleged in Staff's report. Therefore,  
11 under AS 42.05.141(2) and 42.05.511(a), the Commission will on its  
12 own motion initiate an investigation into AP&T's and NUI's manage-  
13 ment practices including, but not limited to, the items discussed  
14 above.

15 Filing Requirements Under U-79-50

16 In conjunction with the approval of permanent rate in-  
17 creases, the Commission in U-79-50(3) ordered AP&T to provide the  
18 Commission copies of the minutes of the utility's Operating Com-  
19 mittee for an indefinite period of time. The Commission concluded  
20 that, "The subject of a reasonable procedure for the utility's  
21 Skagway customers to communicate with its operating personnel  
22 should be discussed by the Operating Committee." U-79-50(3),  
23 p. 7. Review of the minutes submitted to the Commission pursuant  
24 to that Order show that the matter was discussed in January, 1980,  
25 and that the utility established the following hours for the  
26 operating personnel to be available for customer questions or com-  
27 plaints: 7:30-9:30 a.m., 11:30 a.m.-12:00 noon, and 4:00-  
28 5:00 p.m.

29 In the past, AP&T failed to submit Operating Committee  
30 minutes on a regular basis and ceased to submit them altogether in  
31 February, 1981. Considering the continuing complaints from Skag-  
32 way, the Commission will require that AP&T timely submit minutes  
of its Operating Committee and bring these filings up to date.

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1 Failure to comply with this requirement may result in the levying  
2 of civil penalties as prescribed in AS 42.05.571, in the amount of  
3 \$100 a day for each infraction.

4 In view of the institution of these new quality-of-  
5 service/management practices investigations, the Commission be-  
6 lieves the minutes of the Operating Committee and any other re-  
7 maining procedural and substantive matters in Docket U-79-50  
8 should be subsumed in the new dockets of investigation; allocable  
9 costs of \$58.74 should be absorbed by the Commission; and Docket  
10 U-79-50 should be closed.

11 THE COMMISSION FINDS AND CONCLUDES:

12 1. AP&T and NUI are public utilities as defined in AS  
13 42.05.701 and are subject to the regulatory jurisdiction of this  
14 Commission.

15 2. AP&T should be required to submit a cost-of-service  
16 study for each of its service areas within 90 days of the date of  
17 this Order.

18 3. AP&T's tariff revision designated as TA206-2 should  
19 be suspended for an initial five-month period to begin on the date  
20 AP&T's cost-of-service study is filed.

21 4. In view of the significant change in rates proposed  
22 by the utility, AP&T should include in the next billing to each  
23 Tok customer an informative summary of the proposed rates re-  
24 quested at Tok.

25 5. The Commission should institute an investigation  
26 into AP&T's management practices including, but not limited to,  
27 the non-participation of AP&T in the PCA program and into the  
28 quality of service being provided by AP&T in all of its service  
29 areas.

30 6. The Commission should institute an investigation  
31 into the management practices being engaged in and the quality of  
32 service being provided by NUI in all of its service areas.

1. Remaining issues relating to the quality of service  
in Dockets U-78-24, U-78-25 and U-79-50 should be subsumed in the  
new dockets of investigation instituted by these proceedings.

8. AP&T should be required to continue providing  
minutes of its Operating Committee as required in U-79-50(3).

9. All other substantive or procedural matters re-  
maining in Dockets U-78-24, U-78-25 and U-79-50 have been subsumed  
under the dockets of investigation opened by this Order or other-  
wise disposed of, and these earlier Dockets should be closed. The  
Commission should absorb the remaining allocable cost in these  
Dockets in the amount of \$66.94.

10. Staff should be made a party to these proceedings.

ORDER

THE COMMISSION FURTHER ORDERS:

1. The operation of the tariff revision, designated as  
TA206-2, filed by Alaska Power and Telephone Company, is suspended  
for an initial five-month period not to begin until a cost-of-  
service study for all service areas has been filed.

2. Within 90 days of the date of this Order, Alaska  
Power and Telephone Company shall submit a cost-of-service study  
for all service areas.

3. As more fully prescribed in the body of this Order,  
Alaska Power and Telephone Company shall include in the next  
billing to each Tok customer an informative summary of the pro-  
posed rates recommended at Tok.

4. An investigation is instituted into the management  
practices of and the safety and quality of electric utility ser-  
vice furnished by Alaska Power and Telephone Company.

5. An investigation is instituted into the management  
practices of and the safety and quality of local exchange tele-  
phone service furnished by National Utilities, Inc.

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6. As part of its investigation into the quality of service and management practices of these two utilities, the Commission Staff shall conduct public hearings in Tok, Skagway, Craig, and Hydaburg for the purpose of obtaining testimony from the public.

7. Alaska Power and Telephone Company shall reinstitute and bring up to date the filing of the minutes of its Operating Committee with the Commission.

8. All remaining outstanding matters in Dockets U-78-24, U-78-25 and U-79-50 are subsumed into the dockets of investigation opened by this Order; the allocable costs of \$66.94 are absorbed by the Commission; and Dockets U-78-24, U-78-25 and U-79-50 are closed.

10. The Commission Staff is made a party to these proceedings.

DATED AND EFFECTIVE at Anchorage, Alaska this 5th day of October, 1982.

BY DIRECTION OF THE COMMISSION  
(Commissioner Diana E. Snowden, not participating)

(S E A L)

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