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**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST

FISCAL DETAIL

Bill/Resolution No.: SB 426
 Title: An Act exempting certain
telephone and electrical
utilities from AOUC regulation
 Sponsor: Coghill
 Requester: _____
 Date of Request: _____

Agency Affected: Commerce and Economic Dev.
 BRU: APUC
 Components: _____

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:

FULLTIME	-0-	-0-	-0-	-0-	-0-	-0-
PARTTIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary.

Prepared by: Carolyn Guess
 Division: Commissioner Alaska Public Utilities, Comm.
 Approved by Commissioner: *Anna H. Armstrong*
 Agency: Commerce and Economic Development

Phone: 276-6222
 Date: April 8, 1986
 Date: April 8, 1986

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor

Introduced: 3/18/86
Referred: Labor and Commerce

1 IN THE SENATE

BY COGHILL

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 426

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act exempting certain telephone and electric
7 utilities from regulation by the Alaska Public Utilities
8 Commission."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 42.05.711(e) is amended to read:

11 (e) Notwithstanding any other provisions of this chapter, an
12 [ANY] electric or telephone utility that does not gross \$50,000
13 annually or that has fewer than 250 subscribers is exempt from regu-
14 lation under this chapter unless 25 percent of the subscribers peti-
15 tion the commission for regulation. The commission may not combine
16 the revenue or subscribers of different utilities owned by the same
17 company when determining whether a utility is exempt under this sub-
18 section.

*83
8/11/83
80
John G. Brown*

Introduced: 2/14/86
Referred: Labor and Commerce

1 IN THE SENATE

BY COGHILL

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SENATE BILL NO. 426

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IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

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A BILL

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For an Act entitled: "An Act exempting certain telephone and electric
7 utilities from regulation by the Alaska Public Utili-
8 ties Commission."

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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* Section 1. AS 42.05.711(e) is amended to read:

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(e) Notwithstanding any other provisions of this chapter, an

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[ANY] electric or telephone utility that does not gross \$50,000

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annually or that has fewer than 750 subscribers is exempt from regu-

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lation under this chapter unless 25 percent of the subscribers peti-

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tion the commission for regulation.

CHAIRMAN'S INFORMATION: SSB 426

- 1) BILL TITLE: "An act exempting certain telephone and electric utilities from regulation by the Alaska Public Utilities Commission."
 - a) Introduced: Sen Coghill
 - b) Co-sponsors:
- 2) INTENT: This measure expands the economic deregulation provisions for utilities with fewer than 250 subscribers. It also precludes the APUC from "combining" the revenue or subscriber numbers of different utilities owned by the same company when determining this exemption.

FISCAL NOTE: 0 (There is a consideration that economic deregulation could result in a diminished workload for the APUC, thus reducing their budgetary requirements.)

- 3) ADDITIONAL REFERRALS: Rules
- 4) PUBLIC HEARINGS:
 - a) Sponsor:
 - b) Public Witnesses:
- 5) BILL ACTION:
 - a) Hold in committee?
 - b) Assign to sub committee for further review?
 - c) Move from committee?
 - d) Close public hearings?
- 6) COMMITTEE ACTION?
 - a) amendments?
 - b) CS adoption?

SB 426 "An Act exempting certain telephone and electrical utilities from APUC regulation."

The Commission is opposed to this bill. The Commission agrees that AS 42.05.711 should be amended to provide a uniform and consistent opportunity for economic exemption regardless of the type of utility service offered to the public. However, the Commission disagrees that customer number is an acceptable criterion for exemption. One of the reasons it has been proposed to alter the statute is to the assumption that the financial well-being of small utilities necessitates economic deregulation. The Commission proposes that the limit should be reflective of revenue levels, not customer levels.

The history of Commission proceedings reflects that some of the utilities with the fewest customers are those with the most problems and whose customers have most benefited from the oversight and assistance of the Commission. If this Act were passed, the Legislature would need to assure itself that, absent the Commission authority, there is an agency with sufficient authority to address health and safety problems arising from a utilities operation.

Further, the Commission observes that this bill would legislatively deregulate some small utilities whose customers, under a deregulation election, have mandated that their utilities not be exempt from Commission regulation.

The Commission also wishes to point out concerns regarding exemption of telephone utilities. Given the sweeping changes taking place in the telecommunications industry as mandated by the Federal Communications Commission, the technical interconnection between all telephone systems and the fact that some local exchange telephone costs are shared by all Alaskan telephone consumers, the Commission raises the question of whether for purposes of an overall statewide telecommunications policy, it would be appropriate for the Legislature to consider excluding telephone utilities in the majority of the state's communities from regulation.



Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: _____

Senator John B. (Jack) Coghill
Alaska State Legislature

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April 11, 1986

TO: All Members of Labor & Commerce Committee
FROM: Senator Coghill
RE: SB 426

I believe that the economic regulation of small power and telephone utilities is not in the best interest of the consumer or the utility operator.

This statement concerning the consumer, may seem paradoxical, since the economic regulation of these small utilities is supposed to ensure the well being of the consumer.

After speaking with five owners of small utilities, representing 15 operations, it is apparent that the costs associated with compliance--rate hearings and annual reports-- passes on to the consumer unreasonable increases.

For example, one utility calculates its annual cost of compliance at between \$40-60,000 a year.

Another estimates that a rate case over an 18 month period cost more than \$180,000.

Another on-going rate case has cost \$26,000 so far.

I think it is necessary to balance the need for regulation against the burden to the operator and the cost to the consumer.

These costs have been passed on to the consumer. One operator estimates that about \$400 per subscriber has been passed on to his customers in little over a year.

These costs are made up of attorneys fees, consultants and accountant fees that must be paid to comply.



SB 426, page 2.

None of the utilities owners we spoke to objected to retaining the statutes dealing with safety and maintenance of their facilities. I certainly do not object to the retention of these statutes either..

The utility owners' intent is to sell their services based on normal business considerations and not on hikes predicated on an inflated rate caused by regulation.

I want the economic regulation issue to be controlled on the local level. Under SB 426, a petition signed by 25% of the subscribers will commence regulation. Only 63 subscribers, maximum, need object to the deregulated operation.

I do not believe we need this kind of protectionism when it is costing the people it is attempting to protect.

Nationally, other states have deregulated or substantially eased the regulatory burden of small utilities. Illinois, Iowa, Minnesota and Nebraska have done so. Presently the legislatures in Utah and Virginia are considering the issue.

With state revenues as they are, it makes sense to fashion ways in which we can cut down administrative costs and attempt to lower costs to the consumer related to those administrative costs.



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

SSSB 426: Summary

This measure expands one of the economic deregulation sections of the APUC statutes, (42.05.711(e)), to include electric or telephone utilities with less than 250 subscribers.

Additionally, the APUC would not be permitted to combine the revenue or subscribers of different utilities, owned by the same company, to circumvent this economic deregulation proposal.

The measure also retains the provision for utility subscribers to petition the APUC (vote of 25% of subscribers) for economic regulation.