

HB

418

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

CC
HB 418

February 1, 1988

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the recovery of the costs incurred by the Alaska Public Utilities Commission (APUC) in regulating utilities and pipelines. The main thrust of this bill is that APUC regulatory costs be paid by public utilities and pipelines in the state.

The heart of the bill is contained in secs. 3 and 6. Proposed AS 42.05.801(a), in sec. 3 of the bill, requires public utilities to pay an annual regulatory cost charge, not to exceed the maximum percentage set out in that subsection. For public utilities that are subject to regulatory requirements of AS 42.05, the maximum amount of the regulatory cost charge will be .55 percent of the utility's gross revenue. For public utilities that are certificated by the APUC, but are exempt under AS 42.05.711 from other regulatory requirements of AS 42.05, the maximum charge would be .14 percent of gross revenue. Under proposed AS 42.05.801(b), the actual amount of the charge will be determined by the Department of Commerce and Economic Development, using a method to be adopted by the department by regulation.

Under proposed AS 42.05.803, the department is authorized to adopt regulations necessary to administer the regulatory cost charge provisions, including regulations to establish procedures for reporting information and payment of the charges, and is authorized to collect and enforce the charges. Section 3 of the bill.

Proposed AS 42.06.701 and 42.06.702 contain generally the same regulatory cost charge provisions for pipeline carriers. The maximum charge for a pipeline carrier is .55 percent of the carrier's gross revenue. Section 6 of the bill.

Under proposed AS 42.05.803(b) and AS 42.06.702(b), in secs. 3 and 6 of the bill, respectively, the money collected from

public utilities and pipeline carriers through the regulatory cost charge imposed by this bill will be paid into the general fund, but the Department of Administration is directed to separately account for the amount collected. Language in those two subsections suggests legislative appropriation of the money collected to the APUC, to carry out the purposes of AS 42.05 and AS 42.06. This parallels language in ch. 138, SLA 1986, applicable to numerous other agencies and functions.

Section 2 of the bill adds, in proposed AS 42.05.720(11), (12), and (13), definitions of "gross revenue" which clarify that, although the bill is intended to subject all utility revenue to the regulatory cost charge, the charge is not intended to attach twice to the same revenue. For example, a retail electric utility will pay the regulatory cost charge on all of its revenue. However, if that retail utility purchases its power from another utility, the wholesale revenue received by the original seller will not be subject to the charge. Matanuska Electric Association (MEA), for example, would pay the regulatory cost charge on all revenue it receives for services provided to its customers; part of that revenue is paid to Chugach Electric Association to purchase wholesale power. Chugach would not pay a regulatory cost charge on wholesale revenue it receives from MEA.

Likewise, an interexchange telephone utility providing service within the State of Alaska would pay a regulatory cost charge on all jurisdictional revenue it receives. That revenue which, in turn, is paid to local exchange telephone utilities in the form of either settlements or access charges for their part in either originating or terminating a long distance call, is not subject to the regulatory cost charge. For example, Alascom receives \$100 from a customer for intrastate long distance telephone calls; \$30 of that revenue is paid to Telephone Utilities of Alaska for its assistance in originating and terminating those calls. Only the \$100 revenue is subject to the regulatory cost charge.

Because these types of payments would not occur regarding pipeline carriers, parallel definitions of "gross revenue" are not necessary in AS 42.06.

The bill also deals with APUC allocation of costs it incurs as a result of certain activities. Existing AS 42.05.651(a) and AS 42.06.610(a) and (b), relating to public utilities and pipeline carriers, respectively, authorize the APUC to charge costs of proceedings (hearings and investigations) to the parties. In secs. 1 and 4, respectively, those statutes

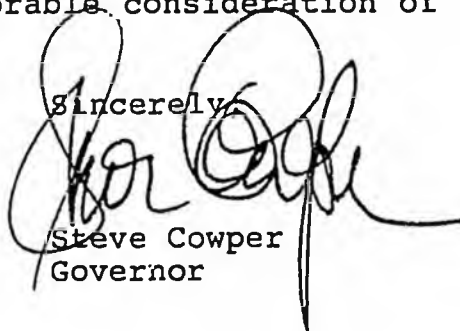
are amended to allow the allocation and reallocation of costs only if extraordinarily high costs are incurred by the APUC in a proceeding. In the case of such an allocation, any objecting party will still have an opportunity to object before the allocation of extraordinarily high costs becomes final. The amendments also allow the APUC to make the allocation at the time it makes the required finding, rather than waiting until completion of the proceeding, and make the allocation permissive rather than mandatory.

Section 7 of the bill repeals AS 42.05.661 on application fees for certificates, because the new public utility regulatory cost charges to be imposed under proposed AS 42.05.801 are intended to cover such administrative costs.

Finally, sec. 8 of the bill amends AS 44.83.162(b) to exclude the public utility regulatory cost charges, established in sec. 3 of this bill, from the calculations of the amount of power cost equalization for electric utilities.

I urge your prompt and favorable consideration of this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name and title.

Steve Cowper
Governor

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HB 418
PUBLISH DATE: HOUSE 2/1/88

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
Title: Title Regulatory Cost Charge BRU: APUC

Sponsor: Rules Committee by request of Components: Operations
Requestor: Governor

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	F 91	FY 92	FY 93
PERSONAL SERVICES		39.5	39.5	39.5	39.5	39.5
TRAVEL		0.6	0.6	0.0	0.0	0.0
CONTRACTUAL		10.0	0.5	0.5	0.5	0.5
SUPPLIES		0.3	0.3	0.3	0.3	0.3
EQUIPMENT		6.4	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		56.8	40.9	40.3	40.3	40.3

CAPITAL						
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REVENUE		4,300.0	4,300.0	4,300.0	4,300.0	4,300.0
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FUNDING: (Thousands of dollars)

GENERAL FUND		56.8	40.9	40.3	40.3	40.3
FEDERAL FUNDS						
OTHER						
TOTAL		56.8	40.9	40.3	40.3	40.3

POSITIONS:

FULLTIME		1.0	1.0	1.0	1.0	1.0
PARTTIME						
TEMPORARY		1.0	1.0	1.0	1.0	1.0

ANALYSIS: (Attach a separate page if necessary.)

If this Bill is enacted, it will produce General Fund revenues of \$4.3 million. This estimate is based on the regulatory cost charge provided for in AS 42.05.801(a) and AS 42.06.701(a) as applied to the Commission's most current estimate of jurisdictional utility and pipeline gross revenues.

(CONTINUED - NEXT PAGE)

Prepared by: T. S. Moninski, Executive Director Phone: 276-6222
Division: Alaska Public Utilities Commission Date: January 13, 1988

Approved by Commissioner: J. Anthony Smith Date: January 19, 1988
Agency: Department of Commerce and Economic Development

Distribution (by preparer):

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

ANALYSIS: (CONTINUED)

Implementation of the mechanics of this legislation will be subject to promulgation of future regulations as provided in this Bill. Appropriation of these revenues to the Alaska Public Utilities Commission will be subject to annual legislative review pursuant to the Executive Budget Act.

Expenses reflected in this fiscal note are those costs associated with implementation and administration of the regulatory cost charge.

Attached is a breakout of the costs which are identified on the fiscal note.

FISCAL NOTE FOR BILL NUMBER:
PREPARED BY BT:

03-Jan-87

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY88	FY89	FY90	FY91	FY92	FY93
PERSONAL SERVICES						
Acct Clk III - 12 mo - 10/b		32.2	32.2	32.2	32.2	32.2
AST II - 3 mo - 8/b		7.3	7.3	7.3	7.3	7.3
S/T Personal Services		39.5	39.5	39.5	39.5	39.5
TRAVEL						
Jno/Implementation - Airfare & 1 da PD		0.6				
Jno/1st Fiscal Year End - audit process			0.6			
S/T Travel		0.6	0.6	0.0	0.0	0.0
CONTRACTUAL						
Costs associated w/developing regs		5.0				
APUC dp programming for billing, etc		4.5				
Additional postage		0.5	0.5	0.5	0.5	0.5
S/T Contractual		10.0	0.5	0.5	0.5	0.5
SUPPLIES - Add'l costs per year						
		0.3	0.3	0.3	0.3	0.3
EQUIPMENT						
HP Vectra PC w/hard disc, software, printer and other pc peripheral		6.0				
5 Drawer Filing Cabinet - house records		0.4				
S/T Equipment		6.4	0.0	0.0	0.0	0.0
LAND&STRUCTURES GRANTS, CLAIMS MISCELLANEOUS						
TOTAL OPERATING		56.8	40.9	40.3	40.3	40.3

CAPITAL

REVENUE		4,300.0	4,300.0	4,300.0	4,300.0	4,300.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND		56.8	40.9	40.3	40.3	40.3
FEDERAL FUNDS						
OTHER						
TOTAL		56.8	40.9	40.3	40.3	40.3

POSITIONS:

FULL-TIME IN MONTHS		12.0	12.0	12.0	12.0	12.0
PART-TIME IN MONTHS						
TEMPORARY IN MONTHS		3.0	3.0	3.0	3.0	3.0

Position Title		Accounting Clerk III		No. of Positions	1	Range/Step	10/B	Barg. Unit	GGU		
Time Status	Full Time	Staff Months	12 months	Location	Anchorage		Election District				
Type of Expenditure				Justification							
		Amount		<p>Tasks associated with the surcharge will require additional clerical support because administrative section personnel will be unable to absorb the additional workload. There will be a requirement for an Accounting Clerk III (Range 10) to handle the billing and collection process.</p>							
1		2								3	
Salary		22716									
Benefits		9515									
Premium Pay											
Other											
Total Personal Services		32,231									
Travel											
Contractual											
Commodities											
Equipment		6,000									
Other											
Total Cost		38,231									
Funding Source for Total Cost											
Federal Receipts		1002									
G. F. Match		1003									
General Fund		1004		38,231							
GF Program Receipts		1005									
Other											

**Request For
New Position**

Agency DC & ED
 DRU APUC
 Component APUC

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Position Title Administrative Support Technician III		No. of Positions 1	Range/Step 8/B	Barg. Unit GGU
Time Status Seasonal	Staff Months 3	Location Anchorage		Election District
Type of Expenditure		Justification		
1	2	3		
Salary	5034	<p>There will be a three month period each year when the workload will require additional clerical support. We anticipate that this "peak" workload could be handled with the use of a "seasonal" or "temporary" Administrative Support Technician II (Range 8).</p>		
Benefits	2214			
Premium Pay				
Other				
Total Personal Services	7,248			
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost	7,248			
Funding Source for Total Cost				
Federal Receipts 1002				
G. F. Match 1003				
General Fund 1004	7,248			
GF Program Receipts 1005				
Other				

**Request For
New Position**

Agency DC & ED
 BRU APUC
 Component APUC

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FY 89

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 HOUSE 2/1/88

6 File
HB418

BETHEL UTILITIES CORPORATION

P.O. Box 729 • EAGLE RIVER, ALASKA 99577 • (907) 694-9631

February 16, 1988

Honorable Steve Cowper
Governor of Alaska
State of Alaska
P.O. Box A
Juneau, Alaska 99811

RECEIVED
FEB 18 1987

Dear Governor Cowper:

Recently I read that you have proposed that the Alaska Public Utilities Commission be funded directly by the utilities it regulates. As both a consumer as well as an administrator and stockholder in a privately owned electric utility, I have a few problems with that.

The initial negative reaction results from my feeling that the APUC is already mismanaged and unresponsive and that eliminating it from the normal budgetary process would make it even less responsible to anybody with potential control.

My opinion regarding this is, I think, well founded and I will cite you just a few instances of why. In recently rewriting the portion of the Alaska Administrative Code as it pertains to the operation of electric utilities, the APUC has apparently chosen to place itself on the leading edge of liberal social reform. That in itself is not necessarily bad except when it results in costing the public money and forces obviously poor business practices on the regulated utilities.

One such example is found in looking at 3 AAC 52.420 and 3 AAC 52.450 which deals with customer deposits and disconnection of service. A utility is required to provide a customer with service regardless of that customer's credit record, ability to pay, or past history with the utility provided a deposit is made by the customer that is limited to the greater of two month's average usage of either the customer's intended service location or the customer class average. The utility cannot begin termination of service because of nonpayment, however, until ninety days of service has been provided. And at that point the utility must still offer a residential customer that claims economic hardship a deferred payment schedule to further string things out. In a highly transitory population, particularly during the hard economic times we are currently experiencing, utility losses from this type of program are significant.

Another example can be found in 3 AAC 52.465 that deals with electric metering. It states essentially that if a watt-hour meter used by a utility to record a customer's electric usage mechanically malfunctions and over-records that usage, the customer is entitled to a full refund. That is fine. But, on the other hand, if that meter under-records or fails completely, which is much more likely to be the case, the utility cannot backcharge the customer accordingly. Watt-hour meters are electro-mechanical devices that are subject to all forms of physical deterioration and abuse including the gremlins that plague any mechanical device known to man. APUC depreciation standards mandate they be expected to last twenty-five years. Whether a utility has hundreds or thousands of meters in service, it is virtually impossible to perpetually maintain the accuracy of such equipment. In the event a meter ceases functioning altogether and assuming normal diligence is being exercised by the utility, it can still take up to two months to detect the problem. Large commercial customers can use tens of thousands of dollars worth of power a month so you can see the potential losses to utilities can be substantial.

Another equally as painful result of the APUC's mission to protect the public is the fact that upon these new regulations being signed into law, it was mandated that all affected utilities immediately rewrite their tariffs to incorporate the rewritten regulations within an approximate ninety day deadline. Now, over a year later, the APUC has not completed review or approval of even one such revised tariff. All tariff revisions relating to any of the material addressed in the rewritten regulations have been suspended while the APUC attempts to interpret what they have provided us with. Not only is a good portion of the APUC's staff time devoted to this and therefore preventing them from carrying on day to day business, it has left the utilities operating in the dark under existing tariffs that are in violation of the law that for the most part is so vague and poorly thought out that it will probably be left up to the courts to construe.

My point in all this is that the APUC is an ever burgeoning bureaucracy that has reached the point of being non-responsive and out of touch with reality. Its performance and authority is in bad need of close scrutiny. Social welfare and economic subsidy is not a valid concern of a regulatory body such as the APUC. The issues involved should be quality of service and cost of service. In rewriting Article 4 Chapter 52 Title 3 of the Alaska Administrative

Code the APUC has in many ways defied established nation-wide policy regarding electric utility operation. Investor owned utilities are commercial endeavors intended to be run in a business like manner and to make money. The extent to which that is possible dictates whether such investment will be made. Investor owned utilities should not be confused with the government-financed member-owned cooperative utilities that are not subject to investor scrutiny or the same standards of regulation.

As mentioned earlier, one such form of review of the APUC that should not be eliminated is the budgetary process. If operating funds are being squeezed from a master budget it is much more likely the use of those funds will be questioned than if it is only necessary to rubber stamp the levying of a utility tax.

In the event such a utility tax were to be seriously considered, I think a good deal of thought needs to be given to who should pay such a tax and on what basis. There should be no question in anybody's mind that regardless of who writes the check, the utility customer is going to be the one footing the bill. If that is the case, it seems silly to be distributing state funds to the people in the form of things like Permanent Fund Dividends and the Power Cost Equalization Credits on the one hand and then asking for it back with the other. Each time the same money is handled the costs of administration, accounting, distribution, and general confusion seriously erode it. A user-based tax is fine if there is a relatively limited group receiving distinct and exclusive benefits. That is not the case here and it seems obvious that such a tax imposed on utilities is simply an end run around the budgetary process to allow dividing the pie into fewer pieces. A return to basics here is what is needed. If utility regulation is a priority item, it should be funded at perhaps the sacrifice of another program. If it is not, then perhaps it should be scaled back or eliminated. If all remaining demands on the budget have equal priority then the state needs to come up with more money. An initial source of such money could be from the elimination of the cash giveaway programs. When those are exhausted and there is still a shortage, then some form of general public taxation should be enacted. That is the way the system works everywhere but Alaska. It is also the common sense approach to government that you advocated in your campaign.

With that in mind, and assuming it will fall on deaf ears, how would such a tax be implemented? The proposed tax

on gross revenues is probably the least equitable and most expensive to implement. It assumes that all types of utilities are subject to equal costs of regulation. That may be true but I doubt it. It also assumes that costs of regulation are somehow proportional to a utility's gross revenue. That is definitely not true. In very simplistic terms, it is apparent that such a cost allocation process would shift a disproportionate burden of these costs to bush communities, where the per unit cost of service is quite high. In terms of implementation cost, any such tax imposed directly on the utility would probably result in an immediate rate increase filing by the utility to recover the costs. This is a good example of money being eroded every time it is handled.

A more workable plan would be to invoke a pass-thru tax similar to a sales tax. A small amount would be added to each customer's utility bill and identified as a regulation tax. It could be easily accounted for and it would provide the end user with a clear idea what utility regulation is costing on an individual basis. How such a tax is arrived at could take several courses.

Obviously a case can be made that everybody receiving utility service benefits equally from such regulation. If that is true, such cost should be equally spread among all utility customers on a statewide basis and could be easily charged out on the basis of a flat rate per customer. A case could also be made that customers benefit directly in proportion to the amount of service they receive. At least in the case of electric utilities such a tax could be implemented in the form of a surcharge based on kilowatt hour usage, identical to the fuel cost rate adjustment surcharge that virtually all electric utilities in the state currently use.

I am not trying to suggest that I have all of the answers here. I would just like to see that whatever course of action is taken is well thought out. It is not in anybody's best interest to cure the symptom and not the disease.

In conclusion I want to reiterate that a tax of this nature does not really make much sense and if there is anything this state is in sore need of right now its more common sense. There is little evidence apparent yet that the legislature is up to the job of addressing reality, but I think you have shown that you are, despite the unpopularity

Governor Steve Cowper
February 16, 1988

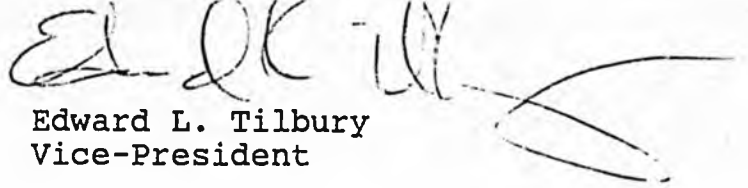
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that accompanies it. That is why I voted for you and why
Bethel Utilities Corporation supported your campaign effort.

Thank you for your interest in my opinion.

Sincerely,

BETHEL UTILITIES CORPORATION

A handwritten signature in dark ink, appearing to read "E. L. Tilbury", with a long horizontal flourish extending to the right.

Edward L. Tilbury
Vice-President

COMMON SENSE FOR ALASKA
P.O. BOX 202087
ANCHORAGE, AK 99520-2087

674
HFA

February 22, 1988

RECEIVED
FEB 26 1988

Alaska State Legislature
House Committee on Labor & Commerce
Representative Dave Donely, Chariman
P.O. Box V
Juneau, Alaska 99811

Dear Representative Donley:

On behalf of the Board of Directors of Common Sense for Alaska, a non-profit, non-partisan State spending watchdog organization, I wish to express our concerns regarding House Bill 418, introduced on Feb. 1, 1988.

While there may be some need to provide funding stability for the Alaska Public Utilities Commission (APUC), HB418 is an inappropriate means of doing so. The basis of the proposed regulatory cost charges of .55 percent of gross revenues for regulated utilities and .14 percent of gross revenues for exempt utilities are unfounded in that no relationship exists between the size of a utility and the regulatory costs incurred by the APUC in exercising its statutory responsibilities. Additionally, the proposed act of recovering costs of regulation on utilities which are statutorily exempt from APUC regulation is questionable.

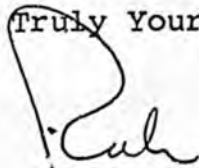
Furthermore, the proposed regulatory cost charge not to exceed .55 percent of gross revenues derived from operation on pipeline carriers is also objectionable, since the APUC dedicates no more than two or three State positions to all pipeline regulatory activity throughout the State and the majority of pipeline regulatory costs incurred are allocated back to the common carriers and recovered. This constitutes nothing more than a tax in addition to charges paid by the pipelines to the APUC.

As recommended in our recently completed report, Common Sense for Alaska Report of the Task Force on the Department of Commerce and Economic Development, page 3, dealing with APUC, "The benefits of time logs include several circumstances where costs can either be reduced or recovered from the utility in question (the 'cost causer'). First, there is good potential for better internal cost controls for the APUC staff. Second, time (job) logs would provide detail to

support cost recovery from public utilities that require excessive regulatory attention. Third, there is an opportunity for elected public officials to track both costs and budgets that are spent or allocated to particular public utilities."

Thank you for your consideration in this matter.

Very Truly Yours,

A handwritten signature in cursive script, appearing to read "R. Carson". The signature is written in dark ink and is positioned above the typed name.

Richard G. Carson, President
Common Sense for Alaska

BAILY AND MASON
LAWYERS

A PROFESSIONAL CORPORATION
1130 WEST SIXTH AVENUE, SUITE 100
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 276-4331
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MARK E. ASHBURN
DOUGLAS B. BAILY
LEWIS F. GORDON
JULIAN L. MASON III
DONALD W. McCLINTOCK III
A. WILLIAM S. UPE
G. NANETTE THOMPSON
KIRSTEN TINGLUM

April 15, 1988

Rep. Dave Donley, Chairman
House Labor & Commerce Committee
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, AK 99811

RECEIVED
APR 18 1987

Re: House Bill 418
Re: Regulatory Cost Charges
For Public Utilities
Our File No. 6803

Dear Rep. Donley:

Yukon Telephone Company ("Yukon") and Tanana Power Company, Inc. ("Tanana"), on behalf of themselves and their customers, wish to express their concern regarding the regulatory cost charges on public utilities proposed by the current HB 418. Specifically, Yukon and Tanana are concerned with Sections 2 and 3 of HB 418, which impose on regulated utilities a "regulatory charge" of .55 percent of gross revenues. Yukon and Tanana believe that this charge will unfairly affect ratepayers whose energy costs are high relative to other state ratepayers and that HB 418, as currently drafted, would impose substantially higher costs on ratepayers than appears on the face of the bill. These higher costs would likely be felt more heavily by customers of small utilities.

Yukon and Tanana presume that the new charges ultimately would be passed through to customers as a cost-of-service, pursuant to 3 AAC 48.520 and 3 AAC 48.540. Each customer would be required to pay a percentage of his or her total bill as a contribution to the utility's total regulatory charge. Thus, the higher the customer's total bill, the more that customer would pay toward recovery of the regulatory charge.

Rep. Dave Donley, Chairman
Page 2
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If each customer in the state of Alaska paid the same rates, distribution of the burden of the regulatory charge would appear to be equitable. The higher users would bear the higher burden. However, rates are not equal. A customer's total bill amount reflects not only the quantity used, but the rates charged by that customer's local utility. Thus, the customers already burdened with higher utility rates will be saddled with a disproportionately higher share of the regulatory charge. Such a result is inequitable and violates the general utility policy against unfair discrimination among ratepayers.

Yukon and Tanana's second concern also relates to the effect of HB 418 on a utility's customers. As it is currently drafted, HB 418 provides no mechanism by which a utility may automatically pass the .55 percent regulatory charge through to its customers. Therefore, each individual utility will have to file a formal rate case in order to recover the charge as a cost-of-service.

Formal rate cases are expensive, both for the utility and for the Alaska Public Utilities Commission. Rate cases are disproportionately expensive when the amount at issue is relatively small. With respect to the proposed regulatory charge, the relative cost of a formal rate case will be much higher for a small utility than for a large utility. Each utility in the state of Alaska would theoretically have to go through the same procedure and expense to recover the regulatory charge, and that expense would be a much higher proportion of the smaller utilities' gross revenues and regulatory charge than of the larger utilities' gross revenues and regulatory charge. The expense of a formal rate case proceeding is ultimately borne by the customers. Thus, the customers of small utilities will be disproportionately burdened by HB 418 as currently drafted.

Yukon and Tanana express no opinion as to whether a regulatory charge should be levied at all. However, Yukon and

Rep. Dave Donley, Chairman
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April 15, 1988

Tanana urge that this proposal be well publicized among utility consumers in the state of Alaska and that a forum be provided to allow utility customers to respond to the proposed change in utility law.

If the regulatory charge is to be levied, Yukon and Tanana respectfully submit the following suggested amendments to the bill:

1. That the statute direct that recovery of the regulatory charge from the utility customers does not more heavily burden those customers already paying higher rates relative to other Alaska ratepayers and that the regulatory charge be equitably distributed among customers; and

2. That the legislature add a provision to allow public utilities to automatically pass through to their customers, as a cost-of-service, that customer's equitable and proportionate share of the utility's regulatory charge.

These suggested amendments should avoid two evils which are embodied in HB 418 as it stands. They would prevent customers who already must pay higher rates from unfairly subsidizing those who pay lower rates. They would also avoid (for both the utility and the Alaska Public Utilities Commission) the disproportionate burden and expense of formal rate case proceedings to recover the regulatory charges.

Yukon and Tanana thank you for your consideration.

Very truly yours,

BAILY & MASON



Kirsten Tinglum

KAT:dt