

HB

300

HOUSE COMMITTEE REPORT

(7)

Date Referred: April 18, 1989

FURTHER REFERRALS: JUDICIARY

Date of Committee Action: 3/1/90

The LABOR & COMMERCE Committee considered:

HB 300

HOUSE BILL NO. 300

[PUBLIC UTILITY REGULATION]

"An Act relating to certain property records maintained by public utilities; and defining 'public' for public utility regulation."

RECOMMENDATIONS:

be replaced with L+C CS 300

the same title

a new title

have attached amendment(s)

do pass

do not pass

no recommendation

individual recommendations

additional referral to the Judiciary Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) _____

zero with analysis _____

zero fn/analysis _____

SIGNING DO PASS

Paul J. [Signature]
Mark [Signature]
Steven A. [Signature]
[Signature]
[Signature]

SIGNING:

(Check approp. column)

	Do Not Pass	No Rec	Amend
<u>[Signature]</u>		<input checked="" type="checkbox"/>	

[Signature]

Chairman's Signature

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An Act relating to certain property records, etc.
 Sponsor: House Labor & Commerce Comm.
 Requestor: House Labor & Commerce Comm.

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
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	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Please see attached

Prepared by: T.S. Moninski II, Executive Director Phone: 276-6222
 Division: Alaska Public Utilities Commission Date: 3/5/90
 Approved by Commissioner: Larry Mercurieff *Gary Bellor* Date: 3/6/90
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):

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

ANALYSIS - FISCAL NOTE FOR CSHB 300 (L&C)

The primary impact of the enactment CS for HB 300 is found in Section 2 of the bill which would expand the APUC's jurisdiction by bringing under regulation any utility which serves one or more customers if such service produces gross annual revenue in excess of \$50,000.

While this section has some potential for increasing the number of utilities subject to economic regulation, the projected increase is highly speculative. At this time, the APUC does not anticipate that the workload increase will be substantial and, accordingly, submits a zero fiscal note.

The commission may need to submit a budget request in the future if the actual result of the bill's enactment is to generate significant numbers of new jurisdictional utilities which require regulatory oversight.

ALASKA PUBLIC UTILITIES COMMISSION

SUGGESTED WORDING FOR HB 300

FEBRUARY 26, 1990

*Section 1:

Line 16: Change "or" to "and" in the proposed phrase "identifying the property by location or project." [This change was previously suggested by the Commission.]

Line 20: Delete ", currently,".

Line 22: Add "current" before "related" at the beginning of the line.

With the foregoing changes, AS 42.05.461 would be amended to read:

Sec. 42.05.461 CONTINUING PROPERTY RECORDS. The commission may require a public utility to establish, provide, and maintain as a part of its system of accounts, continuing property records segregated by the year of placement in service, including a list or inventory of all the units of tangible property used or useful in the public service, identifying the property by location and project [SHOWING THE CURRENT LOCATION OF THE PROPERTY UNITS BY DEFINITE REFERENCE TO THE SPECIFIC LAND PARCELS UPON WHICH THE UNITS ARE LOCATED OR STORED]. The commission may require a

public utility to keep accounts and records in [SUCH] a manner that shows [AS TO SHOW, CURRENTLY,] the original cost of the property when first devoted to the public service, and the current related reserve for depreciation. Each public utility with annual revenues exceeding \$100,000 shall keep continuing property records.

*Section 2:

AS 42.05.720(3) is amended to read:

(3) "public" or "general public" means

(A) a [ANY] group of 10 or more customers that purchase the service or commodity furnished by a public utility [AS DEFINED IN IN (4) OF THIS SECTION]; [and]

(B) one or more customers that purchase the service or commodity furnished by a public utility for total compensation to the utility exceeding \$50,000 annually; and

from all customers together
[(B)] (C) any utility purchasing the product or service or paying for the transmission of electric energy, natural or manufactured gas, or petroleum products which are re-sold to a group included in (A) of this paragraph or which are used to produce the service or commodity sold to the public by the utility;

From: Peter Sokolow
Commissioner
APUC

ALASKA PUBLIC UTILITIES COMMISSION

RESPONSE TO COMMITTEE SUGGESTIONS

ON HB 300*

FEBRUARY 26, 1990

Section 1. AS 42.05.461

At the suggestion of Representative Gruenberg, the Commission reviewed the possibility of rephrasing this section in "less archaic language" and found it to be problematic. The Commission believes with the minor editorial changes that are attached, the existing section clearly states the intended provisions and addresses Representative Gruenberg's concerns.

Section 2. AS 42.05.720(3)

This section provides for the regulation of anyone providing utility services to one or more customers within the service area of another utility. If this is the intended policy of the Legislature, the bill should be redrafted to state this policy more frontally.

*Commissioner Daniel Patrick O'Tierney was out of State and did not participate in the public meeting in which the Commission discussed this legislation.

Alaska Public Utilities Commission
Comments on HB 300
February 26, 1990
Page 2 of 2

Should the Legislature desire an alternative approach that would be less intrusive to utilities who do not have the \$50,000 gross revenue exemption presently given to telephone and electric utilities in AS 42.05.711(c), the Commission suggests a provision that would regulate utilities grossing over \$50,000, regardless of the number of customers they serve. The Commission believes that this would address the "cherry picking" or "cream skimming" concerns of the Alaska Rural Electric Cooperative Association; would allow the Commission to continue regulating utilities other than telephone or electric that have a substantial number of customers, yet gross less than \$50,000; and would preserve the exemptions from economic regulation provided for in AS 42.05.711. To effect this provision, the Commission suggests that the attached statutory changes be enacted instead of those proposed in Section 2 of HB 300. This would preserve the status quo with respect to small water utilities. It would also establish a threshold of \$50,000 as the maximum that could be "cream skimmed" by any one skimmer.

ANALYSIS OF HB 300
(Including Amendments proposed by APUC)

Section 1. Continuing Property Records.

Present law requires utilities to maintain continuing property records identifying the inventory and value of all property used in the operation of the utility by "definite reference to the specific land parcels upon which the units are located or stored." Taken literally, the present law requires records on every bolt and crossarm in the system identified by the legal description of the land parcel on which it sits. This is essentially impossible to accomplish, and it serves no useful purpose to maintain such detailed records.

The proposed new language would require the utility to maintain continuing property records by location and project. As an example of how this would work, if a utility built a new 5-mile distribution line, it would record all of the materials purchased for the project as being part of "Inlet Road Distribution Project constructed from mile 15 to mile 20 of Inlet Road." This gives both the utility and the commission the records they need without complicating the system with unnecessary detail.

Section 2. Amending Definition of "Public."

This section changes the definition of "public utility" by changing the definition of "public."

Present law exempts from the definition of public utility an entity which provides service to fewer than 10 customers. It is now possible for an independent power producer to provide elec-

tric service to the largest one or two customers from the utility system. The utility would still have the investment it made to serve those large consumers which must now be paid for by the remaining customers. The large customers could experience a small savings while all other customers experience a large increase in rates. In extreme cases, a small utility could even lose its feasibility to maintain central station electric service.

This proposed amendment of AS 42.05.720(3) would maintain the exemption for service provided to fewer than 10 customers if they are located outside the service area certificated to an existing utility, but providing service to even one customer within a service area certificated to an existing utility would trigger APUC jurisdiction. However, under another section of existing law (AS 42.05.711(e)), such sales would have to exceed \$50,000 per year before they would be regulated by the commission. If these sales exceed \$50,000 in value, the commission would have to find that such service is in the public interest before it would be permitted. This would serve to protect the utility and its customers from hardship caused by a raid on its service area.

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2

HOUSE BILL NO. 300

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to certain property records main-
7 tained by public utilities; and defining 'public' for
8 public utility regulation."

8

9

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

10

* Section 1. AS 42.05.461 is amended to read:

11

Sec. 42.05.461. CONTINUING PROPERTY RECORDS. The commission may

12

require a public utility to establish, provide, and maintain as a part

13

of its system of accounts, continuing property records segregated by

14

the year of placement in service, including a list or inventory of all

15

the units of tangible property used or useful in the public service,

16

identifying the property by location or project [SHOWING THE CURRENT

17

LOCATION OF THE PROPERTY UNITS BY DEFINITE REFERENCE TO THE SPECIFIC

18

LAND PARCELS UPON WHICH THE UNITS ARE LOCATED OR STORED]. The commis-

19

sion may require a public utility to keep accounts and records in

20

[SUCH] a manner that shows [AS TO SHOW], currently, the original cost

21

of the property when first devoted to the public service, and the

22

related reserve for depreciation. Each public utility with annual

23

revenues exceeding \$100,000 shall keep continuing property records.

24

* Sec. 2. AS 42.05.720(3) is amended to read:

25

(3) "public" or "general public" means

26

(A) a [ANY] group of 10 or more customers that pur-

27

chase the service or commodity furnished by a public utility and

28

that is located outside or makes the purchase outside the certif-

29

icated service area of the public utility; [AS DEFINED IN (4) OF

1 THIS SECTION; AND]

2 (B) a person who purchases a utility service or prod-
3 uct from a public utility and who is located in or makes the
4 purchase in the certificated service area of the public utility;
5 and

6 (C) a [ANY] utility purchasing the product or service
7 or paying for the transmission of electric energy, natural or
8 manufactured gas, or petroleum products that [WHICH] are re-sold
9 to a person or group included in (A) or (B) of this paragraph or
10 that [WHICH] are used to produce the service or commodity sold to
11 the public by the utility;

STATE OF ALASKA

ALASKA PUBLIC UTILITIES COMMISSION
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

February 8, 1990

HB300

STEVE COWPER, GOVERNOR

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

Representative Dave Donley
Alaska State House Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Representative Donley:

This is in response to your request that the Commission review HB300 and give its comments.

HB300, among other things, was the subject of a special Public Meeting held by the Commission on January 9, 1990, to allow the bill's advocate, the Alaska Rural Electric Cooperative Association to present its views. It was also discussed briefly at a Public Meeting on February 2, 1990.

The Commission has not taken a position on the legislation but does note several technical concerns regarding particular wording, content, and possible ramifications.

Section 1 of HB300 would eliminate from continuing property records (CPRs) certain details regarding the location of public utility property. This appears to be workable if the "or" in "identifying the property by location or project..." (line 16) is changed to "and." Requiring CPRs to be kept by location and project without reference to a "specific land parcel" should enable any auditor to locate the property.

Section 2 of the bill would change the definition of "public" so that any entity providing service to one or more customers would be subject to the jurisdiction of the Commission. (Under AS 42.05.711(e), entities providing electric or telephone service would also have to earn gross revenues in excess of \$50,000 per year to be regulated.) The Commission finds that the language used in sections (A) and (B) to effect this policy change is cumbersome and confusing. It would be helped, but not totally cured, by changing the last reference in each section from "the public utility" to "another public utility."

Representative Dave Donley
February 8, 1990
Page 2 of 2

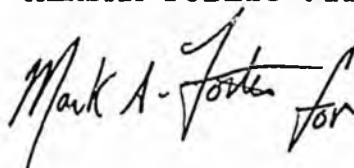
The Commission notes several possible problems with the content of Section 2 and its perceived objectives. First, the bill appears to seek Commission jurisdiction over electric operations which are not currently regulated due to their number of customers. However, electric utilities with annual gross revenues of less than \$50,000 would still be exempt from regulation. Second, some thought should be given to the effect of this legislation on all other types of utilities and particularly on small water utilities operated by residential developers within certificated service areas of other larger utilities. Third, it is unknown how many entities may currently be operating which would come under Commission jurisdiction as a result of this bill. Absent a "grandfather clause," what would be the effect of this legislation on such entities?

Also, it should be noted that HB300 could have a significant fiscal impact, depending on the number of entities which would become regulated now or in the future.

If the Commission can be of further assistance to you in your deliberations on HB300, please do not hesitate to contact me.

Sincerely,

ALASKA PUBLIC UTILITIES COMMISSION



Peter Sokolov
Chairman

cc: David Hutchens
Executive Director
Alaska Rural Electric
Co-Operative Association
237 East Fireweed Lane
Anchorage, Alaska 99503

6-1283E
Cramer
2/28/90

Original sponsor(s): Labor & Commerce Committee

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 300 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain property records main-
7 tained by public utilities; and including the custom-
8 ers of a public utility that has an annual compensa-
9 tion in excess of \$50,000 in the definition of 'pub-
10 lic' for public utility regulation."

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

12 * Section 1. AS 42.05.461 is amended to read:

13 Sec. 42.05.461. CONTINUING PROPERTY RECORDS. The commission may
14 require a public utility to establish, provide, and maintain as a part
15 of its system of accounts, continuing property records segregated by
16 the year of placement in service, including a list or inventory of all
17 the units of tangible property used or useful in the public service,
18 identifying the property by location and project [SHOWING THE CURRENT
19 LOCATION OF THE PROPERTY UNITS BY DEFINITE REFERENCE TO THE SPECIFIC
20 LAND PARCELS UPON WHICH THE UNITS ARE LOCATED OR STORED]. The commis-
21 sion may require a public utility to keep accounts and records in
22 [SUCH] a manner that shows [AS TO SHOW, CURRENTLY,] the original cost
23 of the property when first devoted to the public service, and the
24 current related reserve for depreciation. Each public utility with
25 annual revenues exceeding \$100,000 shall keep continuing property
26 records.

27 * Sec. 2. AS 42.05.720(3) is amended to read:

28 (3) "public" or "general public" means

29 (A) a [ANY] group of 10 or more customers that

1 purchase the service or commodity furnished by a public utility;
2 [AS DEFINED IN (4) OF THIS SECTION; AND]

3 (B) one or more customers that purchase the service or
4 product furnished by a public utility if the total annual compen-
5 sation received by the utility from all sources exceeds \$50,000;
6 and

7 (C) a [ANY] utility purchasing the product or service
8 or paying for the transmission of electric energy, natural or
9 manufactured gas, or petroleum products that [WHICH] are re-sold
10 to a person or group included in (A) or (B) of this paragraph or
11 that [WHICH] are used to produce the service or commodity sold to
12 the public by the utility;