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SB 514: "An Act relating to the exemption of municipal utilities from APUC."

The commission believes that the changes proposed by SB 514 are contrary to sound public policy and, therefore, opposes its enactment. As currently written, AS 42.05.711(b) sets out the presumption that utilities owned and operated by political subdivisions are exempt from commission regulation as to rates and quality of service. Paragraph (2) of this subsection creates an exception in cases where such utilities directly compete with another utility. In that instance, the competing utility as well as all other utilities owned by the political subdivision become subject to regulation.

The commission believes that the existence of the current statutory language provides for a level of public protection which extends beyond the mere resolution of utility "turf wars." Subsection .711(b)(2) also protects the public from the possibility of a municipality (or other political subdivision) subsidizing its utility to thwart competition.

Under regulation, the commission provides reasonable assurance that the competitive playing field remains level. In the absence of regulation, the potential for uneconomic competition is real. Consequently, the commission supports the continuation of subsection .711(b)(2) as sound public policy but offers the modification described below.

As noted, the current statutory language requires the regulation of all utilities owned and operated by a political subdivision even if only one of them is found to be in direct competition with another utility. This provision assists the monitoring of transactions and cost allocations between utilities to ensure that cross-subsidization does not occur. The commission is satisfied, however, that its ability to investigate such issues would not be substantially impaired if noncompeting utilities owned or operated by political subdivisions were not regulated as to rates and quality of service.

Since this "catch-all" provision seems to have been the most objectionable, the commission would not oppose substitute language which still required the regulation of a competing utility but did not require the regulation of all other utilities owned by the political subdivision. The commission's proposed language is as follows:

PROPOSED COMMITTEE SUBSTITUTE FOR SB 514

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

(b) Except as otherwise provided in this subsection, public utilities owned and operated by a political subdivision of the state, or electric operating entities established as the instrumentality of two or more public utilities owned and operated by political subdivisions of the state, are exempt from this chapter, other than AS 42.05.221 - AS 42.05.281 and AS 42.05.385. However,

(1) the governing body of a political subdivision may elect to be subject to this chapter; and

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(2) a utility or electric operating entity that is owned and operated by a political subdivision and that directly competes with another utility or electric operating entity is subject to this chapter [AND ANY OTHER UTILITY OR ELECTRIC OPERATING ENTITY OWNED AND OPERATED BY THE POLITICAL SUBDIVISION IS ALSO SUBJECT TO THIS CHAPTER].



\_\_\_\_\_  
Larry Mercurieff, Commissioner

Date: 3/6/90

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## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Relating to the exemption of  
municipal utilities from APUC  
 Sponsor: Senate Labor & Commerce  
 Requestor: Senate Labor & Commerce

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	(176.4)	(176.4)	(176.4)	(176.4)	(176.4)	(176.4)
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>(176.4)</b>	<b>(176.4)</b>	<b>(176.4)</b>	<b>(176.4)</b>	<b>(176.4)</b>	<b>(176.4)</b>

CAPITAL						
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REVENUE						
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**FUNDING:** (Thousands of Dollars)

GENERAL FUND	(176.4)	(176.4)	(176.4)	(176.4)	(176.4)	(176.4)
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

SEE ATTACHED

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 Date: 3/5/90

Approved by Commissioner: Larry Mercurieff *LM*  
 Agency: Department of Commerce & Economic Development

Date: 3/1/90

Distribution (by preparer):

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*Fiscal Note*

## ANALYSIS - FISCAL NOTE FOR SB 514

If enacted, SB 514 would operate to immediately deregulate the utilities owned by the Municipality of Anchorage (MOA) which are currently regulated by the APUC. Although only 4 of 119 regulated entities (3.4%), given their size and complexity, the MOA utilities constitute a much larger work load component. Even when factoring out those areas which will continue to be jurisdictional under other sections of AS 42.05 (i.e., certifications, interconnections, wholesale power agreements, access charges, etc.), the APUC estimates that its work load will be decreased by approximately 10% if SB 514 becomes law.

A 10% reduction in the Personal Services line item, commensurate with the anticipated work load decrease, equates to 4.0 FTE positions. The distribution of impact results in staffing reductions per the following probable scenario: 1.5 Utility Financial Analysts; .5 Utility Tariff Analyst; .5 Utility Engineer; .5 Consumer Protection and Information Officer; and 1.0 support position.