

**H B**

**338**

*Item 2*

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: Relating to deregulation of cable television  
Sponsor: Representative Taylor  
Requestor: House State Affairs 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	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>(18.8)</b>	<b>(18.8)</b>	<b>(18.8)</b>	<b>(18.8)</b>	<b>(18.8)</b>	<b>(18.8)</b>
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)	(18.8)
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME	(.25)	(.25)	(.25)	(.25)	(.25)	(.25)
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

The Personal Services amount was computed using .25 FTE position. This is a conservative estimate and the impact could be less in any given year. Given the minimal impact of the enactment of this bill, the APUC would anticipate reallocating the capacity to other agency priorities.

Prepared by: T.S. Moninski II, Executive Director Phone: 276-6222  
Division: Alaska Public Utilities Commission Date: 2/13/90

Approved by Commissioner: Larry Mercurieff Date: 15 Feb 90  
Agency: Department of Commerce & Economic Development

**Distribution (by preparer):**

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

Item 3

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

ALASKA PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

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

ALASKA PUBLIC UTILITIES COMMISSION

COMMENTS ON HB 338

DEREGULATING CABLE TV

February 14, 1990

The Commission remains in general support of amending AS 42.05 to cease certification of cable television (CATV) service.

The Commission's most recent position on this matter is the attached response to the Preliminary Sunset Audit Report, dated March 7, 1989. In addition, the Commission's previous position on HB 97 of February 9, 1989, is provided.

Both statements address specific concerns associated with CATV deregulation which remain valid.

Response to Preliminary Sunset Audit Report  
March 7, 1989

Recommendation No. 1C

Alaska Statute 42.03 should be amended to cease certification of cable television.

The Commission concurs with this recommendation with some qualifications, as it did with the same recommendation in the 1985 Sunset Audit. The recommendation appropriately eliminates the anomaly in the current regulatory scheme for cable television (CATV) service whereby CATV providers hold monopoly certificates but are economically deregulated. However, the Commission would encourage the Legislature to use its legal and research staffs to examine the implications of the following on full CATV deregulation: (1) the Cable Communications Policy Act of 1984, (2) the Federal Communications Commission's recent initiatives to eliminate the existing ban on cross-ownership of CATV and telephone companies, (3) the availability and status of local government oversight, (4) shared use of rights-of-way, (5) community access and institutional network use of CATV systems, and (6) disposition of certificates held by existing CATV providers. In any event, as noted in response to the 1985 Sunset Audit recommendation, CATV certification is not a large element of the Commission's workload.

ALASKA PUBLIC UTILITIES COMMISSIONCOMMENTS ON HB97

February 9, 1988

In the performance reviews of the Commission in 1979 and 1985, the Division of Legislative Audit recommended that the Commission's statute be amended to cease certification of CATV service. The exemption proposed in HB97 would effect this long-standing recommendation.

The Commission supports HB97 primarily because it is undesirable as a matter of policy to certificate entities as de facto monopolies which are not subsequently economically regulated. In addition, the Commission has identified CATV certification as an area where its workload can be reduced to more closely match its current resources with minimal adverse impact on the public.

In endorsing this legislation, the Commission offers the following suggestions. First, it would be desirable to add a definition of cable television service to the Commission's statute to make it clear what precisely is being deregulated. At present, the statute includes only one general definition for telecommunications service. There is more and more integration and sophistication in telecommunications functions and services. It is assumed that the intent of HB97 is to exempt CATV service only insofar as it is an entertainment medium and not to the extent it may become an integral part of local or long distance telephone service. Including a definition in the statute would eliminate any confusion about the scope of the exemption for CATV service.

Second, there are currently 22 CATV companies operating in Alaska. It would be desirable to have the Legislature address what its intentions are with respect to disposition of certificates held by existing providers. In addition, in a number of cases certificates have been awarded to CATV companies with express conditions attached, and the status of those conditions could be unclear absent legislative intent. For example, under the exemption, would existing public access and institutional network requirements still apply, and if so, who would be responsible for enforcing compliance with those requirements?



## Representative H.A. "Red" Boucher

Chairman House Committee on State Affairs • Special Committee on Telecommunications  
Member Labor & Commerce Committee • Chairman Commission on the Future of the Permanent Fund

### FAX TRANSMISSION

**Date:** March 26 **Time:** 11:00 am

**To:** David Wagenhausen

**From:** Dennis J. Burns

**Subject:** Cable TV  
Proposed Legislation

**Number of pages following this cover letter:** 4

If you do not receive the total number of pages following this cover page, please telephone our office within 15 minutes; otherwise we will assume you have received this transmission satisfactorily.

**Telephone Number (907) 465-4931**

**FAX Number (907) 465-2186**

**Comments:**

As you can see, the bill is straight forward - the newspaper

articles give you a feeling for the issue. The questions pertain to what or how this bill fits into what is happening in the lower 48 - is this the course being taken in other states; what is the impact of this type of policy change? If you feel you could provide some insight to the committee on this issue it would be appreciated. If you felt comfortable testifying before the committee via teleconference, please advise - it would be not cost to you.

DAVID WAGENHAUSEN

202 - 462 - 2520

202 - 408 - 1134

202 - 371 - 6279

# GOVERNMENT & LAW



REMOVES STATES REGULATORY AUTHORITY

## Alaska Sub Aims To Strip Cable of Utility Status

By LINDA HAUGSTED

**J**UNEAU, AK — A consumer here is vowing to drum up support for a state Senate bill to be heard in the next session that would strip authority for cable regulation from the state's Public Utilities Commission.

Larry Buzzell, an independent manufacturer by trade and a home-dish owner who subscribes to cable "because my wife insists on it," said the utilities commission has shown no interest in responding to consumer complaints about cable. Under current rules, more than 25 percent of the subscribers in a given franchise must sign petitions before the PUC will hear complaints on rates or other issues, he said. He added that the only office of the government agency is in Anchorage, hundreds of miles away, so personal visits to complain to commissioners are financially unfeasible. Consumers are stymied in calls to the PUC, he alleges, because the agency refuses to return calls, citing high interstate phone rates.

A bill entered before the part-time Legislature recessed for the year, Senate Bill 338, is a three-line proposal that would remove the requirement that cable franchisees get operating certificates from the PUC, which would remove the industry from quasi-utility status, Buzzell said. The result would be to let existing federal law govern cable operations, and effective-competition rules would have to be observed, he said. Cable could then be regulated by local agencies, which it is hoped would be more responsive to consumer complaints. Buzzell said that in Juneau, only two viable broadcasters exist: an NBC affiliate, which actually "shows a mishmash of programming from several different sources," and a public station. The other television options are home satellite dishes and cable. Cooke Cablevision serves Buzzell's hometown and charges \$40.46 for basic cable. It is that basic rate that got Buzzell involved in a fight to reregulate cable. He said he feels state cable rates will only get higher because Jack Kent Cooke is

trying to sell his cable systems (Cooke Cablevision has the Juneau franchise), and Sonic Communications Inc.'s system in Anchorage has already been sold for a reported \$3,414 per sub.

Cable regulation has been brought to the Legislature's

Telecommunications Committee before, but it was allowed to die. Buzzell said the Legislature should have several telecommunications issues before it during the next session, including competition in telephone services and deciding whether to con-

tinue a state-funded network of earth stations. He added that he will try to stir up consumers between now and the January resumption of the Legislature in order to generate enough public pressure to get the officials to pass the bill. ■

## OPEN LETTER TO THE PEOPLE OF JUNEAU

Dear Cable Subscriber:

You may have noticed Cooke Cablevision was sold as reported on the front page of the Juneau Empire on Tuesday, January 10th. It was reported the price was \$2100.00 per subscriber. Now you know why you have seen so many ads recently to sign up for cable at very low cost. Your signing up was worth \$2100 to Cooke's owners bottom line. Estimating 6,000 subscribers in Juneau, this means your business was worth over 12 million dollars to them.

How do you think the buyers can justify such a cost? It is because they have no competition, that's why. If they have any signs of a loss, because they are a monopoly, all they have to do is raise your rates! For several years now, the cable industry has been doing just that, using the extra money to buy another cable company like they have just done in Juneau. Now they have all of Cooke's 700,000 subscribers. All they have to do is add one dollar to the monthly bill and they get 700,000 dollars to buy with. Next, they buy another company and the whole process starts over again.

Since this concentration of ownership has been happening right under your nose nationwide, why do you suppose you don't know about it? It's because they are controlling the information you are allowed to get through that cable wire. They don't want you to know about the problem because they ARE the problem. They are so large now, if they want something, they just buy it. They have all the money they need. They got it from

you, and they will continue to get it from you because they have no competition. As a cable subscriber, your checkbook has been held hostage for access to news, information, sports, and entertainment with no alternative but disconnecting from them.

What can you do? There is a nationwide movement in this country to "Take A Bite Out Of Cable". There is a petition circulating asking Congress to re-visit the Cable Deregulation act of 1984 to put competition and consumer rights into the law. Find one locally and sign it.

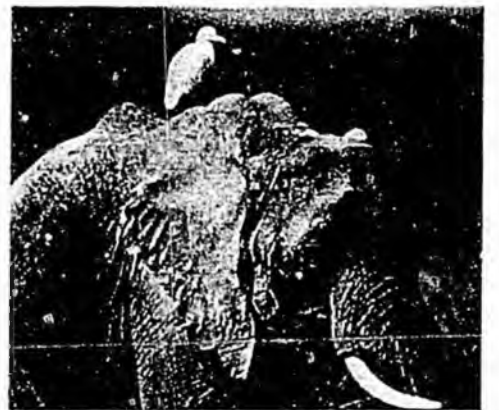
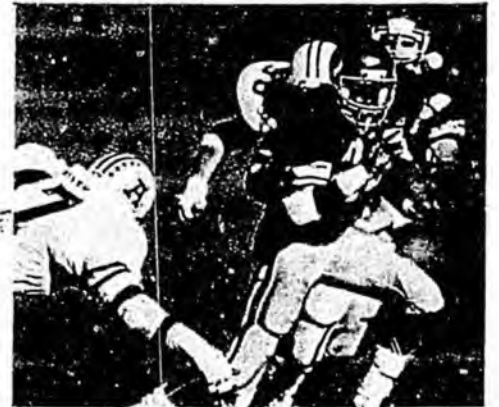
Another thing you can do is celebrate "National Cable Month" coming up in April, by not paying the premium until 30 days later. In other words, pay your April bill in May. Thousands of consumers are going to do this all at once in April to really "take a bite out of cable". This is your own personal way to fight back and send a clear message to them that you think their prices are a crime. Sure, they might threaten you with cut-off or even charge you a late charge (I don't see why because you are paying in advance anyway). Help make National Cable Month into National Cable *Consumer* month!

For more information about this battle about cable control of the flow of information, contact C.A.U.C.U.S. (Consumers Against Unregulated Cable Utility Services), PO Box 18055, San Jose, CA 95158 (408) 993-8218, or myself.

Larry Buzzell  
Juneau

THE FOLLOWING DOCUMENT HAS  
NOT BEEN FILMED BUT IS  
AVAILABLE IN THE ORIGINAL  
FILE

# PRIME CABLE



More of What You're Watching For

Cable Television Handbook  
An Easy Reference Guide for Customers

# PRIME CABLE

201 E. 56th AVENUE  
SUITE 100  
ANCHORAGE, AK 99518  
(907) 562-2400

RECEIVED

MAR 12 1990

TSCH  
MADSON  
WACI ST. JOURNAL  
MARKET RESEARCH  
RATES (SERVICE  
REGULATION)

March 2, 1990

Rep. Red Boucher  
P. O. Box V  
Juneau, AK 99811

REGISTRATION  
[ATW]

HSTG  
L&C

Dear Rep. Boucher:

I would like to thank you for allowing me to serve on the sub-committee on behalf of the Alaska cable industry to address the concerns relating to House Bill 338 and other cable issues.

However, it has come to my attention that a sub-committee meeting was held without my knowledge. This is very discouraging, given the purpose of my appointment was to allow for fair and equal representation from the cable industry of the facts regarding this bill, while at the same time giving Rep. Robin Taylor and myself the opportunity to meet for joint discussions. I would still like the opportunity for this discussion and am available to the sub-committee regarding any issues surrounding HB338.

If you or Rep. Hanley would like to discuss this with me, please feel free to call my office at 786-9256. I look forward to any expedient resolution to this problem and I thank you in advance for your time and efforts.

Respectfully,

*Marty Robinson*

Marty Robinson  
General Manager  
Prime Cable of Alaska

MR/tj

APUC  
DRAFT

561-4396

THE FOLLOWING DOCUMENT HAS  
NOT BEEN FILMED BUT IS  
AVAILABLE IN THE ORIGINAL  
FILE

**PRIME  
CABLE**

MEDIA SERVICES

\*

~~12/14~~  
Paul Minnet  
2220

Ted  
Meninski  
PDC  
263-2117

A PERFORMANCE REPORT ON THE  
DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT  
ALASKA PUBLIC UTILITIES COMMISSION

February 14, 1989

Audit Control Number

08-1354-89-R

Commissioner, Department of Commerce and Economic Development	Larry Mercurieff
Deputy Commissioner, Department of Commerce and Economic Development	Jeffrey W. Bush

Members of the  
Alaska Public Utilities Commission

Chairperson	Susan M. Knowles
Member	Carolyn S. Guess
Member	Peter Sokolov
Member	Louis E. Agi
Member	Kathleen L. Whiteaker

# STATE OF ALASKA

AUDIT DIVISION  
P.O. BOX W  
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE  
BUDGET AND AUDIT COMMITTEE

February 21, 1989

Members of the Legislative Budget  
and Audit Committee:

In accordance with the provisions of Titles 24 and 44 of the Alaska Statutes, the attached report is submitted for your review.

A PERFORMANCE REPORT ON THE  
DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT  
ALASKA PUBLIC UTILITIES COMMISSION

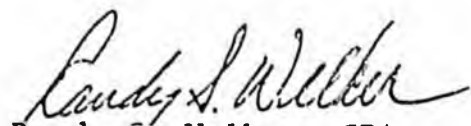
February 14, 1989

Audit Control Number

08-1354-89-R

The objectives of this audit were to examine the activities of the Alaska Public Utilities Commission to determine if there is a demonstrated public need for its continued existence and if the commission has been operating in an efficient and effective manner.

The audit was conducted in accordance with generally accepted governmental performance auditing standards. Audit scope and methodology are discussed in the Report Objectives, Scope, and Methodology section of this report. Audit results may be found in the Report Conclusions, Findings and Recommendations, and in the Analysis of Public Need sections of this report.



Randy S. Welker, CPA  
Legislative Auditor  
Division of Legislative Audit

## REPORT CONCLUSIONS

### Policy Issues

This review contains policy issues raised as a result of our evaluation of various commission practices. The final policy decisions affecting those practices are not within the scope of this review but require legislative consideration. In debating these decisions the legislative oversight committees should take into consideration the findings and recommendations presented in this report to assist them in evaluating the potential impact of any policy changes.

### Report Conclusions

In our opinion, the Alaska Public Utilities Commission is operating in an efficient and effective manner and should continue to regulate public utilities and pipelines. We believe that the public interest is being served by requiring public utilities and pipelines to be certificated by APUC. This process stabilizes demand for the utility service by eliminating competition and thereby allowing economies of scale to operate. Economic regulation by the commission, in place of that competition, ensures that the utilities provide adequate service at the lowest reasonable rates.

Although this economic justification is valid for the majority of utilities regulated by APUC, we evaluated their jurisdiction for potential areas of deregulation for several major reasons: (1) to comply with the intent of sunset legislation which attributed public disenchantment with state government to a proliferation of that government; (2) in recognition of the fact that the cost of regulation may exceed its benefits; (3) the increased demands being placed on commission resources; and (4) the State's ability to provide those resources.

Our analyses revealed several industries where regulation could be eliminated with minimum negative public impact. Our initial criteria was whether the service was essential for modern living to the average Alaskan and, if so, whether the industry operated as a natural monopoly. Although it is uncertain whether rates under deregulation would be higher or lower, deregulation should provide benefits such as competitive alternatives to existing services and more innovative services and rate designs. Additionally, services may be provided in areas not previously served as a result of eliminating the barrier to entry into the marketplace that has been erected by certification and the cost of regulation. While refuse collection services may be considered essential by many, this industry is not a natural

monopoly and should not be regulated (See Recommendation No. 1A). Radio communication carriers do not provide an essential service and also should not be regulated (See Recommendation No. 1B). Cable television may be considered essential by many and may also be a natural monopoly in the small and medium size towns. However, the statutes have created state sanctioned monopolies without the companion public protection against unreasonable and discriminatory rates and services. Further, federal law prohibits full economic regulation. The State should cease cable certification (See Recommendation No. 1C).

We are also convinced that small utilities should be exempted from economic regulation on the basis that the cost of regulation likely exceeds its benefits to consumers. We further recommend that the consumers of these exempted utilities be allowed a reasonable opportunity to elect economic regulation (See Recommendation No. 1D).

We recommend that the utilities owned by the Municipality of Anchorage be exempted from economic regulation. This exemption and the companion opportunity to elect economic regulation should be available to Anchorage as it is to all other municipal governments in the State (See Recommendation No. 1E).

We believe that the commission's costs should be fully allocated to consumers, but only to those consumers of utilities who continue to be regulated. We consider this regulatory funding approach to be most equitable to all the State's citizens. It should also encourage the elimination of any unwarranted economic regulation when combined with consumer regulatory elections (See Recommendation No. 2).

We recommend that APUC develop a topical reference system for commission orders and court decisions (See Recommendation No. 3).

A review of commissioner appointments showed that appointment terms expire on the same date for the two consumer members. As this situation could cause a significant disruption of commission activity, we recommend that the statute be changed to require the staggering of these appointments (See Recommendation No. 4).

Alaska Statute 42.05.711(d) reads as follows: "The commission, on a finding that no legitimate public interest will be served, may exempt a utility from all or any portion of this chapter." [Emphasis added.] As the 1982 decision categorically deregulated an entire industry, not an individual utility, this order may be illegal. We are not recommending that this statute be amended to allow categorical deregulation, as this power should be retained by the Legislature. Rather, we are recommending that the statute be amended to specifically deregulate RCC services; this would incidentally resolve the question.

C. Alaska Statute 42.05 should be amended to cease certification of cable television.

*LSR*  
*Regulate*

We do not consider cable television an essential service, particularly in view of the large number of Alaskans who receive off-the-air network television or broadcasts from the Rural Alaska Television Network. The premise of "essential" is also defeated by a review of the cable television service in Anchorage in which large sections of the service area are not yet cabled 9 years after the certification was awarded. The 1988 service expansion added only 1 mile of cable for 83 homes and businesses. While we acknowledge that it takes years for a new utility to cover a service area, we submit that this standstill, even in consideration of the economic decline, indicates that this service has a higher elasticity of demand than would an "essential" service. *X*

As it is not an essential service, it should not be regulated as a public utility. Although the statutes do not allow economic regulation, they do require certification of the companies. APUC has responded by issuing certifications for exclusive service areas. This has created state-sanctioned monopolies with legally protected service areas, yet the statutes do not provide the companion public protection against unreasonable and discriminatory rates and services. The statute should, therefore, be amended to remove the certification requirement.

However, there are many who believe that cable television is essential to modern living or that it is essential so that we may fully realize our First Amendment right of freedom of speech. If it is first decided that cable television is essential, then the natural monopoly issue must also be considered in the regulatory determination.

We believe that cable television may be a natural monopoly in the small and medium-sized towns. As such, these may be candidates for economic regulation. However, the cost of regulation may outweigh the benefits for these small markets. The economic regulation that is available is also limited to basic services, as the federal Cable Communications Policy Act of 1984 prohibits price regulation of the premium packages. In the largest cities, the competitive environment indicates that there is not a natural monopoly present for cable television, thus certification and economic regulation is inappropriate.

The federal Cable Act was designed to promote the expansion of cable television systems by promoting local franchising and limiting rate regulation. This law would not allow any rate regulation in Anchorage or Fairbanks but would allow basic service rates to be regulated in other areas such as Juneau or Homer. It does, however, appear to allow us control over the possible competitive side effect of duplicate cabling. By statute we could require the segregation of cable distribution companies and these could be fully regulated. The cable programming could then be opened to competition.

In summary, regardless as to whether or not cable television is viewed as essential, we recommended that the present certification requirement be deleted from the statute. To the extent that this service is deemed essential, municipal franchising or certification and regulation of distribution-only companies should be considered.

We also must point out a potential liability to the State under the Cable Act if this recommendation is implemented. The Cable Act outlines specific criteria which must be shown to deny a franchise and the proposed statute amendment would categorically retract the certificates (franchise) without this showing. However, the Attorney General's Office indicated to us that the State would prevail in court. We recommend that a formal opinion on this potential liability be obtained from the Attorney General before this statute is amended.

- D. Alaska Statute 42.05 should be amended to exempt the smaller utilities from economic regulation.

Electric, telephone, gas, water, and sewer utilities have traditionally been considered essential services and are often natural monopolies. Nevertheless, we should refrain from economic regulation if its cost

proportionate to the decrease in the number of utilities. While there certainly should be some relationship, the commission has no time sheet data available to correlate these factors.

In concert with an amendment to exempt these smaller utilities, the following areas should also be addressed:

1. The petition provision which allows customers to request economic regulation of exempted utilities should be amended. Alaska Statute 42.05.711 presently requires 25% of an exempted utility's subscribers to sign the petition. We believe that this is much too great an obstacle to overcome and recommend that an election be called if APUC receives a petition demonstrating significant consumer interest. For example, the petition requirement could be set at the lesser of 5% or 500 customers.
2. This proposed gross revenue exemption statute should not take effect for 6 months to allow utility customers who wish to retain regulation to do so without interruption.
3. The results of past deregulation elections should be honored, thus not requiring a new vote on failed deregulation elections.
4. The customers who continue the benefits of APUC's economic regulatory oversight should be expected to pay for this service (See Recommendation No. 2).

E. Alaska Statute 42.05 should be amended to cease mandatory economic regulation of certain utilities owned by political subdivisions.

Alaska Statute 42.05.711(b) generally exempts utilities owned by political subdivisions from economic regulation, unless they so elect. However, it also provides that if any of a subdivision's utilities directly competes with any other certificated utility then all the subdivision's utilities shall be economically regulated. We presume the intent of this provision was to eliminate the wasting of resources from facility duplication resulting from the then ongoing electric service area dispute as well as preventing the cross-subsidization of rates which might accompany such a dispute. The only utilities falling under this provision, at present, are owned by the Municipality of Anchorage.

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

## ALASKA PUBLIC UTILITIES COMMISSION DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

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

MAR - 9 1989

March 7, 1989

Mr. Randy Welker  
Legislative Auditor  
Division of Legislative Audit  
State of Alaska  
P. O. Box W  
Juneau, Alaska 99811-3300

Re. Response to Preliminary Audit Report

Dear Mr. Welker:

The following is the response of the Commission to the preliminary audit report and recommendations submitted by the Division of Legislative Audit on February 14, 1989, as a result of its performance review of the Commission.

The Commission concurs with the fundamental conclusion of the report that the

Alaska Public Utilities Commission is operating in an efficient and effective manner and should continue to regulate public utilities and pipelines. (Page 5.)

The Commission does not agree with all of the statements of regulatory theory and philosophy in the preliminary audit report but has focused its comments on the actual recommendations.

Recommendation No. 1C

Alaska Statute 42.05 should be amended to cease certification of cable television.

The Commission concurs with this recommendation with some qualifications, as it did with the same recommendation in the 1985 Sunset Audit. The recommendation appropriately eliminates the anomaly in the current regulatory scheme for cable television (CATV) service whereby CATV providers hold monopoly certificates but are economically deregulated. However, the Commission would encourage the Legislature to use its legal and research staffs to examine the implications of the following on full CATV deregulation: (1) the Cable Communications Policy Act of 1984, (2) the Federal Communications Commission's recent initiatives to eliminate the existing ban on cross-ownership of CATV and telephone companies, (3) the availability and status of local government oversight, (4) shared use of rights-of-way, (5) community access and institutional network use of CATV systems, and (6) disposition of certificates held by existing CATV providers. In any event, as noted in response to the 1985 Sunset Audit recommendation, CATV certification is not a large element of the Commission's workload.

Recommendation No. 1D

Alaska Statute 42.05 should be amended to exempt smaller utilities from economic regulation.

The Commission opposes this recommendation because it disagrees with the auditor's unsupported presumption that the cost of economic regulation presently exceeds its benefits for smaller utilities. Rather, the Commission concludes from its experience