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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 18, 1985

The Honorable Don Bennett
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Bennett:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to cost allocations of the Alaska Public Utilities Commission. The bill provides the authority to allocate to public utilities, pipeline carriers, and other parties the commission's costs of employing professional staff and legal counsel in proceedings before the commission.

Currently, utilities, pipeline carriers, and other parties may be required to reimburse the commission for professional services costs when the services are provided to the commission by outside consultants. When similar services are provided by the commission's professional staff, the costs are not allocated to the parties. The difference in treatment is due mainly to the workload of the commission's in-house staff. The inequity in the present situation is obvious. This bill insures that the utilities and pipeline carriers that generate regulatory costs also pay those costs.

Until July 1, 1984, the Commission did not allocate to parties the costs of services provided by the attorney general. The Commission began allocating these costs on July 1, 1984, under its present statutory authority. Several parties have questioned the commission's authority to allocate the costs of attorney general services, and the bill clarifies the commission's authority to allocate those costs.

The bill amends three sections of the statutes applicable to the Alaska Public Utilities Commission. Section 1 of the bill would clarify that the costs of professional consultants employed to assist the commission in eliminating duplication among competing utilities, under AS 42.05.221, are to be allocated by the commission under the same

method as other professional services expenses under AS42.05.651. The existing AS 42.05.221(e) states that the expenses may be apportioned among the competing utilities, but does not provide procedural standards or criteria for the commission to use in its allocation.

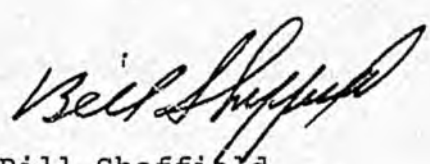
Section 2 of the bill would amend AS 42.05.651 in two ways. The bill would make it clear that the commission may allocate costs to a utility during the course of a proceeding, or may wait until the termination of the proceeding. In addition, the bill would clarify the commission's authority to allocate to utilities the cost of the commission's professional staff, and the cost of the attorney general or other legal counsel who assist the commission and its staff. The commission's professional staff includes its engineering, finance, economics, and tariff sections.

Section 3 of the bill would similarly clarify the commission's authority to allocate to pipeline carriers the costs of professional staff and legal counsel in proceedings involving pipeline carriers. It is not necessary to specify that the commission may take such action during proceedings involving pipeline carriers, since this is already explicitly stated in existing AS 42.06.610.

The bill has an effective date of July 1, 1985, to coincide with the beginning of the new fiscal year.

I urge prompt passage of this bill.

Sincerely,



Bill Sheffield
Governor

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
Bill/Resolution No.: 64
Title: Cost Allocations

FISCAL DETAIL Department of Commerce and
Agency Affected: Economic Development
Program Category Affected: Consumer Protection

Sponsor: _____
Requestor: _____
Date of Request: _____

BRU, Program or Subprogram(s) Affected:
Alaska Public Utilities Commission

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		26.7	26.7	26.7	26.7	26.7
200 TRAVEL						
300 CONTRACTUAL		10.0				
400 SUPPLIES						
500 EQUIPMENT						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		36.7	26.7	26.7	26.7	26.7

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		(763.3)	(773.3)	(773.3)	(773.3)	(773.3)
FEDERAL FUNDS						
OTHER Prog. Receipts*		800.0	800.0	800.0	800.0	800.0
TOTAL		36.7	26.7	26.7	26.7	26.7

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

*Legislation associated with this fiscal note would allow the allocation of professional staff costs in the estimated amount of \$800,000. This allocation would reduce General Fund obligation and increase Program Receipts. The specific costs noted in this fiscal note would not be eligible for cost allocation and are, therefore, reflected as an offset to the General Fund reduction.

Prepared By: John B. Farleigh, Executive Director Phone: 276-6222 ext 111
Division: Alaska Public Utilities Commission Date: 12/06/84

Approved by Commissioner: [Signature] Date: 12/14/84
Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

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

7/1/84

Fiscal Note Analysis
APUC "Alternative Funding" Legislation

Assumptions: Addition of one Administrative support technician to function as cost control and revenue recovery clerk for full scale cost allocation program created by new legislation. Associated costs (salary, benefits, equipment and supplies) are included. Contractual costs are assumed to cover necessary automated program development, design and implementation in support of the expended cost allocation procedure. Expenses under these categories would not be allocable to program receipt revenues.

Program Summary: Implementation of the proposed "alternative funding" legislation would provide the APUC with the necessary legal authority to include the cost of professional staff time, on a case-specific basis, to the various utilities which appear before the Commission. These cost allocations would produce restricted program receipt revenue which would fund the related staff expenses.

- 1) The APUC believes that given a) the current level of contractual, travel and miscellaneous costs included in existing allocations and b) the significant allocable increases associated with the "alternative funding" proposal, the need for a highly detailed and accurate accounting system is required. This system will demand the services of a full-time accounting technician to ensure timely input of accounting data and the preparation of factually accurate allocation documentation, defensible before the Commission in accordance with AS 42.05.
- 2) In conjunction with (1) above the APUC intends to enhance its existing in-house data processing capability with an application program specifically designed to support the expanded program receipts/cost allocation accounting requirements created by the proposed legislation. Costs in this category are primarily contractual and related to computer program development, design and implementation.
- 3) All costs in (1) and (2) above are non-allocable and, therefore, are General Fund expenses.
- 4) Costs associated with (1) above are estimated at 26.7; with (2) above are estimated at 10.0. Total costs for FY85 are 36.7. Subsequent year costs would be a continuation of the personal services component of (1) as may be adjusted by future legislative action.

1.	POSITION TITLE Administrative Support Technician II	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	RANGE/STEP 8A	DRU PRIORITY	DARG. UNIT LOCATION Anch.	PAGE/LINE ELECTION DISTRICT 7	COV. LEG.	APPROV.	DISAPPR.
2.	TYPE OF POSITION PFT	ADDITION									
3.	CONTINUATION LEVEL 1										
4.	TYPE OF EXPENDITURE			AMOUNT							
5.	PERSONAL SERVICES		2								
6.	Salary		19.6								
7.	Benefits		4.6								
8.	Supplemental Benefits		1.2								
9.	Fired Benefits		1.3								
10.	TOTAL PERSONAL SERVICES			26.7							
11.	Travel										
12.	Contractual										
13.	Commodities										
14.	Equipment										
15.	Other										
16.	TOTAL COST										
17.	RECEIPT CODE	FUNDING SOURCE									
18.	Federal Receipts 1002										
19.	G. F. Hatch 1003										
20.	General Funds 1004										
21.	I-A Receipts 1005										
22.	Program Receipts 1028										
23.	Other										

JUSTIFICATION

If this legislation is implemented, it would provide the APUC with the necessary legal authority to include the cost of professional staff time, on a case specific basis, to the various utilities which appear before the Commission. These cost allocations would produce restricted program receipt revenue which would fund the related staff expenses.

Given the current level of contractual, travel and miscellaneous costs included in existing allocations and the significant allocable increases associated with this legislation, the need for a highly detailed and accurate accounting system is required. This system will demand the services of a full-time administrative support technician to ensure timely input of accounting data and the preparation of factually accurate allocation documentation, defensible before the Commission in accordance with AS 42.05. In-house data processing specifically designed to support the expanded program receipts/cost allocation accounting requirements would also be necessary. Costs are as follows:

1 Adm Support Technician II - Range 8A 26.7
 Computer Software Program Design and Implementation 10.0
 TOTAL COSTS 36.7

FOR BUIH USE ONLY
 KEY NUMBER

AGENCY Commerce & Economic Development

PROGRAM Consumer Protection

BUI Alaska Public Utilities Commission

COMPONENT Alaska Public Utilities Commission

FY 86

Page 1 of 1

Revised Date

REQUEST FOR
 NEW POSITION



ALASKA

NUSHAGAK ELECTRIC CO-OPERATIVE, INC.

P. O. BOX 197 . DILLINGHAM, ALASKA 99576 . AREA CODE (907) 842-5251

February 8, 1985

Senator Fred Zharoff

Dear Senator Zharoff:

Nushagak Electric Cooperative would like to echo the strong protest against Senate Bill No. 64 that you received from Vincent Beans, President of AVEC.

The current trend of the Alaska Public Utilities Commission is to expand electric utility regulation in areas that were never envisioned in the enabling legislation. For example, in their dockets U-80-34, Order No. 4 and U-82-63, Order No. 2 they propose reviewing detailed generation design of all utilities with sales exceeding 500,000 KWH prior to construction. The APUC does not have the operational experience or engineering competency to undertake such a project. If they hire consultants to do this work, it will mean design costs of all power plants will be increased and timing will be interrupted.

The unchecked ability of the APUC to hire consultants and to bill the utilities produces the excellent potential for the utility consumer to foot the bill. The paradox here lies in the fact that the APUC is generally considered to be a consumer advocate and in favor of the lowest rates possible.

We believe the APUC is adequately funded if it follows its mandate as provided by the legislature. If it deviates or expands the mandate, the net effect will be to add an unnecessary burden to the utilities and, consequently, an unnecessary cost to the consumers.

We sincerely request that you consider opposing SB NO. 64 with all the resources within your command.

Thank you.

Yours very truly,

BOB CHERRY
Secretary

Nushagak Electric Cooperative, Inc.