

**HB**

**243**

**HFIN**

**FILE**

SOLOMON  
GULCH  
TERROR  
LAKE

## THE FOUR DAM POOL POWER AGENCY

• TYEE  
• SWAN LAKE

703 W. Tudor Road, Ste. 102 • Anchorage, AK 99503-6650  
907-258-2281 Tel • 907-258-2287 Fax • [www.fdpaa.org](http://www.fdpaa.org)

May 4, 2005

Hon. Ron Miller, Executive Director  
Alaska Industrial Development and Export Authority  
Anchorage, Alaska  
VIA EMAIL

Dear Mr. Miller:

Yesterday The Four Dam Pool Power Agency held a telephonic Board of Directors Meeting to discuss, among other things, your letter of April 15 concerning the "Intertie Credit" and our submitted Plan of Finance. Your letter asked that we reply by today.

No vote was taken regarding whether or not to accept the offer outlined in your letter for two reasons:

- First, the proposal you have put forth is thoughtful and helpful. Properly crafted it is likely an arrangement TFDPPA Board of Directors would favorably consider. However, it is stated in your letter only in outline form, with several ambiguities. Therefore, the Board did not take action to accept the offer as outlined. Rather, as you know, the Board has asked our attorneys Ron Saxton and Jenny Trieu, to work out a mutually acceptable, but more specific, document with Brian Bjorkquist. I have directed Mr. Saxton and Ms. Trieu to work with Mr. Bjorkquist within the original parameters you have outlined, but to remove the ambiguities. The Board would then consider and possibly authorize execution of that more definitive document.
- Second, our Lobbyist Bob Evans informed the Board that the Governor's office, with AIDEA's/AEA's concurrence, had offered to support and sign simple legislation to alter the MOU to extend the April 11, 2005 deadline for Plan of Finance submittal for one year, until April 11, 2006. If this legislation is enacted, we will have a full year to work together on a definitive escrow agreement such as you have proposed, or to produce a Plan of Finance acceptable to you. If this occurs, it would make no sense for either of us to have signed an agreement now.

When the Legislative Session is complete, we will be delighted to discuss this further with you. In the meantime, I hope our attorneys can continue to work toward a definitive agreement.

Sincerely,



Robert E. LeResche  
Acting General Manager

Cc: Darron Scott, Bob Evans, Ron Saxton, Jenny Trieu

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

# AIDEA/AEA

Alaska Energy Authority

April 15, 2005

Mr. Darron Scott  
Chairman  
Four Dam Pool Power Agency  
703 West Tudor Road, Suite 102  
Anchorage, Alaska 99503

RE: Plan of finance for Swan Lake--Lake Tyee Intertie

Dear Mr. Scott:

This letter is in response to your request that AIDEA approve The Four Dam Pool Power Agency's (TFDPPA) plan of finance for completion of the Southeast Intertie ("Swan-Tyee") as described in your March 10, 2005 letter.

As described in your request, the financing plan is contingent on receiving \$41 million in new federal and state grant funding with TFDPPA investing the last \$5 million in project costs. Your proposal fails to satisfy the requirements of Section 2.2.2 of the Purchase and Sale Agreement between AEA and TFDPPA, or the April 11, 2000, Memorandum of Understanding ("MOU") between the Alaska Energy Authority and the Purchasing Utilities concerning the sale of the Four Dam Pool Project. However, we conclude this letter with an alternative proposal related to the \$5 million credit that otherwise would be payable by TFDPPA for deposit into the PCE Endowment Fund.

In the April 11, 2000 MOU, the Purchasing Utilities were granted a \$5 million credit against the purchase price of \$73 million (MOU, Section 7). That \$5 million credit is to be repaid to the State if the Purchasing Utilities abandon efforts to complete the Swan-Tyee Intertie, or, by April 11, 2005, fails to provide AIDEA with "an approved finance plan demonstrating committed funds sufficient to complete the Southeast Intertie" (MOU, Section 7—emphasis added), or if field construction on Swan-Tyee has not commenced prior to April 11, 2010. Section 2.2.2 of the Purchase and Sale Agreement similarly requires TFDPPA to provide "an approved finance plan demonstrating sufficient funds to complete the Southeast Intertie." What is described in your letter of March 10, 2005 fails as a "finance plan" demonstrating "committed funds" or "sufficient funds," particularly as the bulk of the funding in your plan is merely a hope for future federal and state grant monies for which there is no evidence that either has been formally requested, much less authorized or appropriated.

While the proposed plan of finance fails to satisfy requirements of either the Purchase and Sale Agreement or the MOU, AEA remains willing to assist TFDPPA's attempts to complete the Swan-Tyee Intertie project. Any solution, however, must also protect the interests of the PCE Endowment Fund into which the \$5 million credit payable by TFDPPA would be deposited. We therefore propose the following:

1. TFDPPA immediately transfer to AEA \$5 million to be deposited in an interest-bearing escrow account. AEA will hold the \$5 million plus interest earnings until released under either paragraph 2 or 3 below.

Mr. Darron Scott  
April 15, 2005  
Page 2

2. TFDPPA shall be obligated to pay out-of-pocket towards the costs of construction of the Swan-Tyee Intertie project a minimum of \$5 million plus the amount of interest earned on amounts held by AEA. AEA will reimburse TFDPPA an amount equal to the \$5 million plus interest earned for construction costs TFDPPA has actually paid out-of-pocket for the final construction of the completed and commercially operational Swan-Tyee project. AEA shall deposit into the PCE Endowment Fund any amounts not reimbursed to TFDPPA under this paragraph.

3. If the Swan-Tyee project is abandoned rather than completed and made commercially operational, the \$5 million plus interest earned will be deposited into the PCE Endowment Fund.

4. The parties shall jointly amend the MOU, including obtaining legislative approval of the amendment. If the amendment to the MOU is not legislatively approved during the 2005 legislative session, TFDPPA will have the option within 15 days of the end of the legislative session to either (a) request refund of the \$5 million deposited with interest earned, in which case we will give notice requiring TFDPPA to refund the \$5 million credit pursuant to terms of the Purchase and Sale Agreement and the MOU, or (b) elect to have the parties jointly seek legislative approval for amendment of the MOU during the 2006 legislative session, in which case we will not call the credit due under the Purchase and Sale Agreement and the MOU, and, if the legislature fails to approve the MOU amendment during the 2006 legislative session, AEA shall deposit the \$5 million credit plus interest earned into the PCE Endowment Fund on July 1, 2006.

If you are in agreement with the terms set out immediately above, please send me written confirmation. We will then need to coordinate efforts to obtain the necessary legislative approvals for this plan. While you consider this proposal, AEA will take no action until on or after May 4, 2005, to issue any notices to the TFDPPA under Section 2.2.2 of the January 1, 2002 Agreement for the Purchase and Sale of the Four Dam Pool Project. AEA also remains willing to further discuss these matters.

As a final matter, your letter referred to AIDEA providing long-term financing of the repayment of the \$5 million credit. The MOU does provide for such financing, but only on the "same terms and conditions as the purchase financing." (MOU, Section 8). Those terms and conditions include a 6.5% interest rate, a first lien on the TFDPPA's four hydroelectric projects and related assets, and a subordination to the AIDEA lien of any and all rights of the TFDPPA, including those rights under the 1985 Long-term Power Sales Agreement (MOU, Section 8). TFDPPA has informed us that they have no interest in any such financing, and that it would be prohibited by the terms and conditions of your 2004 refinancing. Please inform us if we have misinterpreted TFDPPA's position and/or prior assertions on this topic.

Sincerely,

  
Ron Miller  
Executive Director

cc: Governor Frank Murkowski



# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CS HB 243 (FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: COMMERCE  
Title Financing plan for Southeast Intertie RDU Alaska Energy Authority (453)  
Component PCF  
Sponsor Rules by Request of the Governor  
Requester House Finance Component No. 2602

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

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>	**	**	**	**	**	**
-------------------------------	----	----	----	----	----	----

**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 (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

Indeterminate revenue impact to the Power Cost Equalization Endowment Fund. See attached analysis.

Prepared by: Sara Fisher-Goac, Financial Analyst  
Division: AIDEA and AEA  
Approved by: \_\_\_\_\_  
Agency: \_\_\_\_\_

Phone 907-269-4623  
Date/Time 5/5/05 10:52 AM  
Date 5/5/2005

## FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

BILL NO. CS HB 243 (FIN)

### ANALYSIS CONTINUATION

This bill allows for the Memorandum of Understanding between The Four Dam Pool Power Agency (TFDPPA) and the Alaska Energy Authority that authorizes the sale of the Four Dam Pool Hydroelectric Project to be amended to extend from April 11, 2005 to April 11, 2006 the time within which TFDPPA must provide the Alaska Industrial Development and Export Authority with an approved finance plan demonstrating committed funds sufficient to complete the Southeast Intertie.

The purchase price of the Four Dam Pool Project was \$73 million. A \$5 million credit was provided contingent upon the construction of the Southeast Intertie. On March 10, 2005 TFDPPA requested AIDEA approve its financing plan contingent upon TFDPPA receiving \$41 million in new federal and state grants. Since the plan did not demonstrate committed funds, AIDEA and AEA proposed that the \$5 million be transferred to AEA for deposit into an interest-bearing escrow account. If TFDPPA is able to secure committed funds to complete the project, the \$5 million plus interest will be available for reimbursement of construction costs. If the Southeast intertie project is abandoned rather than completed and made commercially operational, the \$5 million plus interest will be deposited into the PCE Endowment.

The fiscal impact is indeterminate since the PCE endowment will potentially lose interest earnings of the proposed interest-bearing escrow account. The current rate for a one-year treasury note is 3.3%. (\$165,000 of interest on \$5 million)

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CS HB 243 (FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: COMMERCE  
Title Financing plan for Southeast Interlie RDU Alaska Energy Authority (453)  
Component PCE  
Sponsor Rules by Request of the Governor  
Requester House Finance Component No. 2602

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

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )	**					
------------------------	----	--	--	--	--	--

**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 (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

Indeterminate revenue impact to the Power Cost Equalization Endowment Fund. See attached analysis.

Prepared by: Sara Fisher-Goad, Financial Analyst  
Division: AIDEA and AEA  
Approved by: \_\_\_\_\_  
Agency: \_\_\_\_\_

Phone 907-269-4623  
Date/Time 5/5/05 11:33 AM  
Date 5/5/2005

## FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

BILL NO. CS HB 243 (FIN)

### ANALYSIS CONTINUATION

This bill allows for the Memorandum of Understanding between The Four Dam Pool Power Agency (TFDPPA) and the Alaska Energy Authority that authorizes the sale of the Four Dam Pool Hydroelectric Project to be amended to extend from April 11, 2005 to April 11, 2006 the time within which TFDPPA must provide the Alaska Industrial Development and Export Authority with an approved finance plan demonstrating committed funds sufficient to complete the Southeast Intertie.

The purchase price of the Four Dam Pool Project was \$73 million. A \$5 million credit was provided contingent upon the construction of the Southeast Intertie. On March 10, 2005 TFDPPA requested AIDEA approve its financing plan contingent upon TFDPPA receiving \$41 million in new federal and state grants. Since the plan did not demonstrate committed funds, AIDEA and AEA proposed that the \$5 million be transferred to AEA for deposit into an interest-bearing escrow account. If TFDPPA is able to secure committed funds to complete the project, the \$5 million plus interest will be available for reimbursement of construction costs. If the Southeast intertie project is abandoned rather than completed and made commercially operational, the \$5 million plus interest will be deposited into the PCE Endowment.

The fiscal impact is indeterminate since the PCE endowment will potentially lose interest earnings of the proposed interest-bearing escrow account. The current rate for a one-year treasury note is 3.3%. (\$165,000 of interest on \$5 million)

# FISCAL NOTE

*new zero*  
*AIDEA*  
*not RCA*

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: HB 243  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time: Correction 4/7/05 9:40 a.m.

Dept. Affected: Commerce

Title Temporary Regulatory Cost  
Charge Increase

RDU Regulatory Commission of Alaska (399)  
Component Regulatory Commission of Alaska

Sponsor Rules  
Requester By Request of the Governor

Component No. 2417

**Expenditures/Revenues**

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual	1,300.0	1,300.0	1,300.0			
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1,300.0</b>	<b>1,300.0</b>	<b>1,300.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES (1141)</b>	<b>1,300.0</b>	<b>1,300.0</b>	<b>1,300.0</b>			
----------------------------------	----------------	----------------	----------------	--	--	--

**FUND SOURCE**

(Thousands of Dollars)

FUND SOURCE	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1141 RCA Receipts	1,300.0	1,300.0	1,300.0			
<b>TOTAL</b>	<b>1,300.0</b>	<b>1,300.0</b>	<b>1,300.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 00

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This statutory revision allows for a three year increase in the Regulatory Cost Charge (RCC) rate from .007 to .009 to fund several initiatives that will improve the agency's ability to mitigate regulatory lag, reduce utilities' filing costs and increase transparency in agency activities. It is anticipated that this legislation will increase utility costs by approximately 6 cents per month or 72 cents per year, per regulated utility service. If a consumer uses three regulated services, (generally telephone, gas and electric) the approximate cumulative impact would be \$2.16 per year or \$6.48 for the three year period.

Prepared by: Kate Giard, Chair  
Division: Regulatory Commission of Alaska  
Approved by: Edgar Blatchford, Commissioner  
Agency: Commerce, Community, and Economic Development

Phone 907 276 6222  
Date/Time 4/7/05 10:55 AM  
Date 4/7/2005

*adopted  
5-5-05*

24-GH1138V  
Craver  
5/4/05

**CS FOR HOUSE BILL NO. 243( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:  
Referred:**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the financial plan for the intertie between the Swan Lake and Tyece  
2 Lake hydroelectric projects; and providing for an effective date."

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

4 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
5 to read:

6 **LEGISLATIVE AUTHORIZATION TO AMEND THE MEMORANDUM OF**  
7 **UNDERSTANDING AUTHORIZING THE SALE OF THE FOUR DAM POOL**  
8 **HYDROELECTRIC PROJECT.** Notwithstanding the restrictions imposed by sec. 15(a), ch.  
9 60, SLA 2000, the memorandum of understanding that authorizes the sale of the four dam  
10 pool hydroelectric project may be amended to extend from April 11, 2005, to April 11, 2006,  
11 the time within which the purchaser must provide Alaska Industrial Development and Export  
12 Authority with an approved finance plan demonstrating committed funds sufficient to  
13 complete the Southeast intertie.

14 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

24-GH1138V  
Craver  
5/3/05

CS FOR HOUSE BILL NO. 243( )

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the financial plan for the intertie between the Swan Lake and Tyece  
2 Lake hydroelectric projects."

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

4 \* Section 1. The uncodified law of the State of Alaska enacted in sec. 15(b), ch. 60, SLA  
5 2000, is amended to read:

6 (b) The Alaska Industrial Development and Export Authority may issue bonds  
7 or otherwise extend financing to the joint action agency to be formed by the  
8 purchasing utilities, for the purposes and upon the terms set out in the memorandum of  
9 understanding. Notwithstanding any provision in the memorandum of  
10 understanding, the Alaska Industrial Development and Export Authority may  
11 not require from the purchaser a plan of finance demonstrating sufficient funds  
12 to complete the transmission intertie between the Tyece Lake hydroelectric  
13 project and the Swan Lake hydroelectric project before April 11, 2006. Any  
14 payment obligation provided in the memorandum of understanding related to the

1  
2  
3  
4  
5  
6  
7

submission of the plan of finance for the transmission intertie may not be imposed or made effective before April 11, 2006. The purchaser may request an extension, and the Alaska Industrial Development and Export Authority shall allow an extension of up to one additional year to submit the plan of finance. The total principal amount of the bonds and other financing provided by the Alaska Industrial Development and Export Authority under this subsection may not exceed \$110,000,000.

**REGULATORY COMMISSION OF ALASKA  
2005 IMPROVEMENT INITIATIVES**

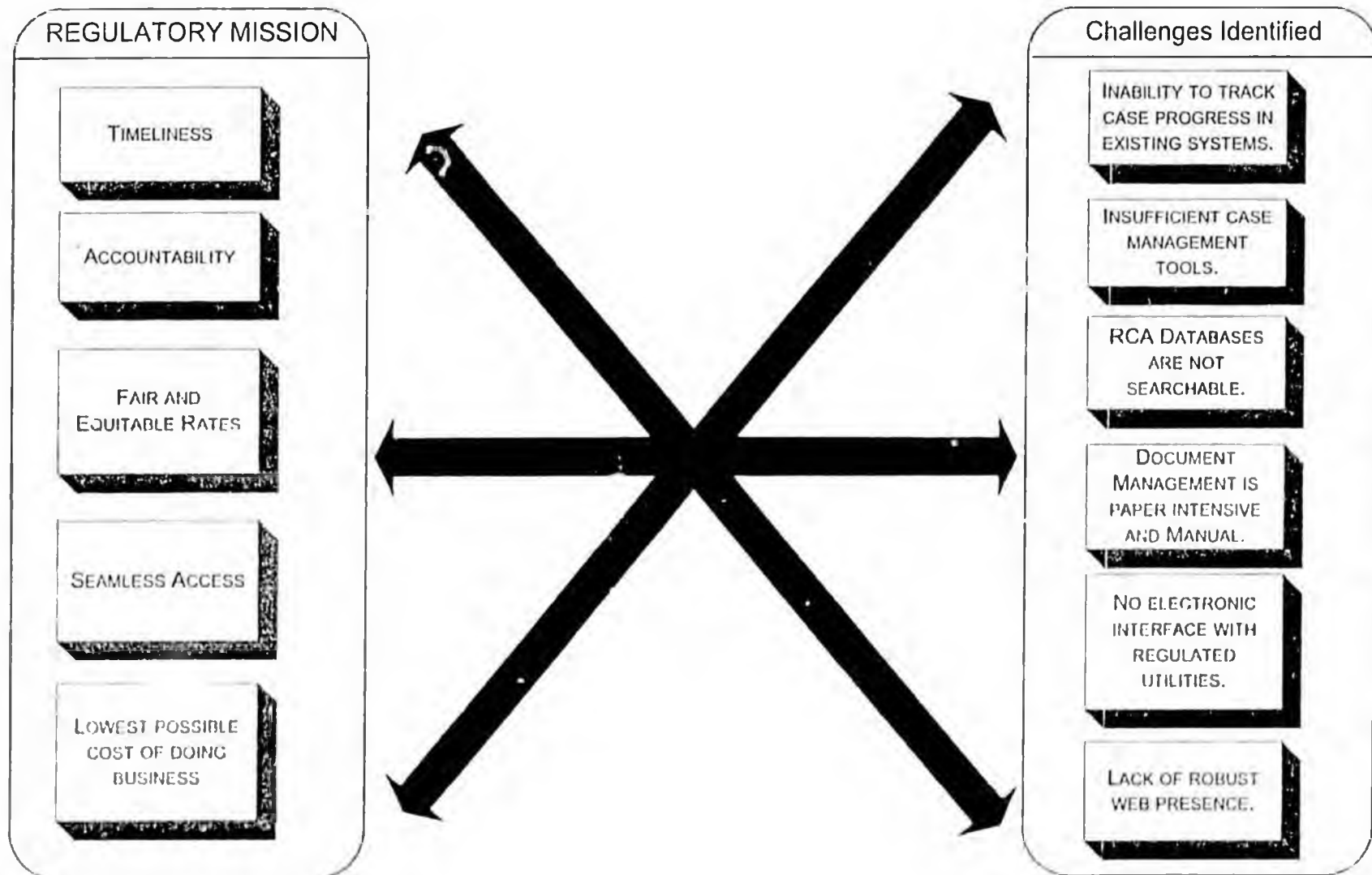
**STATUTE REVISION: SB 157/HB 243  
TEMPORARY RCC FUNDING INCREASE FOR  
INFORMATION SYSTEMS**

**LEGISLATIVE INFORMATION PACKET**

---


4/26/2005

THE RCA HAS HAD CHALLENGES EFFECTIVELY ACHIEVING ITS REGULATORY MISSION.



## → RCA 2005 Improvement Initiative Summary Steps to Improvement

IDENTIFY AREAS OF REGULATIONS WHICH NEED TO BE IMPROVED,  
REVISED OR INITIATED PROJECTS TO BE ADDRESSED IN 2005



WORK WITH PIPELINE COMPANIES AND AFFECTED  
PARTIES TO IMPROVE PIPELINE REGULATION

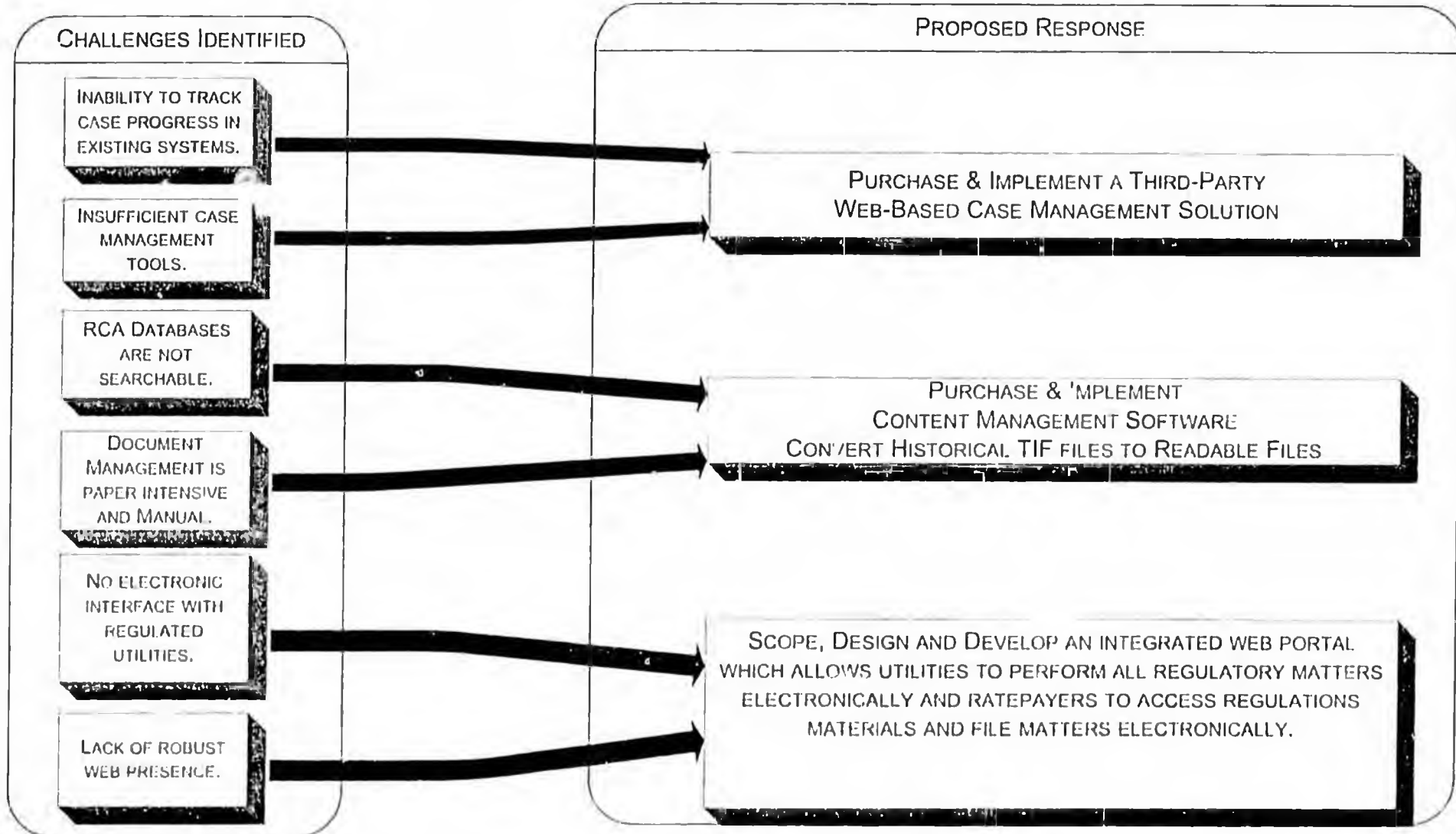


PROPOSE IT IMPROVEMENT INITIATIVES AND RCC  
FUNDING MECHANISM




INVOLVE REGULATED PIPELINES AND UTILITIES IN  
IMPROVEMENT EFFORT


▶ IN THE FALL, 2004 , THE RCA HELD UTILITY & PIPELINE MEETINGS WITH REGULATED INDUSTRIES AND THEN CREATED THE 2005 IMPROVEMENT INITIATIVE. SHOWN BELOW IS THE IT PORTION OF THE INITIATIVE.




## RCA 2005 Improvement Initiative Highlights of the Temporary RCC Increase




ALLOW THE RCA TO PUT SYSTEMS IN PLACE TO TRACK DOCKETS, ALLOW REGULATED UTILITIES GREATER TRANSPARENCY AND LOWER THE COST OF REGULATION THROUGH THE USE OF ELECTRONIC DATA.



THE RCC INCREASE IS TEMPORARY. THE FUNDING STAYS IN OPERATING AND IF IT IS NOT SPENT, THEN IT WILL REDUCE THE RCC FOR CONSUMERS IN THE FOLLOWING YEAR.



THIS PROJECT HAS BEEN HEAVILY SUPPORTED BY THE REGULATED UTILITIES AND PIPELINES IN ALASKA, INCLUDING ATA, AT&T, APA, ACS AND BP PIPELINES.



THE OVERALL COST PER CONSUMER IS 72 CENTS PER YEAR, PER REGULATED UTILITY SERVICE OR \$2.16 PER YEAR FOR THREE SERVICES (PHONE, ELECTRIC & GAS)

# RCA 2005 Improvement Initiative

## Comments of Chairman Kate Giard

Chairman's Goals	<p>I am committed to addressing concerns that the RCA is non-responsive to the business needs of regulated industries and their associated ratepayers. I sincerely believe it is possible, over a relatively short period of time, to substantially eliminate the RCA's historical issues.</p>
Plan for Accomplishment	<p>The RCA will:</p> <ol style="list-style-type: none"> <li>1) Embrace the regulated entities in the change process. Jointly identify areas needing improvement and create a plan to address them.</li> <li>2) Identify internal process and systems that need to be in place for the RCA to successfully administer its regulatory responsibility.</li> <li>3) Execute and deliver results over the next two years.</li> </ol>
Methods	<p>The RCA will:</p> <ol style="list-style-type: none"> <li>1) Sponsor temporary RCC Increase to fund system improvements.</li> <li>2) Create utility and pipeline advisory group to assist the RCA in system selection and deployment.</li> <li>3) Identify and open regulations projects that will improve the regulatory environment.</li> <li>4) Create internal and external benchmarks for timeliness, measure and report quarterly.</li> <li>5) Restructure RCA to improve internal management of work product.</li> </ol>
Benchmarks of Success	<p>The success indicators are:</p> <ol style="list-style-type: none"> <li>1) The cost of doing business within Alaska as a regulated utility or pipeline will decrease because of RCA's improved effectiveness and efficiency.</li> <li>2) RCA will be able to track, monitor, measure and report the performance and production of its staff and commissioners.</li> <li>3) RCA will be able to appropriately project and allocate resources, minimize administrative staff and emphasis professional staff to address regulatory issues.</li> </ol>

# STATE OF ALASKA

DEPARTMENT OF COMMERCE  
COMMUNITY AND ECONOMIC DEVELOPMENT  
REGULATORY COMMISSION OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

701 WEST EIGHTH AVENUE, SUITE 300  
ANCHORAGE, ALASKA 99501-3469  
PHONE: (907) 276-6222  
FAX: (907) 276-0160  
TTY: (907) 276-4533  
WEBSITE: [www.state.ak.us/rca/](http://www.state.ak.us/rca/)

April 7, 2005

The Honorable Tom Anderson, Chairman  
House Labor & Commerce Committee  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

HB 243

RE: HB 243 - An Act relating to the maximum annual regulatory cost charge collected from certain regulated public utilities and pipeline carriers; and providing for an effective date

Dear Chairman Anderson:

On March 31, 2005, HB 243 (Companion Bill SB 157) was introduced by the House Rules committee on behalf of the Governor and referred to your committee. The purpose of this legislation is to increase the regulatory cost charge (RCC) rate from 0.7 percent to 0.9 percent for three years to fund efforts to improve the RCA's timeliness, accountability and regulatory transparency.

In July 2004, the Commission initiated a comprehensive effort to understand and respond to concerns about aspects of its regulatory operations. Over the past several years, the Commission has received comment that its decisions took too long, that the cost of regulation was burdensome and that utilities could not track the progress of their cases through the RCA's adjudicatory process. While some of these issues naturally exist within the regulatory paradigm, I strongly believe the process itself is within our control and we can improve it.

In the last few months, the Commission significantly reorganized its structure. We visited with CEOs of utilities and pipelines. We opened our 2005 regulations schedule for public and industry comment, a first, I believe. We also proposed to purchase and implement data systems designed to achieve the results sought by regulated entities including (1) a system to track cases, staff resources and timelines; (2) a system to receive, store and retrieve data filed with the RCA electronically; and (3) a web site allowing citizens and regulated entities to electronically track regulatory matters.

Last winter, the Commission held public meetings, taking testimony from interested parties as to whether an increase in the RCC should be used to fund



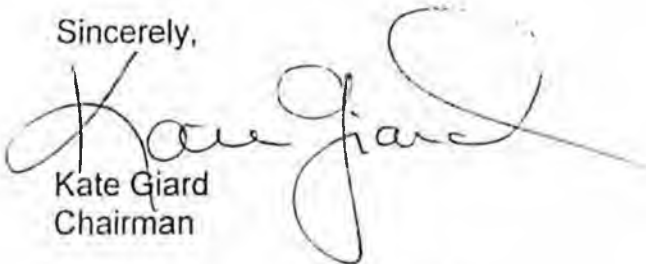
these data systems. An advisory group volunteered to work with us, reviewing the overall scope of the project and budget. Written and oral testimony from regulated utilities and pipelines supported both implementing the data systems and the RCC funding mechanism.

Regulated entities generally pass the RCC cost to consumers. Having concern for consumer impact, we calculated that this legislation would increase utility costs for consumers by an average of six (6) cents per month, per regulated service. If a consumer uses three regulated services, (generally telephone, gas and electric) the cumulative impact would be \$2.16 per year or \$6.48 for the three years this legislation is in effect.

We respectfully request that you schedule HB 243 for hearing in your committee, and we urge favorable action on this bill. Attached is the related fiscal note describing impact of the increased RCC. I would be pleased to meet with you and committee Members, if you wish, to provide any other information you may require.

Thank you for considering this request, which we believe is both in the best interest of and supported by industry.

Sincerely,



Kate Giard  
Chairman

Attachment: HB 243 Fiscal Note

# STATE OF ALASKA

DEPARTMENT OF COMMERCE  
COMMUNITY AND ECONOMIC DEVELOPMENT  
REGULATORY COMMISSION OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

701 WEST EIGHTH AVENUE, SUITE 300  
ANCHORAGE, ALASKA 99501-3469  
PHONE: (907) 276-6222  
FAX: (907) 276-0160  
TTY: (907) 276-4533  
WEBSITE: [www.state.ak.us/rcw/](http://www.state.ak.us/rcw/)

April 25, 2005

The Honorable Norman Rokeberg  
House Labor and Commerce Committee  
Alaska House of Representatives  
Alaska State Capitol Room 214  
Juneau, AK 99801-1182

Re: HB 243

Dear Representative Rokeberg:

This is in response to your request for a history of the Regulatory Commission of Alaska's Regulatory Cost Charges (RCC). During the House Labor and Commerce Committee meeting last week, you also asked whether any portion of temporary increases in the RCC rate would be subject to Commerce overhead charges. We answer both questions in this letter.

RCC History: Prior to 1992, the RCA's predecessor agencies were funded through the general fund. In 1992, the Seventeenth Legislature adopted the Regulatory Cost Charge (RCC) which required certificated public utilities and pipeline carriers to pay the cost of funding the RCA's budget. These costs are commonly passed through the regulated entity to ratepayers as an RCC surcharge on their monthly bills.

In creating the RCC funding mechanism, the Legislature capped the total amount the RCA can collect in a manner similar to a tax cap. Changing the RCC rate requires legislative action. Between 1992 and 1994, the RCC was capped at 0.61 percent of regulated gross revenues. In 1995 through June 30, 2004, the cap was 0.8 percent. The cap was increased beginning July 1, 2005 to 0.87 percent to fund the Attorney General's public advocacy function. The RCC is now shared between the Department of Law, which receives 0.17 percent, and the RCA, which receives 0.7 percent.<sup>1</sup>

---

<sup>1</sup> The public advocacy function was moved to the Department of Law in 2003.



The following table illustrates the revenues generated from the RCC since 1995 to fund the Regulatory Commission of Alaska's activities.

RCC Revenue History		
FY	Rate	Revenues
1995	0.80	\$3,400,000
1996	0.80	\$3,300,000
1997	0.80	\$3,800,000
1998	0.80	\$3,700,000
1999	0.80	\$4,200,000
2000	0.80	\$4,200,000
2001	0.80	\$5,200,000
2002	0.80	\$5,600,000
2003	0.80	\$5,800,000
2004	0.80	\$6,000,000
2005 - RCA	0.70	\$5,200,000
2005 - Law	0.17	\$1,300,000

The RCA has adjusted its operations to reflect the lower projected 2005 revenues by reducing staff by 12%, effective May 2, 2005.

The revenues to be derived from the temporary 0.2 percent RCC increase will be used to implement systems and efficiencies that will allow the RCA to achieve its regulatory mission once it returns to the 0.7 percent funding level on July 1, 2008.

Overhead: Commerce Administrative staff informs me that our overhead will likely increase over the next few years, but this increase is unrelated to the temporary increase in revenues that would occur with the passage of HB 243/SB 157. Rather, Commerce explains overhead will go up because state core costs such as Human Resources, Telecommunications, Enterprise Productivity Rate, etc., are increasing.

We agreed to provide for your review a summary of the overhead (intergovernmental) charges the RCA pays. The following costs are our estimated fiscal 2005 expenditures for overhead.

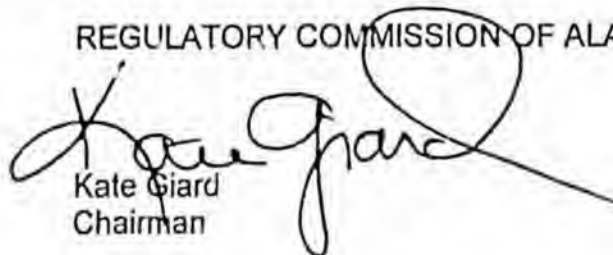
Intergovernmental Charges for Services		
73160	DCED Commissioner's Office	38,000
73160	DCED Administrative Services	104,000
73805	Dept. of Administration	28,000
73270	Division of Personnel (EEO Investigation)	800
73807	Div. of Gen. Services (mailroom & storage)	6,400
73814	Div. of Risk Management (Insurance)	2,000
73816	Dept. of Labor (ADA)	500
73270	Dept. of Law Regulation Review	500
Subtotal - Intergovernmental Charges		180,200

We also pay rent through the State and for Attorney General assistance on our cases, but these are more direct costs rather than the indirect pure overhead costs I believe you were addressing. All told, these indirect overhead charges represent approximately 3 percent of our total revenues.

If you have further questions, please feel free to call me at (907) 263-2110.

Warm regards,

REGULATORY COMMISSION OF ALASKA



Kate Giard  
Chairman

cc: Representative Tom Anderson, Chairman, House Labor and Commerce  
Representative Pete Kott