

142

HC

HB 876

-

HCR

100

HRB 876




JUNEAU ALASKA


Alaska State Legislature

House

March 31, 1976

MEMORANDUM

TO: Representative Bob Bradley 

FROM: Jennifer Peterson,  Secretary

SUBJECT: House Bill No. 876

As per the request of the Commerce Committee members, I contacted the Bureau of Indian Affairs concerning Native land allotments under the 1906 Land Allotment Act.

I talked with Mr. Joe Donahue of the Reality Division. He stated that under the Federal Act land allotments may not be taxed in any way. He gave the following statistics with regard to deeds:

Present deeds: 300
Tentative approval (subject to surveys): 1,000
Deeds presently on appeal status: 500
No decisions to date: 6,000

The above figures were approximations, however, he stated that the Bureau of Land Management could give more detailed information if necessary.

April 1, 1976

Miles Schlosberg
Division of Banking
Department of Commerce
Pouch D
Juneau, Alaska

Dear Mr. Schlosberg:

The members of the House Commerce Committee met on March 31, 1976 to discuss House Bill No. 876. At the conclusion of their discussion, they requested that others be notified of the bill and request comments.

The Commissioner of Revenue, Sterling Gallagher, testified before the committee in favor of the bill. Mr. Jamie Love, Executive Director of Alaska Public Interest Research Group, also testified in favor of the bill.

If you would like to comment on the bill, the committee will hold another hearing at a later date. Comments may be in person or in writing. The last day for receiving or delivery of testimony will be April 8, 1976. If you wish to send written testimony please send it to the following address:

Representative Bob Bradley
Chairman, House Commerce Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

I have enclosed, for your convenience, a copy of the bill and the fiscal note which was presented to the committee by the staff of the Department of Revenue.

If you have any questions regarding this bill, please do not hesitate to contact my office at 465-3889.

Sincerely,

Representative Bob Bradley

Enclosures

April 1, 1976

Mr. H. L. Hunt
Hunt Oil
425 G Street
Anchorage, Alaska

Dear Mr. Hunt:

The members of the House Commerce Committee met on March 31, 1976 to discuss House Bill No. 876. At the conclusion of their discussion, they requested that others be notified of the bill and request comments.

The Commissioner of Revenue, Sterling Gallagher, testified before the committee in favor of the bill. Mr. Jamie Love, Executive Director of Alaska Public Interest Research Group, also testified in favor of the bill.

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Sincerely,

Representative Bob Bradley

Enclosures

April 1, 1976

Mr. Peter Zamarello
6126 Seward Highway
Anchorage, Alaska

Dear Mr. Zamarello:

The members of the House Commerce Committee met on March 31, 1976 to discuss House Bill No. 876. At the conclusion of their discussion, they requested that others be notified of the bill and request comments.

The Commissioner of Revenue, Sterling Gallagher, testified before the committee in favor of the bill. Mr. Jamie Love, Executive Director of Alaska Public Interest Research Group, also testified in favor of the bill.

If you would like to comment on the bill, the committee will hold another hearing at a later date. Comments may be in person or in writing. The last day for receiving or delivery of testimony will be April 8, 1976. If you wish to send written testimony please send it to the following address:

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Sincerely,

Representative Bob Bradley

Enclosures

April 1, 1976

Mr. Jack White
Jack White Real Estate
3201 C Street
Anchorage, Alaska

Dear Mr. White:

The members of the House Commerce Committee met on March 31, 1976 to discuss House Bill No. 876. At the conclusion of their discussion, they requested that others be notified of the bill and request comments.

The Commissioner of Revenue, Sterling Gallagher, testified before the committee in favor of the bill. Mr. Jamie Love, Executive Director of Alaska Public Interest Research Group, also testified in favor of the bill.

If you would like to comment on the bill, the committee will hold another hearing at a later date. Comments may be in person or in writing. The last day for receiving or delivery of testimony will be April 8, 1976. If you wish to send written testimony please send it to the following address:

Representative Bob Bradley
Chairman, House Commerce Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

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If you have any questions regarding this bill, please do not hesitate to contact my office at 465-3889.

Sincerely,

Representative Bob Bradley

Enclosures

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill 876
 Title: Land Gains Tax
 Requested by: House Committee & Finance Date: March 19, 1976
 Return Date Requested: _____
 Agency: Revenue Program: Audit Division

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Audit Division, Department of Revenue

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES		1.2	134.5	148.0	162.6	177.0
200 TRAVEL		5.0	7.0	7.5	8.6	9.0
300 CONTRACTUAL		86.3	57.6	63.3	68.5	70.5
400 COMMODITIES		1.2	2.4	2.5	2.6	2.7
500 EQUIPMENT		6.4	---	---	---	---
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		158.0	201.6	221.3	243.0	266.2

B. FUNDING: (Thousands of dollars)

GENERAL FUND		158.0	201.6	221.3	243.0	266.2
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	8	/	8	/	8	/	8	/
MAN MONTHS (F.F.T.)	/	48	/	48	/	48	/	48	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. ATTACHMENTS See memo to R. D. Stevenson dated March 25, 1976.

V. DATE: March 25, 1976 PREPARED BY: Barrett D. Knox
 Deputy Director, Barrett D. Knox

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor: (First Legislator Named)

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Special Assistant

DATE: March 26, 1976

FILE NO:

TELEPHONE NO:

FROM: Darrell D. Knox *DK*
Deputy Director
Audit Division

SUBJECT: House Bill 876

Upon reviewing House Bill 876, Land Gains Tax, several areas were noted which should be clarified before passage of this bill. The following suggestions are offered for further consideration.

A. This Act amends AS 34 (Property) which concerns itself with Property provisions within the State of Alaska. However, the Act involves state taxes and revenues which maybe more appropriate in AS 43 (Revenue and Taxation).

B. Page 2 "AS 34.12.020(c)" The following words should be deleted since they are covered under the Federal Internal Revenue Code Section 1223. [IF a husband and wife are tenants by the entirety there may be added to the holding period the amount of time the land was held by one spouse alone before that spouse created the tenancy by the entirety. Notwithstanding a provision to the contrary under the Federal Internal Revenue Code, if a tenancy by the entirety is dissolved by reason of death, the holding period during the tenancy by the entirety will be added to the holding period of the surviving spouse owning the property in his or her own name.].

It is also suggested that "AS 34.12.020(d)" be deleted since it also is covered by the Federal Internal Revenue Code Section 1223.

C. Page 3 "AS 34.12.020(f)" This section would allow certain tax free exchanges which would be recognized at some future date. We suggest that the gain be completely recognized when the taxpayer leaves the State of Alaska. This is due to the fact that once the taxpayer leaves the state, it is almost impossible to locate the taxpayer when the gain is recognized for Federal purposes.

D. Page 3 "AS 34.12.020(g)" If the intent of this Act is to tax each land gain transaction separately then there is no problem. However, if the intent of this Act is to combine all land transactions of a given taxpayer then there is no provision to offset any loss transaction. We suggest that this provision address itself to specifically what the intent maybe, which excludes all operating losses and land transaction losses or to include certain losses.

E. Page 5 "AS 34.12.040(e)" We suggest adding the following phrase.
"...At the time a payment is made to the seller or transferor, the amounts withheld shall be remitted within 10 days by the buyer or transferee to the commissioner."

F. Page 6 and 8 "AS 34.14.050 and AS 34.12.100" Both deal with penalties and violations; it is suggested that they be combined under one section for convenience.

G. Page 7 "AS 34.12.080" Requires a separate Shared Revenue program to be generated. Cost of Administration is noted in the Effect on Treasury section of this memorandum.

H. Page 8 "AS 34.12.100(a)" We suggest the word misdemeanor be changed to felony. This would provide better compliance of the Act.

I. The compliance work required on this Act is viewed at this point in time as rather extensive due to the nature of the tax and background needed to provide for proper auditing of these transactions. There are many transactions under this chapter which occur in Alaska which would have to be properly examined. At the present time we foresee the following personnel requirements to perform all the compliance of this Act.

- One(1) Clerk II for filing returns and information
- One(1) Clerk Typist III for correspondence
- Two(2) Tax Examiner II for basic compilation of return information
- Two(2) Revenue Auditor II for performing office audits on returns and field audits under the direction of a Revenue Field Auditor I
- One(1) Revenue Field Auditor to perform as a working supervisor of the land tax section, and lead all audit activity.

Effects on the Treasury

Because of the limited statistical information readily available to us on this type of transaction no estimate of revenues generated by this Act is provided.

Estimated administrative costs of this program:

1. Shared Revenue program;
 - (a) Systems design and programming costs approximately \$50,000 (one time cost).
 - (b) One(1) Accountant II (full-time) with related benefits, equipment and commodities.
2. Audit Program - Seven(7) personnel as noted previously in report.

TOTAL ADMINISTRATIVE COST (A)

FY 77	\$158,000	(Six Months Only)
FY 78	\$201,600	
FY 79	\$221,300	
FY 80	\$243,000	
FY 81	\$266,200	

(A) Inflation rate of 10% assumed.

DDK:lc



HB

9

16

"An Act making a special appropriation to the Alaska Educational Broadcasting Commission; and providing for an effective date."

COMMITTEE REPORT

4/19/76

HOUSE

FINANCE

Mr. Speaker:

Date 4/23/76

The Committee on COMMERCE has had HB 916

under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ Chairman



JUNEAU ALASKA

Alaska State Legislature

House

April 23, 1976

MEMORANDUM

TO: Representative Bob Bradley
Chairman, House Commerce Committee

FROM: Terry Berman
Administrative Assistant

SUBJECT: House Bill No. 915

In December, at a meeting of the Public Broadcasting System, a non-profit nation-wide educational television system, it was decided to set up a system of earth stations for its members. Each member station was to pay \$25,000 as its share toward the project.

In Alaska, there are three television stations involved in the project; KAKM in Anchorage, KUAC in Fairbanks and KYUK in Bethel. At present, the stations depend on videotapes. The earth stations will not only allow them to receive live broadcasts, but to transmit them to other stations as well.

The \$25,000 will ultimately lead to ownership of the individual earth stations by the television stations.

HCR 27

Relating to exploratory talks with Canadian officials concerning a possible connection between the Alaska Railroad and the Canadian railway system.

3/3/75

COMMITTEE REPORT

HOUSE

Mr. Speaker:

Date 3/20/75

The Committee on COMMERCE has had HCR 27

under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

[Signature] _____
[Signature] _____
[Signature] _____

Members NOT concurring in the Majority report:

- _____ recommends:
- _____ recommends:
- _____ recommends:
- _____ recommends:
- _____ recommends:

[Signature] Chairman

HER 27

Page #

15

Date

3/20



Alaska State Legislature

HOUSE OF REPRESENTATIVES

COMMITTEES

EDUCATION

RESOURCES

HEALTH & SOCIAL SERVICES

REPRESENTATIVE LESLIE E "RED" SWANSON

HOUSE DISTRICT 19

POUCH V

JUNEAU ALASKA

99811

P.O. BOX 3

NENANA, ALASKA

99760

April 5, 1975

Dr. William R. Wood
Executive Vice President
FIDC
619 Eleventh Ave.
Fairbanks, Alaska 99701

Dear Dr. Wood:

The resolution before you is but one early step in a logical chain of events we must set in motion as soon as possible. The purpose, of course, being to obtain the maximum value from our natural resources and a healthy economy for the residents of our state.

Immediate purpose of the resolution is to bring here for talks some influential men of industry who have expressed interest in developing those resources, and the necessary transportation system which must accompany that development. Ways and means of doing so will be the subject for discussion.

A secondary purpose is to make the world of commerce aware of the possibilities for and our interest in such industrial development.

I might add at this point that the program I am proposing for the opening of the potential treasure house of eastern Alaska has been discussed with Gov. Jay Hammond and received a generally favorable response from him.

Now the key to unlocking the resource wealth of interior Alaska, as I see it, is a railway link to the great commercial centers of the United States. At least one large industrial operation to provide an assured base traffic load is necessary, if we are to bring about construction of this rail link.

April 5, 1975

A world scale oil refinery, processing 100,000 barrels per day, or even more, of North Slope royalty oil would provide such a base load of products. The logical location--and it has the support of the community--would be the Big Delta area. There the refinery will have ready access to both the Trans-Alaska crude oil line and the Haines-Fairbanks fuel pipeline.

Through the products line, fuel to supply Alaska's needs could move north to Fairbanks and south to the Haines tank farm for trans-shipment to every part of the state or the U.S..

The surplus, and major part, of the production--at least in the early years--would travel by rail cars for distribution throughout the rich midwest fuel market.

There is no question in my mind but that the availability of this fuel would stimulate new domestic development and an expanded local market for the refinery's production. It would also bring about development of other resources, both renewable and finite, to improve our economy and increase rail traffic. That, in turn, could result in lower freight rates for incoming goods.

For instance, the community of Whitehorse has already expressed strong interest in obtaining fuel should a refinery and the Haines pipeline be activated.

Availability of a large, nearby supply of residual, or "Bunker C", fuel could spell the difference in the now marginal economic balance and lead to the development of the Klukwan iron ore deposit north of Haines.

In addition to other basic minerals of interest--ranging from asbestos to uranium--in the region affected by the proposed rail and refinery system, there are renewable resources to be developed. Billions of board feet of merchantable timber stands, several million acres of farm land and almost unlimited tourism attractions are waiting for full commercial utilization.

The linking of a basic petrochemical plant to the refinery could, for example, bring production of a ready supply of ammonium nitrate. This versatile chemical could be used as explosives for extracting minerals, as fertilizer to restore disturbed lands and cultivate the vast agricultural lands, or it could be shipped outside by rail car as feedstock for more complex petrochemical plants.

April 5, 1975

I should also point out that even the simplest processing within the state increases many-fold the real value of any basic resource that is being extracted. As a crude yardstick we can probably assume a 10-fold geometric progression in value with each added stage of processing or refining of our mineral resources.

The railroads of western Canada already have a welldeveloped tourist passenger traffic. By extending this transportation system into Alaska we could expect a new visitor traffic pattern equal in volume to that of the airlines or tour ships. The currently proposed extension of the Alaska railroad through the Tanana Valley and on to the westward could only expand and increase both the tourist and freight volumes.

Therefore, for these logical reasons, I am proposing that we invite officials of the Canadian National Railroad, Dow Chemical Co., Koch Industries, and the White Pass and Yukon Railway to a meeting at which we can examine ways of achieving this purpose.

I have been in recent contact with these firms and all have expressed definite interest in these development concepts.

I further propose that the Secretary of Transportation be asked to send representation to the meeting. Especially do we need a spokesman for the Alaska Railroad present. It would also seem appropriate to invite other companies, such as Tesoro Petroleum Corp. and Phillips Petroleum Co., that have previously expressed a desire to obtain North Slope royalty oil from the state.

To sum up, it is my strong belief that only through packaged development, such as I propose here, can we succeed in building a broad, healthy economic base for most of interior Alaska.

It is my absolute conviction that construction of such a broad commercial base is vital for the welfare of our future heirs to this land.

So great is the danger to any state in relying on a single resource income base that it has prompted the Arab

Dr. William Wood
Page 4

April 5, 1975

leaders and their OPEC partners to risk global catastrophe--
and world war three--in order to escape just such a trap
as is now threatening to close about our state.

Sincerely yours,

Leslie E. Swanson
State Representative

LS/jr

HCR 72

Requesting the extension of "800" toll-free telephone numbers to Alaska.

COMMITTEE REPORT

1/13/76

HOUSE

Mr. Speaker:

Date 1/13/76

The Committee on COMMERCE has had HCR 72

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR HCR 72 AND THAT

CS FOR HCR 72 DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ Chairman

STATE OF ALASKA

DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF TOURISM

POUCH E - JUNEAU 99801

JAY S. HAMMOND, Governor

April 9, 1975

Representative Helen D. Beirne
Pouch V
State Capitol
Juneau, AK 99811

Dear Helen:

Re our recent dinner table conversation about the desirability of having toll free long distance numbers apply to Alaska, here are some thoughts you may find useful for further study.

The system of 800 numbers within the Lower Forty-Eight has made the problem of reservations for all forms of travel much easier for the traveling public. Under the 800 system an operator, such as Travelodge Hotels, obtains an 800 number. In the case of the Travelodge operation, the number is area code 800 255-3050. All you have to do from any part of the United States (except Alaska and Hawaii) is dial area code 800 and then the number 255-3050. Travelodge pays the cost of the station to station call from wherever you are calling. The same system applies to virtually all airlines, cruise ship companies, hotels, car rental firms and similar organizations dealing with the traveling public.

Within Alaska, we have a smaller version of the 800 number in the so-called ZENITH number. With a ZENITH number you can call toll-free in-state. For example, you can call Western Airlines in Anchorage toll-free by calling Zenith 6000. However, as yet this number cannot be dialed. You have to go through the operator.

It would be helpful for the development of tourism in Alaska if operators in Alaska could have 800 numbers so that customers could call direct from any point in the United States and have the call automatically billed to the holder of the 800 number. The same, of course, would work in reverse for Alaskans calling 800 numbers in the Lower Forth-Eight.

One major State user of 800 numbers would be the Marine Highway System. Under the 800 system travel agents and individual travelers could make their reservations by calling toll-free. Such a number could be established in Seattle, where 800 numbers are already available. The service could be moved to Alaska at such time as 800 numbers are available in Juneau or elsewhere in the State.

This is in reference to our verbal conversation of House Concurrent Resolution No. 62, I would like to the state the following in support of the same:

The State of Alaska, Department of Public Safety, Bureau of Traffic Safety has been mandated to write & distribute a Debris Removal Manual. We are presently in the stage of editing and gathering further information for the publication of this little booklet. It is designed to help throughout the State of Alaska, Governmental Agencies, Institutes and just the regular Joe Doe on the street to contact the proper authorities for cleanup and to report hazardous materials etc. Among all the numbers which will be listed is one called the toll free number for CHEMTREC. CHEMTREC in itself is an agency which provide vital information as to dangerous materials people come in contact with and how to deal with them should a problem occur. It is important for us to be able to list this number as toll free rather than ask the people to call collect. As we all know collect phone calls take time and time with a problem through CHEMTREC can mean a life safer. Time is of great essence, therefore we are particularly interested that the resolution will be favorably considered and the toll free system will be implemented soon.

If further information is required we will be happy to furnish more.

Sincerely,

BUREAU OF PUBLIC SAFETY -

Maria Iverson
- Maria Iverson

5/2/75

Juneau, Alaska



JUNEAU ALASKA

Alaska State Legislature House

This is to notify you that the House Commerce Committee will hear testimony on HCR 72, "Requesting the extension of '800' toll-free telephone numbers to Alaska" on January 30, 1976 at 8:00 A.M. The meeting will be held in Room 628 of the Alaska Court House Building in Juneau.

If you cannot present oral testimony at the hearing, the committee will accept written comments for their consideration.

Sincerely,

Representative Bob Bradley
Chairman, House Commerce Committee

~~Call Gordon Parker on Susan Kes~~
~~HH Rep tubere~~

Jennifer

People to be notified of hearing on

HCR 72, Friday January 30

1 Terry Quinn

Juneau Douglas Tel. Co.

2 Dick Montague

Division of Tourism

3 Steve Heller

Alaska Air RCA Alascom

4 Susan Koslowsky

RCA Alascom 272-8411

David AC

Governor's office on telecommunications

David N

Charley Smith - Public Safety

Medical Projects Coordinator

Henry Pratt - lobbyist for RCA

~~Alaska~~

% Barbara D

Room 322 127 Franklin

Terry Quinn, Manager

Juneau - O Telephone

P.O. Box 2008

Juneau, Ak 99803

~~Juneau 99803~~

629 E Street

Anch

99501

RCA Alascom.

Letter sent

1-23-76

HCR 100

COMMITTEE REPORT

2/17/76

HOUSE

Mr. Speaker:

Date 3/26/76

The Committee on CONFERENCE has had HCR 100

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____
COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
<u>Lisa Rudd</u>	_____	_____

Members NOT concurring in the Majority report:

_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:

Chairman



Alaska State Legislature

House

JUNEAU ALASKA

March 10, 1976

MEMORANDUM

TO: Rep. Bob Bradley

FROM: Terry Berman
Administrative Assistant

SUBJECT: HCR 100

The dramatic increase in utility rates has prompted us to think about the structure of the rates themselves. Currently, in Alaska, they work to the advantage of large consumer's with industrial users paying less per kilowatt hour than small consumers.

The heavy industrial use of utilities leads to capital expansion the cost of which is then passed on to the customer. With the existing rate structure, the residential consumer is forced to pay higher rates even when he was not responsible for the new facilities that drove up his utility bill. Because of high construction costs, increased demand can be costly to the small user of electricity, whose needs are adequately met by existing facilities. In reality, the residential customer subsidizes the industrial user.

House Concurrent Resolution 100 asks that rates be looked at more carefully so that wasteful practices not be encouraged by the rate structure itself. If an industrial user buys service in bulk, there is no incentive to not waste energy.

Various price structures that are more equitable have been implemented in both the United States and abroad. These encourage the most efficient use of energy. One concept is a progressive rate structure with rates increasing with increased consumption. Another is varying rates according to the demand of the time of day or season. If consumption is responsive to price, the need for capital expenditures may be eliminated and keep the price of utility service stable.

The resolution asks that a study be undertaken to find the most equitable rate structure for Alaskans. With this information, we might be able to resolve some of the conflicts that are currently raging between the utility companies and consumers, with benefits to both.



They - hold for receipt of
Alaska State Legislature
Resolution
LEGISLATIVE AFFAIRS AGENCY
Resolution Needs

POUCH Y, STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3800

MEMORANDUM

January 16, 1976

SUBJECT: Utility Rates (Work Order #1629)
TO: The Honorable Robert Bradley
FROM: *James Owens*
James Owens, Research Analyst
(with Gregg Erickson, Director of Research Services)

The following summarizes some of the issues raised by your request for a study of utility rates.

As an example of present pricing practices, I have used the tariff schedule of the Chugach Electric Association for service in the urban areas of Anchorage prior to their request for a permanent rate increase. The tariff schedule distinguishes four classes of users: general residential service, residential service--large use, commercial light and power, and industrial and commercial large power. As is typical with the practice of most utilities, the rates are designed to favor the bulk use of electric power through what is known as a "declining block rate structure." For example, the first 500 kilowatt hours for a large industrial user cost 2.3 cents per KWH, the next 2,500 KWH cost 1.9 cents per KWH, the next 17,000 KWH cost 1.5 cents per KWH and over 20,000 KWH cost 1.0 cent per KWH.

In addition to these charges, large industrial and commercial users must also pay a "demand charge." In essence, the demand charge is a reflection of the fact that an electric utility must always maintain a certain standby capacity in generators, transformers, and transmission lines to meet the peak demands of a large industrial user. Chugach Electric charges large industrial and commercial consumers \$1.50 per kilowatt each month, based on the peak during that month, for the first 50 KW and \$1.25 per KW for each additional KW over 50 KW of peak demand.

Thus, the minimum monthly bill for a large user is in this case likely to be a function of his peak demand over some period of time. For this reason, at certain times of the year, a user with widely fluctuating demand for electric power over the year might be faced with a large minimum bill in an off season. For example, a manufacturer who has all his employees take their vacation at the same time and shuts down during that period would have little if any incentive to curtail

power consumption during the period of closure. This could possibly stimulate some waste of electricity. However, this is probably not the reason why many buildings leave lights on during off hours. In the past, structures have occasionally been designed so that the lighting system is itself an integral part of the building's heating system. In such buildings, heat generated by the lights is sometimes necessary to maintain internal temperatures at acceptable levels. Like all electric heat installations, the thermal efficiency of such systems is quite low compared to direct on-site burning of the fuel.

More often, though, the reasons lights are left on are related to a lack of forethought in electrical system design. For example, switches may not be located near exits, or large banks of lights may have to be lit in order to illuminate the office of one "night owl." If sufficient financial incentive exists in the rate structure, efforts will be made to overcome these design induced problems, and in extreme cases it may even make economic sense to rewire a building with this in mind. The amount of electricity saved could be considerable. Nationwide, it is estimated that commercial high rise structures use 50% of the electricity generated. Legislation might also mandate electrical system designs that make it convenient to cut lighting when not required.

As was mentioned above, peak use demand charges may eliminate the incentive for a large consumer to conserve power during the part of the year (or month) when demand is low. Similarly, any consumer faced with a minimum bill is being offered some measure of "free" consumption, in the sense that he will pay for a given amount of power whether he uses it or not.

Bulk consumption discounts and minimum bills are justified by utilities on the grounds that a substantial amount of fixed capacity is necessary to serve any given customer regardless of whether he actually consumes power or not.

If power demand were less variable, then the costs of maintaining generating plant and distribution facilities could be spread over a larger quantity of power, and thus the average cost per kilowatt could be reduced. The device of the demand charge does penalize consumers who draw large quantities of power for very short periods of time, and who thus require the year-round maintenance of substantial facilities, but they do not reflect the fact that peak consumption by a given consumer at a time of day when the demands from other customers are low can be supplied with little or no additional investment. "Time of day pricing" has been suggested as a means of bringing about the desired evening out of electrical loads, and of more accurately reflecting the real costs of providing electrical energy to various consumers. In the past there have been technical problems with respect to metering of electricity which made this type of rate structure difficult to implement, but these have been overcome, and such a system is now operative

in a number of areas, for example, Madison, Wisconsin.* Of course, time of day pricing has been practiced for many years by other utilities, i.e., telephones. Although it would certainly require some further study, there may very well be steps that the legislature could take to encourage this type of rate alignment.

Over all, it is probable that electrical utility rates have lagged behind changes in operating conditions and no longer as accurately reflect costs. The idea behind the declining block rate structure has been that the utility company can recoup all its fixed overhead costs on the first few blocks. From then on, further use of electricity involves costs which vary directly with the amount of out-put, such as fuel costs. Until recently, fixed costs in the utility business were high compared to variable costs, but as fuel charges have risen, out-put costs have taken up an increasing share. Even though this is true, recent rate increases in Alaska have applied a fixed percentage to all rates rather than address the fundamental fact that the nature of costs have shifted. This means that small users may subsidize a large user. Here again, further study would be necessary, but if you consider it appropriate we could look at possible legislative means of encouraging an appropriate restructuring of electrical utility rates in order to take these new conditions into account. Such changes might be expected to curtail the kinds of wasteful practices as you mention in your work request.

GE/JO:jm

* In the case of a Washington, D.C., utility it was discovered that the institution of time of day pricing would make unnecessary the expansion of generating plant that had been advocated by the utility company.

Cancelling

Sheet No.

RECEIVED

JAN 8 1973

State of Alaska
Public Utilities Commission

TARIFF NO. 1

CHUGACH ELECTRIC ASSOCIATION, INC.

Anchorage, Alaska

SCHEDULE OF CHARGES

FOR ELECTRIC SERVICES APPLICABLE

IN THE

URBAN AREAS

OF THE

GREATER ANCHORAGE AREA BOROUGH

Effective Feb 9 1972

Chugach Electric Association, Inc.
P. O. Box 3518

Issued by

by Feb 10 1972

L. J. Schuler

Title

General Manager

Cancelling

1st Revision

Sheet No. 43

RECEIVED

JUL 1 1975

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO. 1

GENERAL RESIDENTIAL SERVICE

Available for customary and ordinary residential use and incidental domestic power. Nominal voltage is 120 volts and 120/240 volts, single phase.

Monthly Rate

First	50 KWH at 7.0¢ per KWH
Next	200 KWH at 3.5¢ per KWH
Next	500 KWH at 2.2¢ per KWH
Next	750 KWH at 1.9¢ per KWH
Over	1,500 KWH at 1.6¢ per KWH
Minimum Bill--\$3.50	

Conditions

1. Above service provided subject to CEA rules and regulations.
2. These schedules are restricted to service used exclusively for general domestic and household purposes, as distinguished from commercial, industrial and other uses.
3. These schedules apply only to single family dwellings and other separately metered dwelling units.
4. These schedules will be applied to each meter at point of delivery and in no event will meter readings be combined.

Effective NOV 6 1975

Issued by: Chugach Electric Association, Inc.
P. O. Box 3518 - Anchorage, Alaska 99501

by: L. J. Schultz *[Signature]* General Manager

Cancelling

1st Revision

Sheet No.

44

RECEIVED

JUL 1 1975

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO. 2

RESIDENTIAL SERVICE - LARGE USE

D

NOV 6 1975

Effective

Issued by

Chugach Electric Association, Inc.
P. O. Box 3518 - Anchorage, Alaska 99501

By

L. J. Schultz

Title

General Manager

Cancelling

1st Revision

Sheet No. 46

RECEIVED

JUL 1 1975

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO. 3

COMMERCIAL LIGHT AND POWER
(Not Exceeding 10 KW)

Available for general commercial use. Nominal voltage shall be 120/240 or any other user voltage available.

Monthly Rate

First	100 KWH at 5.0¢ per KWH
Next	400 KWH at 3.2¢ per KWH
Next	1,000 KWH at 2.8¢ per KWH
Next	1,500 KWH at 2.6¢ per KWH
Over	3,000 KWH at 2.3¢ per KWH
Minimum Bill - \$3.50	

Conditions

1. Above service provided subject to CEA rules and regulations.
2. These schedules apply to general lighting, incidental power and other services used by commercial and industrial enterprises and by multiple dwelling units when supplied through one meter. A residential service through which a rental unit is likewise served will be billed pursuant to this schedule.
3. These schedules will be applied to each meter at point of delivery, as appropriate, and in no event will meter readings be combined.
4. CEA shall provide a demand meter for a consumer when his monthly use exceeds 3,000 KWH, or if his maximum demand is estimated to be in excess of 10 KW. All consumers with maximum 15-minute integrated demands in excess of 10 KW will be billed under the Commercial and Industrial Service rate schedules.

Effective

NOV 6 1975

Chugach Electric Association, Inc.

P. O. Box 3518 - Anchorage, Alaska 99501

By:

L. I. Schultz

General Manager

Cancelling

1st Revision

Sheet No. 47

RECEIVED
JUL 1 1975

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO. 4
(11 KW - 50 KW Incl. - Rev. Acct. 442.1)

SCHEDULE NO. 54
(Over 50 KW - Rev. Acct. 442.2)

INDUSTRIAL AND COMMERCIAL LARGE POWER

Available for industrial and commercial uses, including lighting, heating and power. Available at 120/240 volts, single phase; 120, 240, 480, 120/208, 2, 300/4, 160 and 7, 200/12, 470 volts, three phase.

Monthly Rate

Demand Charge:

First 25 KW of Billing Demand at \$2.20 per KW
Over 25 KW of Billing Demand at \$1.70 per KW

Energy Charge:

First 100 KWH per KW of Billing Demand at
2.3¢ per KWH
Next 200 KWH per KW of Billing Demand at
1.6¢ per KWH
Over 300 KWH per KW of Billing Demand at
1.0¢ per KWH

Billing Demand - The billing demand shall be the maximum 15-minute integrated demand in the billing month.

Minimum Monthly Bill - The highest demand charge established in the preceeding 11 months, including any adjustment for power factor, but in no case less than \$0.75 per KVA of installed transformer capacity.

Electric Space Heating Rider

D

NOV 6 1975

Effective

Chugach Electric Association, Inc.
P. O. Box 3518 - Anchorage, Alaska 99501

Issued by

L. J. Schultz

General Manager

By

RECEIVED
JUL 1 1975

Cancelling

1st Revision

Sheet No. 52

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO. 80

INDUSTRIAL AND COMMERCIAL LARGE POWER -
SINGLE METER ELECTRIC HEAT
(50 KW - 300 KW)

Not Available For New Service

Available north of the Rabbit Creek Substation to commercial and industrial consumers for electric space heating where utilized in addition to normal lighting, water heating, and other general electric use.

This rate is only applicable to those consumers receiving service as of July 1, 1975.

Available at 120, 240, 480, 120/208, 2,400/4,160, and 7,200/12,470 volts, three phase.

Rate

First 20,000 KWH per month at 2.1¢ per KWH
Excess of 20,000 KWH per month at 1.4¢ per KWH
Minimum Charge - \$150.00 per meter per month

Conditions

1. Service provided subject to CEA rules and regulations.
2. If metering is on primary side of the transformer, the measured KWH will be decreased by 3% to reflect credit for transformer loss incorporated into schedule.
3. If service is received at 480 volts, the consumer will furnish and install on his premises the transformers necessary for any service at a lower voltage.

Effective: NOV 6 1975

Chugach Electric Association, Inc.
P. O. Box 3518 - Anchorage, Alaska 99501

Issued by:

L. J. Schultz

General Manager

RECEIVED
JUL 1 1975

CHUGACH ELECTRIC ASSOCIATION, INC.

State of Alaska
Public Utilities Commission

SCHEDULE NO: 5

SERVICE TO CHURCHES AND SCHOOLS

Available for school and church uses, including lighting, heating and power. Available at 120/240 volts, single phase; 120, 240, 480, 120/208 volts and primary voltage, three phase.

Monthly Rate

Demand Charge:

First 25 KW of Billing Demand at \$1.90 per KW
Over 25 KW of Billing Demand at \$1.40 per KW

Energy Charge:

First 150 KWH per KW of Billing Demand at 2.5¢ per KWH
Next 150 KWH per KW of Billing Demand at 1.7¢ per KWH
Over 300 KWH per KW of Billing Demand at 1.2¢ per KWH

Billing Demand - The billing demand shall be the maximum 15-minute integrated demand in the billing month.

Minimum Annual Bill - \$9.00 per KVA of installed transformer capacity. If at the end of twelve months the total charges from the above rates are less than the minimum annual charge, a charge for the difference shall be added to the bill for the twelfth month.

Conditions

1. Above service provided subject to CEA rules and regulations.
2. The maximum demand will be measured by a meter or indicator furnished and installed by CEA on a meter base furnished and installed by the consumer.

Effective: NOV 6 1975

Effective:

Chugach Electric Association, Inc.
P. O. Box 3518 - Anchorage, Alaska 99501

Issued by:

L. J. Schultz

General Manager

By:

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Cancelling

APR 26 1974

Sheet No. _____

State of Alaska
Public Utilities Commission

SCHEDULE 11
RESIDENTIAL SERVICE

Applicable to:

Single-family dwellings, for domestic and household purposes.

Character of Service:

Single phase 60 hertz alternating current at 120/240 volts.

Monthly Rate:

First 50 Kwh at 5.5¢ per Kwh

Next 200 Kwh at 3.0¢ per Kwh

Over 250 Kwh at 1.7¢ per Kwh

Minimum Monthly Charge: \$2.00

Conditions:

This schedule may be applied to a home occupation conducted in the single-family dwellings by the family members if the demand and energy consumption created by the business is less than and incidental to the demand and energy consumption of the residential load.

Effective: MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Cornell G. Shaver Title: Utility Manager

RECEIVED

Cancelling

APR 26 1974

Sheet No. _____

State of Alaska
Public Utilities Commission

SCHEDULE 12

RESIDENTIAL SERVICE
WITH WATER HEATING

Applicable to:

Single-family dwellings with electric water and/or space heating, for domestic and household purposes.

Character of Service:

Single phase 60 hertz alternating current at 120/240 volts.

Monthly Rate:

- First 50 Kwh at 5.5¢ per Kwh
- Next 200 Kwh at 3.0¢ per Kwh
- Next 750 Kwh at 1.2¢ per Kwh
- Over 1000 Kwh at 1.5¢ per Kwh

Minimum Monthly Charge: \$2.00

Conditions:

1. This schedule may be applied to a home occupation conducted in the single-family dwelling by the family members if the demand and energy consumption created by the business is less than and incidental to the demand and energy consumption of the residential load.

2. Water shall be heated by a storage tank type electric water heater of at least thirty (30) gallons capacity with non-inductive heating elements of not more than 5000 watts capacity.

Effective MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Carroll G. Elvici Title: Utility Manager

Cancelling

Sheet No. _____

RECEIVED

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 13

RESIDENTIAL WATER
HEATING SERVICE

Applicable to:

Separately metered water heaters in single-family dwellings, for domestic and household purposes.

Character of Service:

Single phase 60 hertz alternating current at 120/240 volts.

Monthly Rate:

First 175 Kwh -- \$3.50

Over 175 Kwh at 1.8¢ per Kwh

Minimum Monthly Charge: \$3.50

Minimum Annual Charge: \$42.00

Conditions:

1. Service to the water heater shall be separately metered.
2. The water heater shall be an insulated storage type tank of 30 gallons minimum capacity with two non-inductive elements thermostatically controlled with a double-throw thermostat.
3. Service under this schedule is not available to new customers after July 15, 1956.

Effective: _____

MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Carroll A. Dwyer Title: Utility Manager

Cancelling

Sheet No. _____

RECEIVED

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 14

GENERAL SERVICE
WITH SPACE HEATING

Applicable to:

Dwellings or commercial establishments where electricity is used as the main source of space heating and the demand does not exceed 40 kilowatts.

Character of Service:

Single phase 60 hertz alternating current at 120/240 volts.

Monthly Rates:

For all energy used between the hours of 7:00 a.m. and 7:00 p.m. -- 2.0¢ per Kwh

For all energy used between the hours of 7:00 p.m. and 7:00 a.m. up to the amount used between 7:00 a.m. and 7:00 p.m. -- 1.0¢ per Kwh

For all energy used between the hours of 7:00 p.m. and 7:00 a.m. in excess of the amount used between 7:00 a.m. and 7:00 p.m. -- 0.6¢ per Kwh

Minimum Monthly Charge: \$9.00

Effective: _____

MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Carroll A. DeWitt Title: Utility Manager

Cancelling

Sheet No. _____

RECEIVED

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 21

GENERAL SERVICE, SMALL

Applicable to:

Any class of service which does not qualify for a residential rate schedule and where the demand does not exceed 10 kilowatts.

Character of Service:

Single or three phase 60 hertz alternating current at 120/240, 240/120, 208Y/120, or 480Y/277 volts as available.

Monthly Rate:

- First 20 Kwh at 10.0¢ per Kwh
- Next 130 Kwh at 3/2¢ per Kwh
- Next 150 Kwh at 2.8¢ per Kwh
- Over 300 Kwh at 2.4¢ per Kwh

Minimum Monthly Charge: \$2.00

Effective: MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Carol G. Oliver Title: Utility Manager

RECEIVED

Cancelling
Sheet No. _____

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 22

GENERAL SERVICE, LARGE

Applicable to:

Any class of service with a demand consistently exceeding 300 kilowatts or where electricity is used as the main source of space heating.

Character of Service:

Three phase 60 hertz alternating current at the following voltages where available:

Secondary: 208Y/120 or 480Y/277 volts

Primary: 4160Y/2400 or 1247/7200 volts

Monthly Rate:

Demand:

First 250 kW at \$1.00 per Kw

Over 250 KW at \$0.80 per Kw

Energy:

First 20 Kwh per Kw of billing demand at 2.0¢ per Kwh

Next 50 Kwh per Kw of billing demand at 1.5¢ per Kwh

Next 80 Kwh per Kw of billing demand at 1.25¢ per Kwh

Next 100 Kwh per Kw of billing demand at 1.00¢ per Kwh

Over 250 Kwh per Kw of billing demand at 0.8¢ per Kwh

Minimum Monthly Charge: \$50.00

Effective: MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By: Carroll G. Olson Title: Utility Manager

Cancelling

Sheet No.

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 23

GENERAL SERVICE, INTERMEDIATE

Applicable to:

Any class of service with a demand consistently between
10 kilowatts and 300 kilowatts.

Character of Service:

Single or three phase 60 hertz alternating current at the
following voltages where available:

Secondary: 120/240, 240/120, 208Y/120 or 480Y/277 volts

Primary: 4160Y/2400 or 12470Y/7200 volts

Monthly Rate:

Demand:

First 10 Kw at \$2.00 per Kw

Next 40 Kw at \$1.75 per Kw

Over 50 Kw at \$1.50 per Kw

Energy:

First 10 Kwh per Kw of demand at no charge

Next 90 Kwh per Kw of demand at 2.0¢ per Kwh

Next 200 Kwh per Kw of demand at 1.5¢ per Kwh

Next 200 Kwh per Kw of demand at 1.25¢ per Kwh

Over 500 Kwh per Kw of demand at 1.0¢ per Kwh

Minimum Monthly Charge: \$4.00

Effective:

MAY 26 1974

Issued by: Municipal Light & Power Department
City of Anchorage

By:

Carroll G. Oliver

Title:

Utility Manager

Cancelling

Sheet No. _____

RECEIVED

APR 26 1974

State of Alaska
Public Utilities Commission

SCHEDULE 32

OFF PEAK GENERAL SERVICE

Applicable to:

Service between the hours of 11:00 p.m. and 7:00 a.m. only.

Character of Service:

Single or three-phase 60 hertz alternating current at
120/240, 240/120, 208Y/120, or 480Y/277 volts as available.

Monthly Rate:

All Kwh at 1.4¢ per Kwh

Minimum Monthly Charge: \$5.00

Conditions:

1. The customer shall provide a magnetic switch which may be operated by a time clock or other switching device to disconnect the service between the hours of 7:00 a.m. and 11:00 p.m.
2. Service under this schedule is not available to new customers after December 31, 1971.

Effective: _____

MAY 26 1974

Issued by: Municipal Light & Power Department
City of AnchorageBy: Carroll A. Oliver Title: Utility Manager

IV. UTILITIES

Community-owned utilities not only provide the important infrastructure of a city at costs well below those of the private market, but also could serve as the point of entry for broad public ownership of productive enterprise. Certain of the utilities, such as water, sewer and garbage collection, are already in widespread public ownership. Several thousand U.S. cities also own their electric power distribution systems. Many also produce their own electricity as well. Municipally-owned telephone and coal gas systems were once common. A handful of cities now own and operate cable television systems. For the most part, costs to the residents for these services are lower than equivalent private utility rates, and the cities earn substantial revenues above in lieu tax payments.

The success of power production could be a stepping stone to other community-owned productive enterprise. The Tennessee Valley Authority originally intended to maintain public ownership of the nitrate and aluminum plants it created and supplied with power near Muscle Shoals, Alabama. Those proposals were gutted by private industry, but the potential still exists in local communities.

The political history of publicly-owned utilities is as important as present economic considerations. Small groups

of citizens have fought for public ownership in this area for nearly a century, battling the Insull Power Trust, the Bell system, corrupt regulatory agencies and bought judges. The people lost a lot of those battles, but they also won a few. The surviving systems across the country are living symbols of the successes and benefits of community ownership. They may not always be perfect symbols, but they are irrefutable proof that community ownership works.

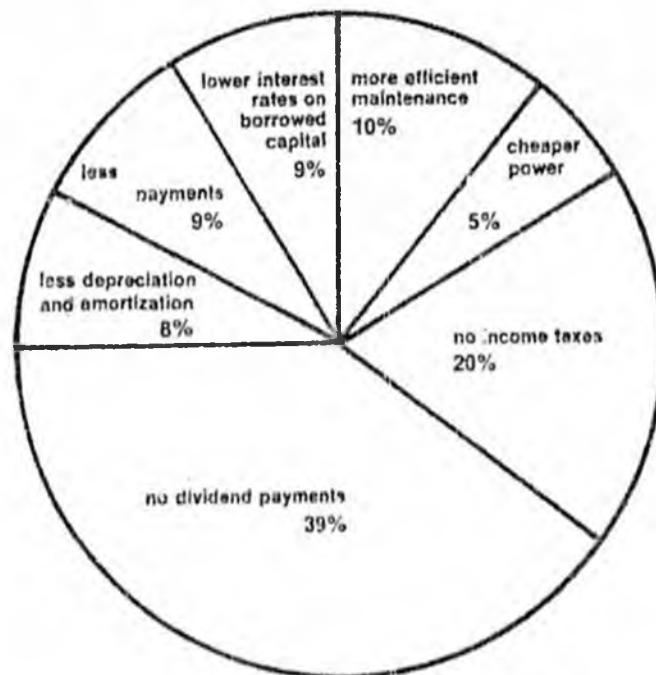
A. PUBLIC POWER

Local publicly-owned electric utilities exist in every state but Montana and Hawaii. The more than 2,000 systems include 1,893 municipally-owned electric utilities, and 109 state, county, or public utility district facilities. In addition, 930 electric cooperatives serve large sections of rural America. Together, public and cooperative electric systems reach 22 percent of the population, or nearly 50 million people.

The economics of public vs. private power are straightforward. Federal Power Commission figures for public and private utilities in 1971 show lower costs per kilowatt-hour (kwh) in virtually every aspect of the public systems' operation. The savings are even more remarkable considering the typically smaller scale at which publicly-owned utilities operate (one-twentieth the size on the average).

Exclusive of retained earnings, local publicly-owned

utilities show an average of 30 percent lower costs per kwh delivered than private utilities (see Chart). Public systems spend less on advertising, less for public relations, less for lobbying, less for local political donations, less for accounting and collecting, less for executive salaries, less for internal bureaucracy.



WHERE THE SAVINGS ARE FROM

This efficiency applies to electric power generation as well. The 1971 FPC statistics report that municipal power systems have 10 percent less net electric plant per customer than the investor-owned utilities, but deliver 12.2 percent more kilowatt-hours per customer. Delivering more electricity per customer from less plant is a very good indication of efficient operation.

The second major benefit of public power is local control. Management of community-owned utilities is directly responsible

to local residents, not to absentee owners. Basic decisions, such as plant location, rate of expansion, placement of power lines, type of power generation, and electricity rates can be made in public forums. Community-owned systems have no built-in reason for "padding" the rate base, or for setting rates at other than a level consistent with costs and local policies.

The publicly-owned power systems should be expanded into geothermal, solar, methane, wind, and other energy sources. The city of Santa Clara already has a pilot solar energy program. Solar heating units in this area are now nearly competitive in price to natural gas service. In a very short time, community solar utilities could well compete with natural gas service, especially if the price of natural gas is deregulated.

The Berkeley struggle to own its electrical distribution system goes back about ten years. In the mid-sixties, advocates of public power, supported by the recommendation of the then city manager, attempted to commission a feasibility study of public ownership. It was not until 1971, with the issue coming up each year, that the council agreed to commission the study. A relatively conservative engineering firm was chosen, approved by both Pacific Gas and Electric Company and the by then desperate public power advocates.

The feasibility study showed a clear pattern of future profits for the city of Berkeley, even though the projections were based on low utility rates (which have risen ten times

faster than projected), and high costs of operation and acquisition of the system. A public power measure was put on the ballot during the 1973 municipal election. PG&E and corporate friends spent over \$100,000 to defeat it, and also contributed heavily to the slate of corporate liberal candidates for city council which opposed the measure. The ordinance was defeated by a 42 percent to 58 percent vote.

The technical nature of the report enabled opponents of the measure to confuse much of the electorate during the campaign. The same feasibility study was used to "prove" that public power would bankrupt the city and force cutbacks in social programs serving the minority communities. PG&E flyers also emphasized the supposed inability of the city to run an electric distribution system, a claim that ignores the more than 2,000 municipal, district, and cooperatively-owned utilities in the country.

The Committee for Public Power again placed the initiative on the ballot in 1974, this time in the wake of election reform and huge PG&E rate increases. The committee was still vastly outspent, but it won 47.5 percent of the vote -- a significant increase. For now the issue is dormant, but a regional group called Electricity and Gas for People (E&GP -- turn PG&E around) has been continually exposing the profit-hungry activities of the utility. These activities will improve the chances for public power in Berkeley.

B. CABLE TELEVISION

Community-owned cable television not only can provide extraordinary public services and ultimately contribute generously to the general fund, but also holds the potential for a wide range of city functions. Use of CATV channels by the city government, school system, public health, public works, fire and police departments could easily provide sufficient benefits to warrant any internal subsidies necessary for community equipment pools and programming.

There are presently 14 community-owned cable television systems in the country, the largest in San Bruno, California, on the San Francisco peninsula. The existing systems are generally in small towns, but generate substantial income for local government.

Despite the potentially high profitability of CATV operations over the life of a system, initial capitalization and apprehension about the technology continue to persuade many cities to grant private franchises rather than undertake the enterprise themselves.

Larger cities have also been reluctant to undertake operation of the system because private cable companies in the urban areas have often lost money. Signal reception in the cities tends to be good, with a large number of broadcast stations to choose from. Urban cable companies realize they must offer new services to attract subscribers, but many simply have not been able to raise the capital to develop two-way communications or other innovative uses of the cable.

Berkeley has been squabbling with its CATV franchise since the day the system began operation in 1971. Bay Cablevision is currently in violation of performance, public service, and cable undergrounding requirements, and has not paid the minimum \$40,000 franchise fee to the city for the past two years. For its part, the city refuses to grant subscriber rate increases or official suspension of franchise requirements until the system makes its payments to the general fund. The two parties have been at a standoff for more than a year.

The city could easily sue Bay Cablevision for breach of contract, but the present council majority is not committed to public ownership, and it fears angering the remaining subscribers by throwing the system out of town.

A citizen's CATV Commission was established in 1974 to review the existing contract and make recommendations to the council. There is now considerable support on the commission for eventual community ownership, but no chance of securing the necessary funds from the council majority for a formal feasibility study. Until a detailed financial study of public ownership can be made, city council and commission alike are willing to let Bay Cablevision die a natural death.

Financing a community-owned system will normally be available through borrowing with city revenue bonds, or directly out of city long-term savings. Minority communities may in addition be eligible for federal funds, such as a MESBIC minority enterprise loan.

C. TELEPHONE SYSTEMS

The 1,500 small private and rural cooperative telephone companies in the U.S. offer the best evidence of a continuing financial rationale for community ownership. Operating in a market dominated by AT&T, these small systems generally maintain good service, solid growth, and often substantial return for investors or surpluses for user-owners.

The U.S. once had a great number of municipal telephone systems. Today only nine systems remain -- four in Alaska, one in Puerto Rico, and four rural systems in the Midwest. But this does not mean publicly-owned systems are not feasible. Among the Alaska systems are Fairbanks and Anchorage, well-run municipal urban telephone operations. The Puerto Rican system serves the entire island, with nearly 350,000 telephones in San Juan alone. Municipal telephone systems are still prevalent in the western provinces of Canada.

With the exception of urban nightmares like New York City, wiring a community with switching equipment and routing calls beyond local borders is a relatively simple matter. There is no compelling reason to duplicate AT&T's corporate structure, or its employment, service, and financial practices on the local level.

Local systems, public or private, have the option of purchasing low-cost equipment from the Asian markets at a considerable savings from AT&T-administered Western Electric prices. Community systems might also subscribe to alternative

long-distance relay systems now emerging from the specialized carrier industry.

The possible acquisition of the local telephone system in Berkeley has been suggested in all past Coalition platforms. However, no serious efforts have been made to commission a feasibility study or catalyze public support.

There have been relatively few condemnations of public utility facilities in the U.S., and none in the telephone industry. But the California State Constitution, and those of several other states, includes "communications" as a legitimate municipal responsibility. Condemnation proceedings would approximate those used against private power companies, involving either the State Public Utilities Commission or the courts.

D. COMBINED COMMUNICATION SERVICES

The services currently being offered by competing firms in the telecommunications field are the most diverse ever. Whole urban systems could be built with low-cost Asian equipment, customized interconnection, specialized carrier service via microwave and coaxial cables, and complementary CATV networking. An aggressive, farsighted community could finance such a total communications resource through tax-exempt bonds, and own it for posterity. Such systems would not only produce local jobs and retain community revenue, but also would broaden the scope and definition of the terms

"utility" and "public service."

On a more immediate level, cities can own and operate radio, broadcast television and newspaper operations. For example, New York City currently operates a radio station, WNYC. These have been discussed but not formally proposed as part of the Coalition program in Berkeley.

September 1973

ALASKA LEGAL SERVICES AND THE
ALASKA PUBLIC UTILITIES AND
TRANSPORTATION COMMISSIONS

The philosophy behind the creation of regulatory commissions in the United States was generally the protection of the public interest while allowing a reasonable financial return to regulated monopolies. The "reasonable" rate of return has occasioned voluminous case law--mainly because regulated monopolies seldom, if ever, face competition, that bastion of free enterprise.

The Alaska Public Utilities Commission

The Alaska Public Utilities Commission (APUC), ostensibly created to regulate utilities in the public interest, has since its creation demonstrated more of a philosophy of casual perusal of the operations of the Alaska public utilities. Certain members of the APUC, and staff members, have publicly expressed displeasure at even the remotest involvement by the public in utility proceedings.

There has never been an organized consumer group, or a rate-payers association, or any consumer entity to make an active presence in APUC proceedings. Alaska Legal Services (ALSC) has gained the reputation, at least with the APUC, as a consumer voice in utility proceedings. The APUC erroneously assumes that ALSC "speaks" for the consumer; in fact, ALSC lawyers have represented many clients in utility proceedings, but the Program has never held itself out to be a general advocate of the public interest or a monitor of regulatory commissions.

ALSC lawyers have indeed represented clients in many different types of utility proceedings. Currently on appeal to the Alaska Supreme Court is a case where an ALSC client challenged discrimination

gas rates assessed on residential consumers, occasioned by a natural gas company granting an illusorily favorable rate to large volume consumers. The APUC sustained that rate and the ALSC residential client appealed. The gas rate in question was not just a volume discount; it resulted in the residential consumers bearing an unfair share of the costs of service for the entire gas system.

The challenge was initiated in 1970; the APUC hearing process was lengthy, and the Superior Court appeal entailed one full year. Exhaustive briefs were filed by all sides, with eleven (!) full days of oral argument in the Superior Court.

In another case, ALSC's client village of South Naknek formally intervened in the RCA Bush Telephone proceeding, an extensive ongoing matter involving 142 different villages. This was done to get telephone service installed in South Naknek. ALSC later filed further motions with the APUC and formally requested that a hearing be held in South Naknek re the hardships caused by the lack of phone service there.

The morning following that ALSC motion, the APUC proposed an interim solution. The APUC ordered RCA technicians to set up the engineering, and proposals for interim and final solutions were formally presented by the APUC a week later. The interim solution was approved by ALSC's client village. A telephone is now operative in South Naknek.

Another proceeding involved Tok's local phone company's application to the APUC to delete certain communities adjacent to Tok from its service area. Residents of those communities feared that this move would convert the heretofore local phone rates into

toll rates.

The APUC had scheduled a public hearing in Tok on 4 days' notice on this application; ALSC protested the insufficient notice on behalf of its Dot Lake client, causing the APUC to cancel that hearing and reschedule another one, with three weeks' notice.

ALSC appeared at the rescheduled hearing and formally protested the application for reduction of the Tok service area, arguing that the resulting shift of responsibility to customers in the affected areas would hasten the change of heretofore local rates to toll rates. Heavy snowfall forced the RCA representatives to miss the Tok hearing, so ALSC requested that RCA respond in writing to all the queries in the hearing record that RCA would have had to answer had it been present. ALSC further requested that all customers who would be affected by the reduction in service area be supplied with RCA's response and given a chance to rebut. The APUC so ordered.

RCA's response was characteristically ambiguous, so ALSC filed a brief requesting an APUC Order (1) clarifying the utility's responsibility to customers, (2) a definitive statement on possible future toll rates occasioned by prospective higher switching costs because of a reduced service area, and (3) a finding on the inadequate notice of the application that was given to the phone subscribers.

The APUC later sustained the phone company's application, but assured all the subscribers that the decision would not result in higher phone rates.

The issue of "adequate notice" to Alaska rate payers had been propounded to the APUC by ALSC in another proceeding. The APUC had informed the public that it would soon promulgate its first official rules of practice and procedure, so ALSC submitted

numerous proposals and recommendations on behalf of its clients, and proposed numerous amendments to the APUC's own proposed new rules.

A hearing on the new rules was held on November 15, 1972. The daylong session was dominated by heated discussions on ALSC's proposals re in forma pauperis (the APUC had provided for none); bilingual notices and interpreters (the APUC had provided for none); adequate notice for bush areas (the APUC had provided for none); plus other poverty-related issues such as policy on security deposits and disputed bills, etc. ALSC submitted the only proposals in the public interest.

The APUC adopted almost every ALSC recommendation. The regulations regarding rate increases, etc., were to come later, so the matter of Notice (adequate, bilingual, and otherwise) remained a burning issue.

ALSC actively advised the APUC on the forthcoming regulations, especially on provisions for bilingual notice to customers. The AFJC even requested a copy of ALSC's California PUC Rules which ALSC had cited as precedent for several proposals. The APUC had never even seen the California Rules. ALSC has the practice rules of every state and federal regulatory commission.

The second round of the promulgation of new APUC rules came in an all-day hearing on May 30, 1973. ALSC's extensive recommendations for its clients regarding effective notice of rate increases, and security deposit policy, were prime topics of discussion. On several occasions the APUC called upon ALSC to render an opinion on behalf of consumers, since everyone else present in the hearing represented utilities.

In addition to the natural gas case, ALSC's mushrooming technical expertise in utility matters further emerged in the Glacier Telephone rate case. On November 24, 1972, the APUC gave two weeks' public notice that the Glacier State Telephone Company, serving Kodiak, Seldovia, Nome, North Pole, Nenana, Delta Junction, Homer and Kenai, had applied to increase (double) its service and mileage rates.

On December 8th ALSC filed a formal protest on behalf of the Kodiak Area Native Association, on the grounds that (1) the phone company would realize an unreasonable rate of return; (2) the rate increase was not consistent with President Nixon's Economic Stabilization Program; (3) the proposed rates were discriminatory. ALSC requested a formal investigation by the APUC into the phone company's existing rate structure.

ALSC had made a similar request to the APUC in 1970 regarding the Anchorage Natural Gas Company which was denied; this is a major part of the appeal now before the Supreme Court.

In the Glacier Telephone case, however, the APUC suspended Glacier's rate application on December 12, 1972. The APUC stated that numerous protests had been received, so it felt it necessary to examine (1) whether the phone company would realize an unreasonable rate of return; (2) whether the rate increase was consistent with President Nixon's Economic Stabilization Program; and (3) whether the proposed rates were discriminatory. The APUC ordered a formal rate investigation into the phone company's existing rate structure.

ALSC challenged the proposed rate increase on behalf of its client native association in the public hearings held on the

Glacier rate application. For the first time in any APUC proceeding, the APUC Staff appeared as a party to the Glacier proceeding and conducted a full rate study into the phone company's existing rates as well as the proposed ones. In fact, the APUC Staff vigorously opposed the Glacier State application, and utilized its technical expertise to pick apart Glacier's "boilerplate" application. Since the APUC Staff adequately covered the technical aspects of the Glacier rate case, ALSC focused its protest on inadequacy of service as a basis for denying the higher rates.

It is safe to assume that directly because of ALSC's probing, technical, and competent practice before the APUC, the APUC Staff has finally taken a position in a rate case that it should have been taking ever since the creation of the APUC. One would be hard-pressed to think of another reason, since it has been ALSC alone which has represented consumer interests before the APUC. The action by the APUC Staff in the Glacier rate case is one of the most beneficial results of ALSC's practice before the APUC. Hopefully the APUC Staff will carry on.

Ever since ALSC has increased its participation in technical public utilities matters, ALSC recommendations on rules of practice and procedure have been adopted by the APUC; the APUC Staff has taken a position on behalf of Alaska consumers, although the APUC and/or its Staff would probably never admit it. A telephone was installed in a remote village; a small thing, perhaps, but an event with enormous impact on the adjacent area encompassing thousands of square miles.

ALSC keeps in touch with APUC proceedings by subscribing to the APUC mailing list of all APUC Public Notices, and by constant

scrutiny of regulations and decisions of other state and federal regulatory commissions, and the Courts. It is unfortunate in a sense that ALSC has gained the reputation with the APUC that it "represents" Alaska consumers; that function should be carried out ~~by~~ by the Attorney General's Consumer Protection Division, or an organized consumer group, etc. However, the fact remains that ALSC's low-income clients gain direct benefit from ALSC's technical public utilities expertise, regardless of the benefit to other consumers.

The Alaska Transportation Commission

ALSC also subscribes to all Public Notices of the Alaska Transportation Commission (ATC). The ATC regulates all intra-state common carriers in Alaska: airlines, busses, taxis, freight trucks, garbage trucks, tow trucks, etc., etc.

Compared to the ATC, the Alaska Public Utilities Commission is a model of decorum, ethics, and public-spirited cooperation. The ATC has never publicly acknowledged even the remotest interest in the public. Every protested application or proceeding always involves only competing carriers, or disgruntled other businesses affected by proposed changes in rates and/or service.

what's → Ex parte contacts are standard procedure with the ATC; most reputable private attorneys deplore the ex parte ATC practice, but feel they "have to do it". If they don't, they will be rolled over by the opposition who does.

Lately, however, the ATC has taken notice of the public interest, largely because of an ATC proceeding in which the Fort Yukon Native

Association intervened, represented by ALSC.

The Upper Yukon area had only one air taxi and scheduled carrier when another private carrier petitioned the ATC for an air taxi certificate in that area. An earlier application by another carrier had been denied. ALSC's client native association had been granted standing ^{by the ATC} to intervene in that earlier proceeding, but the ATC never granted the Fort Yukon hearing that ALSC requested.

In the later proceeding, however, the native association intervened in support of the new carrier's application, hoping to enhance the air transport situation in and around Fort Yukon by competition and increased service. ALSC ~~requested~~ requested a hearing in Fort Yukon rather than the customary Anchorage hearing, since all the prospective passengers reside in Fort Yukon.

The ATC ordered a Fort Yukon hearing, with language to the effect that the hearing would attempt to include the overall air service investigation promised by the ATC to the native association in the earlier proceeding.

During the Fort Yukon hearing, and before the native association could present its case showing the inadequacy of the present service offered by the existing sole carrier, the applicant and the protestant (the existing carrier) made a deal. They figured out between themselves who they would divide up the territory, and made agreements as to restrictions on service, etc.

However, ALSC reminded both parties that any "deal" would have to be a three-way deal, since the native association was an official party to the proceeding. The native association objected to some of the items in the original two-way "deal", but the other

parties quickly agreed to the changes proposed by the native ~~association~~ association, and a stipulation was placed into the hearing record. Part of the stipulation was an urging by all the parties that an informal investigation of all the air service in the whole Upper Yukon region be made forthwith by the ATC.

A significant factor in the settlement of this case was that the protestant carrier had hearings set soon on two applications of its own. The same hearing officer in the Fort Yukon matter would conduct at least one of the hearings, probably both. The protestant carrier was well aware that ALSC could (and would) parade three or four non-stop days of atrocity testimony on the protestant's service before the ATC, so it decided to make the "deal".

The native association had ~~enhanced~~ enhanced the three-way deal by subtly informing the applicant and the protestant that if they did not agree to the native associations's changes in the original deal, the native association would be forced to intervene in every single ATC proceeding involving carriers in the Upper Yukon region in order to put the case for the people before the ATC. The parties were on notice that in the event the ~~application~~ application was granted but the air service investigation was ignored, the native association would reopen the whole proceeding.

The Fort Yukon case, including both proceedings, was the first ATC case that ALSC actively participated in. ALSC clients are constantly informing ALSC lawyers about problems with air service, rates, credit, safety, customer relations, etc., etc.

Low-income clients and the general public would certainly benefit ~~from~~ from the ATC assuming a more public-interest oriented approach to transport regulation. For example, during the winter of 1972-73, an international bus line operating between Whitehorse

and Fairbanks wrote a letter to the ATC requesting authority to suspend its winter operations until the summer when the line would again be profitable. The rationale was that the carrier was ~~losing~~ losing money in the winter.

The ATC summarily granted the bus line's request, even though it had no jurisdiction to do so, and without even the slightest notice of the bus line's request or the ATC decision to the public.

The only notice to the public along the bus route was the fact that one day the bus service mysteriously stopped. Queries to the bus company received the typical response that the bus company had been granted the proper authority to suspend its winter service.

Somebody informed the Interstate Commerce Commission, however, and within a couple of days the ATC was eating its own words and the busses were running. The ATC was forced to issue another formal "Order" rescinding the first formal order, and to admit that it lacked the jurisdiction to suspend service of an international bus line. The ICC didn't fool around; the busses went back on schedule, regardless of the lack of winter profits.

The action by the ATC in that bus matter is merely typical of the flavor of ATC proceedings today. If any area of Alaska administrative law demands reform and scrutiny by the public, it is the ATC. Similar to ALSC's actions with the APUC, increased involvement with the ATC by ALSC on behalf of its clients can only result in an improvement of that so-called "regulatory" commission.

Public Utilities and Transportation are ~~two~~ two areas of administrative law sufficiently limited so technical expertise can be quickly developed by legal services lawyers. The impact

of the decisions made by these commissions is tremendous, both on the low-income and general public.

ALSC's involvement with the APUC has already produced tangible results, with more definitely forthcoming. The ATC has barely been jostled, but increased participation by ALSC will virtually assure a permanent reserved seat for the public interest in air, ground, and water transportation proceedings in the near future. That result will be a great benefit to everybody, in addition to low-income clients.

Continued (or increased) specialization within these two regulatory commissions can easily be done by one or more legal services lawyers allocating a significant portion of their time to cases in this area. A considerable amount of time must be spent on utility matters, including preparation, research, and technical education. The technical aspect is very important, since many APUC and ATC cases involve tortured questions of economics, demand, revenue, returns, and a myriad of terms and concepts from the lexicon of utility economics.

Because of the present state of ~~flux~~ flux of these two commissions, now is the time to act. The Attorney General's Consumer Protection office will hopefully assume someday the role in the regulatory proceedings that has been thrust upon ALSC. It is the duty of that office to do so.

In the interim, however, as long as it may be required, ALSC's participation in these regulatory proceedings on behalf of its clients has the force and effect of massive class actions. The relief granted for one client is granted across the board to everyone within that client's class of service or rates. The Public Utilities Commission realized this long ago; witness their impression that ALSC is the Alaska "voice" of the public interest.

State Needs a Public Energy Corporation

ARCO Gas Deal Shows Lack of Comprehensive Policy for California

BY DEREK SHEARER

This is the day that the Assembly's energy committee begins hearings on the Atlantic Richfield/Southern California Gas exploration arrangement—one of the most controversial decisions in the 64-year history of the state's Public Utilities Commission.

PUC commissioners Leonard Ross and Robert Batinovich, among others, will be called to explain the energy deal—which Batinovich has labeled "blackmail" but which he voted for, explaining he had no choice. "Dealing with ARCO," he says, "is like dealing with a foreign power."

Under the arrangement, consumers will pay an added charge on their utility bills, averaging \$2.50 a month over seven years. The \$600 million thus collected will pay the interest and taxes on borrowings from commercial banks for ARCO's "development costs" at the Prudhoe Bay gas fields in Alaska. In return, ARCO will offer Southern California Gas the right to negotiate purchase of natural gas supplies, which might otherwise become precariously low.

In due course, the PUC is expected to approve an equally complex deal to help cover Exxon's costs in developing Alaska gas—a supply source slated for sale to Pacific Gas and Electric in Northern California.

In effect, the public will be providing capital to private oil companies—but with far fewer gains than customarily accrue to the venture capitalist. Batinovich blames the pro-industry policies of the Federal Power Commission for forcing such deals on California.

The deal, in fact, provides no guarantee—only a strong likelihood—that Alaska gas will actually reach Southern California. It remains theoretically possible for ARCO to sell the gas elsewhere, in which case ARCO would have to return the \$600 million plus 7% interest.

The PUC's decision to approve the plan is one more example—the offshore oil controversy is another—of the state's failure to adopt a comprehensive energy policy. Instead, public officials move from crisis to crisis, choosing lesser evils on a stopgap basis rather than formulating long-range policy for the ultimate benefit of all Californians.

The PUC, of course, is established by statute as a regulatory body, so it cannot be held primarily at fault for failing to produce long-term policy. Further complicating its function is the governor's failure to give it solid guidance. Under the Warren-Alquist bill passed last year, the new State Energy Commission supposedly plays the key role in forging overall energy policy for California. Experience so far indicates that the commission is unlikely to fulfill this task, for it has been

so mired in controversy and internal bickering that paralysis has set in.

Gov. Brown himself lacks a definite energy philosophy—a deficiency reflected in the mixed quality of his appointments to the new commission. Former Assembly Speaker Bob Moretti was obviously named for political reasons—he has no special background in the energy field—and apparently has outfoxed the other commissioners, not least of all Chairman Richard Maullin. By placing his own people in key staff positions, Moretti appears to have gained dominance for his pro-growth and pro-nuclear views.

Another commissioner, Dr. Ronald Doctor, is so disturbed by the workings of the commission—particularly the secrecy of its meetings—that he and Moretti are in a state of open warfare. In his public comments, Doctor makes no bones about the commission's inability to promulgate energy policy in the public interest. No wonder the Public Utilities Commission is obliged to pick up the pieces as

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best it can, for it has been cast by default in a policymaking role.

If the energy commission is incapable of charting an energy course—let alone implementing it—policy will continue to be made by the energy companies working through the PUC, as happened in the ARCO deal.

What is needed to avoid this pitfall is the institutional means for setting policy in the public interest and then to carry it out. Such a cohesive policy has been proposed for California by Dr. John Wilson of the Cornell Energy Study Group. In a memo to the Legislature, he set these basic targets:

—Conserving available energy resources.

—Increasing energy supplied in ways consistent with economic development and environmental protection.

—Restraining unwarranted price hikes rooted in monopolistic excesses or inefficiency.

Given the present void in energy planning, the Legislature itself should move in. To begin with, it should declare that providing adequate supplies of electricity, refined petroleum, natural gas, coal and other energy sources is essential for the health, safety and well-being of the people of California. But it should go further than these generalities and obtain governmental access to data on resources, costs and other aspects of energy

production, distribution and sales. Even more important, the Legislature should find some way to assure that the supply of energy is controlled by a public body—for everybody's benefit.

The staff of the Assembly's Energy Committee believes that one way to implement a comprehensive policy is by establishing a new, publicly accountable state mechanism—either a state energy agency or an energy corporation.

Earlier this year, Committee Chairman Charles Warren (D-Los Angeles) introduced AB 632, which would set up a California Public Oil and Gas Corp. Models envisioned by Warren are public energy companies already operating in Canada to assure adequate energy supplies at reasonable prices.

Under Warren's bill, a state body of this type would engage in such functions as joint partnerships with private companies, independent studies of offshore oil and reserves on public lands, brokering of oil and gas for public utilities and research on alternative energy sources from solar to geothermal. Thus, a public corporation could negotiate directly for gas with the state of Alaska or with Canada.

"A public corporation would save us money and prevent more ARCO-type deals," says PUC Commissioner Batinovich. Like his fellow commissioners, he has endorsed Warren's bill, provided that such a corporation is exempted from civil service and operated on a business-like basis.

How likely is passage? Opposition, to say the least, is formidable. Part of it comes from the energy companies, whose power to make favorable deals would be diminished. Also opposed are free-enterprise traditionalists who lament any further intrusion by government into the private sector. And then there are all those—perhaps including the governor himself—who eye with deep suspicion any growth of the bureaucracy, with the additional red tape they fear that would entail.

But, on balance, creating a public energy corporation is an idea whose time has come. To choose against it would be to choose for a continuation of the present slapdash system that militates against the consuming public.

Energy markets today are so dominated by a handful of multinational corporations that reliance on the "free market" concept is illusory. Since energy policy on the federal level is oriented toward the interests of industry, the Legislature and the governor of this state should adopt the principle that energy resources be publicly controlled.

That is the only way to prevent California's whole energy future from being determined in the board rooms of Exxon and ARCO.

Report on Alaskan Utilities

Alaskan Public Interest Research

December, 1976

James Love

INTRODUCTION

This paper is an attempt to analyze the effectiveness of utility regulation throughout Alaska and to give other background in terms of types of utilities operating, whether they are publicly or privately owned; to give a background of the members of the Public Utilities Commission; to bring out some of the major issues that will be facing our state within the next few years; and attempt in this brief, informal paper to impart a basic understanding of how most Alaskans relate to utilities in the State of Alaska.

PROFILES OF ALASKAN UTILITIES

In Alaska there are approximately 190 utilities operating which hold certificates of public convenience from the Public Utilities Commission. Of these, 109 are privately owned, 14 are REA cooperatives and the remaining 67 are run by municipalities. Of these 190 utilities, 121 are regulated as to rates and services by the PUC and the remainder are either regulated by a local government or not regulated at all. Alaskan utility law is that all municipal utilities or private utilities which gross less than \$25,000 a year may be exempted from regulation by the Public Utilities Commission. Municipal utilities can elect to come under the jurisdiction of the PUC which is the case in Anchorage as well as some other cities in Alaska. These 190 utilities are broken down into 47 electrical, 39 telecommunications, 50 water, 26 sewer, 5 gas, 1 steam and 22 garbage and refuse utilities.

In the months of January to November, 1975, approximately 95 rate cases were filed with the PUC. Of these, 39 were either permanent or interim rate increases and 56 were fuel rate cost adjustments which were simply the pass-through of increased fuel costs. These rate increases are broken down into seven rate increases filed for garbage and refuse companies; 15 either interim or permanent increases and 55 fuel rate cost adjustments filed by electrical companies; two rate cases filed by natural gas companies; one fuel adjustment clause flow-through filed by natural gas companies; seven rate increases filed by cable

Profile of Alaskan Utilities, Continued

television; three by water utilities; five by telephone companies. The amount of increases which were filed for by various utilities ranges from a low of approximately 10% to a high of up to 425% for one water utility. The majority of the increases being filed for ranges between 25% to 60%.

Investigation into these rate cases is conducted by a woefully inadequate PUC staff. At present the Public Utilities Commission employs for purposes of investigating proposed rate increases five individuals who are either tariff or fiscal experts. In addition to these persons, the PUC staff has part-time access to counsel from the Attorney General's Office.

Until recently the activities of the Public Utilities Commission were not taken seriously by Alaskan legislators. The original PUC was called the Public Service Commission, which was established through legislation passed in 1962. At that time the Public Services Commission included the regulation of the transportation as well as the utilities in Alaska. The Public Services Commission did not actually begin functioning until January 1, 1964 (approximately five years after statehood). From 1964 until 1970, the Public Services Commission operated with three part-time commissioners appointed to serve in a semi-voluntary capacity. Transportation was separated from the Public Services Commission into its own regulatory body in 1966. In 1970 the Public Utilities Commission was created by the Legislature and three full-time commissioner positions were then established. From that time until very recently, the member-

Profile of Alaskan Utilities, Continued

ship of the PUC was pro utility and effective regulation of utilities was a joke in Alaska. This changed recently, partially through the addition of two new members to the Public Utilities Commission which swelled its membership to five. In addition, Commissioner James Hendershot, one of the worst of the previous commissioners, was forced to resign last winter when a telegram surfaced revealing communication between Hendershot and the head of RCA Alaska. It was clear from this correspondence that Hendershot was RCA's representative on the PUC.

In 1975, general public dissatisfaction with the Commission led the Legislature to create two new consumer member positions. These members are appointed from the general public at-large. Presently, the two consumer members are Susan Knowles and Carolyn Guess. Susan Knowles, an AkPIRG member whose appointment AkPIRG lobbied for, is bright, idealistic, and a very capable member of the Commission. Carolyn Guess, also an AkPIRG member, is the other consumer member on the Commission. Carolyn was reportedly appointed in sympathy of the fact that her husband, a former Speaker of the House and candidate for the U.S. Senate in 1974 died of a heart attack last winter. Prior to her appointment to the Public Utilities Commission, Carolyn's background with utilities included an appointment to the Alaska Broadcasting Commission, and her late husband was a member of the Board of Directors of Central Alaska Utilities, one of the more dis-

Profile of Alaskan Utilities, Continued

reputable utilities companies operating in Alaska.

The other members of the PUC include a lawyer, a person with a business background and an engineer. The Commissioner now serving the lawyer slot has served on the Commission for one year. He is probably the strongest member of the Commission and is performing like a real consumer advocate. The engineer sitting on the PUC is Marvin Weatherly. Mr. Weatherly was formerly appointed by Governor Hammond as the head of the Governor's Office of Telecommunications and was one of the prime negotiators in the Governor's Office between the state and RCA over the establishment of satellite telecommunications for rural Alaska. Weatherly made his name as a tough public advocate who has taken a hard line against RCA on behalf of the state. Mr. Weatherly is considered an unknown factor as far as other utility issues are concerned. The business representative on the PUC, Mr. Gordon Zerbetz, has been on the Commission on and off since its inception.

The Legislature added the consumer members to the PUC specifically to stack the Board's membership more towards the public interest. At this time, we're really not sure how the consumer members are going to differ from the other members in terms of their role on regulatory issues. So far, and I think the way it will probably be in an ongoing way, is that the two consumer members of the Public Utilities Commission sit with the other three members as a five member body and hear testimony and make decisions. The consumer members don't bring evidence before the

Profile of Alaskan Utilities, Continued

Commission or provide direct testimony themselves or in any other way perform a different function than the other three members of the Commission. In effect, the consumer members are hampered as the other commissioners are in that they have to make their decisions based upon the testimony provided them (by utility companies, by their own inadequate staff and by whatever public participation may come forward) in the quasi-judicial setting and they are not in a position to otherwise influence the outcome of rate cases.

The primary benefit to consumers is that the two new members of the Commission perceive themselves as consumer advocates. They feel their responsibility is more towards consumers and accordingly have taken more of an interest in a lot of the issues that concern the consumer, i.e., possible new rate structures which favor residential users, certain types of service complaints. They have taken a larger interest in the consumer side of the public utility regulation and are generally more responsive to arguments which favor consumers. However, in essence, their actual role in hearings is no different than any other member of the Public Utilities Commission.

On conflict of interest statements, Commissioner Guess reported income from one of the larger law firms in Alaska, Ely, Guess & Rudd, a firm which has included two former attorney generals and a former Speaker of the House as partners. Guess's association with this law firm is largely ended since the death

Profile of Alaskan Utilities, Continued

of her husband and her appointment to the PUC. Susan Knowles shows income primarily from a development and engineering firm which employed her and Grizzly Burger, a hamburger restaurant owned by her husband. Her husband, Tony Knowles, is a member of the Anchorage Municipal Assembly. Mr. Weatherly, the engineer member of the Commission, is a stockholder and an incorporator for a broadcasting corporation for Juneau and has worked extensively in the broadcasting field throughout Alaska. Commissioner Zerbetz is probably the wealthiest of the commissioners, owning large amounts of real estate in Ketchikan, stock in numerous corporations doing business in Alaska and holding numerous natural resource leases. Commissioner Edwards, the commissioner serving the lower slot, reported income for his wife in a number of energy and utility corporations including Union Oil of California, Baltimore Gas and Electric, Exxon, Black Hills Oil Marketeers, Chevron Oil Corporation, American Electrical Power Company, Montana/Dakota Utility Company, Gulf Oil, Texaco Oil and several other corporations which are not directly energy or utility related. Edwards also lists natural resources leases, including an apparent joint ownership with Commissioner Zerbetz on one natural resource lease which was sold in December, 1974 to another party (the approximate time of Edwards' appointment).

ISSUES IN ALASKAN UTILITIES TODAY

Natural Gas:

In 1959, large natural gas deposits were discovered on the Kenai Peninsula approximately 100 miles from Anchorage, Alaska's largest city. The leaseholders sold their interests to Union Oil of California and Marathon Oil Company who is the group I'll refer to as the owners of the gas deposits. Union/Marathon then entered into an agreement with Honolulu Gas, an Hawaiian based company, to build a pipeline from the Kenai area to Anchorage and a distribution company for natural gas.

Honolulu Gas constructed and operated the gas company and the distribution company and financed it with bonds guaranteed by Union/Marathon. The first gas meter was turned on in Anchorage in 1961, three years previous to the actual functioning of the Public Services Commission. Shortly thereafter, the pipeline company and the distribution company were acquired by Alaska Interstate, a Houston based holding company which owns a number of engineering, energy, agricultural, manufacturing and construction firms and other enterprises in Alaska, the United States and other parts of the world, including Indonesia.

At this time, the gas company (the distribution and the pipeline company hereafter jointly referred to as AGAS) is the second largest private utility in Alaska. (RCA which serves the telephone long-line service is the largest private utility in

Natural Gas, Continued

Alaska). In 1974, AGAS had annual receipts of approximately 25 million dollars. Since its inception and since it actually began selling gas to Anchorage consumers in 1961 until 1975 AGAS has never undergone a full scale rate investigation by the Public Utilities Commission. Never at any point has there been an attempt made by the PUC to establish what the proper and reasonable rate of return would be for the gas company. Consequently, the public has never known whether or not the company's profits were excessive.

In the gas company's first 8 years of operation, the legislature had given jurisdiction to the PUC for regulating the distribution company but not the pipeline company which was the sole supplier of natural gas for the distribution company. During this time both the distribution company and the pipeline company were owned by the same holding company. Alaska Interstate merely hid the profits of the gas company's operations in the unregulated pipeline company and so the distribution company showed small profits and occasional losses in its annual reports.

This defect was finally dealt with by the Alaskan legislature in 1969 and at that time it was widely assumed that the change in statutes which gave the PUC the authority to regulate the pipeline company would result in a rate investigation initiated by the PUC. However, this did not occur at that time and was not actually initiated until 1975.

Natural Gas, Continued

During the period of time when the company was allowed to separate their profits for the purpose of regulation Wally Hickel, a major stockholder in Alaska Interstate, was the governor of Alaska. While Hickel was governor and before he was the Secretary of the Interior, the pipeline company negotiated a contract for natural gas sales to the military base located in Anchorage. This contract put 200 coalminers out of work in the Matanuska Valley. (They had previously been supplying coal to the military base.) The gas company put on a big to-do saying the sale of natural gas to the military would result in a cut in residential consumer rates.

The sale to the military was consummated in 1967 but the promised rate decrease never materialized to the extent that was originally promised. Profits for the pipeline company soared, still unregulated.

The individual who negotiated the contract for the military was General Reeves. The year after the contract was negotiated, General Reeves retired from the Army and became the president of the gas pipeline company. Reeves retained his presidency up until this past year. He's now retired and drawing a pension from Alaska Interstate.

In addition to owning the pipeline company and the distribution company, Alaska Interstate owns the engineering firm which built the pipeline; the corporation which leases office and warehouse space to the distribution company; and is currently involved in natural gas exploration in the Cook Inlet area which, if successful, will then sell natural gas to the distribution company.