

SCOMM

#47:5

STATE OF ALASKA THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 6, 1986

SUBJECT: HB 539 (life line rates)

TO: Representative H.A. "Red" Boucher, Chair
House Special Committee on Telecommunications

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have requested a sectional analysis to HB 539 and asked questions concerning its effect.

SECTIONAL ANALYSIS

Section 1 permits a public utility to grant low-income customers discounted service or a reduced rate for essential telecommunication services despite the prohibition contained in AS 42.05.301 against granting unreasonable preferences or advantages in services.

Section 2 permits discounted service or reduced rates despite the prohibition contained in AS 42.05.391(a) against granting an unreasonable preference or advantage in rates.

ISSUES RAISED

1. May appropriations be added to HB 539?

The Alaska State Constitution requires in Article II, Section 13, that "bills for appropriations shall be confined to appropriations." HB 539 is not an appropriation bill and therefore, no appropriation could be added to it.

Your letter indicates that there is no administrative agency to handle the funds. Since these sections are part of AS 42.05, the Public Utilities Commission has responsibility for implementing the program. AS 42.05.141(3)) gives the commission power to

Representative H.A. "Red" Boucher
Page 2
February 6, 1986

make or require just, fair and reasonable rates, classifications, regulations, practices, services and facilities for a public utility.

2. If HB 539 is enacted, could the Alaska Public Utilities Commission establish a lifeline program without further statutory authority?

Under the power given to the APUC by AS 42.05.141(3), the commission could establish a lifeline program if this bill became law. Under AS 42.05.151(a)

The commission may adopt regulations, not inconsistent with law, necessary or proper to exercise its powers and to perform its duties under this chapter.

Since the sections permitting reduced rate and services are part of AS 42.05, the APUC has authority to implement them.

If I may be of further assistance, please advise.

TC:mkr
M2:145



1985-1986
ALASKA STATE LEGISLATIVE COMMITTEE

CHAIRMAN
Mr. John E. Dapcevich
Box 1081
Sitka, AK 99835
(907) 747-8383

VICE CHAIRMAN
Ms. Lee McAnerney
P.O. Box 406
Seward, AK 99664
(907) 224-3080

SECRETARY
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P.O. Box 870797
Wasilla, AK 99687
(907) 376-2092

February 22, 1986

H. S. Boucher, Representative
Pouch V (MS 3100)
Juneau, Ak. 99811

Dear Red:

The Alaska State Legislative Committee for the American Association of Retired Persons recently met in Juneau and I was asked to send a letter of support to you for the following:

House Bill 539 titled "Telecommunications;
Reduced Rates"

Our committee, which represents the 20,914 AARP members in Alaska, would appreciate any action you might take that would ensure passage of this legislation.

Best personal regards,

A handwritten signature in cursive script, appearing to read "John".

John E. Dapcevich
Chairman

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill Resolution No. : HB 539
 Title : An Act relating to reduced rates and discounted service for low income telecomm. customers
 Sponsor House Spec. Telecomm. & State Affairs
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Alaska Public Utilities Commission
 BRU : Alaska Public Utilities Commission
 Components : Administration

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : Attach a separate page if necessary

Prepared by : T.S. Moninski II, Deputy Director
 Division : Alaska Public Utilities Commission

Phone : 276-6222
 Date : February 7, 1986

Approved by Commissioner : *James L. Thompson*
 Agency : Commerce and Economic Development

Date : February 7, 1986

Distribution (by Agency preparing fiscal note) :

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

1 1
 page of

10/25/85

STATE OF ALASKA 1986 LEGISLATIVE SESSION

FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : HB 539
 Title : Relating to reduced rates and discounted service for low-income telecommunications customers.
 Sponsor : Special Committee on Telecommunications
 Requestor : _____
 Date of Request : 2/5/86

FISCAL DETAIL

Agency Affected : Administration
 BRU : Telecommunications Services
 Components : Telecommunications Services

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : Attach a separate page if necessary

The bill, of itself, has zero financial impact on this agency. The effect of the bill would be to allow telecommunications utilities to provide reduced rates to low-income customers notwithstanding the prohibitions in AS 42.05 against rate discrimination.

Prepared by : Ted McIntire (Ted McIntire)
 Division : Telecommunications Services

Phone : 465-2041
 Date : 2/5/86

Approved by Commissioner : [Signature]
 Agency : Administration

Date : 2/5/86

Distribution (by Agency preparing fiscal note) :

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

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4931

DISTRICT 10
BOX 111038
ANCHORAGE, ALASKA 99511
(907) 349-2192



CHAIRMAN
Special Committee on
Telecommunications

MEMBER
Labor and Commerce
State Affairs
Finance—Subcommittee Administration

Representative H. A. "Red" Boucher

January 31, 1986

TO: Members, House Special Committee on Telecommunications

FROM: Chris Herberger, Committee staff

SUBJECT: Lifeline programs

In general terms, lifeline telephone service means a discounted service or a reduced rate in order to maintain essential communication services for low-income residential customers.

So far only four states have implemented lifeline programs that are based on need (meaning that there is a qualifying means test to determine recipients). The states are California, Arkansas, New York and Wisconsin, and only in California was the lifeline program implemented by the legislature; in the other three states it was the Public Utility Commissions. These states have generally reduced the flat or measured local rate 50-66%. Funding mechanisms varied.

Nineteen states are offering "budget services" -- telephone service which is available to customers regardless of need, but the rate is based on some combination of distance, frequency, time-of-day and duration. This type of pricing is similar to the way long distance calls are priced.

Ten states have indicated that there is a statutory, judicial or administrative bar to lifeline rates with their state. These states include Colorado, Georgia, Indiana, Maryland, Oregon, Pennsylvania, South Dakota, Tennessee, Utah and Washington. Of these states, Georgia, Oregon, Tennessee and Washington have budget services, and Maryland and Nebraska have lifeline legislation pending. Details of each state's action or non-action are in the enclosed lifeline program survey.

A lifeline bill was introduced in the U.S. House of Representatives by Mickey Leland in January 1985. It was referred to Energy and Commerce Committee's subcommittee on telecommunications in February 1985 and no action has been taken on it.

The Federal Communications Commission has approved a lifeline program which all states may participate in. The program provides that federal money, up to the amount of the end-user charge, will be contributed to a lifeline program if the state matches the contribution. Recipients would be those eligible to receive Aid to Families with Dependent Children (AFDC) or Supplemental Social Security Income (SSI). At this time the state has approximately 9,702 cases with those two programs. The end-user charge is now \$1, scheduled to rise to \$2 in June 1986.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4931

DISTRICT 10
BOX 111038
ANCHORAGE, ALASKA 99511
(907) 349-2192



CHAIRMAN
Special Committee on
Telecommunications

MEMBER
Labor and Commerce
State Affairs
Finance—Subcommittee Administration

Representative H. A. "Red" Boucher

OPTIONS FOR IMPLEMENTING A LIFELINE PROGRAM IN ALASKA

- 1) Legislature eliminates only the perceived statutory bar, leaving the possibility of an actual lifeline program open.
- 2) Legislature does #1 and designs entire lifeline program including what agency administers the program, funding, recipients, and the appropriate rate.
- 3) Legislature does #1 and mandates an appropriate administrative agency to investigate and propose a lifeline program.
- 4) Legislature does #1 and some combination of the above.
- 5) Legislature does #1, determines that the state should participate in the federal program and takes necessary action.
- 6) Legislature does nothing.

SOME COMMENTS ON THE WORK DRAFT:

- 1) Some agency, if not the legislature, will need to define the terms in the draft, specifically "low-income," "essential," "discounted service," and "reduced rate." These terms are certainly open to various interpretations.
- 2) If the legislature does not mandate an agency to investigate the need and details of a lifeline program, and if the legislature does not do it itself, then lifeline rates will depend on the initiative of the APUC and the telephone utilities.
- 3) The legislature might want to broaden the scope and include all utilities and not just utilities providing telecommunication services.

§ 42.05.300

PUBLIC UTILITIES AND CARRIERS

§ 42.05.311

Collateral references. — Federal control as affecting power of public service commission, 4 ALR 1703, 1718, 1719; 8 ALR 969, 981; 10 ALR 956; 11 ALR 1450; 14 ALR 234; 19 ALR 678; 52 ALR 296.

Right of public utility company to discontinue its entire service, 11 ALR 252.

Sec. 42.05.300. [Repealed, § 5 ch 113 SLA 1970.]

Sec. 42.05.301. Discrimination in service. A public utility may not, as to service, make or grant an unreasonable preference or advantage to any person or subject any person to an unreasonable prejudice or disadvantage. A public utility may not establish or maintain or provide an unreasonable difference as to service, either as between localities or as between classes of service, but nothing in this section prohibits the establishment of reasonable classifications of service or requires unreasonable investment in facilities. (§ 6 ch 113 SLA 1970)

Collateral references. — Discrimination in provision of municipal services or facilities as civil rights violation, 51 ALR3d 950.

Civil rights: racial or religious discrim-

ination in furnishing of public utilities, services or facilities, 53 ALR3d 1027.

Use priorities: validity of imposition, by state regulation, of natural gas use priorities, 84 ALR3d 541.

Sec. 42.05.310. [Repealed, § 5 ch 113 SLA 1970.]

Sec. 42.05.311. Joint use and interconnection of facilities. (a) A public utility having sewers, conduits, utilidors, poles, pole lines, pipes, pipelines, mains or other distribution or transmission facilities shall, for a reasonable compensation, permit another public utility to use them when the public convenience and necessity require this use and the use will not result in substantial injury to the owner, or in substantial detriment to the service to the customers of the owners. The cost of modifications or additions necessary to a joint use shall be at the expense of the public utility requesting the use of the facilities.

(b) A telecommunications utility shall permit connection to be made and service to be furnished between a system operated by it and the system or toll facilities operated by another public utility or with the communications facility or system of a nonutility, or between its toll facilities and the toll facilities of another public utility, when public convenience and necessity require the connection and the connection will not result in substantial injury to the owner or other users of the facilities of either public utility or in substantial detriment to the service of either public utility.

(c) The tariff of a public utility shall include rules setting out the terms and conditions under which it will construct, or permit its customers or subscribers to construct, and install lines, cables, radio

NOTES TO DECISIONS

Separation of intrastate and interstate properties, expenses and revenues is required for properly determining the adequacy of a utility's

intrastate rates. *United States v. RCA Alaska Communications, Inc.*, Sup. Ct. Op. No. 1647 (File No. 3772), 597 P.2d 489 (1979).

Collateral references. — Charitable contributions by public utility as part of operating expense, 59 ALR3d 941.

Fuel adjustment clauses: validity of "fuel adjustment" or similar clauses authorizing electric utility to pass on increased costs of fuel to its customers, 83 ALR3d 933.

Advertising or promotional expenditures of public utility as part of operating expenses for ratemaking purposes, 83 ALR3d 963.

Affiliates: amount paid by public utility to affiliate for goods or services as

includible in utility's rate base and operating expenses in rate proceeding, 16 ALR4th 454.

Injunctions — rates: validity, construction, and application of Johnson Act (29 USCS § 1342), prohibiting interference by Federal District Courts with state orders affecting rates chargeable by public utilities, 28 ALR Fed 422.

Applied in *Alaska Pub. Util. Comm'n v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 1139 (File No. 2314), 534 P.2d 549 (1975).

Sec. 42.05.390. [Repealed, § 5 ch 113 SLA 1970.]

Sec. 42.05.391. Discrimination in rates. (a) A public utility may not, as to rates, grant an unreasonable preference or advantage to any of its customers or subject a customer to an unreasonable prejudice or disadvantage. A public utility may not establish or maintain an unreasonable difference as to rates, either as between localities or between classes of service. A municipally owned utility may offer uniform or identical rates for a public utility service to customers located in different areas within its certificated service area who receive the same class of service. Any uniform or identical rate shall, upon complaint, be subject to review by the commission and may be set aside if shown to be unreasonable.

(b) A rate charged by a municipality for a public utility service furnished beyond its corporate limits is not considered unjustly discriminatory solely because a different rate is charged for a similar service within its corporate limits.

(c) A public utility may not directly or indirectly refund, rebate or remit in any manner, or by any device, any portion of the rates and charges or charge, demand or receive a greater or lesser compensation for its services than is specified in its effective tariff. A public utility may not extend to any customer any form of contract, agreement, inducement, privilege or facility, or apply any rule, regulation or condition of service except such as are extended or applied to all customers under like circumstances. A public utility may not offer or pay any compensation or consideration or furnish any equipment to secure the installation or adoption of the use of utility service unless it conforms

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POUCH V
JUNEAU, ALASKA 99811
(907) 465-4931

DISTRICT 10
BOX 111038
ANCHORAGE, ALASKA 99511
(907) 349-2192



CHAIRMAN
Special Committee on
Telecommunications

MEMBER
Labor and Commerce
State Affairs
Finance—Subcommittee Administration

Representative H. A. "Red" Boucher

DATE: February 3, 1986

TO: All Members, House Special Committee on
Telecommunications

FROM: Chris Herberger, Committee staff

SUBJECT: Some options for various lifeline programs

Defining "low-income"

1. To participate in the FCC program, people qualifying for Supplemental Social Security Income and Aid to Families with Dependent Children would be lifeline recipients. There are 9,702 cases for both of these programs in Alaska. If each case participated in a lifeline program, the state would be required to contribute \$232,848 per year excluding the administrative costs.

2. "Low-income" could be defined as those people presently receiving Food Stamps, Aid to Families with Dependent Children, and General Relief/General Relief Medical in Alaska. Benefits were issued to 15,246 cases in July 1985, approximately 3% of the Alaska population.

3. California did not align eligibility with any social programs but said that any household earning less than \$11,000 per year is eligible to participate.

4. Arkansas limited eligibility to Food Stamp recipients, Wisconsin to Low Income Energy Assistance recipients, and New York to State financial aid recipients.

Defining "discounted service"

1. Price local calls based on their distance, frequency, time-of-day and duration.

2. Use some combination of the above.

3. Place a cap on the number of local calls which are priced at a low flat-rate. Any calls above that cap would be charged at a per

call rate. In Georgia, for instance, 25 calls are charged at a flat-rate, with all calls after 25 billed at 12 cents per call.

4. Place a cap on the total duration of long distance calls which are priced at a reduced rate. Any calls above that cap would be charged at a regular rate.

Defining "reduced rate"

1. California is the only state that offers unlimited local calls at a reduced rate which is 50% of the normal rate. This is offered only where measured service is not available. Where measured service is available, the lifeline rate is 50% of the measured rate, plus a 30 to 60 call allowance per month.

2. Arkansas offers lifeline rates only where measured service is available. The lifeline rate is 33% of the flat rate with a 20 call per month allowance. All calls over 20 are billed at the normal measured rate.

3. New York offers lifeline rates only to those customers who subscribe to budget service. The lifeline rate is 50% of the budget rate.

4. In Wisconsin, the lifeline rate is priced at \$3.50/month plus 24 cents per local call.

Defining "essential service"

1. Limit lifeline service only to local calls.

2. Limit lifeline service only to long distance calls.

3. Have lifeline service include both local and long distance calls.

Administrative Agencies

Since the statute change is in the Alaska Public Utilities Commission jurisdiction, the APUC is the most likely agency to administrate a lifeline program. The Division of Public Assistance could be required to help in determining eligibility, etc.

Administrative Costs

California estimates that for 500,000 customers, there are \$221,500 in administrative costs annually. New York estimated its administrative costs will be \$20,000 annually with no mention of the number of recipients.

Funding

1. Have the telephone companies make up the shortfall through their tariff which would mean raising rates for the other customers.
2. Place a surcharge on all intrastate calls. This way everyone making a intrastate call contributes to the program, but it puts an additional burden on intrastate rates.
3. Have the state pick up the tab.

COMMENTS

As can be seen by the varied programs in the different states, there is lots of room for creativity in setting up a lifeline program. Innovative ways to meet Alaska's special needs should be possible, and the options listed here are not exhaustive.

As far as I know, no state has implemented any kind of discounted service or reduced rate for long distance service. Since long distance rates for calling within the state are already high for the rural areas and could substantially increase, some thought should be given to a lifeline program containing some provision for long distance rates.

There has been a lot of discussion among utility commissions, consumer groups, and phone utilities in the Lower 48 about the merits of option #1 under Defining "discounted service." Utilities basically say that the service is efficient and makes the cost causer be the cost payer. If you do not use the phone a lot, you do not pay a lot. The consumer groups say that local service is mostly a fixed cost and whether you make ten calls or fifty calls within the local service area it costs the same.