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# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 324  
(S) Publish Date: 3/6/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title Public Utilities Exempt from Regulation BRU Regulatory Commission of Alaska (399)  
Component Regulatory Commission of Alaska  
Sponsor Senator Taylor  
Requester Senate Labor & Commerce Component No. 2417

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This bill has no fiscal impact on the operations of this agency.

Prepared by: Nan Thompson, Chair Phone 907-276-6222  
Division Regulatory Commission of Alaska Date/Time 3/6/02 2:24 PM  
Approved by: Deborah B. Sedwick, Commissioner Date 3/6/2002  
Agency Department of Community & Economic Development

# Alaska State Legislature

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Administrative Regulations  
Revenue Committee

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Resources Committee



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*Senator Robin L. Taylor*

## SPONSOR STATEMENT SB 324

**"An Act providing that a utility or electric operating entity owned and operated by a political subdivision of the state competing directly with a telecommunications utility is not subject to the Alaska Public Utilities Regulatory Act."**

SB 324 ensures that the City of Ketchikan retains the ability to set rates for its telephone utility in the event it faces competition from another utility company.

Alaska law provides that where a municipality owns and operates a public utility, the municipality may regulate the terms and conditions governing the provision of that public utility and has the power to set the terms and conditions for the utility services they offer.

Alaska law also provides that if a municipal utility faces competition, all of the municipalities' utilities become fully subject to economic regulation by the Regulatory Commission of Alaska. The RCA may grant an exemption to this rule.

Principles of fairness and regulatory parity provide that this statute should be amended when a municipality faces competition from a telecommunications company. New competitive providers are subject to less regulation by the RCA. Under federal law, some new telecommunications companies are not regulated at all. (Cellular providers) By contrast, if the municipally owned telephone utility becomes subject to economic regulation by RCA, it will be more heavily regulated than the new entrant.

By economically regulating the municipally owned utility while allowing the new entrant to set prices without regulatory oversight, the marketplace is unable to provide the benefits of competition to the public. The new entrant will be able to set its rates based on market forces and competitive need, while the municipally owned utility will be required to set its rates based on its costs through rate cases. These cases can be expensive and time consuming, and sometimes attract input from other interveners.

The unregulated entity has only to price its service slightly under the regulated rates of its competitor to gain market share. Such prices are not necessarily the lowest possible rates, and are not necessarily as low as the rates would be, given unfettered competition.

District A:

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