

626 SC

FILE NO. 7 - FILE NO. 8

AK. PUB.

UTILITIES

COMM.

BURTON CARVER & CO., INC.

P. O. Box 40

SOLDOTNA, ALASKA 99669

(907) 262-9111

TRANSPORTATION
CHARTER SERVICE

REFUSE SERVICE
EQUIPMENT RENTAL

MASTER FILE COPY
HOUSE COMMERCE COMMITTEE

January 23, 1980

House Commerce Committee
Hugh Malone
Pouch V
Juneau, Alaska 99811

Re: APUC/Sunset Review

Dear Mr. Malone:

My name is Sky Carver. I am the manager of two Class II (\$100,000 to \$250,000) refuse utilities owned by Burton Carver & Co., Inc.; a family held corporation which is involved mainly with transportation.

Our entrance to the refuse business typifies the problems faced by small utilities who deal with the APUC. Both refuse utilities we purchased were owned by individuals who never had received an increase in rates and were on the brink of bankruptcy.

One of these companies, Homer Refuse, located in Homer and who's permit extends to Soldotna, had tried twice unsuccessfully to get an increase. The other, Alpine Refuse, located in Hope and who's permit covers the northern Kenai Peninsula and north of Turnagain Arm to Anchorage, to my knowledge had never applied for an increase. These companies had gone four and five years respectively without increases. Compare this to Anchorage Refuse which files a rate case every six months.

The reason these companies had never received rate increases was the lack of cash needed to hire a utility specialist. After purchasing Homer Refuse in 1977, we made two attempts in four months to get an increase. Our CPA firm prepared the case, but the first case was rejected because of insufficient data. For the second case we asked the staff of APUC for forms that would help us present the necessary information. We were given incorrect and outdated forms.

In the spring of 1978, Alpine Refuse temporarily went out of business. It's one truck broke down and the overflowing garbage dumpsters this caused brought about the Quality of Service Investigation that Commissioner Guess spoke of at the December 17 hearing.

APUC
E. Blum
Rose

The House Commerce Committee
Box 1370
Fairbanks, Alaska 99707

Attention: Mr. Allen Blume

Dear Mr. Blume:

December 21, 1979

In accordance with the expressed wishes of the Co-Chairpersons at the Performance Review of the Alaska Public Utilities Commission Hearing held on December 17, 1979, there is attached a copy of the outline which I utilized in presenting my testimony to the Commerce Committee. I would be most grateful if you would see that all members of both the Senate and the House Committees were provided with a copy of this material.

In addition to the points set out in the outline of my presentation, there were certain additional points made during subsequent questioning which I believe might provide clarification on certain portions of my testimony. They are:

1. In response to an inquiry of Senator Sturgulewski, I indicated it was my belief that the distinction made between economic regulation and regulation for the purpose of certification might be an improper distinction. It was suggested that perhaps the regulation associated with certification should be ongoing in the area of quality of service provided by the certificated utility. This would result in economic regulation looking only at the level of rates and rate design. It would appear that such clarification could be provided through concise definitions in any legislation which might result from the performance review.

2. In response to Representative Brown's questions concerning the use of hearing officers, it was suggested that hearing officers could be reasonably expected to utilize their expertise in the regulation of divergent utilities. The basic underlying principles of utility regulation should be readily applicable by a hearing officer for regulation not only of telecommunications but also electric, pipeline, transportation utilities, etc. I was in agreement with the Chairman of the committee that in certain highly technical areas a specific hearing officer might be required to preside because of his expertise in the area of telecommunication separations, peak load pricing for electric utilities, etc. Additionally, it is possible that staff support for one area of regulation could provide needed assistance in another area of regulation.

I wish to express my gratitude to the Chairpersons and each of the members of the committee for allowing me the opportunity to testify before them and for their sincere expression of interest and concern in this area.

Very truly yours,

ALASCOM, INC.



John E. McGill, Director
Regulatory Affairs

JEM:b1

Attachment: Testimony Outline

revenues. There are, however, a few considerations we would offer:

- A. Some regulation should be retained concerning pole attachment agreements between CATV operators and other utilities.
- B. As a partner with telephone cooperatives and small telephone companies in the provision of communications, it is important for Alascom to be able to approach the Commission with matters disputed between Alascom and the operating telephone company. Such matters could include:
 1. Level and quality of service.
 2. Settlements between the companies.
 3. Charges for through private line services.

The removal of such companies from economic regulation appears to indicate that they would be relieved of regulation as to rates, rate design and quality of service.

- C. Although the de-regulated telecommunications company may be small or controlled by its own members, it can have a substantial impact on state-wide service if the quality and level of service is substandard.

IV. Alascom supports the need to clarify the statute and administrative code presently used by the APUC.

- A. Although we recognize the validity of the particular recommendation in the legislative audit, we believe there are other areas requiring review.
- B. We recommend that the Commission, through its staff, conduct a thorough review of AS 42.05 and 3AAC48 to further the benefits of this recommendation. We would

hope that members of the regulated industries would have an opportunity to participate in this review and recommend up front various amendments. An Industry Task Force with the APUC staff would be effective.

V. Alascom supports the recommendation that professional salaries be reviewed to determine whether they are adequate to attract and retain professional staff.

A. We would urge a comparable review of Commissioner's salary levels.

1. Alascom as a responsible public utility, constantly reviews its salary grades for various professional and/or exempt employees in order to assure itself that it offers compensation competitive in the labor market. These reviews lead us to believe that the Commissioner's salaries, in the present labor market may not be competitive enough both to attract and retain qualified personnel.

VI. Alascom does not believe it is proper for it to comment on the internal administration of the APUC. However, we do believe it is necessary to clearly delineate the statutory role of the Commission staff. On page 24 of the Audit Report there is mention of ex parte communications between the staff and the Commission when the staff assumes the role of a party to Commission proceedings.

A. When the staff is indeed a party to a proceeding (e.g. a rate case) the Commission does not have available to it

the necessary support and assistance the Commission would normally expect from its staff.

b. Solution

Alascom would support limiting the role of the staff to one of support for the Commission without designation as a party to proceedings. The staff would prepare material for the Commission to be used in conducting proceedings. The Commission would be expected, through this collective expertise to represent the public interest. Alascom would favor this solution.

VII. Alascom offers no opinion as to implementation of a time management system or collocation codes.

VIII. General Observations

- A. The Performance Review does not comment on the level of staffing at the APUC. It is Alascom's opinion that the Commission is understaffed and unable to deal with the many questions brought before it in a timely manner. Nor does the Commission staff possess expertise in all areas adequate to evaluate major policy questions in all of their facets. Too often telecommunications policy is formulated by default rather than by design. The public interest is not best served by this circumstance.
- B. Alascom believes that it is necessary to limit regulatory lag statutorily. Such a limitation would be beneficial not only to the utility but also the ratepayer. Additionally, Alascom would suggest that consideration be given to utilization of hearing officers under the guidance of the Administrative Procedures Act.

Arvin

Representative Fred Brown
Assembly Building Room 206-207
Pouch V
Juneau, Alaska 99801

Dear Representative Brown:

The rate hike requested by GVEA disgusts me—10 times Seattle rates, 5 times Anchorage rates, and 40% above permanent rates. I personally have seen my bill go from \$25.00 (summer rate) to \$73.00 (highest winter rate). My husband and I have conserved and have knocked the GVEA bill back down to \$54.00 and will continue to do whatever we can. This reduction in our bill is no thanks to GVEA; the reduction is something we have done.

I requested the APUC to not allow any rate hike through a note taken to them when they were in Fairbanks giving more detail than I am giving you. So, APUC decides that GVEA needs a higher rate hike. I believe that GVEA and APUC should be replaced by organizations that will truly bring us the cheapest rates possible as is GVEA's slogan and purpose.

If GVEA's rate hike is due to government intervention and regulation, I suggest that GVEA prove the regulations to be unnecessary and get government off GVEA's back. This matter between GVEA and EPA should be settled before GVEA is granted any rate hike.

Why are businesses and government so quick to just pass any monetary increases on to the public? It seems to me that either GVEA has a problem or the government has a problem. Why pass this on to me?

I have not even had a cost of living allowance increase since 1978!

Thanks for your time and patience.

Sincerely,

Karen Flesher

Karen Flesher (Mrs.)
101 Maple Drive
Fairbanks, Alaska 99701

*8/16/80
C. Flesher*

44
9-45-80
2

Dear Members:

The lack of a needed right-of-way easement could hold up your service for months--it's happened more than once already and things are not getting better.

When MEA was just starting back in 1942, the cooperative's biggest worry was getting the poles up with wire and transformers hung on them. But, now, the right-of-way acquisition job threatens to be the largest and most costly problem, taking longer than either engineering or construction. One five-mile line project MEA recently did required three years of work to get the easements. We recall numerous service extensions run last summer that were delayed anywhere from a few days to many months--some never got built at all because of right-of-way problems!

Why is this? There's many reasons, maybe the owner lives in Mexico, Florida, or Saudi Arabia, or possibly right in Anchorage at an unknown address. Maybe he won't answer his mail or stalls if we call on the long distance telephone or just plain turns us down when at long last we locate the land owner. Maybe we can find an alternate route and start the process all over again. Maybe we can't! While we go through all the easement work, an impatient and often desperate customer fumes over the delay while he waits, but we dare not go ahead without the easement. If we do, we're certain to be sued as a result of the most minor encroachment.

More and more owners of land whom we contact are tightening the restrictions they place on us as conditions for granting the easement. Access is being limited, the amount and method of clearing are conditional, and right-of-way widths are being reduced so that construction and maintenance gets more difficult and costly. Rights-of-way are often so narrow and tree cutting is so restricted that line security is in jeopardy every time it storms!

More people get in the act everyday. We now find that we must deal with private landowners, many non-residents. There are all kinds of organizations, including corporations or developers, State and National parks, National monuments, State and National forests, public lands held by the Borough, State and Federal government, mental health lands, school lands, Indian lands, withdrawn lands, and Native land selections. The list goes on and on, including environmental groups.

We have to deal with cities, boroughs and divisions of the State, such as Department of Highways, Department of Fish and Game, sometimes the State clearing house, Division of Aviation, Division of Lands, Division of Parks and the Department of Environmental Protection. Federal agencies include the Bureau of Land Management, National Park Service, National Forest Service, Corps of Engineers,

Alaska Railroad, Federal Aviation Agency, and more!

Right now we are applying to the State Division of Lands for a right-of-way permit for a transmission line that's desperately needed to furnish the electric needs of residents in a major portion of MEA's system. Three months have rolled by with no real sign of progress. The outlook, if it's granted at all, is continued delay that will see construction delayed for at least a year--a delay almost certain to see MEA members exposed to sub-standard service conditions and MEA construction crews working on a costly crash program to prevent serious consequences.

This immensely complicated right-of-way problem has become frightfully costly! The burden of this skyrocketing cost is right on the pocketbook of every one of us every time we pay a light bill--that's where the money comes from in the end! No relief will come until private individuals and all public officials recognize this fact and adopt a realistic approach to the need for adequate rights-of-way free of the cost burden now placed on your Rural Electric Coop.

NOTICE--MEA is currently advertising for an electrical engineer to fill the Manager of Engineering Services position. Applicants must have a B.S. degree in Electrical

Engineering, a minimum of five years of electrical utility design, construction supervision, and operation experience. Must have demonstrated ability to plan, organize, and manage at the departmental level. Interested and qualified persons should contact or send resume to me at the above address.

Willard H. Johnson, P.E.
General Manager
Matanuska Electric Association, Inc.

A.P.U.C

21 April 1977
P.O. Box 456
Eagle River, AK 99577

- ✓ Senator JOHN RADER
- ✓ Senator ED WILLIS
- Senator JOE ORSINI
- Senator BRAD BRADLEY
- Representative TIM KELLEY
- Representative SAM COTTON
- Representative RANDY PHILLIPS
- Representative BOB BRADLEY

Hi,

Enclosed is a copy of Matanuska Electric Association's Managers letter for May publication in the Ruralite magazine. I am sending this to you to call attention to a very real obstacle hindering Electric Utilities in Alaska at present. Hopefully, a little Legislator involvement with the State Agency's may do much to alleviate the excessive time delays spoken of on page three of the letter.

Also another subject: Member owned utility Associations (Cooperatives) are under a certain amount of fiscal control by the Rural Electrification Administration in Washington, D.C. User/Members also have the opportunity every year or two to elect new Directors should they believe new leadership favoring another policy or direction is advisable. Thus, members have a stronger voice in controlling their Co-ops than have users of Municipal owned utilities.

During the next ten or so years the cost of electricity is predicted by experts to increase more than six times over present costs due both to inflation and to the Federally required changes in generation fuel from gas and oil to coal. This will require numerous rate increases which, if under P.U.C. requirements, will cost Matanuska Electric Association alone well in excess of \$100,00.00 just in preparing rate studies for presentation to the P.U.C. This, in my opinion, is totally a waste of the consumer's money especially since utility Co-ops are of a non-profit nature anyway.

I would propose that the Legislature remove Co-ops from rate regulation by the Alaska Public Utility Commission. They should, however, retain the power to determine and control territorial boundaries of all Utility Co.

Sincerely
Robert C Johnson



CITY OF KENAI
"Oil Capital of Alaska"

P. O. BOX 580 KENAI, ALASKA 99611
TELEPHONE 283 - 7535

March 10, 1980

FOR PRESENTATION AT TELECOM CONFERENCE:

TO: State Senate Committee

FROM: Vincent O'Reilly
Mayor

RE: Combining Alaska Public Utilities Commission, Alaska Transportation Commission, etc.

The City of Kenai has benefitted from the regulatory methods as regards refuse collection inside the City.

First: no complaints as to service, rates or collection procedures have been brought to Council or City attention.


Second: The Council had the responsibility of selecting refuse collectors and was not performing at optimum in this regard due to inexperience of technical matters, lack of knowledge on comparability and inability to choose between two or more local proposers.

Third: The refuse problem is of an area-wide nature and should be dealt with by an area-wide agency experienced and competent in this field.

I would recommend continuation of the present regulatory arrangement.

This matter has not been brought to full Council consideration out are my views of the sense of Council.

VOR:jw



Anchorage Refuse, Inc.

PHONE 344-1542 6301 Rosewood St.

ANCHORAGE, ALASKA 99502

December 14, 1979

House Commerce Committee
Box 1370
Fairbanks, AK 99707
Attn: Allan Blume

Re: Performance Review of Alaska Public Utilities
Commission

Gentlemen:

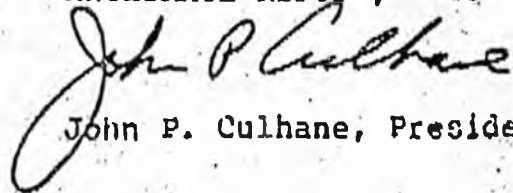
Reference is made to your teleconferencing public hearing scheduled for December 17, 1979. By letter dated November 26, 1979, Gordon J. Zerbetz, Chairman of the Alaska Public Utilities Commission, indicated written testimony in lieu of oral testimony at the hearing could be sent to you at the above address.

Please find enclosed written testimony I would appreciate being entered of record for the above hearing.

If you should have any questions on this written testimony, please feel free to bring your request to my attention.

Sincerely yours,

ANCHORAGE REFUSE, INC.



John P. Culhane, President

JPC/csn

WRITTEN TESTIMONY OF JOHN P. CULHANE, PRESIDENT
ANCHORAGE REFUSE, INC. FOR THE DECEMBER 17, 1979
HOUSE COMMERCE COMMITTEE HEARINGS
REGARDING THE PERFORMANCE OF THE
ALASKA PUBLIC UTILITIES COMMISSION

Anchorage Refuse, Inc. is a utility regulated by the Alaska Public Utilities Commission serving most of the area outside of the old city limits of Anchorage within the Municipality of Anchorage. Anchorage Refuse, Inc. has been in operation for several years and was regulated by the Alaska Transportation Commission prior to the 1973 legislative amendments that placed refuse regulation under the Alaska Public Utilities Commission.

It appears that it is not in the public interest to deregulate the service area or rates of refuse companies or to change the service area regulation or rate regulation from the APUC to the municipalities. If you deregulate the service area, the public will find:

- (1) Increased frequency of refuse trucks on residential streets. There will be the same amount of refuse containers on the streets to pick up, however, there will now be more trucks from different refuse companies to provide the service. This could provide a safety hazard, noise pollution and considerable inconvenience

to the residents of the area where the refuse is being collected.

(2) The times during any given week of collecting the refuse from a certain area will not be consistent by each of the companies operating in the area. This will cause refuse containers to be placed on the sides of the streets in a given area more than the once or twice a week required when one refuse company is serving the area. This would be unsightly and could provide unhealthy conditions.

(3) The type of equipment that would collect the refuse could not be the modern refuse truck. The refuse business would be relatively easy to enter by any person wishing to purchase unsafe, unsanitary and inefficient equipment. You could find dump-type equipment used in the collection of refuse. Safe, sanitary and efficient compactor truck equipment are relatively expensive.

(4) In the refuse business it would be just as easy to abandon your customers as

it would be to acquire customers. Such abandonment of the services by a refuse company could provide considerable inconvenience to the abandoned customers until another refuse company was able to start service to the effected customers.

It does not appear to be in the public interest to have economic deregulation while at the same time maintaining area regulation. Basically, this would give a monopoly the right to charge what the market will bear. The considerable inconvenience to persons hauling their own refuse would probably dictate a high rate in the market if the rate was not regulated.

Regulation of refuse companies should be maintained at the Alaska Public Utilities Commission. Placing such regulation with municipalities will require most municipalities to create a new structure to handle such regulation. This new structure will increase the demand upon the municipal budgets. It appears more economical to have one centralized structure handling many utilities to be responsible for regulating refuse companies rather than having many smaller regulating structures spread through the municipalities of the State of Alaska. A slight increase in the Alaska Public

Utilities Commission's budget to handle refuse company matters may be more economical to the residents of the State than having each municipality hiring experts to regulate only one or two refuse utilities in the municipality. The public might also save by having the Alaska Public Utilities Commission regulate refuse because of the experience of the Alaska Public Utilities Commission in regulating utilities. This experience insures that the refuse company will make no less and no more than a reasonable rate of return. A municipal government inexperienced in the complicated rate regulation concepts would be more likely to err in establishing rates. A rate too low would severely injure the services of the refuse company which would not be in the public interest and a rate too high would result in the public paying more than is necessary for this type of service.

Finally, it should be noted that we have had very few customer complaints concerning the regulation of refuse companies or the services of our company. It does not appear necessary to change the process that the public appears to be satisfied with because of a desire by some to have the Alaska Public Utilities Commission budget be dedicated to regulation in other areas. Rather than

disturb something that is workable, it is suggested that if necessary, the budget of the Alaska Public Utilities Commission be increased to add new staff members so that all utilities can be properly and expeditiously regulated, including refuse utilities.

STATE OF ALASKA
Inter-Department Route Slip

TO:
MAIL STATION NUMBER 3100

DEPARTMENT Legislature

ATTENTION Senator Willis

- | | |
|--|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return As Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return For Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input type="checkbox"/> For Your File | <input type="checkbox"/> Your Information |

Remarks:

FROM:
MAIL STATION NUMBER 3100

DEPARTMENT Legislature

BY Rep. Kris Lethin DATE 4/12/77

02-002 (REV.10/73)



Alaska State Legislature

POUCH Y, STATE CAPITOL
JUNEAU, ALASKA 99811

TO: All Members
Alaska State Legislature

FROM: Kris W. Lethin
Representative

DATE: April 12, 1977

SUBJECT: SB 259
Municipality Utilities Regulation

Attached, for your information, is a copy of a memorandum to the Anchorage Municipal Assembly from Richard E. Hanger, President of Automated Communications, Inc.

The attached memorandum outlines the facts in favor and against both methods of regulating the Utilities.



Automated Communications, Inc.

11300
Anchorage, Alaska 99501
907-556-1130

*Legal Monopoly
not a question of
regulation but who
regulates*

March 17, 1977

TO: ANCHORAGE MUNICIPAL ASSEMBLY
FROM: RICHARD E. HANGER, PRESIDENT
AUTOMATED COMMUNICATIONS, INC.
SUBJ: UTILITY REGULATION

As I indicated at your meeting of March 8, 1977, our expertise is only in the area of ATU.

The purpose of this letter is to objectively give each of you what we consider facts in favor and against both methods of regulating the Utilities.

Assembly Regulation of the Utilities

Pro

1. More citizens attend and participate in Assembly meetings than attend PUC hearings. ACI has been the only participants and formal parties at the ATU hearings throughout the past 15 months, at the PUC.
2. Assemblymen are elected officials and are directly accountable to the people.
3. The Assembly may have fewer legal restrictions affecting their judgement and decisions.

Con

1. Tariffs are complex and difficult to understand. In order for the Assembly to effectively "judge", it will necessitate many hours of "homework".
2. Being elected could make it difficult to make good business decisions if decisions would be unpopular politically.
3. The Assembly would have to add additional staff with expertise in tariffs, legal, and accounting. No citizen's committee could spend the time necessary to handle this job.
4. The Municipality would be subject to far more legal suits, -- class action, individual, and special interest groups.
5. Must contend with the morality of the "Board of Directors" regulating their own company, which is a legal monopoly.

6. ATU is tied to a state-wide network, as well as to the "south 48". This automatically involves regulations of the FCC and PUC for inter and intra state activities. The Assembly would have to inter-relate with those agencies.

PUC Regulation of the Facility

Pro

1. Appointed officials are normally less likely to be influenced politically or by special interest groups.
2. Specializes in utility tariffs.
3. Required by law to:
 - a. Protect the financial viability of the Utility.
 - b. Assure them a fair rate of return.
 - c. And determine that tariffs are fair, just, non-discriminatory, non-preferential, and compensatory.
4. Already have a staff, on the Public payroll, who specialize in Utility matters.
5. Have access and experience with the other Utilities throughout Alaska, National Trade Associations (NARUC) etc., to compare requests and filings.

Con

1. Are required by law to adhere to "Due Process" which necessitates formal hearings and notice to the Public.

Miscellaneous "Grey Areas"

1. ATU spent over \$400,000 on rate cases in the past 15 months. Some of that was attributable to deficient filings and questionable appeals, and some was attributable to the PUC being excessively lenient with ATU. If filings were better prepared and the regulating body were firmer, there would definitely be savings. Question -- Would the Assembly be more decisive than the PUC, thereby shortening the process?
2. With Assembly control -- They and the Mayor would have direct control over the cash, profits, charges, and where the money was used. Is this good or bad?
3. Would the taxpayers be paying for a second level of government staff, or would the PUC reduce their staff in proportion to that added to the Assembly?

4. The major motivations for the pending Resolution and changes to AS 77-59 Utilities seem to be:
 - a. the excessive costs of recent rate cases.
 - b. the over-ruling by the PUC of the Municipal Ordinance which would have returned 100% of the profits to the original City Service Area.
 - c. the dismissal of a rate structure that would have increased cash flow and income in initial years, but left expenses and costs to be absorbed by future rate payers.
 - d. the refund of 1.2 million that is pending per PUC and Court Order, and which is being contested by ATU.

Are these valid motivations, and would they have arisen if ATU had been regulated by the Assembly rather than the PUC is a question which should be addressed.

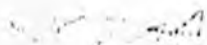
5. Chairman Rose and Assemblyperson Sturgulewski have suggested amendments which would allow the Assembly to monitor and pre-judge filings before they go to the PUC. This would seem to be a "safe" way to arrive at some of the answers to the above questions.

ACI, as the only formal participant from the private sector in the past 15 months of hearings, feels qualified and willing to answer any questions of either side.

ACI, being in the telephone business and regulated by the free enterprise system and competition, rather than a regulatory body, feels we should abstain from taking sides. On behalf of our 200 business subscribers, we would need to poll them prior to speaking for them.

Sincerely,

AUTOMATED COMMUNICATIONS, INC.


Richard E. Hanger
President

cc: Mayor George Sullivan

Al Pistorius, Manager
Anchorage Telephone Utility

**Municipality
of
Anchorage**



POUCH 6-650
ANCHORAGE, ALASKA 99502
(907) 274-2525

ANCHORAGE ASSEMBLY

April 4, 1977

Honorable Ed Willis
Vice Chairman, Community and Regional
Affairs
Pouch V
Juneau, Alaska 99811

Dear Ed:

The draft of the minutes of the Assembly meetings regarding Resolution No. AR 77-7 were available this morning. Since Senate Community and Regional Affairs has scheduled a hearing on SB 259 on Tuesday, April 5, I am sending this information via special carrier.

Many equities are involved in utility regulation. Charter provisions calling for profits of the utilities to accrue to the old City Service Area for a period of five years dictate complex considerations. It seems to me that before de-regulation is seriously considered, we must develop locally a specific method for handling utility rates and service areas.

Please understand this letter states my individual concern.

Very truly yours


Arliss Sturgulewski

Enclosures: AR 77-7
copy of letter from Norman Kaelber
portion of draft Minutes, 3/22/77 Spec. Meeting
portion of draft Minutes, 3/8/77 Regular Meeting





ALASKA RURAL ELECTRIC COOPERATIVE
ASSOCIATION, INC.

801 W. FIREWEED LANE • SUITE 101 • ANCHORAGE, ALASKA 99503 • (907) 276-3235

November 20, 1979

Senator W.E. Bradley
P.O. Drawer 8-Q
Anchorage, Ak. 99508

Dear Senator Bradley:

Alaska is facing many energy related issues on which decisions need to be made soon. Last month, the managers of the electric utilities in the state were invited to sit down informally and discuss from their individual perspectives the issues which affect their utilities. A two day conference ensued, and the enclosed "Statement Toward a State Energy Policy" is a product of that meeting.

We know that the collective decisions made by Alaskans on these issues in the relative near future will profoundly affect the state for a long time to come. We submit this brief document to you in the hope that our views will be considered as you deal with these issues.

Sincerely,

David

David Hutchens
Executive Director

DH:ra

Chris,

*Notify Dave Hutchens to testify
on APUC - I figure APUC + the
Guidelines & Control Bd will be our "biggie".*

DEMOCRACY IN ACTION

We need to get these going Braed



ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

801 W. FIREWEED LANE • SUITE 101 • ANCHORAGE, ALASKA 99503 • (907) 276-3235

November 19, 1979

STATEMENT TOWARD A STATE ENERGY POLICY

On October 24th and 25th, 1979, an ad hoc group of ten electric utility managers, hosted by the Alaska Rural Electric Cooperative Association, met in Anchorage. We discussed the energy situation in Alaska and the probable impact of various state policy decisions which could be made. The following statement does not attempt to be encyclopedic, but it represents the majority view of the participants. We urge that this statement be considered in the formulation of a state energy policy.

I. Energy problems exist in every region of Alaska.

Rural villages face current costs so staggering that economic development is effectively precluded, the availability of energy to maintain bare existence is in question in some areas, and the people are suffering real hardship. The regional trade centers enjoy modest economies of scale, but energy costs there are rising so rapidly that their future, projected from present trends, approximates the conditions which exist in the villages today. The energy problems of both villages and regional trade centers come from their dependence on oil which is rapidly rising in cost.

Interior Alaska finds it uneconomic to further develop its use of coal because of the Clean Air Act Amendments of 1978. This federal legislation is not satisfied with achieving objective standards in protecting air quality, but insists that "best available control technology" be used regardless of the quality of coal that is used.

The production of Cook Inlet natural gas for liquifaction and export will certainly raise the price and possibly threaten the supply of natural gas for southcentral Alaska. The long-term energy supply for this region is further threatened by the Powerplant and Industrial Fuel Use Act of 1978. This federal law prohibits the use of oil or natural gas in new powerplants. Although exemptions from this Act are possible, there is no certainty that natural gas can be used in new powerplants in the future, even if it is available.

II. We must strive for the optimum use of energy.

It must be recognized that because of climate and geography, life in Alaska will always be contingent on a relatively high per capita energy use. There is a direct relationship between the productive use of energy and the productivity of an economy. In the rural villages, the productive use of energy

is so low that a great deal of desirable economic activity is prevented. In this kind of situation, we must encourage increases in the productive use of energy.

It must also be recognized that energy conservation can and should be encouraged. Every region within this state can improve its efficiency in using energy, and in some instances, the appropriate use of insulation and weatherization can reduce the energy consumption of an individual consumer enough to prevent personal hardship. The State, through the Division of Energy and Power Development, must be encouraged to continue to lead and coordinate efforts to insulate and weatherize existing buildings which have a remaining useful life of reasonable duration.

III. An efficient energy delivery system must be encouraged by actions of public agencies.

To encourage economies of scale, the State must confirm as its policy that all public agencies and institutions under its authority will purchase their electricity from the public utilities certificated to serve that area. The State could then cease the unnecessary expense of duplicating in its own facilities the generating capacity which already exists in the community. Federal agencies and institutions operating in Alaska should be requested to take similar action.

IV. The rise in oil prices has dramatically increased revenues to the State of Alaska.

As a major landowner, second only to the U.S. Government, the State of Alaska controls much of the energy wealth of this state. Revenues from energy production which the State receives either in its capacity as landowner or taxing sovereign now account for more than 81% of total revenues received by the State.

The State has pursued a policy of maximizing revenues from State owned resources. The world market for petroleum now has prices administered by the Organization of Petroleum Exporting Countries. With each new price increase by OPEC, state revenues increase. While these price increases cause a permanent and increasing drain on the people of Alaska, the state government is awash in new revenues. If 1979 taxing and spending policies remain unchanged, tremendous surplus revenues will accumulate in 1980, and for a number of years thereafter.

V. The State must assist in solving Alaska's energy problems.

The State may well decide to distribute "energy dividends" to its citizens, reduce taxes, or refine and sell oil to its citizens at less than market price. All of these proposals would help, and none of them would be in

conflict with the following policies which we urge the State to adopt and implement:

1. A portion of this state's oil and gas reserves adequate to meet the needs of Alaskans must be retained for consumption within the State. The State should not commit future production of royalty oil and gas to the export market without call back provisions adequate to meet in-state needs.
2. A major effort must be directed toward developing our hydroelectric and other renewable or long-term energy resources. Alaska has a great opportunity to use revenues from depletable resources to develop our renewable resources. Innovative financing and power marketing arrangements for these projects must be developed and used by the Alaska Power Authority. When it is necessary, the State should assist with the front end costs of these long-term solutions to our energy problems so they can be accepted without hardship by the first consumers served by them.
3. The State must promptly develop an energy plan which includes a list of the energy projects suitable for development. This inventory must show estimated costs, estimated output, deliverability of energy produced, estimated time for construction, and indicate the reasonable environmental issues which must be considered. All utilities and other power generators - private, state and federal - will need to participate in this study. This inventory of resources should be completed within one year.
4. The State must promptly consider and make a decision on all pending energy projects. When the lead agency has determined that a project should be developed, all other state agencies must be required to cooperate in promptly resolving any remaining concerns within their jurisdiction.
5. While these long-term solutions are being developed, the State should provide interim direct subsidies to electric utilities with above average fuel costs to offset the tremendous increases they have experienced in their fuel costs, provided that continuing best efforts are being made toward long-term solutions.

The following utility managers may individually differ with specific items in this statement but participated in its formulation:

Thomas Stahr, Anchorage Municipal Light and Power
Loyd Hodson, Alaska Village Electric Cooperative
LeRoy J. Schultz, Chugach Electric Association
James Palin, Copper Valley Electric Association
Douglas Bechtel, Cordova Electric Cooperative
Robert Huffman, Golden Valley Electric Association
W.C. Rhodes, Homer Electric Association
Malcolm Cheek, Matanuska Electric Association
David Bouker, Nushagak Electric Cooperative
Robert Martin, Tlingit/Haida Regional Electrical Authority

3-3-80

Adorn



DEAR SIR,

I AM OPPOSED TO THE HISTORY OF CONTINUED RATE INCREASES GRANTED TO GOLDEN VALLEY ELECTRIC ASSOCIATION. I AM A MEMBER OF THAT ASSOCIATION AND FEEL THE INCREASES ARE NOT JUSTIFIED.

THERE MUST BE OTHER ALTERNATIVES OTHER THAN CONTINUOUS RATE INCREASES. FOR EXAMPLE, STAFF REDUCTIONS, LIQUIDATION OF ASSETS, CONSOLIDATION OF DEPARTMENTS, REDUCING FIXED OR VARIABLE EXPENSES.

I URGE YOU TO REQUIRE G.V.E.A. PROVE BEYOND A REASONABLE DOUBT THEY HAVE DONE EVERYTHING POSSIBLE BEFORE THEY ARE GRANTED A RATE INCREASE.

THANK YOU FOR LISTENING.

SINCERELY,

Mark R. Townsend

*called on 3/9/80
2-6774*

MR & MRS MARK H. TOWNSEND
201 HAMILTON AVE #19
FAIRBANKS AK 99701

APUC

JAY S. HAMMOND, Governor

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

1100 MacKay Building
338 Denali Street
Anchorage, Alaska 99501

Phone (907) 276-6222

March 25, 1980

Representative Robert H. Bettisworth
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Bettisworth:

Enclosed is a compilation of 1979 unaudited gross revenue figures for all regulated utilities. As you can see, a number of utilities did not respond to our initial request. As a result, the Commission has initiated a second request to these utilities requesting this information. Hopefully, it will be forthcoming within the next month. In the meantime I wanted you and the Commerce Committee to have the results of our inquiries to date.

Sincerely,

CSG

Carolyn S. Guess
Commissioner

cc: Rep. Fred Brown, Chairman House Commerce Committee
Senator W.E. Bradley, Chairman Senate Commerce Committee

Enclosure
CSG/rt

<u>ID</u>	<u>UTILITY</u>	<u>GROSS REVENUE</u>	<u>TYPE</u>
1	AEL&P	5,578,801	Electric
2	GHEA	737,299	Electric
3	Homer Electric Assoc.	8,112,651	Electric
4	Nushagak Electric Coop.	907,734	Electric
5	Municipal Light & Power	16,794,180	Electric
6	Naknek Electric	981,700	Electric
7	Kodiak Electric	6,538,098	Electric
8	Barrow Electric Coop.	2,309,354	Electric
9	Pelican Utility Co.	141,583	Electric
10	Sand Point Utility	422,020	Electric
11	Kotzebue Electric Assoc.	154,375	Electric
12	Yakutat Power Inc.	430,975	Electric
13	Barrow Utilities & Electric	879,366	Electric
14	Chugach Electric	35,172,472	Electric
15	MEA	11,222,142	Electric
16	Copper Valley Electric Assoc.	4,543,820	Electric
17	Aniak Power Co.		Electric
18	Northway Power & Light		Electric
19	Bethel Utilities corp.		Electric
20	McGrath Light & Power		Electric
21	Teller Power Co.		Electric
22	Fort Yukon Utilities		Electric
23	Manley Utility Co., Inc.		Electric
24	Northern Power & Engineering Corp.		Electric
25	Tanana Power Company		Electric
26	Bettles Light & Power		Electric
27	Alaska Village Electric Coop.		Electric

<u>ID</u>	<u>UTILITY</u>	<u>GROSS REVENUE</u>	<u>TYPE</u>
28	AMFAC Foods, Inc.		Electric
29	Tlingit-Haida Regional Elect. Authority		
30	Circle Electric		Electric
31	Golden Valley Elect. Assoc., Inc.		Electric
32	Haines Light & Power		Electric
33	Cordova Electric		Electric
34	AGAS	35,166,237	GAS
35	KUSCO	761,747	GAS
36	Greatland	513,528	Telephone
37	ATU	46,800,241	Telephone
38	Gabtel	129,355	Telephone
39	National Telephone	516,970	Telephone
40	OTZ Telephone Coop.	808,321	Telephone
41	General Telephone	4,210,599	Telephone
42	Copper Valley Telephone	2,218,988	Telephone
43	Interior Telephone	1,740,733	Telephone
44	NTA	7,168,466	Telephone
45	Alascom	150,797,429	Telephone
46	Nushagak	589,589	Telephone
47	Sitka	2,253,140	Telephone
48	Juneau Douglas Telephone	8,131,895	Telephone
49	GSTC	16,208,462	Telephone
50	United Utilities	222,266	Telephone
51	Cordova Telephone		Telephone
52	Girl Friday		Telephone
53	Bristol Bay Telephone Comm.		Telephone
54	Yukon Telephone Co.		Telephone

<u>ED</u>	<u>UTILITY</u>	<u>GROSS REVENUE</u>	<u>TYPE</u>
55	Whittier Telephone Co.		Telephone
56	Communications Engineering, Inc.		Telephone
57	ASTAC		Telephone
58	Thorne Bay	20,175	Cable TV
59	B-C Cable	1,039,000	Cable TV
60	Sitka	471,631	Cable TV
61	KATV	797,200	Cable TV
62	Port Lions General Store		Cable TV
63	ASRC Communications		Cable TV
64	KCCS TV Cable		Cable TV
65	Kotzebue TV Cable		Cable TV
66	Bethel Cablevision		Cable TV
67	Cordova Cable System, Inc.		Cable TV
68	WPTV, Inc.		Cable TV
69	Capital Cable Vision		Cable TV
70	Nome TV Cable, Inc. & KOTV, Inc.		Cable TV
71	Skagway Network Television		Cable TV
72	Eklutna	2,023	Water
73	Settlers Bay	904	Water
74	Salmantoff	480	Water
75	CAU	2,600,198	Water
76	College	478,723	Water
77	S & S	81,822	Water
78	Valley	48,904	Water
79	Pelican Utility Co.		Water
80	Robert Lee Stewart		Water
81	Romig Park Dev.		Water

	<u>UTILITY</u>	<u>GROSS REVENUE</u>	<u>TYPE</u>
82	Sunny Slopes		Water
83	Dawn Development		Water
84	Equitable Inc.		Water
85	Matanuska Utility Co.		Water
86	College	352,118	Sewer
87	Far North Sanitation	622,103	Garbage
88	Carver	120,456	Garbage
89	Carney	69,803	Garbage
90	J.D. Refuse	11,730	Garbage
91	N.S. Borough	198,910	Garbage
92	Kodiak Sanitation	280,000	Garbage
93	Tongass	196,883	Garbage
94	Peninsula Sanitation	365,984	Garbage
95	Dillingham Refuse	36,335	Garbage
96	Eagle River Refuse	206,441	Garbage
97	Anchorage Refuse	3,717,674	Garbage
98	Copper Valley Const. Co.	34,274	Garbage
99	Anderson Garbage		Garbage
100	Lando Collection & Disposal		Garbage
101	Yakutat Disposal		Garbage
102	Eagle River Hts. Utilities, Inc.		Garbage
103	Seward Service		Garbage
104	Allan W. Duke		Garbage
105	Drakes Sanitation		Garbage
106	March Disposal		Garbage
107	Interior Service		Garbage
108	David R. Shelbourne		Garbage

ID UTILITY

GROSS REVENUE

TYPE

109 Patterson Sanitation & Refuse

Garbage

110 Anchorage Refuse, Inc.

Garbage



Alaska State Legislature

House of Representatives

Committee on Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

Chris -
Call Sen. Sturgalewski
& give her full assistance
Thanks - *Brad*

Dec. 10, 1979

FOR IMMEDIATE RELEASE

Commerce Committee to begin "Sunset Review" of APUC

Rep. Fred Brown, Chairman of the House Commerce Committee announced today that joint hearings between the House and Senate Commerce Committees would be held on the "Sunset Review" of the Alaska Public Utilities Commission.

"We will be convening at the Anchorage Legislative Information Office at 11:00 A.m., December 17 to take public, industry and regulated utility testimony on the Legislative Audit of the Commission," Brown said.

Use of the Legislative Teleconference Network is planned for Fairbanks, Anchorage and Juneau. Other sites may be activated as demand warrants.

"There are significant areas of public policy involved in this review, not the least of which is the possible transfer of some utility authority from the state to local government entities. Further the audit recommends the combination of the Commission with the Alaska Transportation Commission and the Pipeline Commission,

State Senator Arliss Sturgelewski, of Anchorage, Vice-Chair of the Senate Commerce Committee will preside along with Brown.

The committee is seeking preliminary testimony from groups affected by the APUC regulatory authority, as a first step to the formal hearings planned during the legislative session in Juneau.

Persons wishing to testify are urged to obtain copies of the audit report titled A Performance Review of the Alaska Public Utilities Commission, dated August 1, 1979. This report is available from the Division of Legislative Audit, Pouch W, Juneau, Alaska 99811, State Legislative Information Offices, and is on file with the Public Utilities Commission, and may be reviewed during regular business hours.

For further information, contact the House Commerce Committee, P. O. Box 1370, Fairbanks, Alaska 99707, Attention: Allen D. Blume, or telephone 456-8370. In Anchorage, contact Christian Basler, 1016 W. Sixth Ave., Suite 201, telephone 278-1581.



KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669
PHONE 262-4441

DON GILMAN
MAYOR

April 22, 1980

Fred Brown, Chairman
House Commerce Committee
Pouch V
Juneau, Alaska 99811

W. E. Bradley, Chairman
Senate Commerce Committee
Pouch V
Juneau, Alaska 99811

Re: Alaska Public Utilities Commission;
Sunset Bill Hearings

Dear Chairmen Brown and Bradley:

In connection with the Sunset Bill hearings regarding the Alaska Public Utilities Commission, it is my understanding that a proposal has been made that municipal corporations split the jurisdiction over certain truckers, namely solid waste haulers and carriers, with the Alaska Public Utilities Commission.

As I understand it, the Alaska Public Utilities Commission would act in an appellate capacity on appeal from the municipal corporation's legislative body.

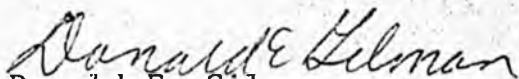
This is to advise you that the Kenai Peninsula Borough is strongly opposed to any such split jurisdiction because it not only creates another layer of government regulation, but more importantly it places the primary jurisdiction to regulate these carriers in the municipal corporation which has neither the expertise nor the administrative set up nor the budget to undertake this highly technical regulation. It would take considerable amount of investigation and the establishment of other

Fred Brown, Chairman
W. E. Bradley, Chairman

April 22, 1980
Page 2-

machinery in order to effectuate such primary jurisdiction at the municipal level. In view of the highly specialized nature of this matter of regulating private enterprise, the Alaska Public Utilities Commission must either be permitted to exercise efficient and qualified expertise, and resume its lawful jurisdiction, but this attempt to split the regulation between jurisdictions would only be duplicative, cost inefficient and a pragmatic approach which would further compound the problem and not assist it in anyway.

Yours very truly,


Donald E. Gilman
Borough Mayor

DEG/tb

"AN ACT CONTINUING THE EXISTENCE OF THE ALASKA PUBLIC UTILITIES COMMISSION AND AMENDING THE STATUTES RELATING TO ITS RESPONSIBILITIES; AND PROVIDING FOR AN EFFECTIVE DATE"

1. THIS BILL IS THE RESULT OF THE "SUNSET" REVIEW LEGISLATION AS 44,66.010 AND 44,66.050.
2. THIS BILL PROVIDES FOUR NEW EXEMPTIONS FROM ECONOMIC REGULATION BY THE APUC:

(A) THE FIRST EXEMPTION IS AVAILABLE TO ALL UTILITIES AND PROVIDES FOR RATE DEREGULATION FROM THE APUC. THE TELEPHONE AND ELECTRIC UTILITIES WITH GROSS REVENUES OF UP TO \$250,000 AND ALL OTHER UTILITIES WITH GROSS REVENUES OF UP TO \$100,000 HAVE THE OPTION OF POLLING THEIR SUBSCRIBERS ONCE EVERY 2 YEARS BY A BALLOT PROCEDURE.

A BALLOT MAY BE INITIATED BY THE UTILITY OR BY A PETITION OF 10 PERCENT OR MORE OF ITS SUBSCRIBERS. TO ELECT AN EXEMPTION, 51 PERCENT OF THOSE ELIGIBLE TO VOTE MUST VOTE AND A MAJORITY OF THOSE VOTES MUST BE FOR AN EXEMPTION.

(B) THE SECOND EXEMPTION IS FOR ELECTRIC AND TELEPHONE COOPERATIVES. THESE ORGANIZATIONS MAY ELECT ECONOMIC DEREGULATION BY THE SAME BALLOT PROCEDURES ALREADY MENTIONED FOR THE UTILITIES.

(C) THE THIRD EXEMPTION IS FOR ECONOMIC DEREGULATION FOR CABLE TELEVISION, WHICH IS PRESENTLY EXEMPTED FROM REGULATION BY APUC, BUT WILL BE REVIEWED PRIOR TO JULY 1, 1983. IF THE LEGISLATURE FAILS TO EXTEND THE EXEMPTION PRIOR TO THAT DATE, CABLE TELEVISION THEN WILL BE REGULATED BY APUC.

IN EACH OF THESE THREE CASES, THE EXEMPTION IS FROM

ECONOMIC REGULATION BY THE APUC, BUT CERTIFICATION WILL REMAIN WITH APUC.

(D) THE FOURTH EXEMPTION IS FOR REFUSE UTILITIES. THIS EXEMPTION WILL ALLOW EITHER APUC OR THE MUNICIPALITY TO REGULATE RATES AND BE RESPONSIBLE FOR CERTIFICATION. *franchises* HOWEVER, A REFUSE UTILITY THAT IS COMPLETELY OUTSIDE THE BOUNDARIES OF A MUNICIPALITY WILL BE REGULATED BY THE APUC.

3. THESE CHANGES IN THE STATUTE HAVE THE CONCURRENCE OF THE APUC, DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS, AND ALL UTILITIES INVOLVED.
4. MR. PRESIDENT, I RECOMMEND CONTINUING THE EXISTENCE OF THE APUC AND AMENDING ITS RESPONSIBILITIES AS I HAVE SUMMARIZED AND WHICH ARE EXPLAINED IN DETAIL IN THE SECTION-BY-SECTION ANALYSIS PLACED ON YOUR DESK YESTERDAY.

APUC

MR. CHAIRMAN - MEMBERS OF THE COMMITTEE. MY NAME IS ROY PASCHAL. THANK YOU FOR THE OPPORTUNITY TO TESTIFY TODAY. I APPEAR AS PRESIDENT OF THE ALASKA CABLE TELEVISION ASSOCIATION. °

WE ARE OPPOSED FIRST OF ALL TO COMBINING THE PUBLIC UTILITIES COMMISSION WITH SEVERAL OTHER COMMISSIONS THAT PRESENTLY REGULATE OTHER INDUSTRIES. THE EXPERTISE THE PRESENT VARIOUS PUBLIC UTILITIES COMMAND FROM THE ALASKA PUBLIC UTILITIES COMMISSION IS SPREAD THIN ENOUGH NOW AND TO EXPAND THE FIELDS COVERED BY THE COMMISSION WOULD APPEAR TO ONLY REDUCE EFFICIENCY.

WE ARE OPPOSED TO COMPLETE REMOVAL OF ALASKA PUBLIC UTILITIES COMMISSION REGULATION FROM CABLE TELEVISION. ALTHOUGH CABLE DOES NOT IN TRUTH MEET THE CRITERIA OF A TRUE PUBLIC UTILITY THERE ARE ASPECTS OF THIS BUSINESS THAT ARE BETTER COORDINATED BY A STATEWIDE BODY THAN ON A LOCAL LEVEL. THE MAIN ONES ARE THOSE OF ALLOCATION OF SERVICE AREAS AND SETTING STANDARDS OF PERFORMANCE. THEREFORE WE ARE OPPOSED TO COMPLETE REMOVAL OF ALASKA PUBLIC UTILITIES COMMISSION REGULATIONS.

CABLE IS ONLY PARTIALLY REGULATED TODAY IN ALASKA. FEDERAL LAW HAS PREVENTED THE ALASKA PUBLIC UTILITIES COMMISSION FROM REGULATING "PREMIUM" SERVICES, SUCH AS HBO, SHOWTIME, MADISON SQUARE GARDEN, ETC.

WE DO BELIEVE THAT REMOVING RATE REGULATION IS IN THE PUBLIC INTEREST. IT HAS BEEN NECESSARY TO GO THROUGH A VERY COMPLICATED, LENGTHY AND EXPENSIVE ACCOUNTING AND LEGAL PROCEDURE TO OBTAIN RATE INCREASES THAT WERE VERY EVIDENTLY NEEDED SIMPLY BY LOOKING AT THE FINANCIAL STATEMENTS. IT WAS NECESSARY TO COMPLETELY RE-DO THE ACCOUNTING SYSTEMS, ONES THAT WERE ACCEPTABLE TO THE IRS BUT NOT TO THE ALASKA PUBLIC UTILITIES COMMISSION.

JUST TO PAY FOR THE RATE CASES AMOUNTED TO APPROXIMATELY A 7 1/2 PERCENT INCREASE TO EACH SUBSCRIBER, AND THIS PERCENTAGE WOULD INCREASE DRASTICALLY AS THE SYSTEM DECREASES IN SIZE. WE BELIEVE THE MARKET PLACE WOULD HOLD CABLE TV RATES TO A REASONABLE AMOUNT BETTER THAN REGULATION. TO THE BEST OF OUR KNOWLEDGE EVERY SINGLE CABLE TV RATE INCREASE THAT HAS BEEN REQUESTED FROM THE ALASKA PUBLIC UTILITIES COMMISSION HAS EVENTUALLY BEEN GRANTED TO WITHIN A FEW CENTS PER MONTH OF THE REQUEST. IN MOST CASES IF THE FULL RATE REQUESTED HAD BEEN GRANTED SERVICE WOULD HAVE BEEN EXPANDED AND AT AN EARLIER DATE.

IN CONCLUSION WE SUGGEST:

1. THE ALASKA PUBLIC UTILITIES COMMISSION NOT BE MERGED WITH ANY OTHER COMMISSION.
2. THAT THE ALASKA PUBLIC UTILITIES COMMISSION CONTINUE TO REGULATE CABLE TV IN ISSUANCE OF CERTIFICATES OF PUBLIC CONVENIENCE AND TO DETERMINE AREAS OF SERVICE.
3. CONTINUE AS A "WATCHDOG" OVER PUBLIC COMPLAINTS ABOUT SERVICE WITH THE POWER TO LEVY CIVIL PENALTIES AND REMOVE CERTIFICATES.
4. ELIMINATE ECONOMIC REGULATION.

I ESTIMATE THE ELIMINATION OF ECONOMIC REGULATION OF CABLE TV WOULD REDUCE THE PORTION OF THE ALASKA PUBLIC UTILITIES COMMISSION BUDGET ALLOCATED TO CABLE TV BY 95 PERCENT.

ELIMINATION OF ECONOMIC CONTROLS WOULD SAVE CUSTOMERS "PASSED ALONG COSTS" OF EXPENSIVE AND UNNECESSARY RATE HEARINGS.

WE ARE MORE THAN WILLING TO WORK WITH THE COMMITTEE IN DRAFTING
PROPOSED LEGISLATION AND OFFER ANY ASSISTANCE THAT THE COMMITTEE OR STAFF
MIGHT REQUIRE.

THANK YOU AGAIN FOR THIS OPPORTUNITY TO TESTIFY.

Box 1081
Petersburg, Ak 99833
13 Mar 1980

Senator Bradley
Senate Commerce Committee
Pouch V
Juneau, AK 99811


Dear Senator Bradley;

I wish to comment on the actions or rather non-actions of the
Alaska Public Utilities Commission.

Over one month ago I sent a letter to the Chairman of the Commission
expressing my concern over the way the commission allowed Alascom
to refund the excess rate increases.

So far I have not even received an acknowledgement of receipt from
the commission. On Capitcl 80 I saw some of their replies to
questions from the public and surely financial constraints cannot
be so pressing that a letter of reply is too costly.

The reason that I wrote to the commission is that at least two weeks
of January has gone past before I was informed about the "Great
consumer refund" policy which Alascom was allowed. Lower phone rates
in Alaska during the months of January and February. If I had not
accidentally bought a paper I would not have known about the refund
at all. At the very least the commission should have made Alascom
wait until it had informed the public via our usual monthly bills.
I felt that the very secretive way Alascom was allowed to refund
to its customers did not benefit the public at all. I thought one
of the commissions duties was to safeguard the interests of the public.

Sincerely yours,

Timothy Osborne

APUC SUNSET REVIEW

CERTIFICATION:

Before a utility may operate in the State of Alaska application for a Certificate of Public Convenience and Necessity must be made to the APUC as prescribed in AS 42.05.221 - 281. The Commission reviews the application and may reject, modify, or award a Certificate to the applicant. The Certificate may be as broad or as specific as the Commission chooses to issue and this is stated on the face of the Certificate.

AS 42.05 is quite specific as to the types of endeavors that are classified as utilities. Although, CATV is not mentioned in the statute the definition of telecommunications (AS 42.05.701 (2A and 8) states; "the transmission and reception of messages, impressions, pictures and signals by means of electricity." This clearly indicates that CATV meets the criteria of an utility and is subject to the provisions of AS 42.05.221 (Certification) to protect the public interest.

Therefore, the APUC may judge the qualifications of an operator on criteria established by the Commission. Due to the fact that the language used on the face of the Certificate, is prescribed by the Commission, an operator is subject to that criteria. Since no utility may operate without a Certificate the APUC has ultimate control as to the qualifications of an operator.

In other language contained in AS 42.05.221 - 281 no Certificate may be transferred without making application to the Commission. Once again, the APUC has complete control over new or existing services.

Since such a structure is in place to protect the public interest it does not make sense to remove the Certification of CATV from the APUC who is best equipped to handle it.

RATE REGULATION:

It is interesting to note that the language contained in AS 42.05 (Ch 113 SLA 1970) is permissive vs. mandatory regarding the regulation of utilities. The rate regulation and proceedings have evolved through regulations adopted and decrees of the Commission. Since the rate proceedings have become more complicated, during this evolution, they have also become longer and more costly. After the passage of ten (10) years, since the enabling legislation (SCSCS HB 202 am (S); CSHB 202 am, passed the House 30-7-3, April 9, 1969; SCSCSHB 202 am (S), passed the Senate 16-4, April 22, 1970; the House concurred in the Senate amendment) it is appropriate that the Legislative Audit and the Legislature's Sunset Review of the APUC is under consideration.

Rate deregulation of the Cable TV industry is an interesting concept due to the fact that an operators revenues are divided

between regulated rates and non-regulated rates and that may vary from a 20% - 80% split to a 50% - 50% split. Thus, two systems with gross receipts annually of \$1,000,000 may be broken down as follows:

System J	
Gross Receipts	\$1,000,000
80% non-regulated	\$800,000
20% regulated	\$200,000

System K	
Gross Receipts	\$1,000,000
50% non-regulated	\$500,000
50% regulated	\$500,000

This indicates a disparity of \$300,000 of revenue on regulated rates when the actual reason for the difference is purely economics based on aggressive marketing and the variety in programming offered to the public and to the public's taste in viewing matter.

Another factor of economics that applies, is that the cost of a rate proceeding is passed through to the consumer. This is by decree of the APUC. An example would be that the operator of system "K" feels that due to economic conditions (i.e. renegotiated labor contracts, increase in energy costs, inflation, etc.) a rate increase of \$1.00 per month per subscriber is in order. He makes application to the Commission for this increase and the proceedings goes forth. With the time involved and the special consultants, auditors and legal counsel the pass through, varies but, could make the increase granted \$1.50 per month or a 50% increase over the original request and/or higher. This 50% is not reflective of expanded or improved service but just the cost of the rate proceeding that the consumer must pay.

Rate deregulation would save the consumer the cost of the proceeding and would let the economic conditions and consumer demand establish the rate charged for service provided. In most cases this would mean no increase or an increase that would be less than in the regulated circumstance. Under the regulated rate structure there is not a difference in proceedings according to the size of the operator's system. Thus, the system in a small community is subject to the same proceeding as a system in a large metropolitan area. And the small system may be less able to afford the cost as would the larger operator.

CONCLUSIONS:

It could be concluded that the public interest is best served by the APUC retaining the function of Certification and evaluating the operators and systems qualifications and rate deregulation to eliminate the disparity of controlled vs. noncontrolled revenues and the added expense to the consumer of the rate proceeding. It should be noted that the controlled and noncontrolled rates are first subject to the approval of the

FCC and this circumstance exists because of an order by the FCC.

Applying this set of criteria to the Cable TV industry would allow the APUC full control over the operation of a system, through its authority under AS 42.05, and allow the market place, through economic conditions, to establish the rate. Provision should be made that after a period of time (3 to 5 years) the Legislature (perhaps through Legislative Audit) have an overview of the Commission and the industry to evaluate the workings of these circumstances and offer a further check and balance.

Another benefit would be the cost saving to the Commission. Those public funds (now used for rate regulation) could be applied to other functions, that APUC is charged with, and staff time would be available for other purposes.

In conclusion it is noted that AS 42.05 is specific in definition and procedure for Certification of a cable system where as the rate regulation provisions are not as specific and the public would be best served by rate deregulation of Cable TV by the Legislature.

APUC: Alaska Public Utilities Commission

Commission: APUC

CATV: Community Antenna Television

FCC: Federal Communications Commission

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 26, 1980

SUBJECT: SB ⁵⁷⁷~~556~~ - APUC Sunset Legislation

TO: Senate Commerce Committee
ATTN: Frank Lee

FROM: Thomas A. Sofo
Legislative Counsel *TAS*

Under the most recent version of this bill, those utilities which might be exempted from APUC regulation by an amendment to AS 42.05.711 (pp. 5 and 6) are potentially exposed to municipal regulation by virtue of an existing statute, AS 29.-48.060. If further review of this area convinces you that municipal regulation, or the potential thereof, is undesirable, the following amendment should be offered:

page 3, line 4:

Insert "or exempt under AS 42.05.711(e) - (h)"
after "AS 42.05".

TAS:jdn

APUC

(SEN. BRADLEY)



Official Business

Alaska State Legislature

Senate

Committee on Commerce

March 13, 1980

Pouch V
State Capitol
Juneau, Alaska 99811

The Honorable Clem Tillion
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Your Senate Commerce Committee has had under consideration for "Sunset" review the Alaska Public Utilities Commission, pursuant to your referral under AS 44.66.010 and AS 44.66.050.

In accordance with the statutory requirements, a public hearing was held on the review of this commission. An additional hearing was held on March 13, 1980, as the Committee Chairman had been notified that additional witnesses wished to testify regarding the Alaska Public Utilities Commission.

Guided in part by the report prepared by the Legislative Audit Division, the Committee took into consideration the factors required under AS 44.66.050(c).

Your Commerce Committee thereby makes the following findings:

The Committee finds some merit in recommendation number one which recommends that the Alaska Public Utilities Commission, the Alaska Transportation Commission and the Alaska Pipeline Commission should be combined into a single regulatory commission. However, this will require considerable further study. The Committee finds it is not in the public's interest to do so at this time.

In recommendation number two, the Legislative Audit Division recommends that AS 42.05 should be amended to allow the Alaska Public Utilities Commission to cease all certification and regulation of cable television. The Committee does not concur. Cable systems in Alaska, particularly in the remote areas, do not serve a mere entertainment function. Cable television in some areas of Alaska is the only source of information and entertainment. It is felt that regulation

should continue in these areas. In urban areas, where alternative forms of entertainment and information are available, the Committee agrees that certification and regulation may not be necessary. Recent legislation passed in the state of California provides a formula that the Committee believes will, with modification, provide for deregulation of the cable systems in major urban areas of Alaska while providing regulatory protection for Alaska's rural population.

Recommendation number three asks that AS 42.05 should be amended to allow the Alaska Public Utilities Commission to cease certification and regulation of those utilities furnishing collection and disposal service of garbage, refuse, trash and other waste materials. In both the Legislative Audit Report and the public hearing, the reason most often heard for this deregulation was that "We don't have the staff to do this." An assertion is made in the Performance Review that the refuse industry is not capital intensive and that competition in this industry would not be as detrimental to the public's interest as competition among more capital intensive industries.

However, it has also been argued to the Committee that there should be some limited activity by the Alaska Public Utilities Commission in this area. Contentions have been made in favor of the Commission having appellate authority over local government units which may assume the regulatory function; and it has also been argued that the APUC be allowed to have jurisdiction "by consent," when a municipality and a utility have both agreed to that jurisdiction. While the Committee tends to agree with the recommendations of the Legislative Auditor about deregulation in this area it will consider these arguments about very limited jurisdiction during the preparation of the Committee's legislation.

Recommendation number four asks that AS 42.05 be amended to allow nonprofit telephone and electric cooperatives to petition for withdrawal from APUC economic regulation. It further recommends that the membership of the cooperatives, by a vote of a majority of the members, be given an opportunity on a utility by utility basis to determine whether their cooperative should remain under APUC regulation. The Committee finds several problems in considering deregulation of the

cooperatives. One, as pointed out by the Performance Review, is the large number of consumer complaints received by the APUC against cooperatives. The second, which was brought out in public hearing, is that the annual meetings of the cooperative associations have a less than representative number of members present. Before the Committee can consider deregulation of the utilities by vote of the membership, the Committee would have to be assured that the vote in fact represented a majority of the actual members as opposed to a majority of the members present at any given annual meeting, or that similar safeguards are provided.

With this modification, the Committee's legislation will reflect this recommendation.

The Committee in general concurs with recommendation number five that asks that AS 42.05 be amended to exempt from economic regulation all utilities with annual gross revenues not exceeding \$100,000. We agree with the Legislative Audit Division that the cost of regulation "on a percentage basis" to a small utility may outweigh the potential benefits. However, when considering regulation of a utility we must look not only to the cost factor but also to the factors of public safety that are involved. Many of these small utilities provide vital needs to communities, for instance, water utilities. The Committee while including deregulation for these utilities in its legislation, will attempt to include some triggering device that would submit the utility to regulation if serious consideration of public health and safety should warrant such action.

The Committee concurs with recommendation number six that the statutes and regulations governing the Alaska Public Utilities Commission should be revised, and will work with the Commission to accomplish this.

The Committee concurs with recommendation number seven that salary levels for the professional and technical support staff should be upgraded. If salaries are not competitive with private industry in Alaska, we cannot expect qualified personnel to work for the APUC on an extended basis: The Commission will only become a training ground for industry.

The Committee concurs with recommendation number eight that the APUC should implement a time management system. We

The Honorable Clem Tillion
March 13, 1980
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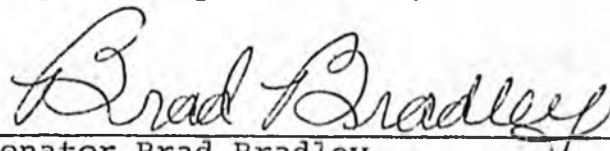
were informed during the public hearing that new concepts are being implemented by the Executive Director and the situation is improving. If this is accomplished within a reasonable length of time, no legislative action will be necessary.

Recommendations number nine, ten, and eleven address "housekeeping" functions of the APUC. It is our understanding, as a result of testimony by the Alaska Public Utilities Commission, that action is being taken on these recommendations. If this action proceeds in a timely manner, it is felt that no legislative action will be necessary in this area.

Recommendation number twelve urges that the Office of the Governor keep the appointment of the Chairman of the Alaska Public Utilities Commission current. Complaints that the Office of the Governor has been slow in making appointments to boards and commissions have appeared often in the Performance Reviews. It is hoped that the Governor's Office will make timely appointments to boards and commissions in the future.

Corresponding legislation will be introduced soon to accomplish the goals of this report.

Respectfully submitted,



Senator Brad Bradley
Chairman
Senate Commerce Committee

BB:jss

1 for authority to acquire a controlling interest in RCA Alaska
2 Communications, Inc., is changed from the hearing room in
3 the Commission's Office, 1100 MacKay Building, 338 Denali
4 Street, Anchorage, to Courtroom "K" (Room 201), George Boney
5 Memorial Building, 303 "K" Street, Anchorage, Alaska. The
6 time and date of the hearing are not changed by this Order.
7 DATED AND EFFECTIVE at Anchorage, Alaska, this 7th day of
8 March, 1979.

9 BY DIRECTION OF THE COMMISSION
(Commissioner Carolyn S. Guess not participating)

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ALASKA PUBLIC UTILITIES COMMISSION
1100 MACKAY BUILDING
338 DENALI STREET
ANCHORAGE, ALASKA 99501
PHONE 276-0222

U-78-11(2)
Page 2
(S E A L)



STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners: Gordon J. Zerbetz, Chairman
 Marvin R. Weatherly
 Carolyn S. Guess
 Susan M. Knowles
 Stuart C. Hall

In the Matter of the Application)
of PACOM, INC., a Wholly Owned) U-79-11
Subsidiary of PACIFIC POWER &)
LIGHT COMPANY for Authority to)
Acquire a Controlling Interest)
in RCA ALASKA COMMUNICATIONS, INC.)
_____)

CERTIFICATION OF MAILING

Sandra S. Thomas certifies as follows:

That I am Clerk Typist III in the offices of the Alaska Public Utilities Commission, 1100 MacKay Building, 338 Denali Street, Anchorage, Alaska 99501.

That on the 8th day of March, 1979, I mailed true and accurate copies with postage thereon to the parties indicated on the attached service list of

ORDER NO. 2

ORDER CHANGING HEARING LOCATION

in the above entitled cause.

DATED at Anchorage, Alaska, this 8th day of March, 1979.

Sandra S. Thomas

Service List

U-79-11

Robert E. Stoller, Esq.
1100 MacKay building
338 Denali Street
Anchorage, Alaska 99501

Richard O. Gantz, Esq.
RCA Alaska Communications, Inc.
509 West Third Avenue
Anchorage, Alaska 99501

COURTESY LIST

B. Richard Edwards, Esq.
310 K Street, Suite 511
Anchorage, Alaska 99501

Roger R. Kemppe, Esq.
420 L Street, Suite 402
Anchorage, Alaska 99501

James P. Love
AKIPIRG
P.O. Box 1093
Anchorage, Alaska 99510

Andrew E. Hoge, Esq.
3201 C Street, Suite 706
Anchorage, Alaska 99503

Lucinda McBurney
Margie MacNeille
A.L.S.S.C.
524 W. 6th Avenue, Suite 204
Anchorage, Alaska

Carl Wayn Smith
Defense Communications Agency
Office of the counsel
Code 105
9th Street, s. & S. Courthouse Rd.
Arlington, Virginia 22204

PACOM, Inc.
920 S.W. Sixth Avenue
Portland, Oregon 97204

The Honorable Jim Duncan
Pouch V
Juneau, Alaska 99811

The Honorable Mike Miller
Pouch V
Juneau, Alaska 99811

The Honorable Margaret Branson
Pouch V
Juneau, Alaska 99811

Rural Cap.
327 Eagle Street
Anchorage, Alaska 99501

The Honorable Pat Carney
Pouch V
Juneau, Alaska 99811

AFN Telecommunications Committee
c/o Paul Sherry
Tanana Chiefs Conference
Doyon Bldg.
First & Hall
Fairbanks, Alaska 99701

The Honorable Mike Beirne
Pouch V
Juneau, Alaska 99811

The Honorable Oral Freeman
Pouch V
Juneau, Alaska 99811

The Honorable Russ Meekins, Jr.
Pouch V
Juneau, Alaska 99811

The Honorable Terry Gardiner
Pouch V
Juneau, Alaska 99811

The Honorable Bill Miles
Pouch V
Juneau, Alaska 99811

The Honorable Ernie Hargen
Pouch V
Juneau, Alaska 99811

The Honorable Bill Parker
Pouch V
Juneau, Alaska 99811

The Honorable Richard Eliason
Pouch V
Juneau, Alaska 99811

The Honorable Sam Cotten
Pouch V
Juneau, Alaska 99811

The Honorable Randy Phillips
Pouch V
Juneau, Alaska 99811

Courtesy List (Cont.)

The Honorable Rich Halford
Pouch V
Juneau, Alaska 99811

the Honorable Terry Martin
Pouch V
Juneau, Alaska 99811

the Honorable Thelma Burchholdt
Pouch V
Juneau, Alaska 99811

The Honorable Joe McKinnon
Pouch V
Juneau, Alaska 99811

The Honorable C.V. Chatterton
Pouch V
Juneau, Alaska 99811

The Honorable Ramano Barnes
Pouch V
Juneau, Alaska 99811

The Honorable Ray Metcalf
Pouch V
Juneau, Alaska 99811

The Honorable Joyce Munson
Pouch V
Juneau, Alaska 99811

the Honorable Joe Hayes
Pouch V
Juneau, Alaska 99811

The Honorable Joe Montgomery
Pouch V
Juneau, Alaska 99811

The Honorable Hugh Malone
Pouch V
Juneau, Alaska 99811

The Honorable Pat O'Connell
Pouch V.
Juneau, Alaska 99811

The Honorable Fred Zharoff
Pouch V
Juneau, Alaska 99811

The Honorable Alvin Osterback
Pouch V
Juneau, Alaska 99811

The Honorable Nels Anderson, Jr.
Pouch V
Juneau, Alaska 99811

The Honorable Phillip Guy
Pouch V
Juneau, Alaska 99811

The Honorable Vernon Hurlbert
Pouch V
Juneau, Alaska 99811

The Honorable Hoyt Moss
Pouch V
Juneau, Alaska 99811

The Honorable Robert Bettisworth
Pouch V
Juneau, Alaska 99811

The Honorable Fred Brown
Pouch V
Juneau, Alaska 99811

The Honorable Charlie Parr
Pouch V
Juneau, Alaska 99811

The Honorable Richard Randolph
Pouch V
Juneau, Alaska 99811

The Honorable Brian Rogers
Pouch V
Juneau, Alaska 99811

The Honorable Sarah Smith
Pouch V
Juneau, Alaska 99811

The Honorable Leo Schaeffer, Jr.
Pouch V
Juneau, Alaska 99811

The Honorable Jack Fuller
Pouch V
Juneau, Alaska 99811

The Honorable Robert Ziegler
Pouch V
Juneau, Alaska 99811

The Honorable Pet Meland
Pouch V
Juneau, Alaska 99811

The Honorable Bill Ray
Pouch V
Juneau, Alaska 99811

The Honorable Jalmar Kerttula
Pouch V
Juneau, Alaska 99811

Courtesy List (Cont.)

The Honorable Terry Stimson
Pouch V
Juneau, Alaska 99811

The Honorable Bill Sumner
Pouch V
Juneau, Alaska 99811

The Honorable W.E. Bradley
Pouch V
Juneau, Alaska 99811

The Honorable Tim Kelley
Pouch V
Juneau, Alaska 99811

The Honorable Arlis Sturgulewski
Pouch V
Juneau, Alaska 99811

The Honorable Patrick Rodey
Pouch V
Juneau, Alaska 99811

The Honorable Mike Colletta
Pouch V
Juneau, Alaska 99811

The Honorable Ed. Dankworth
Pouch V
Juneau, Alaska 99811

The Honorable Clem Tillion
Pouch V
Juneau, Alaska 99811

The Honorable Bob Mulcahy
Pouch V
Juneau, Alaska 99811

The Honorable George Hohman
Pouch V
Juneau, Alaska 99811

The Honorable John Sackett
Pouch V
Juneau, Alaska 99811

The Honorable Glenn Hackney
Pouch V
Juneau, Alaska 99811

The Honorable Don Bennett
Pouch V
Juneau, Alaska 99811

The Honorable Bettyr Farhenkamp
Pouch V
Juneau, Alaska 99811

The Honorable Frank Ferguson
Pouch V
Juneau, Alaska 99811

Sitka Telephone Company
P.O. Box 257
Sitka, Alaska 99835

United Utilities, Inc.
P.O. Box 4-2730
Anchorage, Ak. 99509

Whittier Telephone Co.
3025 E. Tudor Road
Anchorage, Alaska 99507

James Clifton Eller d/b/a
Yukon Telephone Co.
P. O. Box 96
Tanana, Alaska 99777

Alaska Power & Telephone Co.
P. O. Box 222
Port Townsend, WA 98368

Interior Telephone Co.
508 W. 6th Avenue
Anchorage, Alaska 99501

Bristol Bay Telephone Communications
Cooperative, Inc.
P.O. Box 36
Naknek, Alaska 99633

Bush-Tell, Incorporated
P. O. Box 508
Aniak, Alaska 99557

Capitol Communications, Inc.
139 W. Second Street
Juneau, Alaska 99801

Communications Engineering, Inc.
P. O. Box 89190
Anchorage, Alaska 99508

Communication Equipment & Svc. Corp.
1010 College Road
Fairbanks, Ak. 99701

Continental Telephone Svc. Corp.
P. O. Box 5246
Bakersfield, CA 93308

Continental Telephone Corp.
1621 114th Ave., S.E., Suite 210
Bellevue, WA 98004

Copper Valley Telephone Cooperative, Inc.
P. O. Box 337
Valdez, Alaska 99686

Fairbanks Municipal Utilities System
P.O. Box 2215
Fairbanks, Alaska 99707

General Telephone Company of Alaska
8625 Evergreen Way, Suite 102
Everett, WA 98206

Girl Friday, Inc. d/b/a/
Girl Friday Communications
600 Hughes Street
Fairbanks, Alaska 99701

Glacier State Telephone Co.
909 West 9th Avenue, Suite 340
Anchorage, Alaska 99501

Wire Communications, Inc. d/b/a/
Greatland Telephone
4134 Ingra Street
Anchorage, Alaska 99504

Greater Anchorage Borough
Telecommunications Company
308 G Street - Central Building
Anchorage, Alaska 99501

Interior Telephone Co.
508 W. 6th Avenue
Anchorage, Alaska 99501

Juneau & Douglas Telephone Co.
909 West 9th Avenue, Suite 340
Anchorage, Alaska 99501

Ketchikan Public Utilities, City of
Ketchikan
P. O. Box 7300
Ketchikan, Alaska 99901

Matanuska Telephone Association, Inc.
P.O. Box 1388
Palmer, Alaska 99645

Mukluk Telephone Co., Inc.
No. 2, Front Avenue
Teller, Alaska 99778

National Utilities, Inc.
P. O. Box 222
Port Townsend, WA 98368

Nushagak Telephone Coop., Inc.
P.O. Box 197
Dillingham, Alaska 99576

OTZ Telephone Coop., Inc.
P. O. Box 324
Kotzebue, Alaska 99752

HOUSE RESEARCH AGENCY
Pouch Y - State Capitol
Juneau, Alaska 99811
465-3991

MEMORANDUM

March 5, 1980

TO: Representative Fred Brown
FROM: Elaine Mitchell, Research Analyst *Em*
RE: California Deregulation of Cable TV
Research Request No. 83

Background

California Assembly Bill 699 was signed into law September 28, 1979, deregulating cable TV rates under specified conditions. The bill was introduced by Assemblyman Bruce Young at the request of the industry. In its original form, the bill would have prohibited a city, county, or city and county from regulating the rates imposed by a franchise or licensee on individual subscribers, but would have allowed proposed subscriber rates to be made a condition to the granting of a franchise or license. It was expected that Governor Brown would veto the bill.

Legislative Action:

During the course of legislative consideration, the California Department of Consumer Affairs proposed amendments which would have given the Public Broadcasting Commission an intensive regulatory overview role. This was unacceptable to the California Community TV Association.

The bill progressed to a conference committee where negotiations between the industry and the Administration resulted in a compromise bill which passed the legislature and was signed into law.

Negotiations:

Monroe Price, a lawyer representing the cable industry, worked out the compromise bill. He told us that the basic points in the negotiations were:

1. to avoid intensive regulations by the Public Broadcasting Commission, and
2. to avoid monopolistic situations which might arise for any cable TV operation.

Representative Fred Brown
March 5, 1980
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Under provisions of the law, before deregulation may occur, the cable companies must show that they have met the following criteria:

1. deliver 20 or more channels;
2. have a satellite earth station to receive satellite signals;
3. are located in an area with three significantly viewed stations (viewable by a certain percentage of homes) or two significantly viewed stations and an education station; and,
4. provide a community services channel program.

Rates are completely deregulated for systems which are subscribed to by less than 70 percent of homes passed by the cable meeting these requirements. For systems with more than 70 percent subscribers, certain restrictions are placed on increasing rates. This is the key provisions designed to avoid monopolies.

According to Mr. Price, the cable TV industry wished to modernize, but needed added assurances of returns on investments that they felt deregulation would bring. Under the new law, deregulation has not been fully realized, because the possibility offered by deregulation has given the industry added leverage in negotiations with local governments on regulated rate increases.

Attached are the bills as originally introduced and the bill as passed. If you desire more information, please let us know.

EM/dp

Attachment

ASSEMBLY BILL

No. 699

Introduced by Assemblyman Young

March 1, 1979

REFERRED TO COMMITTEE ON FINANCE, INSURANCE, AND COMMERCE

An act to amend Section 53066 of the Government Code, relating to community antenna television.

LEGISLATIVE COUNSEL'S DIGEST

AB 699, as introduced, Young (Fin., Ins., & Com.). Community antenna television: subscriber rates.

Under existing law, the governing body of a city or county or city and county may authorize by franchise or license the construction of a community antenna television system. The law presently imposes maximum limitations on the amounts of fees for the granting of such a franchise or license and permits the award of a franchise to be made on the basis of, among other things, the rates to the subscriber.

This bill would prohibit a city, county, or city and county from regulating the rates imposed by a franchisee or licensee on individual subscribers but would allow proposed subscriber rates to be made a condition to the granting of a franchise or license.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 53066 of the Government Code
2 is amended to read:

1 53066. (a) Any city or county or city and county in
2 the State of California may, pursuant to such provisions
3 as may be prescribed by its governing body, authorize by
4 franchise or license the construction of a community
5 antenna television system. In connection therewith, the
6 governing body may prescribe such rules and regulations
7 as it deems advisable to protect the individual subscribers
8 to the services of such community antenna television
9 system. The award of the franchise or license may be
10 made on the basis of quality of service, rates to the
11 subscriber, income to the city, county or city and county,
12 experience and financial responsibility of the applicant
13 plus any other consideration that will safeguard the local
14 public interest, rather than a cash auction bid. The
15 maximum franchise fee for any franchise or license
16 hereafter awarded pursuant to this section or pursuant to
17 any ordinance adopted under authority of this section by
18 any city or county or city and county shall be 5 percent
19 of the grantee's gross receipts from its operations within
20 such city or county or city and county. Any cable
21 television franchise or license awarded by a city or county
22 or city and county pursuant to this section may authorize
23 the grantee thereof to place wires, conduits and
24 appurtenances for the community antenna television
25 system along or across such public streets, highways,
26 alleys, public properties, or public easements of said city
27 or county or city and county. Public easements, as used
28 in this section, shall include but shall not be limited to any
29 easement created by dedication to the city or county or
30 city and county for public utility purposes or any other
31 purpose whatsoever.

32 (b) *The rates imposed by a franchisee or licensee on*
33 *individual subscribers shall not be subject to regulation*
34 *by a city, county, or city and county; provided, however,*
35 *that proposed subscriber rates may be made a condition*
36 *to the award of a franchise or license.*

CHAPTER 1086

(Assembly Bill No. 699)

An act to add Section 53066.1 to the Government Code, relating to community antenna television.

[Approved by Governor September 27, 1979. Filed with Secretary of State September 28, 1979.]

LEGISLATIVE COUNSEL'S DIGEST

AB 699, Young. Community antenna television: subscriber rates.

Under existing law, the governing body of a city or county or city and county may authorize by franchise or license the construction of a community antenna television system. The law presently imposes maximum limitations on the amount of fees for the granting of such a franchise or license and permits the award of a franchise to be made on the basis of, among other things, the rates to the subscriber.

This bill would, upon request of the franchisee or licensee, modify local regulation by the franchisor, under specified conditions, of the rates, charges, and rate structures of a franchisee or licensee if such franchisee or licensee provides a community antenna television system, as defined, which provides a community service channel program, as specified.

It would permit the franchisor to act as a public trustee of such community service channel or channels, as specified. It would exempt a franchisee or licensee from liability for acts arising from the use of the community service channel by others.

It would prescribe a complaint system with respect to such a franchisee's or licensee's services and provide for the levying of certain penalties for failure to remedy a complaint, as specified.

The bill would cease to be operative on January 1, 1984, except a provision would remain in effect beyond that date requiring that rates then in effect shall not be subject to reduction by local authorities below the average rate in the state for the class of service provided.

Finally, the bill would require the California Public Broadcasting Commission to make a specified report by April 15, 1982, regarding the effect of the bill, and would impose specified filing requirements upon cable television systems.

The people of the State of California do enact as follows:

SECTION 1. Section 53066.1 is added to the Government Code, to read:

§ 53066.1. (a) Notwithstanding the provisions of Section 53066, any cable television system which:

- (1) Provides 20 or more channels to the cable television subscriber,
- (2) Receives or has contracted to receive television signals by satellite earth receiving station,
- (3) Has a subscriber penetration ratio of less than 70 percent certified by the cable television system, subject to review by the franchisor or licensor,
- (4) Is located in a county or portion of a county which has available three significantly viewed television stations, as defined by the Federal Communications

Commission, or two significantly viewed television stations and an educational television station, and

(5) Is providing or has agreed promptly to provide a community services channel program as defined in subdivision (d),

shall, upon election by the cable television system and upon the filing of a declaration to that effect with the franchisor, be exempt from regulation or control by a city, county, city and county, or other authority as to rates, charges and rate structures, except for the first year following the date of delivery of service pursuant to the initial grant of a franchise.

(b) Notwithstanding the provisions of Section 53066, any cable television system which:

(1) Otherwise meets the requirements of subdivision (a) except for the requirement of paragraph (3) of subdivision (a), or

(2) Provides between 12 and 20 channels of television service in a franchise area with fewer than 3,500 subscribers in a community of less than 20,000 in population, and otherwise meets the requirements of paragraphs (4) and (5) of subdivision (a),

may, upon election by the cable television system and declaration filed with the franchisor, adjust its rate by an amount not to exceed 75 percent of the percentage increase in the Consumer Price Index for the period since the date of the last previous rate increase, or December 31, 1975, if there have been no increases since December 31, 1975. A system may make a rate adjustment under the preceding sentence only for the period occurring within three years from the date a system would be entitled under such sentence to make an adjustment. A cable television system which, prior to January 1, 1980, had 12 or fewer channels, and subsequently rebuilds its system to 20 or more channels, may raise its rates to a level, within three years of completion of the rebuild, not to exceed the statewide average rate for those cable television systems having 20 or more channels.

(c) (1) Prior to April 15, 1982, the California Public Broadcasting Commission shall report to the Legislature concerning the effect upon subscribers and upon the telecommunications policy of the state of the rate adjustments by cable television systems as a consequence of this section, including such recommendations for legislative modification as may appear desirable. Each cable television system adjusting its rates pursuant to this section shall file with the California Public Broadcasting Commission prior to September 15, 1981, the rates of the system on January 1, 1980, and all subsequent adjustments, and information concerning number of subscribers and services provided. After the required filing on September 15, 1981, all systems shall promptly file any subsequent rate adjustments with the California Public Broadcasting Commission.

(2) This section shall cease to be operative on January 1, 1984, unless on or before such date its operative date is extended by the Legislature, except that rates in effect on January 1, 1984, shall not be subject to reduction by local authorities having rate reduction authority in their franchise below the average rate in the state at that date for the class of service provided.

(d) A cable television system shall be deemed to be offering a community service channel program if the system does all of the following:

(1) (A) Provides for those systems which furnish between 12 and 20 channels, a dedicated channel for local community, public access, educational and government access purposes, except that the one channel may be a composite containing functional equivalent of a single community service channel; or (B) provides for the systems which furnish more than 20 channels, in addition to the first dedicated channel, a second such channel if the first channel is in use during 80 percent of the weekdays for 80 percent of the time during any consecutive 13-hour period for 10 consecutive weeks, except that for systems with 24 or fewer channels

the second channel, if required, may be a composite containing the functional equivalent of a single community service channel; or (C) provides, if such system furnishes more than 30 channels, a third channel if the second channel is in use during 80 percent of the weekdays for 80 percent of the time during any consecutive 13-hour period for 10 consecutive weeks.

(2) Participates in a statewide cooperative program, administered by an association of cable operators, with the advice of potential users, that: (A) provides instruction and training for individuals, groups, entities and agencies interested in using community services channels, (B) furnishes guidelines for the use and allocation of such channels, and (C) creates a foundation for community service channels, with an independent board of directors, including representatives of local nongovernmental user groups and public agencies. Such foundation shall have grant-making authority to users and shall have, as its primary purpose, the promotion and encouragement of use of community service channels.

(3) Provides fifty cents (\$0.50) per subscriber per year to the foundation established pursuant to paragraph (2) of subdivision (d).

(4) Provides to individuals, groups, and entities using community service channels technical advice by local program staff and reasonable access to local studio facilities, if such facilities and staff are part of the local system.

(5) Cooperates with courses and programs in secondary schools, community colleges and elsewhere which furnish training in the uses of community service channels.

(6) Has available for use without charge tape playback facilities for entrance into the system.

(7) Provides through display information on community service channels, and by other means, including written notice to subscribers, information to potential user of the opportunity to have access to community service channels.

(8) Unless the franchisor elects to act as trustee for the community channel or channels, consults with the franchisor in establishing policies for the use of community service channel or channels.

(9) Provides to government and educational agencies reasonable access to earth station facilities for the receipt of programming for the community service channel.

(10) Regularly provides to the foundation for community service channels and to the public and public agencies information containing the name, address and telephone number of the system, the name of the system manager, and the status and utilization of the community access channels.

(e) The franchisee or licensee may utilize any community service channel which is not used for community service programming so long as community service programming is given scheduling priority.

(f) The franchisor may elect to act as public trustee or appoint a delegate reporting to the franchisor, to act as public trustee of the community service channel, to ensure the use of such channel or channels for public access, state or local government or education access purposes.

(g) The franchisee or licensee, or such delegate as is appointed a trustee of such community service channels, shall not be liable for acts arising from the use of such channel or channels by persons other than the franchisee or licensees. The franchisee or licensee shall establish regulations governing the use of such channels which provide uniform and nondiscriminatory standards, ensure adequate opportunity for participation by local nongovernmental users and incorporate restrictions on libelous or slanderous or illegal programs.

(h) The California Public Broadcasting Commission, in cooperation with the California Arts Council, the Office of Appropriate Technology, the State Department of Education, and the State Department of Public Health, shall

ment of Education and the State Department of Consumer Affairs, and such other agencies as requested by the commission, shall undertake efforts to encourage state and local government and educational use of the community service channel or channels and shall prepare a report by January 1, 1983, indicating the uses that government and educational agencies and community organizations have made of such channel or channels.

(i) The Regents of the University of California, if it so elects, the Trustees of the California State University and Colleges, the Board of Governors of the California Community Colleges and the State Department of Education shall negotiate with representatives of cable television systems providing community service channels concerning appropriate provision for access to the community services channel or channels for educational agencies using such channels and shall implement by segment, or collectively, a program for the use of such community service channel or channels for educational purposes. Each of the agencies named in the preceding sentence shall report to the Legislature on or before June 15, 1981, concerning the extent to which there has been use of television, including satellite interconnection, to fulfill the mission of each agency and actual use of community service channel and other cable and broadcast facilities. Such report shall also indicate the prospect for additional uses of such interconnected facilities and shall make recommendations for such legislation as may be needed to assure appropriate use of such channels.

(j) For purposes of this section, the following definitions shall apply:

(1) "Cable television system" means a community antenna television system serving a franchise area or two or more contiguous franchise areas.

(2) "Class of service" means a category as described in subdivision (a), or in paragraphs (1) or (2) of subdivision (b).

(3) "Consumer Price Index" means the consumer price index published at the end of the month following the rate adjustment by the United States Bureau of Labor Statistics for the area in which the cable television system is located or the nearest area for which such index is published.

(4) "Satellite earth receiving station" means any structure or device utilized to receive signals from a satellite.

(5) "Subscriber penetration ratio" means the number of subscribing residences divided by the total number of residences having cable available.

(k) In addition to any other penalty provisions in the franchise or license, if a franchisee or licensee files a declaration pursuant to subdivision (a) or (b) the franchisor or licensor may unilaterally amend the franchise or license to provide that if a subscriber files in writing with the franchisor a complaint for a service problem which is preventable and reasonably within the franchisee's or licensee's control, and if such franchisee or licensee fails within a reasonable period following receipt of written notice by the franchisor to remedy the problem, the franchisor may levy a penalty of up to five hundred dollars (\$500) for any occurrence or series of related occurrences, unless the franchisee or licensee has fewer than 5,000 subscribers, in which case the penalty shall not exceed two hundred dollars (\$200). If the franchisee or licensee objects to the penalty in writing to the franchisor, the franchisee or licensee and franchisor shall conduct arbitration in accordance with the rules of the American Arbitration Association. The decision of the arbitrator shall be final.

Such amendment to the franchise or license shall provide that the franchisee or licensee shall provide written notice to each subscriber at intervals of not more than one year, of the sanctions provided in this section, and of the procedure for reporting and resolving subscriber complaints, including the subscriber's right to complain in writing to the franchisor of the franchisee's failure to resolve a service complaint which is preventable and reasonably within the franchisee's or licensee's

control. The proper address of the franchisor or licensor to which complaints may be directed shall be included in such notice.

SEC. 2. If any provision of this act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

HISTORY: A.B. 699, approved September 27, 1979, filed September 28, 1979.

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**MCCAW
COMMUNICATIONS
COMPANIES**

February 28, 1980

The Honorable W.E. Bradley
Chairman, Senate Committee on Commerce
The Legislature of the State of Alaska
Pouch V
Juneau, Alaska 98111

Dear Senator Bradley:

I am vice president and one of the principal stockholders of Frontier ColorCable, Inc., which operates a cable television system in Fairbanks. Frontier began construction in June 1979 and now has approximately 3,200 customers. We expect to complete the 1980 phase of construction by October and to have 5,000 customers by the end of 1980. Frontier received its certificate from the Commission late last year after lengthy hearings, and competition from four other applicants. During and since the hearings, I have had extensive contact with the Commission and its staff and therefore believe that I am qualified to comment on the recommendations contained in the legislative audit of the Commission.

I am also the vice president and a major shareholder of Radio Communications Engineering, Inc., which has reached an agreement with Communications Engineering, Inc., to purchase all of its assets. Communications Engineering, Inc., is a public utility which offers radio-telephone and paging service in the Mat Valley-Anchorage-Kenai area.

I have more than ten years of experience in the cable television and telecommunications business. My comments, based on that experience and my contact with the APUC are:

Recommendation No. 1 - Combine the APUC with the Transportation Commission and the Pipeline Commission.

I feel that there are no "economies of scale" and the expertise required of the staff and commissioners is substantially different for each of the three commissions. It has been recommended that fewer commissioners preside at hearings. The effect of this

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The Honorable W.E. Bradley
Chairman, Senate Committee on Commerce
February 28, 1980

situation seems detrimental for two reasons: While I can only speak of matters pertaining to the APUC, the commissioners are much overworked as it is, making attending additional hearings an impossibility; and fewer commissioners at each hearing would greatly reduce the scope and depth of expertise at each hearing. As it is at present, each commissioner, while being well rounded, is a specialist in one aspect of the jurisdiction.

I do not believe, as suggested by the review, that one staff is capable of staying abreast of all of the issues of several industries which differ greatly. I think a survey would indicate that most individuals have enough trouble keeping up with changing regulations and complexities of one industry let alone three. Please note that it was the Commissioners in "one commission" states that responded that Commissioners could develop enough expertise to serve all three functions. It would be interesting to hear how the regulated utilities in those states would have responded to the same question.

Recommendation No. 2 - Stop all regulation of cable television.

Certification of Cable Television Companies in Alaska is a necessary and important function of the APUC. In the lower 48 and Hawaii, franchising or certification is under the jurisdiction of state, city or county in 99.9% of all cases. This aspect of regulation is vital to consumers and cable companies alike.

If the APUC were removed from the jurisdiction of cable television companies, the consumer would have no recourse if dissatisfied with its service. At present if a company ceases to be fit, willing and able to provide quality service, the APUC has the power to reprimand and if necessary, to remove the Certificate of Public Convenience and Necessity from the existing operator and grant it to an operator who is fit, willing and able to provide quality service. The overview of the APUC covers many areas including consumer protection, reliability of service, quality and diversification of programming and consumer complaints.

APUC jurisdiction of certification also provides an important service to cable operators. Without APUC involvement, there would be no protection from exorbitant pole attachment rates. If these rates are arbitrarily raised to unreasonable levels, the cable operator has no choice but to pass on the costs to the subscriber in the form of rate increases. Arbitrary pole attachment rate increases are not an unfounded fear since it has been a severe problem in many communities in the lower 48. In addition, the APUC provides protection against duplication of services of high fixed-cost

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The Honorable W.E. Bradley
Chairman, Senate Committee on Commerce
February 28, 1980

utilities, which would result in artificially high prices for the consumer.

It is important that the certification of cable utilities remain under the jurisdiction of qualified and impartial professionals. If the APUC is deprived of its regulatory power, cities and boroughs will regulate unless specifically prohibited from doing so. Therefore, if it is determined that deregulation is good, alternative regulation by others must be precluded by legislation.

Rate regulation of cable television utilities by the APUC is not necessary and in some cases detrimental to subscribers. Effective in 1976 the FCC removed the obligation of state and local franchising authorities to regulate rates for basic cable service. Furthermore, it actually prohibited rate regulation of "pay television" i.e., services such as HBO, Showtime, Star Channel, etc. Even though I believe rate control is advisable in some small communities where there are not alternate entertainment sources and there is a captive audience; the subscriber in larger communities has many forms of entertainment available such as free network and public television, movie theatres and radio, which compete with cable television. In communities which fit the latter description, the free market influences rates and forces the operator to provide quality service at a reasonable price.

Deregulation of rates would encourage and facilitate the introduction of new services and development of cable television in Alaska. The high cost of rate studies and paperwork involved in changes of any kind place a burden on the cable operators and the resources of the APUC.

The marketplace can and will regulate rates effectively in those markets which have a variety of entertainment sources. Deregulation of the larger cities can only speed the advancement of cable innovation in Alaska.

Recommendation No. 7 - Upgrade salary levels for staff.

I strongly support a well educated, motivated and adequately compensated professional support staff. The APUC should have the resources to pay whatever salaries are necessary to attract and retain such a staff. In addition, it has been my observation that the APUC does not have sufficient staff to process its present workload on a timely basis.

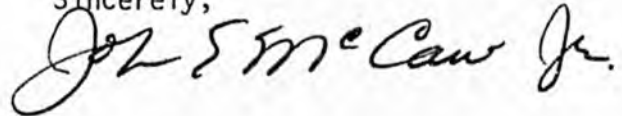
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February 28, 1980

Recommendation No. 9 - APUC should develop an index and cross-reference to its orders and decisions.

The introduction of a professionally designed and implemented index and cross-reference system would greatly benefit both the APUC and the utilities. At present it is very time consuming and expensive to track down relevant court decisions and precedents set by Commission decisions.

I would like to thank the Committee on Commerce for giving me this opportunity to voice my opinions. I would be happy to come to Juneau to give additional testimony or answer questions on this written testimony, if the committee so wishes.

Sincerely,



John E. McCaw, Jr.
Vice President

JEM/wlb

John E. McGill
Director, Regulatory Affairs



Alascom, Inc.
949 East 36th Avenue
Pouch 6607
Anchorage, Alaska 99502
907 / 264-7922

Senator Brad Bradley
Chairman Senate Commerce Committee
Pouch 5, P.O. Box 3100
Juneau, Alaska 99811

Dear Senator Bradley:

March 05, 1980

This is written with regard to the proposed hearing to be held on March 11, 1980 for the purpose of reviewing the activities of the Alaska Public Utilities Commission. On December 17, 1979 I made a statement on behalf of Alascom, Inc. before a Performance Review Hearing co-chaired by Senator Sturgulewski and Representative Fred Brown.

Rather than burden the Senate Commerce Committee with further duplicative testimony, there is attached a copy of the outline used in the presentation of the Company's testimony at that earlier hearing as well as a letter containing further clarification in response to specific questions of the Committee members. This material is being provided to each of the members of the Senate Commerce Committee as well as to Mr. Jon Mathison.

If you or any members of the Committee have any questions regarding this material please feel free to contact me.

Very truly yours,

ALASCOM, INC.



John E. McGill

cc: Senate Commerce Committee Members: W. Bradley
A. Sturgulewski
T. Kelly
F. Ferguson
T. Stimson

Mr. Jon Mathison



The House Commerce Committee
Box 1370
Fairbanks, Alaska 99707

Attention: Mr. Allen Blume

Dear Mr. Blume:

December 21, 1979

In accordance with the expressed wishes of the Co-Chairpersons at the Performance Review of the Alaska Public Utilities Commission Hearing held on December 17, 1979, there is attached a copy of the outline which I utilized in presenting my testimony to the Commerce Committee. I would be most grateful if you would see that all members of both the Senate and the House Committees were provided with a copy of this material.

In addition to the points set out in the outline of my presentation, there were certain additional points made during subsequent questioning which I believe might provide clarification on certain portions of my testimony. They are:

1. In response to an inquiry of Senator Sturgulewski, I indicated it was my belief that the distinction made between economic regulation and regulation for the purpose of certification might be an improper distinction. It was suggested that perhaps the regulation associated with certification should be ongoing in the area of quality of service provided by the certificated utility. This would result in economic regulation looking only at the level of rates and rate design. It would appear that such clarification could be provided through concise definitions in any legislation which might result from the performance review.

2. In response to Representative Brown's questions concerning the use of hearing officers, it was suggested that hearing officers could be reasonably expected to utilize their expertise in the regulation of divergent utilities. The basic underlying principles of utility regulation should be readily applicable by a hearing officer for regulation not only of telecommunications but also electric, pipeline, transportation utilities, etc. I was in agreement with the Chairman of the committee that in certain highly technical areas a specific hearing officer might be required to preside because of his expertise in the area of telecommunication separations, peak load pricing for electric utilities, etc. Additionally, it is possible that staff support for one area of regulation could provide needed assistance in another area of regulation.

I wish to express my gratitude to the Chairpersons and each of the members of the committee for allowing me the opportunity to testify before them and for their sincere expression of interest and concern in this area.

Very truly yours,

ALASCOM, INC.



John E. McGill, Director
Regulatory Affairs

JEM:b1

Attachment: Testimony Outline

12-19-79

(f) (f)

TESTIMONY OF ALASCOM, INC. REGARDING THE PERFORMANCE REVIEW

OF THE PUBLIC UTILITIES COMMISSION. DECEMBER 17, 1979

- I. Alascom is a regulated utility providing long lines communications within the state and between Alaska and other points in the world.
- A. Regulation of utilities is designed to protect the public interest; an elusive and sometimes difficult goal which by its very nature must consider conflicting claims.
 - B. Alascom has willingly submitted to regulation and recognizes the need for such submission.
 - C. Alascom supports continued regulation by the APUC in those activities subject to its jurisdiction.
- II. Alascom shares the concerns of the APUC regarding the merger of the three regulatory bodies with one Commission.
- A. Unclear that work load can be accommodated with one Commission.
 - B. Other states, having one Commission, are functioning in a mature circumstance while Alaska continues to be in its adolescence from a utility development point of view.
 - C. We do not oppose the consolidation of three Commissions into one, provided that it results in more efficient and effective regulation.
- III. Alascom does not oppose the recommendations of the report to de-regulate CATV; refuse collection; telephone and electric cooperatives or small utilities with less than \$100 K gross