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SC

FILE NO. 8

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

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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.

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 go 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

ALASKA PUBLIC UTILITIES COMMISSION DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

JAY S. HAMMOND, Governor

1100 MacKay Building
338 Denali Street
Anchorage, Alaska 99501

Phone (907) 276-6222

March 24, 1980

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

Dear Senator Bradley:

As a follow-up to the Sunset Review of the Alaska Public Utilities Commission I am enclosing supporting documentation for additional Commission staff in order to carry out our existing responsibilities in a timely manner.

As the audit verified, the present level of staffing is inadequate to meet the responsibilities mandated to the Commission under AS 42.05. Testimony from utilities and ARECA during the public hearings of both the Senate and House Commerce Committees support this fact.

To summarize the contents of the enclosed package, 15 additional personnel would be needed if the APUC is to continue its ongoing responsibilities in a more responsive and efficient manner, i.e., the way "we would like to do the state's business". These personnel would be assigned to the following sections:

Engineering - (4)

- Engineer II - cable television
- Engineer II - energy
- Engineer I - energy
- Engineer I - telecommunications

Utility Financial Analysts - (3)

- UFA III
- UFA I
- UFA I

Tariff Analyst - (1)

TA III - (new classification)

Communications Carrier Section - (3)

Economist II

Research Analyst II

Clerk Typist III

Administrative Support for above personnel - (4)

Word Processing Supervisor

Word Processing Operator

Clerk Typist III

Clerk Typist I

The approximate salaries of these individuals is \$603,000. Our current budget which is before the Finance Committees is approximately \$1.6 million. This does not include an increase to raise the professional staff salaries to a comparable level; if that occurs, and the Commission is optimistic that it will, an additional \$60,000 would be added to our current budget.

In order to give your committee an idea of the impact of the deregulation recommendations, the Commission provides the following observations: (all elimination of positions refer to the 15 additional positions and not existing positions)

Sunset Recommendation 2 - total deregulation of cable-television utilities: - eliminate one engineering position.

Sunset Recommendation 3 - total deregulation of garbage and refuse utilities: eliminate one financial analyst.

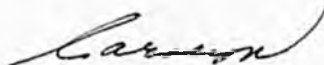
Sunset Recommendation 4 - deregulation of telephone and electric cooperatives: if the 12 electric cooperatives and 7 telephone cooperatives elected deregulation by September 1, 1980, eliminate 1 financial analyst and 1 Engineer II.

Sunset Recommendation 5 - economic deregulation of all small utilities grossing less than \$100,000: This would not materially affect personnel requirements.

Whether or not which, if any, administrative support positions could be eliminated would depend on the implementation of Sunset Recommendations #2 - #5.

In summary, 4 of the 15 additional professional personnel would not be required if the legislature deregulated cable-television, and garbage, and if all REA co-ops elected deregulation by September 1, 1980.

Sincerely,



Carolyn S. Guess
Commissioner

Enclosure
CSG/rt

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A. Administrative Section

- FY 81 Budget Allocations
- APUC Staff Organization Chart
- Administrative Support Organization Chart
- Adjusted FY 81 Budget

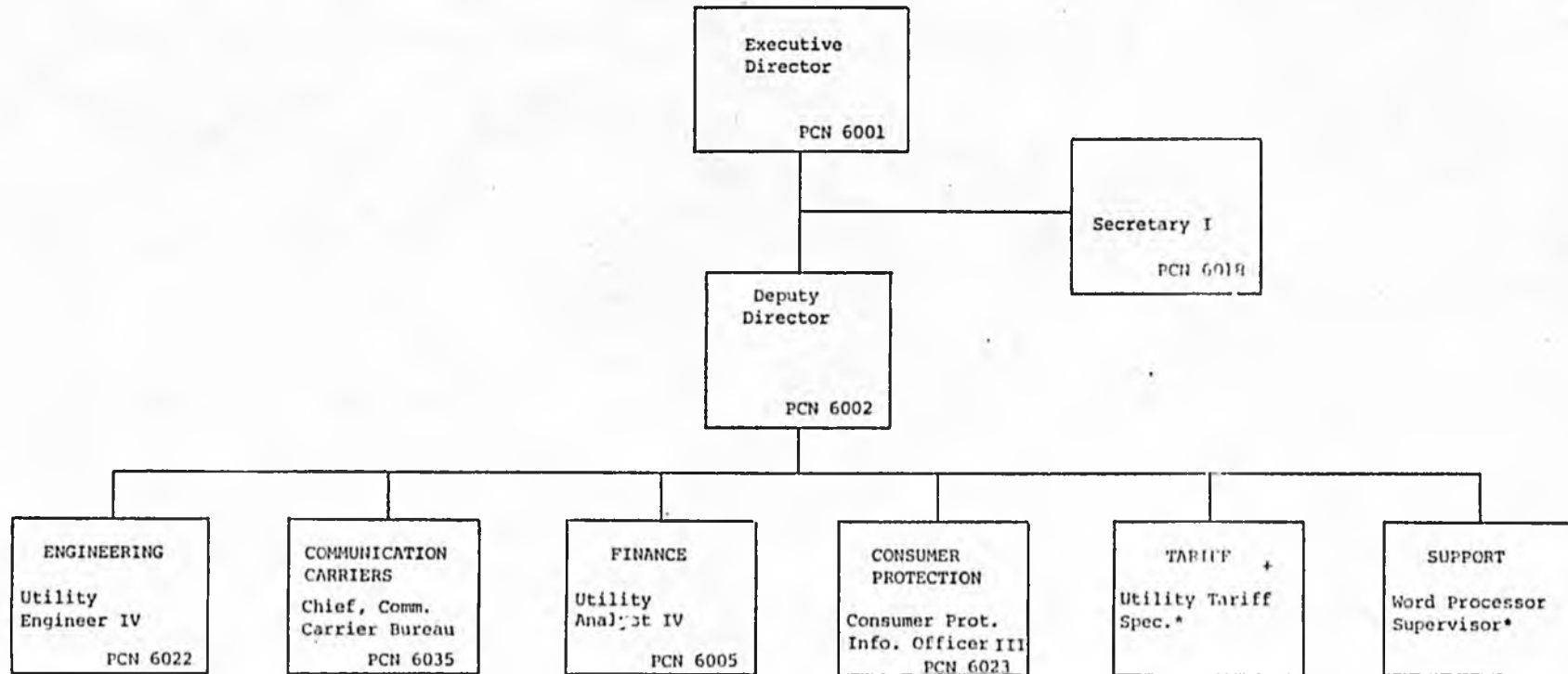
ALASKA PUBLIC UTILITIES COMMISSION

ALLOCATION OF GOVERNORS BUDGET
 FY 81
 (In Thousands)

	<u>Commissioners</u>	<u>Administration</u>	<u>Engineering</u>	<u>Communications Carriers</u>	<u>Finance</u>	<u>Tariff</u>	<u>Consumer Protection</u>	<u>Total</u>
100 Personal Services	\$352.9	\$232.7	\$300.3	\$46.6	\$255.5	\$76.7	\$122.1	\$1,386.8
200 Travel	15.0	2.8	16.3	6.4	16.1		1.5	58.1
300 Contractual Services	49.2	112.9	7.8	3.3	9.9	4.5	17.1	204.7
400 Commodities	2.5	3.7	1.7	1.0	1.7	1.0	3.0	14.6
500 Equipment		5.4	1.0		1.6		2.0	10.0
Total	<u>\$419.6</u>	<u>\$357.5</u>	<u>\$327.1</u>	<u>\$57.3</u>	<u>\$284.8</u>	<u>\$82.2</u>	<u>\$145.7</u>	<u>\$1,674.2</u>

ALASKA PUBLIC UTILITIES COMMISSION

STAFF ORGANIZATION CHART

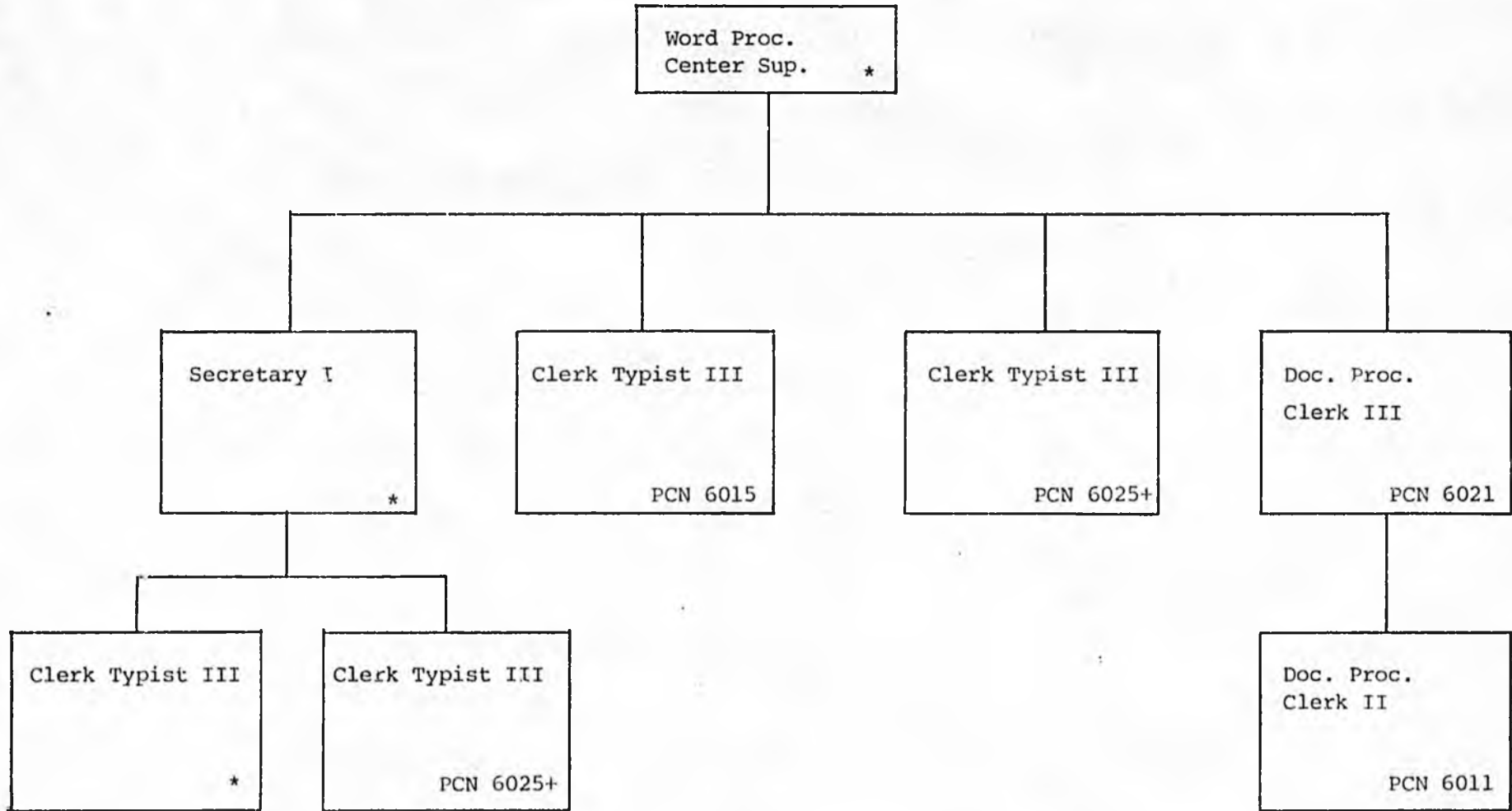


*New position

+New classification requested

ALASKA PUBLIC UTILITIES COMMISSION

SUPPORT ORGANIZATION CHART



*New position requested

+Permanent 1/2 time position

EXECUTIVE DIRECTOR
ADMINISTRATION
FY 81 BUDGET
(In Thousands)

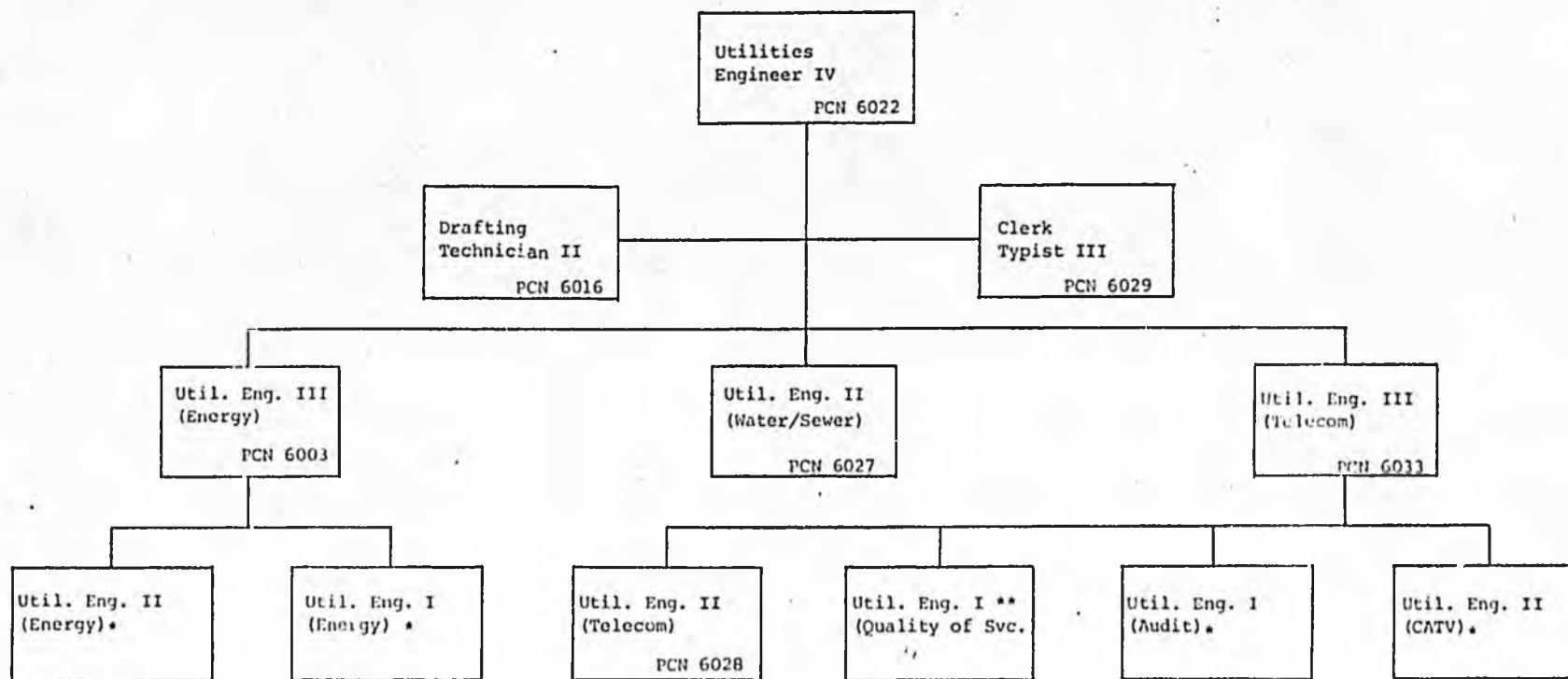
	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>	<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$232.7	\$	(1) \$79.4	\$312.1
200 Travel	2.8			2.8
300 Contractual Services	112.9		(2) 1.5	114.4
400 Commodities	3.7		(3) 1.5	5.2
500 Equipment	<u>5.4</u>	_____	(4) <u>2.0</u>	<u>7.4</u>
Total	<u>\$357.5</u>	=====	<u>\$84.4</u>	<u>\$441.9</u>

(1) Word Processing Supervisor	\$25,373
Word Processing Operator	19,883
Clerk Typist III	18,243
Clerk I	15,944
	<u>\$79,443</u>
(2) Maintenance of Equipment	\$ 1,000
Training Fees	500
	<u>500</u>
(3) Office Supplies	<u>\$ 1,500</u>
(4) Office Equipment	<u>\$ 2,000</u>

B. Engineering Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

ENGINEERING ORGANIZATION CHART



*New position requested

**New position requested in Governor's FY81 Budget Request

Principal Programs in Engineering

Rate Base

1. Audit Continuing Property Records and determine whether plant is used and useful.

This involves auditing on a sampling basis and requires the use of layout drawings and staking sheets to determine the actual location of the equipment. Physical testing of telephone equipment (amplifiers, etc.) may be required to assure that particular equipment is actually in use.

2. Determine if rate base is reasonable or unduly inflated due to poor decisions.

Work done on occasional basis at the Commission has revealed that some utilities do not have sufficient control over the rate base. Examples include: 1) Plans based on outdated forecasts done in the lower 48 which also ignored higher Alaskan labor rates have resulted in uneconomical additions to plant and 2) projects placed in limbo before they materialize accumulate excessive engineering labor hours before they became active.

3. Audit of Work Orders and associated accounting.

This is necessary to establish the reasonableness of material, engineering, labor, supply and overhead charges to determine the proper allocation between capital and expense costs, and to insure prompt capitalization and retirement of property.

4. Review depreciation rates and studies.

In many locations of Alaska, depreciation rates may differ from industry norm due to the unique conditions encountered.

Rate Design/Tariffs

1. Review allocation studies.

This involves detailed studies of equipment and of the effort involved to put it into service which will determine a fair and reasonable allocation of charges to the various types of services offered by utilities. In telecommunications utilities tend to assign excessive costs to noncompetitive services.

2. Review reasonableness of material, engineering and labor rates used to develop individual tariffs. Work is similar to that described in 1 above and may include the witnessing of actual installations.

3. Approve portions of tariff text that is related to equipment and engineering.

Quality of Service

1. Develop and update service standards.

To date, only telecommunications service standards have been promulgated (3 AAC 52.200-3 AAC 52.340). Standards should be developed for electric, water/sewer, and other utilities. Once developed, standards must be updated to keep current with changing conditions.

2. Field Testing

Only actual on site testing can determine the quality of service provided. It is planned to have an Engineer I "on the road" about 40% of the time who will use specialized test equipment and will audit outage logs to determine the level of service provided by utilities. The engineer will also analyze service problems and determine whether they are caused by faulty or insufficient equipment or poor management control. Emphasis will be placed in telecommunications which is particularly sensitive to service problems where localized minor problems often affect the entire network. For example, poor operator answer time, aside from irritating customers, causes needless use of long distance circuits for the sole purpose of ringing the operator. This in turn distorts usage data and leads to major expenditures for unnecessary equipment additions. Another example is the underprovision of low cost terminal equipment which causes backups in the satellite network.

3. Review of service reliability and contingency plans. Age and reliability of primary and backup equipment will be considered to determine their adequacy. It is planned to study the economic feasibility of providing equipment diversity. Commission involvement seems also necessary to encourage utilities to develop and maintain contingency plans for emergency situations.

4. Review adequacy of system design.

On site review of existing and planned additions to facilities frequently reveal bottlenecks and weak spots which require urgent correction. Beside on site review, it is planned to maintain usage trend data of principal equipment and facilities to pinpoint potential deficiencies.

5. Test accuracy of long distance billing.

Long distance billing is performed by equipment that is integral with central office switching machines. For this reason, the testing of the accuracy of this billing lies with the APUC rather than the Weights & Measures Section.

6. Investigation of Quality of Service Complaints.

This work consists in conducting special investigations related to specific customer complaints.

Management Review

1. Evaluation of Utility Construction Programs.

Construction programs will be reviewed to determine whether they are adequate to meet current and future service needs. Work will consist in ferreting out weak points and in determining whether plans are compatible between utilities. Included will be discussion with utilities whether corrective action is practical and a review regarding practical implementations of new or alternate technologies (e.g., energy sources). It is expected that economic studies will be made or reviewed where alternate courses of actions are possible. It is believed that Commission review of construction programs is especially necessary when such programs are dictated by parent companies in the lower 48 without much regard or appreciation of Alaskan needs.

2. Productivity Studies.

Labor costs and productivity will be examined for reasonableness. This will include a comparison of productivity rates between companies and include a careful review of cases where productivity rates in Alaska deviate from those in the lower 48.

3. Maintenance Programs.

Utility maintenance programs will be evaluated through examination of records and routine maintenance procedures.

4. Investigation of Management Troublespots.

Programming is now underway to establish computer auditing of utility annual reports. It is planned to have computerized ratio and trend analysis pinpoint possible management trouble spots which subsequently will be investigated (e.g., strong deviations from the mean of General & Administrative expenses per customer; excessive uncollectibles per customer, etc.).

Certification/Transfers

Applications for, or transfers of a certificate of public convenience and necessity require an investigation in the applicant's fitness, willingness and ability to operate the contemplated utility service. Engineering applies this criterion to the review of the applicant's plans, of his management, engineering and operational strengths, and coordinates with the finance section in determining financial fitness.

Special Projects

These will primarily consist in the establishment of new methods and procedures for the engineering section.

ENGINEERING, ENVIRONMENTAL PROTECTION
AND PLANNING SECTION
FY 81 BUDGET
(In Thousands)

	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>		<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$300.3	\$16.2	(1)	\$139.7	\$456.2
200 Travel	16.3		(2)	8.3	24.6
300 Contractual Services	7.8		(3)	20.8	28.6
400 Commodities	1.7		(4)	.2	1.9
500 Equipment	<u>1.0</u>		(5)	<u>3.8</u>	<u>4.8</u>
Total	<u>\$327.1</u>	<u>\$16.2</u>		<u>\$172.8</u>	<u>\$516.1</u>

(1) Engineer II - CATV	\$ 38,592
Engineer II - Energy	38,592
Engineer I - Energy	31,258
Engineer I - Telecom	31,258
	<u>\$139,700</u>

(2) Staff Audits	\$ 2,500
NARUC School	1,200
NARUC Meetings	1,400
Industry Schools	1,200
Compliance Investigation	2,000
	<u>\$ 8,300</u>

(3) Postage and Telephone	\$ 2,400
Office Space	16,500
Maintenance of Equipment	1,000
Training Fees	900
	<u>\$ 20,800</u>

(4) Office Supplies	<u>\$ 200</u>
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(5) Office Equipment	<u>\$ 3,800</u>
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C. Communication Carrier Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

COMMUNICATIONS CARRIERS SECTION
 FY 81 BUDGET
 (In Thousands)

	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>		<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$ 46.6	\$ 3.3	(1)	\$ 86.0	\$135.9
200 Travel	6.4		(2)	3.5	9.9
300 Contractual Services	3.3		(3)	8.8	12.1
400 Commodities	1.0		(4)	.4	1.4
500 Equipment	<u> </u>	<u> </u>	(5)	<u>2.1</u>	<u>2.1</u>
Total	<u>\$ 57.3</u>	<u>\$ 3.3</u>		<u>\$100.8</u>	<u>\$161.4</u>

(1) Utility Economist \$38,592
 Research Analyst II 29,164
 Clerk Typist III 18,243
\$85,999

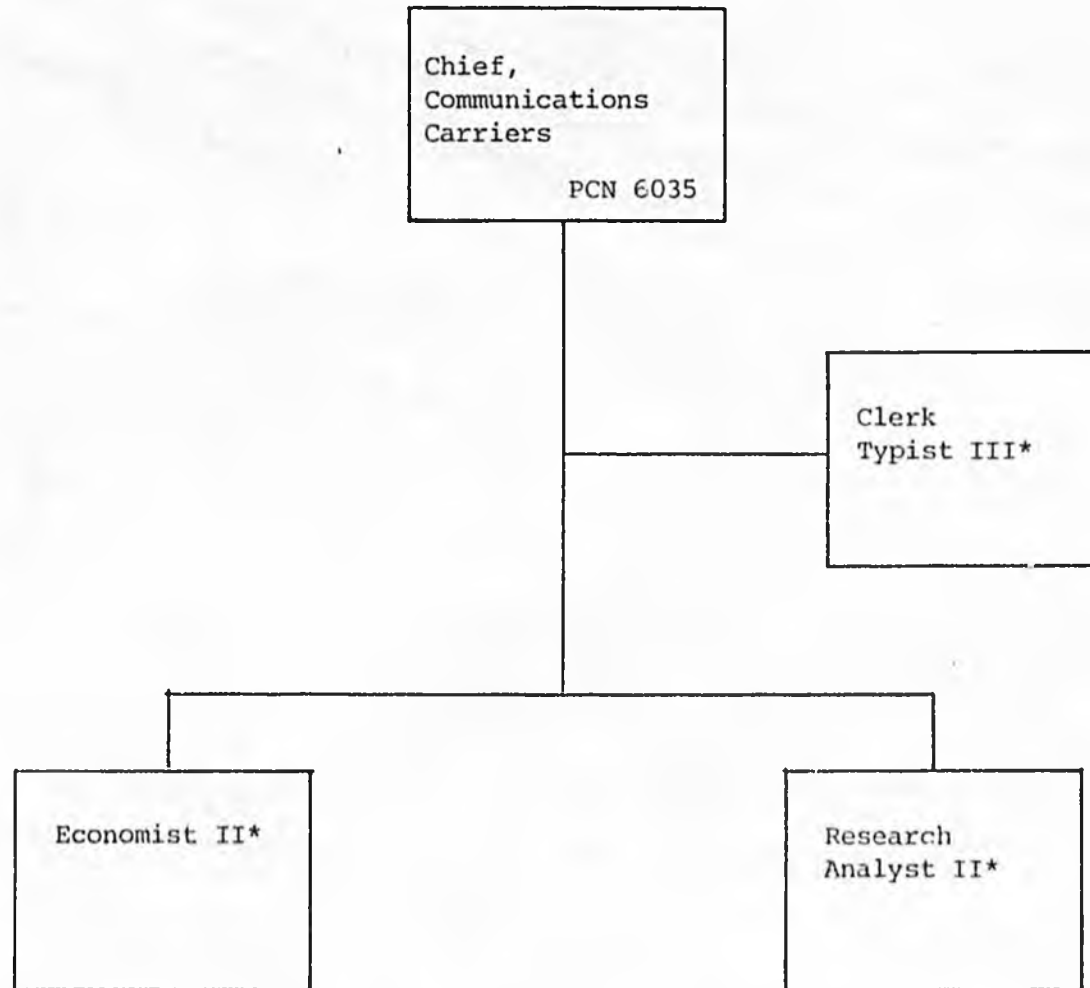
(2) Administrative \$ 900
 NARUC School 1,200
 NARUC Meetings 1,400
\$ 3,500

(3) Printing \$ 1,000
 Office Space 7,800
\$ 8,800

(4) Office Supplies \$ 400

(5) Office Equipment \$ 2,100

ALASKA PUBLIC UTILITIES COMMISSION
COMMUNICATIONS CARRIERS ORGANIZATION CHART



*New position requested.

PRINCIPAL PROGRAMS IN COMMUNICATION CARRIERS

COMMUNICATIONS ACT REWRITE

Congress and the Administration are currently considering amending the Communications Act of 1934, the legislation that created the Federal Communications Commission. Four bills have been introduced, two in the Senate and two in the House, and the Administration is aggressively promoting its own proposal through the National Telecommunications and Information Agency.

Some of the proposals would drastically alter the arrangements under which telephone companies are interconnected. Specifically at issue is the division of toll revenue between long distance companies and local companies. One proposal is that the present system of toll settlements be replaced by a system of "access charges".

Just as the viability of telephone service in Alaska is sensitive to specific toll settlement arrangements, it would be similarly sensitive to specific access charge or other arrangements. It is essential that the APUC monitor rewrite progress and provide input as appropriate.

TOLL RATE DESIGN

In considering Alascom's request for a permanent general rate increase (Docket U-78-4) the APUC has elected to separate the issue of toll rate design and first consider the

question of an "across the board" rate increase. The first phase of the proceeding is expected to reach a conclusion in the near future and the Commission will soon begin consideration of rate design.

Rate design is the process whereby, having determined the utility's overall revenue requirement, the Commission determines specific rates for specific services. Toll rate design answers such questions as whether a call from Anchorage to Iliamna should cost more than a call from Anchorage to Juneau, considering that the distance is smaller but the cost of completing the call may be greater.

Toll rate design is a very complex matter and will require a great deal of attention by the Section as well as the services of one or more consultants.

RURAL TELEPHONE DEVELOPMENT

Although telephone service is generally available to all Alaskans, many villages are served by only a single telephone. In the past few years, few companies have applied to the APUC for certification to provide local exchange service in villages, and a small number of villages are presently receiving such service.

Local exchange operation in a village is, unfortunately, an economically marginal operation. The viability of a local exchange company is very sensitive to the toll settlements arrangements (or access charge arrangements that may be instituted by a

Communications Act rewrite) in effect. To insure continued rural telephone development, it is essential that the Commission, through this Section, monitor the progress of rural telephone developments and the economic health of the small local exchange companies.

STATE NETWORK DEVELOPMENT

As the State's telecommunications needs grow, so its telecommunications network must grow to meet those needs. The network must provide a sufficient number of circuits of adequate quality, and in addition, the circuits must be reliable.

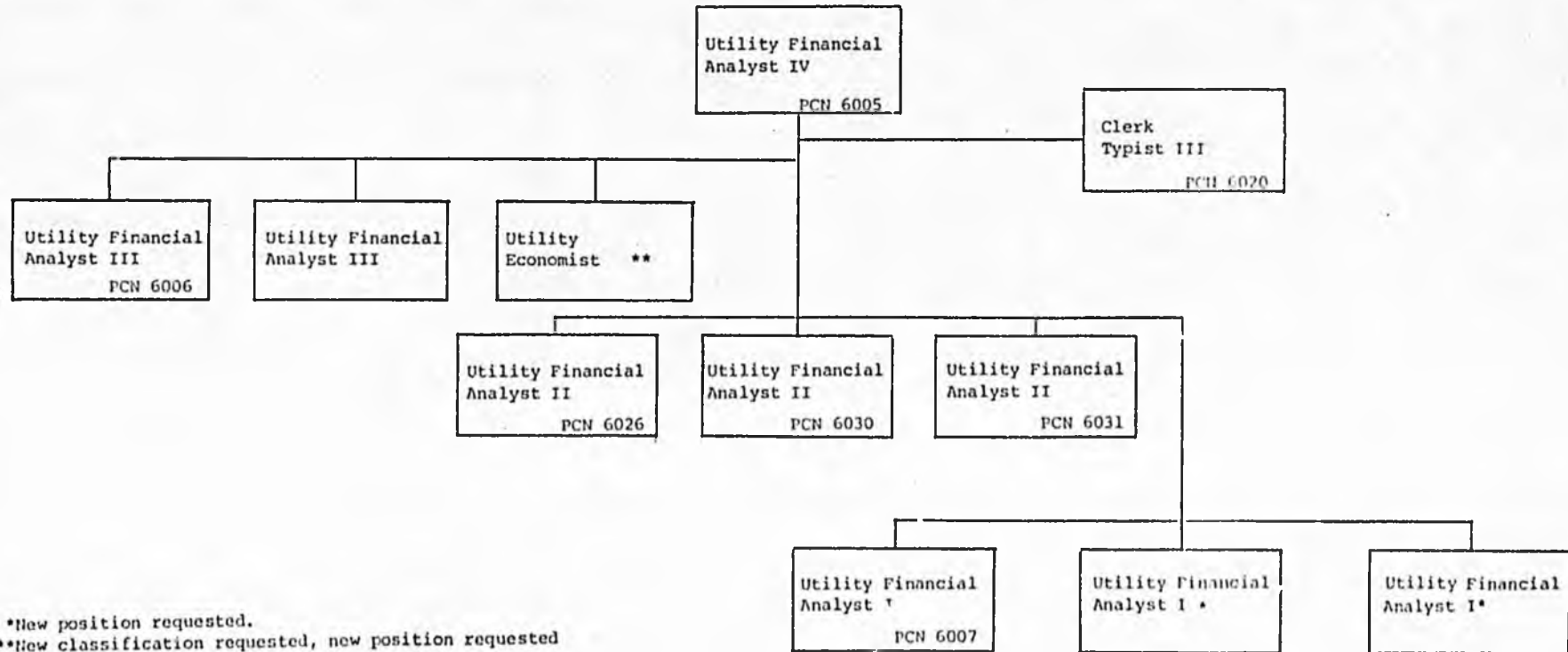
The network will meet needs only if it is developed in accordance with good engineering practice. To insure proper network development, the Section must, with the support of the Engineering Section, monitor the process.

D. Finance Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

ALASKA PUBLIC UTILITIES COMMISSION

FINANCE ORGANIZATION CHART



*New position requested.

**New classification requested, new position requested in Governor's FY81 Budget Request.

PRINCIPAL PROGRAMS IN FINANCE

Interim Rate Requests

1. Review filing for compliance with 3 AAC 48.275.
2. Review comparative balance sheets and income statements, tracing amounts shown to annual report filings.
3. Review filing for mathematical accuracy and consistency of figures used in all schedules.
4. Review previous rate request filing granted by the Commission for the same utility and review available history of the utility.
5. Review utility surcharge history, if any, and effect of its incorporation in present filing.
6. Note any discrepancies found in performing steps 1 through 4 and investigate to the extent possible without on-site audit.
7. Review utility determined revenue requirement and remove items traditionally disallowed by this Commission.
8. Compute revenue requirements; compute revenue deficiency; and determine whether there is a prima facie showing by the utility that its present rates are confiscatory.
9. Write tariff action memorandum on utility request, explaining results of steps 1 through 8.
10. Write interim order expressing Commission action on filing.

Permanent Rate Requests

1. Follow steps 1 through 6 as shown under "Interim Rate Requests".
2. Write tariff action memorandum on utility request, explaining results of step 1.
3. Write order suspending permanent rates or expressing other Commission action on filing.
4. Based on steps 1 through 3, determine scope of on-site audit necessary.

5. Perform on-site audit.
 - a. Follow-up on discrepancies found in step 1.
 - b. Follow-up on particular Commission concerns.
 - c. On a sample basis, verify balance sheet (except plant), income statement and revenue requirement figures shown in filing by tracing final figures to source documents.
 - d. Verify that proforma adjustments are known and measurable.
 - e. Verify compliance of accounting records with Uniform System of Accounts prescribed for the utility.
 - f. Note general condition and operating environment of the utility.
 - g. Investigate elements of revenue requirement traditionally disallowed by the Commission. Revenue requirement analysis includes operating expenses, taxes, depreciation, rate base, cost of debt, and return on equity or TIER. Rate base includes net plant and a working capital component.
6. Compute revenue requirement, revenue deficiency, and percentage across-the-board increase required by the utility, based upon the results of steps 1 through 5.
7. Write Staff pre-filed testimony, presenting Staff position on the case and explaining the results of steps 1 through 6.

Rate Design

1. Review cost-of-service study prepared by utility in support of its proposed rate design.
2. Audit, as necessary, to verify cost allocations.
3. Research, as necessary, to determine validity and appropriateness of utility cost-of-service and rate design methodology.
4. Perform cost-of-service study when necessary.
5. Write Staff pre-filed testimony, presenting Staff position on the case and explaining the results of steps 1 through 4.

Rate Development - Telephone

1. Review rate development worksheets for conformance with acceptable Commission methods; and analyze appropriateness of any new method.

5. Perform on-site audit.
 - a. Follow-up on discrepancies found in step 1.
 - b. Follow-up on particular Commission concerns.
 - c. On a sample basis, verify balance sheet (except plant), income statement and revenue requirement figures shown in filing by tracing final figures to source documents.
 - d. Verify that proforma adjustments are known and measurable.
 - e. Verify compliance of accounting records with Uniform System of Accounts prescribed for the utility.
 - f. Note general condition and operating environment of the utility.
 - g. Investigate elements of revenue requirement traditionally disallowed by the Commission. Revenue requirement analysis includes operating expenses, taxes, depreciation, rate base, cost of debt, and return on equity or TIER. Rate base includes net plant and a working capital component.
6. Compute revenue requirement, revenue deficiency, and percentage across-the-board increase required by the utility, based upon the results of steps 1 through 5.
7. Write Staff pre-filed testimony, presenting Staff position on the case and explaining the results of steps 1 through 6.

Rate Design

1. Review cost-of-service study prepared by utility in support of its proposed rate design.
2. Audit, as necessary, to verify cost allocations.
3. Research, as necessary, to determine validity and appropriateness of utility cost-of-service and rate design methodology.
4. Perform cost-of-service study when necessary.
5. Write Staff pre-filed testimony, presenting Staff position on the case and explaining the results of steps 1 through 4.

Rate Development - Telephone

1. Review rate development worksheets for conformance with acceptable Commission methods; and analyze appropriateness of any new method.

2. Review rate development factor methodology for conformance with acceptable Commission methods; and analyze appropriateness of any new method.
3. Trace components of rate development factor computations to utility's most current operating results; investigate any discrepancies.
4. Review application of elements in steps 1 through 3 in deriving rates for service and equipment; reconcile differences between Staff and utility rates derived.
5. Write tariff action memorandum or pre-filed testimony, presenting Staff position on the case and explaining the results of steps 1 through 4.

Certifications

1. Review applicants for financial fitness by reference to source and cost of financing, equity structure, form of organization, and financial history of prospective owners.
2. Review pro forma rates for reasonableness based on knowledge of utility type (and inherent costs) weighted cost of capital, and elements allowed by this Commission in setting rates.
3. Write memorandum or pre-filed testimony, presenting Staff position on financial fitness of applicant.

Certificate Transfers

1. Review applicants for financial fitness by reference to form of organization and financial history of prospective owners.
2. Write memorandum or pre-filed testimony presenting Staff position on financial fitness of applicant.

Other

1. Perform financial and statistical analyses, accounting and regulatory research, and investigations as necessary.
2. Review utility annual report filings for unusual items and to determine the return on rate base earned from operations.
3. Compile information from utility annual reports and rate increases granted for incorporation into the APUC annual report of operations.

FINANCE AND ACCOUNTING SECTION
 FY 81 BUDGET
 (In Thousands)

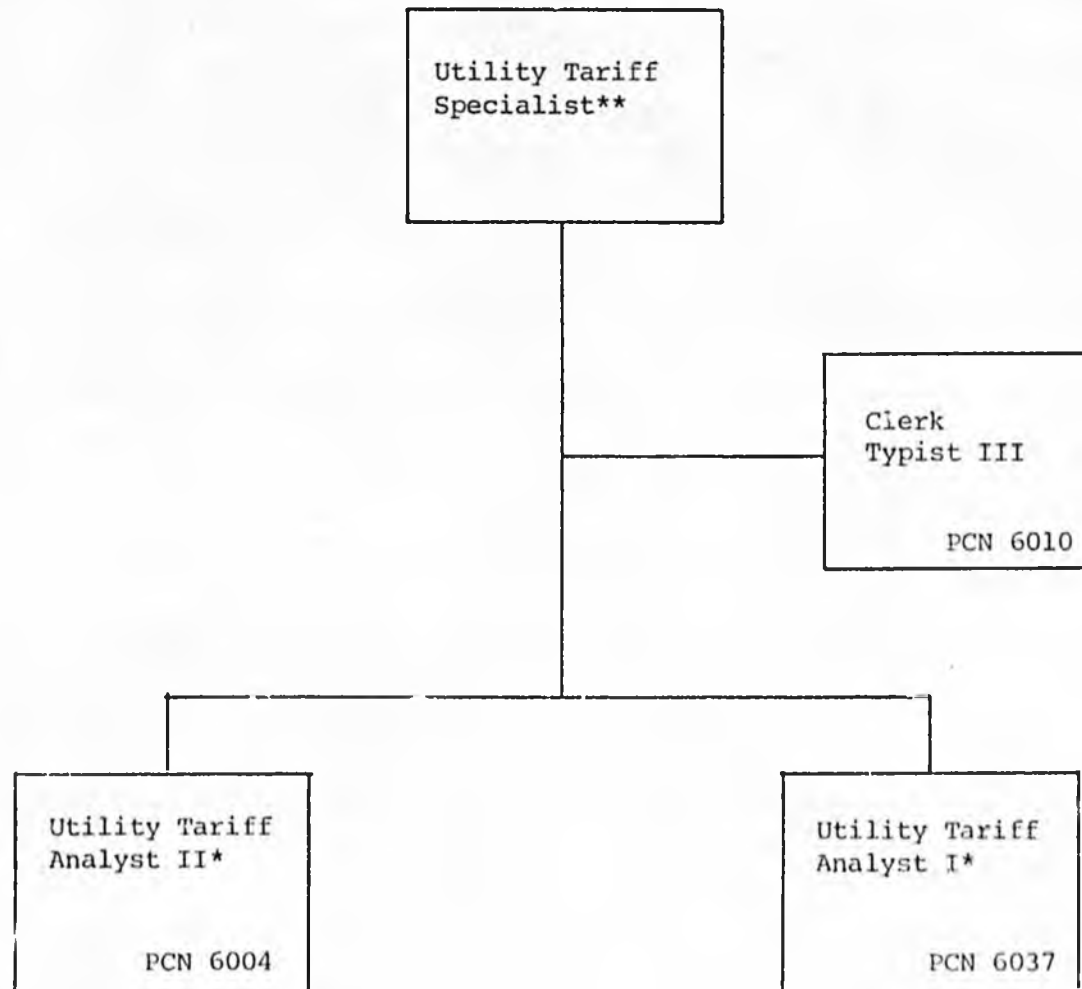
	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>		<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$255.5	\$29.2	(1)	\$ 95.8	\$380.5
200 Travel	16.1		(2)	14.0	30.1
300 Contractual Services	9.9		(3)	13.5	23.4
400 Commodities	1.7		(4)	1.2	2.9
500 Equipment	<u>1.6</u>	_____	(5)	<u>2.8</u>	<u>4.4</u>
Total	<u>\$284.8</u>	<u>\$29.2</u>		<u>\$127.3</u>	<u>\$441.3</u>
(1) UFA III	\$41,462				
UFA I	27,159				
UFA I	<u>27,159</u>				
	<u>\$95,780</u>				
(2) Staff Audits	\$ 8,200				
NARUC School	3,900				
NARUC Meetings	700				
Rate Design Education	<u>1,200</u>				
	<u>\$14,000</u>				
(3) Office Space	\$13,000				
Training Fees	500				
	<u>\$13,500</u>				
(4) Books & Reasearch Material	\$ 1,000				
Office Supplies	200				
	<u>\$ 1,200</u>				
(5) Office Equipment	<u>\$ 2,800</u>				

E. Tariff Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

ALASKA PUBLIC UTILITIES COMMISSION

TARIFF ORGANIZATION CHART



* New classification and reclassification of existing position requested.

** New classification and new position requested.

PRINCIPAL PROGRAMS IN TARIFF SECTION

Tariff Filings

1. Preliminary review.
 - A. Type of filing.
 - B. Compliance with regulations and adequacy of information.
 - C. Applicable time constraints.
2. Noticing procedures.
 - A. When to notice.
 - B. Where to notice.
 - C. Notice format.
3. Review of filings.
 - A. Service rate change request.
 1. Interim.
 2. Permanent.
 - B. Fuel cost rate adjustments.
 - C. Equipment offerings.
 - D. Textual changes.
 - E. Billing procedure and deposit changes.
 - F. New total tariff filings.
 - G. Special charges.
 - H. Contracts.
 - I. Other.
4. Tariff action meeting.
 - A. Preparation of memos expressing Staff position.
 - B. Distribution of memos.
 - C. Explanation of recommendations and filings in tariff action meetings before the Commission.
5. Notification to utility of Commission decisions.
 - A. Letters.
 - B. Letter orders.
 - C. Orders.

Other

1. Perform statistical analyses and research as necessary.
2. Compile information from utility tariffs for incorporation into the APUC annual report of operations and for quarterly sample electric bill summaries.
3. Upon request, provide public information concerning approved and pending tariffs.

TARIFF SECTION
 FY 81 BUDGET
 (In Thousands)

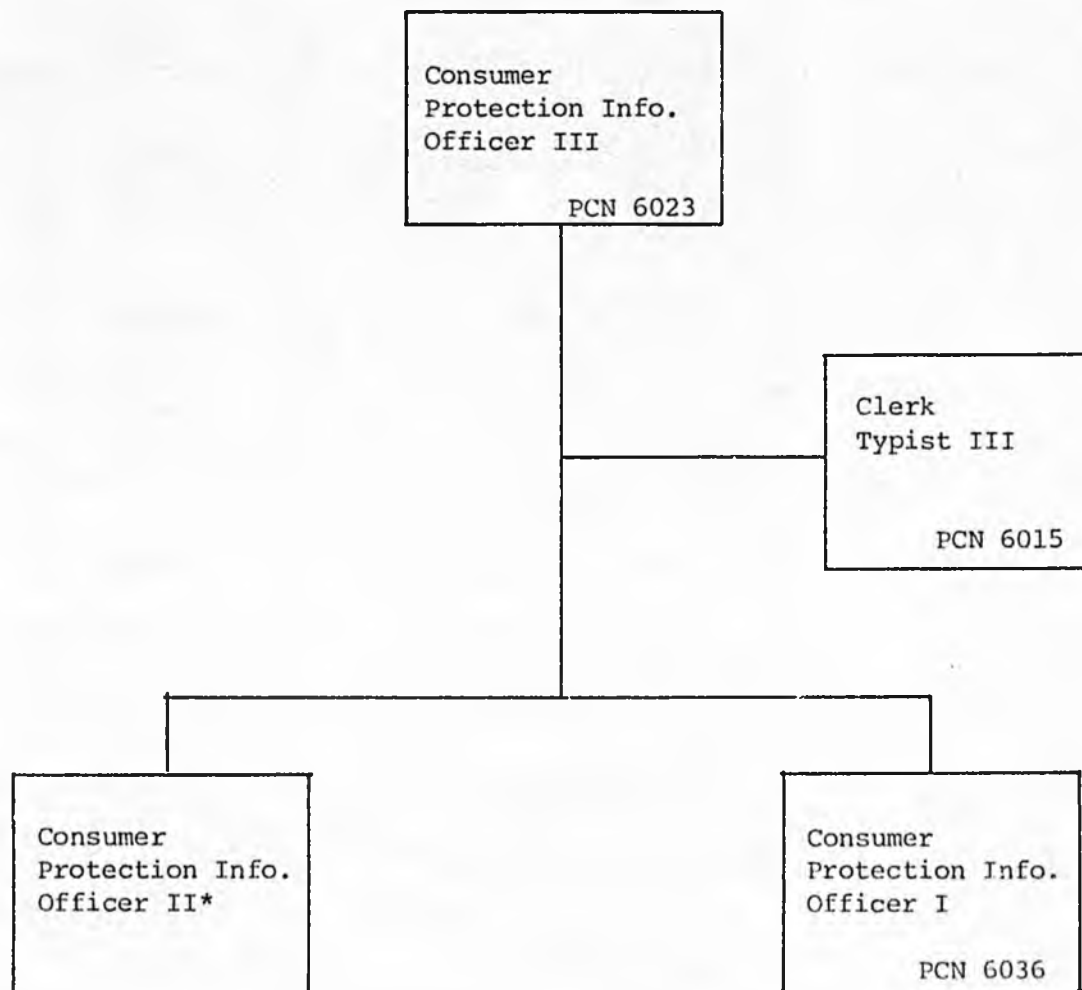
	Allocated FY 81 Budget	Comparable Salary Increment	Adequate Staff Increment	Adjusted FY 81 Budget
100 Personal Services	\$ 76.7	\$ 5.1	(1) \$41.5	\$123.3
200 Travel			(2) 1.3	1.3
300 Contractual Services	4.5		(3) 2.6	7.1
400 Commodities	1.0		(4) .5	1.5
500 Equipment			(5) .8	.8
Total	<u>\$ 82,2</u>	<u>\$ 5.1</u>	<u>\$46.7</u>	<u>\$134.0</u>

(1) Utility Tariff Specialist	<u>\$41,462</u>
(2) NARUC School	<u>\$ 1,300</u>
(3) Office Space Training Fees	\$ 2,400 200 <u>\$ 2,600</u>
(4) Subscriptions Books & Research Material	\$ 300 200 <u>\$ 500</u>
(5) Office Equipment	<u>\$ 800</u>

F. Consumer Protection

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

ALASKA PUBLIC UTILITIES COMMISSION
CONSUMER PROTECTION ORGANIZATION CHART



*New position in FY81 Governor's Budget Request.

PRINCIPAL PROGRAMS
FOR
CONSUMER PROTECTION SECTION

Informal Complaints

It is a primary function of this section to provide a forum for utility customers to air their grievances. Also, it must resolve or attempt to resolve these complaints informally rather than bringing matters formally before the Commission unnecessarily.

Through the implementation of toll-free calling and the strengthening of this section, customers of the regulated utilities throughout the State will have increased access to the Commission. While the number of complaints received will increase, the overall length of time required to respond and resolve customer complaints will be compressed. Thus, those customers with complaints which require timely action will be accommodated. Also, the development of a broader information base regarding consumer issues will occur from which the Commission may make decisions.

Under this program, the Commission will receive complaints from a broader base of utility customers. As a result, the insight which the Commission has into utility customer problems will be expanded and its knowledge base supplemented. From this additional information, the section will be better able to define problems and develop recommendations to meet immediate and future needs. In other words, Staff's diagnostic and prescriptive capabilities will be enhanced.

This program will take into account the increased number of substantive informal complaints being received. Many of the consumer issues which are evolving are not necessarily resolved by either current or historic standards. More time will be allocated to the investigative process which will result in the proposal or negotiation of equitable solutions based on current conditions.

Formal Proceedings

This section must from time to time recommend to the Commission that formal action be instituted when warranted by the circumstances. Under this program, additional time will be allocated to prepare for participation in proceedings which are instituted as a result of the section's recommendation. Also, time will be available for review of utility tariff filings which seek to change or implement the rules and regulations under which utility services are offered to the public. Additional time will be used to meet with the utilities and applicants to provide assistance in the evaluation of their tariffs and to propose both formally and informally those revisions or rules reflective of both utility and customer requirements.

This section's participation in the rule-making process will increase. This activity will include researching and drafting of proposed rules as well as the other phases of their promulgation, including hearings.

Education and Information

Consumer reaction to the ever increasing financial impact that utility services have on their daily lives has created a need for a clearer understanding by the public of utility operation and regulatory matters. By increasing its informational programs and implementing educational projects, the public will be better able to wisely use those services offered by the utilities.

The first year of the educational program will consist primarily of identifying target areas and the means by which they may effectively be approached.

Although the Commission has an on-going public information program, its regularity must be reinstated and its substance revitalized. This will be accomplished at the time the section is strengthened.

CONSUMER PROTECTION
AND INFORMATION SECTION
FY 81 BUDGET
(In Thousands)

	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>	<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$122.1	\$ 6.2	\$	\$128.3
200 Travel	1.5			1.5
300 Contractual Services	17.1		(1) 5.6	22.7
400 Commodities	3.0			3.0
500 Equipment	<u>2.0</u>	_____	_____	<u>2.0</u>
Total	<u>\$145.7</u>	<u>\$ 6.2</u>	<u>\$ 5.6</u>	<u>\$157.5</u>

(1) Office Space \$ 5,600

STATE OF ALASKA

ALASKA PUBLIC UTILITIES COMMISSION
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

JAY S. HAMMOND, Governor

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Anchorage, Alaska 99501

Phone (907) 276-6222

October 5, 1979

RECEIVED

OCT 5 1979

LEGISLATIVE
AUDIT

Mr. Gerald L. Wilkerson
Legislative Auditor
Couch W
Juneau, Alaska 99811

Dear Mr. Wilkerson:

The following is the response of the Alaska Public Utilities Commission to the Performance Review of the Alaska Public Utilities Commission by the Division of Legislative Audit.

Recommendation No. 1

The Alaska Public Utilities Commission, the Alaska Transportation Commission and the Alaska Pipeline Commission should be combined into a single regulatory commission.

The Alaska Public Utilities Commission (referred to hereinafter as APUC or Commission) believes it is appropriate to re-evaluate the merits of a single commission mode of regulating utilities. At this time, however, the APUC cannot unequivocally state that the three regulatory commissions should be combined into a single agency because no documentation that would support that conclusion has been made available to the Commission. The Commission believes it is misleading to make a recommendation of this significance solely on the basis of a comparison of "schemes" used by other states. Certainly the dominant regulatory framework in other states lends credence to the proposition that it is timely to reassess the value to the Alaska public to continue three separate regulatory agencies.

A tabular comparison of various regulatory frameworks is presented to support this recommendation. While informative, the Commission does not believe this analysis is sufficient

documentation on which to base this substantive recommendation. As the analysis indicates, the number of Commissioners has a direct relationship to the number and type of professional Staff. This, in turn, is influenced by its methods of operation, the scope of a Commission's statutory responsibilities, and the number of utilities subject to regulation.

The Commission offers the following comments regarding the advantages postulated by the auditors of a single regulatory agency.

(1) The Commission concurs that a single regulatory agency could result in a reduction in the number of regulatory Commissioners. However, someone must preside at hearings; and, therefore, the establishment of hearing officer positions would be required to offset the diminution in Commissioners. There are jurisdictions that utilize hearing officers to conduct public hearings and to draft proposed decisions for Commissioners' review and determination. The APUC Commissioners hear cases and write substantive orders without the benefit of such Staff* assistance.

(2) Because of the specialization required of the Commission's professional Staff, i.e., expertise in telecommunications, electric, gas, sewer and water utilities, the Commission questions the degree of flexibility that would exist with a combined Staff. The Commission believes that the interchangeability of staff could be limited in practice to emergency-type situations. An analysis of the regulatory responsibilities of the Alaska Pipeline Commission and the Alaska Transportation Commission should provide more factual information in this regard. The Commission does agree that a combined clerical support Staff could provide more flexibility and create a more efficient flow of paperwork.

(3)(4)(5) The Commission believes that joint hearing and reproduction facilities and a shared publications library would provide for more efficient services, not only for a consolidated regulatory body but also for the existing regulatory Commissions. To this end, the Commission has recommended in its last two budgets that the three Commissions be physically co-relocated to a facility that would permit realization of these economies.

*The average regulatory commission in the United States has approximately 200 Staff members as contrasted with 32 Staff assigned to the APUC.

(6) The Commission does not have enough firsthand experience with sophisticated word-processing equipment to comment on this possible reduction.

The APUC strongly supports the concept that adequate human resources, whether in the form of commissioners, hearing officers or other staff, must be provided if the regulatory duties and responsibilities delegated by the Legislature are to be performed in an efficient and effective manner. Moreover, sufficient resources to perform the job are as important under the existing regulatory configuration as they would be in a prospective consolidation into one agency.

Reliance on outside regulatory formulae to support a merger should also be tempered by recognition of circumstances which make regulation unique in Alaska. For example, the APUC is still actively involved in the certification of utilities, in marked contrast to most jurisdictions in the "Lower 48" which have been fully carved up into utility service areas. This is especially pertinent not only to rural Alaska which is in a developmental stage in the utility arena but also extends to the State's largest metropolitan areas where telecommunications utilities have been the subject of recent certification proceedings. While not commanding the newspaper headlines generated by rate increases, the certification process is critical to the public protection function of regulation because it establishes the foundation for a utility's future service and rates.

The APUC believes that concurrent with the sunset review of the Alaska Pipeline Commission, the Division of Legislative Audit or an independent consulting firm should perform a cost-benefit analysis of combining the three regulatory commissions into one. The study should examine both the existing and alternative regulatory frameworks to identify the potential operational and financial gains and losses to be realized under a single consolidated agency.

If the desirability of implementing this recommendation is affirmed by such an in-depth analysis, the Commission strongly believes that the Legislature should assess the scope of the existing responsibilities of the three regulatory commissions before the decision to merge is made. Should the Alaska Transportation Commission continue to regulate dumptrucks and helicopters? Should the APUC continue to regulate

garbage and cable television utilities? What will be the magnitude of the workload of the Pipeline Commission after the TAPS case is completed? Resolution of these and other policy issues would facilitate the Legislature's efforts to define the appropriate regulatory framework for Alaska inasmuch as a determination of whether one commission would better serve the public interest than the existing three do is, in part, dependent on what responsibilities would reside with the single successor agency.

It may be difficult to divorce the mechanics of a merger from any assessment of its practicality and desirability. In this regard affirmative action to consolidate the existing regulatory agencies should include a detailed implementation plan with a realistic timetable which acknowledges that preservation of pending, current, and past decisions of each Commission is critical to the successful transition to one regulatory agency.

The fundamental purpose of the Alaska Public Utilities Commission is to protect the public by awarding certificates of public convenience and necessity to qualified providers of utility services and to ensure that certificated utilities, except where exempted by statute, provide adequate, efficient, and safe services and facilities to the public at just and reasonable rates, terms, and conditions. These two major functions are broadly defined as certification and economic regulation. It should be noted that the consumer protection function of the Commission falls within the broad definition of economic regulation.

The following four recommendations have a common theme. They propose to reduce the scope of the Commission's duties and responsibilities under AS 42.05 by deregulating certain types and sizes of public utilities. These recommendations reflect the audit team's awareness of the acute strains that the APUC's current workload places on its limited resources and ability to competently perform the responsibilities delegated by the Legislature. Additionally, it represents some of the current thinking regarding the necessity and desirability of regulation. After consideration of these

factors, the auditors identified those utilities where they perceived deregulation would have the least detrimental impact on the Alaskan public.

The Legislature faces the choice, implicit in the audit, of prioritizing the responsibilities of the APUC by deregulation of certain utilities or the allocation of adequate resources to the agency to fulfill its statutory assignments. The ultimate policy determination of which, if any, utilities should be exempt from regulation resides exclusively within the purview of the Legislature as the sole source of the Commission's authority. If the deregulation course is elected, it is the Commission's position that the audit team's priorities are generally acceptable with some specific exceptions. These exceptions and the Commission's view of the potential impact of deregulation in the recommended areas are provided to ensure that the ultimate decision is made with the experience and information of the APUC in concert with input from the private sector and the consuming public.

Recommendation No. 2

AS 42.05 should be amended to allow the Alaska Public Utilities Commission to cease all certification and regulation of cable television.

The Commission believes that the definition of telecommunications as found in AS 42.05.701(8) mandates the certification and regulation of cable television (CATV).

The Commission believes that certification should be required for CATV utilities providing service to 10 or more customers. This provides certain minimal protection to the public with respect to the fitness and ability of the serving utilities as more fully discussed in the response to Recommendation #5. More importantly, certification is necessary to assure the orderly development of basic telecommunications services throughout Alaska in light of nationwide technological developments and regulatory trends.

Current legislation before Congress and a more liberal regulation policy by the Federal Communications Commission indicate that telephone companies will shortly be in the position to offer broadband communications* which could

*Broadband communication includes the full range of communication information including, but not limited to, basic telephone, data, and television.

include facilities for television distribution. Ultimately, basic telephone and television service could become so commingled that the economic viability of regulated communication services could be affected.

In some jurisdictions, municipalities award a franchise to a CATV utility. While on the surface this appears to be an attractive alternative to state regulation, the record in recent CATV certification proceedings involving Anchorage and Fairbanks indicates that in the "Lower 48" there has been political abuse of this process and that municipalities which do not have technical and rate-making expertise are unduly burdened by the responsibility to assess which applicant best serves the public interest. In place of economic regulation, municipal bodies have in some instances substituted a shortening of the franchise period, hoping to influence the franchise holder to charge reasonable rates and provide adequate service -- a practice that could backfire and leave the consumer without any service.

The APUC has determined that the public interest is not necessarily served by economic regulation of small cable television utilities and has exempted small CATV's from regulation in a number of instances. These are Eielson Air Force Base, Metlakatla, Craig, Klawock and Thorne Bay. While independently assessing the "nonessential" quality of cable television services, the Legislature should be aware that the APUC files are replete with complaints against CATV utilities, particularly from rural parts of Alaska where there is a captive audience with no alternative form of entertainment and where the entities providing the service have their base of operations outside the State of Alaska.

Recommendation No. 3

AS 42.05 should be amended to allow the Public Utilities Commission to cease certification and regulation of those utilities furnishing collection and disposal service of garbage, refuse, trash, and other waste material.

The Commission supports the elimination of regulation of garbage utilities from its responsibilities and agrees with the economic justification articulated by the sunset auditors.

The Commission would be remiss, however, if it failed to apprise the Legislature of its concerns regarding deregulation

of this public utility service. Based on Commission experience there is a need for some governmental entity to oversee garbage, refuse and disposal operations. Garbage and refuse disposal has long been considered an essential public health and sanitation service, more frequently than not owned, operated or contracted for by municipal governments. The impact of deregulation in this area would be felt primarily by a small percentage of consumers residing outside municipal boundaries. The Commission believes it would be in the public interest to ensure that the municipalities have sufficient extraterritorial jurisdiction under AS 29.48.037 and AS 29.48.040 to oversee the entirety of these operations.

The Commission would also point out to the Legislature that the Department of Environmental Conservation (DEC) currently issues permits for sanitary landfill use and promulgates regulations governing solid waste management. In this regard, the Legislature may wish to consider the DEC as an alternative to municipal regulation of garbage and refuse. The adequacy and availability of a sanitary landfill to a garbage utility is frequently a significant problem which has been brought to the Commission's attention. Because of DEC's current responsibilities in this area, it is appropriate to consider this alternative which would provide end-to-end regulation of garbage utility services.

If a legislative determination is made that garbage utilities should come under the jurisdiction of a state regulatory commission, it may be more in keeping with transportation regulatory practices for the Transportation Commission to resume this function.

Recommendation No. 4

AS 42.05 should be amended to allow non-profit telephone and electric cooperatives to petition for withdrawal from APUC economic regulation.

The Alaska Public Utilities Commission will concur with this recommendation. However, it is the Commission's experience that consumers of electric and telephone cooperatives frequently perceive little difference between co-ops and other public utilities, even though the members own the business and elect the board of directors. The Commission believes that if AS 42.05 is amended to incorporate this recommendation, it would be desirable to promulgate regulations establishing

an orderly procedure for withdrawal from economic regulation by cooperatives.

To further expand AS 42.05.711(b) to allow cooperatives that have withdrawn from economic regulation to subsequently return to the full regulatory jurisdiction of the Commission, while a desirable safeguard of the public interest, could have a detrimental effect on the ability of the APUC to administer and finance its on-going functions. For example, relevant Commission experience is the refusal of the Rural Electrification Administration to provide additional loan monies to the Tlingit-Haida Regional Electric Authority (THREA) until it submitted to APUC jurisdiction. THREA acceded to the jurisdiction of the APUC in December, 1978, because of its financial crises. Significant concerns of the THREA ratepayers and the mayors of the respective villages in which the utility is located has required the Commission to expend dollars for consultant services that would otherwise have been available to fund other existing responsibilities of the agency. Realizing that the decision to return to economic regulation will likely occur only when the cooperative is experiencing significant difficulty, the Commission believes it would be necessary and appropriate to minimize any impact on its existing workload by promulgating regulations governing reinstatement of full regulation after such an election.

It should also be noted that an unregulated telephone cooperative could cause unnecessary expansion of toll facilities of the long lines carrier. A local telephone cooperative not only has an impact on its primary customers but on those who utilize one or two communication networks desiring access to the local exchange. For example, a small deficiency in an unregulated telephone central office switch can deny access to 10 percent of incoming toll calls. It is uneconomical to have a telephone call cross the lower 48 states and be transmitted to the satellite and an Alaska terrestrial facility only to be denied at the terminating central office.

Recommendation No. 5

AS 42.05 should be amended to exempt from economic regulation all utilities with annual gross revenues not exceeding \$100,000.

The Commission concurs with this recommendation.

However, the Commission believes it is in the public interest to continue to require certification of all utilities providing service to 10 or more customers, irrespective of annual gross revenues.

A certificate of public convenience and necessity from a qualified independent agency assures the consuming public that a utility is fit, willing and able to provide service. In addition, a certificate provides economic protection to the small business from unauthorized or potentially ruinous competition. The Commission believes that certification is particularly important to protect the public interest when a small utility will be physically tied to a larger utility network, such as the case of a local exchange telephone company interconnected to the long lines telecommunications carrier or an electric grid system connecting more than one power utility.

Based on the APUC's 1978 Annual Report, 13 utilities currently subject to economic regulation would become exempt if this amendment were approved with the \$100,000 cutoff level. The majority of the 13 utilities are small water companies which historically have generated numerous consumer complaints. These complaints have required a significant commitment of time by the APUC Consumer Protection Section for its investigation and possible resolution and by Commissioners and Staff in public hearings. The Commission would be remiss if it did not point out to the Legislature that the volume of complaints received from the consumers of these relatively small utilities indicates reliance on the public protection provided by regulation for adequate service. Because water service is a necessity, some entity, be it legislative or administrative, will inherit the consumer protection function that the APUC has provided.

The comments of the APUC's Chief of Finance are germane and the Commission believes they should be drawn to the attention of the legislature:

"Water bills have a tendency to be lower than electric or telephone. Therefore, I question whether a gross revenue standard is a fair reflection of the number of people involved. I do not believe the same gross revenue cutoff should be applied to all types of utilities. I think the deregulation of electric and telephone under \$100,000 gross revenues is a good recommendation. Water and sewer should have a different standard.

Some of our most difficult and demanding cases are water utilities. The filings are often poor and inaccurate and accounting records are often nonexistent or in 'shoe-boxes.' We truly protect the public in our review of these utilities. Any given case may require a great deal of time on our part, but I feel it is time well spent. Unlike garbage collection, water service is definitely a necessity."

Recommendation No. 6

The statutes and regulations governing the Alaska Public Utilities Commission should be revised.

The Commission agrees that its statutes and regulations should be revised. The following comments are offered in response to the specific examples delineated by the auditors.

(1) The two cases cited by the auditors "mix apples and oranges." In one, Docket U-75-95 a Commission decision has been upheld in Superior Court that disallowed unamortized rate case expense in a utility's rate base. At issue in the other, Docket U-76-66, was the protection of the public from duplicative utility expenses. Both of these issues are matters of regulatory policy over which the APUC needs discretion and flexibility to respond to current theories and to individual cases.

The Commission believes, however, that regulations establishing guidance for supporting documentation required to justify both internal and external rate case expense are necessary and desirable. The Commission's posture for four years has been reactive. Unfortunately, its workload, mandated by other statutory requirements, has preempted the time necessary to notice, consider and adopt regulations that would allow the regulatory process to function more efficiently.

(2) The Commission concurs that the promulgation of industry performance standards for all regulated utilities is necessary and desirable, but it is also a function of available resources to establish the standards and to enforce them. At the present time the APUC has no operational budget to enforce the existing telephone service standards.

(3) The Commission has requested clarification of its

statute regarding the transfer of certificates of public convenience and necessity. (HB675, 1978 Session.) More interest was generated in the existing statutory ambiguity as a result of PACOM's announced intentions to acquire a controlling interest in RCA ALASCOM. However, the statute remains; and, to date, affected utilities have acceded to Commission jurisdiction in this matter in accordance with the Commission's interpretation of its statute and regulations. Nonetheless, the Commission continues to support clarifying legislation.

(4) The Commission plans to eliminate the discrepancies between its statute and regulations by January 1, 1980.

Recommendation No. 7

The APUC should seek upgrading of salary levels for professional support staff.

There is no question that the most frustrating, expensive and time-consuming problem in the Commission's operation has been the vacancy factor and turnover of its professional Staff as a result of the compensation level.

A salary survey performed by the Division of Personnel in 1977 compared salaries of the Commission's professional Staff to salaries paid by regulatory commissions in other states with a cost-of-living additive. This did not and does not consider reality. The Commission loses its professional people to consulting firms and utilities operating in Alaska, not outside of Alaska. In addition, the Commission has experienced turnover because other State agencies offer a higher salary for the same qualifications and experience. Effective protection of the public interest and efficient utilization of its financial resources dictate that the APUC compensate its professional Staff at a level which attracts and retains qualified and experienced personnel.

Recommendation No. 8

The APUC should implement a time management system.

The Commission concurs that a time management system is a useful administrative tool. The Commission's experience in filling successive vacancies in the Executive Director position has not allowed institution of such a system to date. However, the Commission anticipates that the new

administrative Staff will implement such a system as rapidly as time, knowledge, and experience permit.

Recommendation No. 9

The APUC should develop a cross-reference system for Commission orders and decisions by the courts.

The cross-reference system suggested by this recommendation is desirable and necessary. With adequate funding the computer capability of the Commission could provide the foundation of a cross-reference system for current Commission actions. To recover the decisions of the first eight years of the Commission requires time and budget that is non-existent at present. The Commission plans to dedicate a portion of the time of its newly classified paralegal position to this assignment.

Recommendation No. 10

The Commissioners of the APUC should restrict their involvement in the administrative function of the agency.

The theory behind this recommendation is sound but its strict application must be tempered by reality. As one Staff section head stated in response to this recommendation, "Until we have written policies, a topical reference system and a knowledgeable, interested, hard-working executive director, I don't see how the Commissioners can be expected to restrict their involvement in the administrative function of this agency."

It is the goal of the Commissioners to be relieved of their direct involvement in the administration of the APUC. History dictates this is an evolutionary process. Reality dictates that the Commissioners are ultimately responsible for the public perception of the APUC. Their oversight responsibilities and input in administrative matters will continue as an informative tool for the Staff's managers.

It should be noted that the Commissioners have no independent professional staff and must rely on existing staff personnel for technical expertise and advice only when it does not compromise the independence of the parties in proceedings.

Recommendation No. 11

The APUC should seek to establish separate collocation codes for each section of the Commission.

It may be that the implementation of this recommendation is desirable.

The Commission does have some reservations in this regard due to the small size of its sections, ranging from one to six people. In the past the budget has been earmarked to the workload confronting the Commission. In most proceedings at least two staff sections, the Commission's legal personnel and the Commissioners are involved. Budgeting has been a matter of compromise, cooperation, and re-prioritizing to address the situation at hand.

The Commission will explore with the auditors the perceived benefits to be gained through section collocation codes.

COMMENTS ON ANALYSIS OF PUBLIC NEED

II. "There is also a need for statutory and regulatory amendments to allow for more effective case management and to avoid court appeals of Commission decisions (see Recommendation No. 2 through No. 6)."

It is overly simplistic to assume that statutory and regulatory amendments will eliminate court appeals of APUC decisions. Regulatory and administrative law are evolutionary elements in the system of common law applicable to Commission proceedings. Also, the volatility of regulatory theory and policy combined with the likelihood of a dissatisfied party is conducive to litigation in some instances. Given the nature and scope of APUC activity during recent years, there has been a relatively small number of Commission orders that have been appealed to the Superior Court.

An appeal of a Commission decision, per se, is not an undesirable result of Commission action. In certain instances it is in the public interest to have the case law and statutes clarified and amplified through the appeal process.

III. The extent to which the board, commission or agency has recommended statutory changes which are generally of benefit to the public interest.

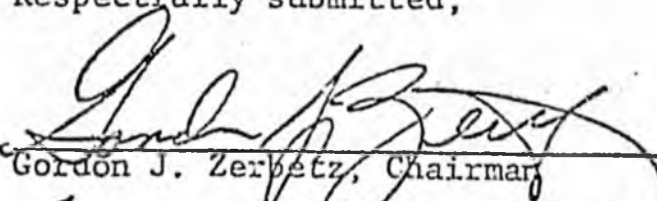
The APUC has been actively involved in reacting to substantive

Oct. 5, 1979

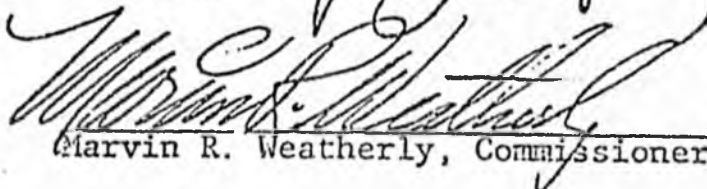
pieces of legislation proposed by others in the past few years. In addition, the Commission has served as a resource to both the Governor's office and the legislative branch of government in the energy and telecommunications fields. And, it well may be more fruitful for deregulation recommendations to come from without rather than from within the Commission.

The Alaska Public Utilities Commission believes that the audit conducted by the Division of Legislative Audit was a constructive exercise for the Commission and commends the auditors for the performance of their responsibilities in a thoughtful and unobtrusive manner.


Respectfully submitted,



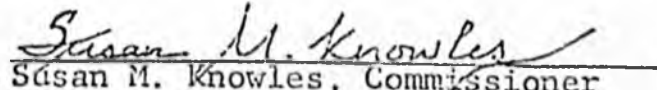
Gordon J. Zerbetz, Chairman



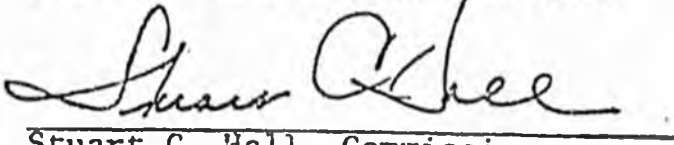
Marvin R. Weatherly, Commissioner



Carolyn S. Guess, Commissioner



Susan M. Knowles, Commissioner



Stuart C. Hall, Commissioner

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

360 K STREET — SUITE 105
ANCHORAGE 99501

File 8
Sen Commerce 79-80

John M. Stern, Chairman
Alaska Public Utilities Commission

January 22, 1973

Thru: Kenneth W. Kadow, Commissioner
Department of Commerce

FROM: B. Richard Edwards
Assistant Attorney General
Attorney General's Office
Anchorage Civil Section

RE: Jurisdiction of APUC over
rates of municipally owned
utilities

Please refer to your memorandum of October 1972 wherein you request an Attorney General's opinion on two questions. The first question deals with the general application of AS 42.05.711 (b) and is based on the facts set forth in your memorandum. The Fairbanks Municipal Utility System (FMUS) applied for a certificate of public convenience and necessity under the grandfather rights of AS 42.05.221 to provide electrical service in the Fairbanks area. In the same area Golden Valley Electric Association, Inc. (GVEA) had a certificate of public convenience and necessity to furnish identical electrical service. On August 11, 1972 the APUC issued two decisions, one which granted the FMUS a certificate of public convenience and necessity to supply electrical service in an area which would not compete with the GVEA.

Your opinion request is based on several assumptions. In your request you assume the competition between FMUS and GVEA has been eliminated. You also assume that there is no competition between the other FMUS utilities and any other public utility and that FMUS until the elimination of competition was clearly under the complete jurisdiction of the APUC.

Based upon these facts and assumptions it is our opinion that the rates charged by the Fairbanks Municipal Utility System for electrical service cannot be regulated by the Alaska Public Utilities Commission in light of AS 42.05.711 (b).

AS 42.05.711 (b) provides:

Public utilities owned and operated by a political subdivision of the state and none of whose utilities is in competition with an other utility, are exempt from the provisions of this chapter, other than the provisions of §§ 221-231 of this chapter, unless such an owner and operator elects to be subject to all provisions of this chapter.

It is clear from this provision that a utility operated by a political subdivision of the State is not in competition with any other utility it is exempt from the Alaska Public Utilities Act except for the provisions dealing with certificates of public convenience and necessity found at AS 42.05.221-221.1/ No ambiguity is found with respect to this part of the statute and where a statute is unambiguous the statute expresses the legislative intent without the necessity of aids from the legislative history. Alaska Mines and Minerals, Inc. v. Alaska Industrial Board, 354 P. 2d 376, 379 (Alaska 1960); City of Seward v. Wisdom, 413 P. 2d 931, 936 (Alaska 1966); Homer Electric Assn., Inc. v. City of Kenai, 423 P. 2d 285, 289 (Alaska 1967). The legislative intent, however, is supported by the legislative history of the exemption provision.

A review of this legislative history would not be complete without first reviewing the statutory history of regulating the rates of municipally owned utilities. When the Alaska Public Service Commission Act first became law in 1959 municipal utilities except for water and sewer were regulated pursuant to AS 42.05.640(2). In 1963 this provision was amended to entirely exclude municipally owned utilities from Public Utilities Commission regulation. This statutory history is explored in detail in Homer Electric Assn., Inc. v. City of Kenai, 423 P. 2d 285 (Alaska 1967).

In the 1971 Legislature, Senate Bill 128 was introduced into the Senate by the Senate Rules Committee at the request of former Governor Keith H. Miller. The requested legislation was accompanied by an introductory executive message² which provided with respect to municipalities as follows:

Municipally owned and operated utilities are exempted from regulation only in certain respects. These are specified in subsections AS 42.05.631 (b)-(d). In brief, a municipal utility would be exempt from rate regulation for services provided within the city boundaries. Services which it provides outside the municipal

-
1. For discussions of the ramifications and policies of exempting municipally owned utilities from the various forms of Public Utilities Commission regulations see State Supervision Over Municipally Owned Utilities, 49 Col. L.R. 180 (1949); State Regulations of Municipally Owned Electric Utilities, 7 Geo. Wash. L.R. 557 (1939); State versus Local Control of Municipally Owned Utilities, 41 Yale L.J. 121 (1931).
 2. "... it is an accepted method of determining legislative intent to look to introductory executive messages." Homer Electric Assn., Inc. v. City of Kenai, 423 P. 2d 285, 289 (Alaska, 1967)

boundaries would not be exempt. Municipal utilities would also be exempt en toto from Sections AS 42.05.491 - 511 concerning financial and management regulation, and from Section AS 42.05.641 concerning regulatory fees. [1969 Senate Journal, p. 84].

It is apparent that municipal utilities under the bill introduced by the Governor would be exempt from rate regulation of its utilities located within the city boundaries.

In the same Legislature, House Bill 202 was introduced into the Alaska House of Representatives. The legislative history of this bill in the House includes the following from the House Judiciary Committee report on the Public Utilities Act:

AS 42.05.711. In its comparable section, SB 128 provided for the exemption of municipally owned and operated utilities from the provisions regarding the regulation of rates, financial management regulations, and the requirement of a regulatory fees. (Cf. present AS 42.05.645 and Pa. Stat., Title 66, sec. 1141.) The original HB 202 deleted the exemption regarding rates. [1969 House Journal, Supplement No. 4 (4/9/69), p. 7]

From this it appears that the original House Bill contemplated the regulation of rates charged by municipally owned utilities. This was changed, however, by an amendment on the floor of the House. This amendment read as follows:

Municipally owned utilities (except those consenting to all provisions of this chapter) are exempt from the provisions of this chapter if there is no other utility in the integrated economic area or in an adjacent service area competing or having the potential to compete with any other of the municipally owned utilities. [1969 House Journal, p. 705]

House Bill 202 with this amendment passed the House of Representatives and was forwarded to the Senate. It is clear from this amendment that the House of Representatives also intended that the rates of a municipally owned utility should not be regulated except where competition was present. No legislative history was found which would indicate any ambiguity in AS 42.05.711(b) or indicate that the legislature intended that the rates of municipal utilities not in competition with other utilities be regulated by the APUC.

Your second question requests an opinion from this office on the issue of whether the Fairbanks Municipal Utility System is "in competition" as that phrase is used in AS 42.05.711 (b) where FMUS is attempting to gain authority from the Commission to supply terminal equipment (such as teletype, telex units and other more sophisticated hardware) in the Fairbanks area and in the same proceedings before the Commission, prevent RCA-Alascom from continuing to provide such terminal equipment. It appears from the facts of this situation that the FMUS is merely applying and attempting to gain the authority to compete with RCA-Alascom or to exclusively provide the terminal equipment in the Fairbanks area. Apparently the FMUS is not presently providing such terminal equipment in the Fairbanks area. RCA-Alascom is now providing that terminal equipment. The matter is a dispute over which of the two entities has the authority from the APUC to install terminal equipment.

Under this set of facts it is the opinion of this office that by entering into this dispute the FMUS is not "in competition with any other utility" as that phrase is used in AS 42.05.711 (b). This results in the APUC not being able to regulate the rates, services and facilities, accounts records and reports, and financial and management regulations of the FMUS.

In construing what the Legislature intended by the phrase "in competition with any other utility" a basic fundamental rule of statutory construction requires that the legislative purpose or intent in using the subject phrase be extracted from the entire Public Utilities Act. In other words since this phrase is not defined in the definitional section of the enactment (113 SLA 1970) the other sections in the enactment should be looked at to determine the legislative intent of the phrase. In re Delinquent Tax Role, 16 Alaska 286, 295 (D. Alaska 1956); State v. American Can Co., 362 P. 2d 291, 296 (Alaska 1964); 2 Sutherland, Statutory Construction, (3 Rd. ed.) §§ 4703, 4704.

In 113 SLA 1970 the only other provision which discusses "competition" between public utilities is found in AS 42.05.221 (d). This provision provides:

(d) In an area where the commission determines that two or more public utilities are competing to furnish identical utility service and that this competition is not in the public interest, the commission shall take appropriate action to eliminate the competition and any undesirable duplication of facilities. This appropriate action may include, but is not limited to, ordering the competing utilities to enter into a contract which, among other things would:

(1) delineate the service area boundaries of each in those areas of competition;

(2) eliminate existing duplication and paralleling to the fullest reasonable extent;

(3) preclude future duplication and paralleling;

(4) provide for the exchange of customers and facilities for the purposes of providing better public service and of eliminating duplication and paralleling; and

(5) provide such other mutually equitable arrangements as would be in the public interest.

From this it appears that the legislature intended the use of the word competition to mean actual competition. A mere dispute before the Alaska Public Utilities Commission does not constitute such competition. AS 42.05.221 indicates that competition exists where two or more public utilities are furnishing identical utility service in a designated area and where these two utilities have authority for duplication and paralleling of facilities. No other statutory provision was found in 113 SLA 1970 which would shed any light upon the meaning of competition as used in AS 42.05.711 (d).

Our opinion is further supported by another statutory construction rule which dictates that statutes must be given their reasonable meaning.

If a public utility owned by a political subdivision is subject to rate regulation by the APUC each time the political subdivision requests extended authority or has a dispute with another utility with respect to the extent of either of the utilities authority then an unreasonable result may occur because the utility owned by the political subdivision would probably be under the rate regulation of the APUC only until the dispute or request for extended authority is resolved by the APUC. Such resolution could take place in a short period of time. The present fact situation appears to present a case which could reach this unreasonable result. If the rates of the FMUS were to be regulated by the APUC during the pendency of the dispute between FMUS and RCA-Alascom it appears that those rates would be regulated only for a short period of time. Once the dispute was resolved the FMUS would again be in a position of not having its rates regulated by the APUC unless the APUC were to grant competing authority to both FMUS and RCA-Alascom, or the FMUS elected to be regulated.

Additionally, the common usage of the words "in competition with any other utility" indicates that the political subdivision owned utility must be furnishing identical facilities or service as another utility in the same authorized area before it can be considered in competition with that utility.

JOHN E. HAVELOCK
ATTORNEY GENERAL

By: *B. Richard Edwards*

B. Richard Edwards
Assistant Attorney General

Pelican Utility Company
P.O. Box 5538
Seattle, WA 98105.

March 19, 1980

Senator Brad Bradley, Chairman
Senate Commerce Committee
Pouch V Mail Stop 3100
Juneau, AK 99811

Dear Senator Bradley:

My name is Cavin Philbin and I am representing Pelican Utility Company (PELCO).

The following is written testimony reflecting PELCO's opinions and attitudes toward the Alaska Public Utilities Commission's past performance. This testimony is subsequent to testimony given in front of the Senate Sunset Legislative Review Board by Mr. Charles N. Drennan, an attorney from the law firm of Faulkner, Banfield, Doogan & Holmes and PELCO's representative. PELCO encourages the Sunset Legislation Committee to take into consideration this testimony to aid in the evaluation of the Alaska Public Utilities Commission (APUC).

PELCO is in support of Recommendation No. 5 of the August 1979 review. The company feels that by exempting utilities with gross revenues of \$500,000 or less (instead of \$100,000), the commission would be allowed additional time and revenue to protect a larger percentage of the public interest by concentrating on larger utilities that serve the majority of Alaska's citizens.

PELCO feels it is disproportionate for a utility of its size to pay the same price for complying with APUC rate case requirements as larger utilities. The high cost of preparing a rate case is passed on to the customer in the form of higher rates which means that a utility customer of a smaller utility has to bear the brunt of higher regulation costs than a customer of a larger utility company.

With the increase in the cost of fuel, utility companies will be forced to file rate cases more frequently to maintain a rate of return allowed by the Commission. APUC is presently offering assistance to utilities in the form of a fuel rate adjustment clause which allows utilities to increase rates proportionate to the increase in fuel. Despite the fuel rate adjustment clause, electric utilities still must file rate cases after the price of fuel increases by 30%. Progressively increasing fuel and regulation costs will continue to outweigh any benefits derived from regulation in its present form.

It may well be that the Commission will require approval of an exempted utility's rate increase. If this is the case, PELCO recommends using a shortened, single page form for supplying a regulatory board with pertinent rate case information. Utility costs, past KWH production, the utility's customer base, rate of return information and other necessary information could be listed "in house" on a form similar to a tax return. This would cost the utility less to compile and the regulatory board less to analyze. The expense for complying with cost of service studies and rate case requirements should be relative to the gross revenue and customer base of the utility. If this is not possible, the regulatory agency should pay the cost of supplying such burdensome information.

PELCO is not in favor of the statute now in effect by APUC stating that if 25% of the customer base of a utility sign a petition protesting the utility's exemption from regulation, the utility is automatically regulated by APUC.

PELCO has a customer base of 64 people living in an area of approximately one square mile. This has always been a problem for PELCO. With Pelican Cold Storage Company (Pelican Utility Company) as the major employer in such a small village, even a slight ^{rate} increase is highly controversial. The present statute states that 16 protests are all that are required to cancel or defeat a PELCO exemption, but even with a single protest, the review of a rate case or special request can come to a standstill.

The management at PELCO invites customer input in determining the extent of company regulation, but feels the decision should lie with a State Regulatory Board and not a few citizens. For instance a percentage of customers could request a state commission to review a utility's performance but a state review board should be responsible for determining the utility's degree of regulation.

Attached to this testimony is a copy of a diary kept by Mr. J. G. Ferguson, President of PELCO, during our last approved electric rate case. As the diary illustrates, rate case proceedings began on April 20, 1975 and although the diary was not carried through to the time the final rates were approved on August 1, 1976, it can be seen that it is especially costly and time consuming for a utility of Pelican's size to comply with the myriad of information required by APUC, especially relative to the utility's customer base.

Since the 1976 electric rate case, PELCO has filed for a new water rate and a Petition for Exemption for a new Cable Television System.

PELCO initiated the water rate case in November of 1977 and was granted the rates on February 14 of 1980. In that 26 month period, having our attorney compile the necessary information cost the utility \$50.00 an hour in legal fees for a total cost of \$3,424.00. A minimum of three hours a week was needed in that period of time for Seattle administrative personnel to produce information for this particular case. This cost PELCO \$2,000.00 a year, not to mention the time that was needed for the PELCO staff in Alaska to supply the Seattle office with additional support information. With a gross water utility sales revenue of \$6,450.00 for FY 1978 and 1979, the cost to comply with APUC information requirements for these years totaled roughly 60% of the water utility's sales revenue.

For the Cable Television Petition for Exemption, it took over a year to obtain a certificate to operate. The legal expense in that period for Cable Television was \$1,250.00.

In closing, PELCO encourages the Sunset Review Committee to do anything within its power to decrease Commission staff turnover. It has been our experience in rate cases that each time an APUC staff member quits, the replacement invariably requires information that has already been supplied. This is burdensome to the utility and adds to the inefficiency of APUC.

Respectfully



Cavin W. Philbin
Utility Administrator

CWP:lm

Attachment

PELICAN UTILITY RATE CASE:

April 20, 1975 Requested Banfield to start on rate case
 June 25 Pelican answers phone request for information
 July 23 " " " " " "
 August 13 " " " " " "
 Sept. 4 " " " " " "
 Sept. 8 Banfield sent 33 page application for increased rates
 15¢/KWH effective Oct. 12, 1975 with Interim Rates 11.8¢
 KWH effective Sept. 29, 1975
 Sept. 19 Received letter from Alaska Public Utilities Commission
 advising request received
 Sept. 25 Advised Banfield depreciation methods used
 Sept. 26 Rate Notice published in Southeast Alaska Empire Newspaper
 Oct. 1 Letter to Banfield on case
 Oct. 2 Received letter from Banfield on case
 Oct. 2 Answered requests about fuel storage
 Oct. 7 Received letter from City of Pelican on case advising rate
 for street lights will go from \$492.00 to \$4,688.64 under
 new rates, requests relief
 Oct. 7 Received telex from Pelican, City going to file protest with
 Alaska Public Utilities Commission. I advised Banfield.
 Oct. 8 Received letter from Banfield showing rates from other remote
 communities in Alaska
 Oct. 9 Advised Banfield additional costing figures
 Oct. 10 Received letter from Banfield on case
 Oct. 29 Advised Banfield of three protest letters sent to Public Utilit-
 ies Commission
 Nov. 3 Received 3 letters from PUC on protest, we advised Banfield by
 letter
 Nov. 4 Advised Banfield requested usage information
 Nov. 7 Banfield sends Pelican letter on protests and advised PUC filed
 order Nov. 3 suspending operation of tariff revision and instit-
 uting investigation. Suspension not to go later than May 1,
 1976, Reasons: 1.) Petition containing 83 names from consumers
 in Pelican 2.) Commissions staff requested more financial sup-
 portive information
 Nov. 17 Pelican receives copies of petition
 Dec. 9 Pelican answers Banfields letter on usage and meters
 Dec. 12 Pelican talks with Lowell Jensen PUC on tariff requirements
 Dec. 31 Pelican advised summary to Banfield on consumption and production
 meters.
 Dec. 31 Pelican withdraws and cancels interim and permanent tariff re-
 quest with PUC
 Jan. 1 1976 Pelican/Banfield file revised rate increase with regular rate
 7.5¢ KWH, industrial 6¢ KWH
 Jan. 23 Wrote City of Pelican on rate case - allow industrial for all
 their service
 Jan. 23 Received letter from Banfield on rates
 Feb. 3 Arthur Andersen & Co. advised PUC on audit
 Feb. 25 Met with Banfield in Seattle on case
 March 18 I wrote PUC requesting relief and cooperation on rate case

March 22	Received letter from PUC advising that second rate request suspended - no later than August 26. Reasons: 1.) Request for additional information on fuel consumption, 2) Advised that public hearing needed
March 29	Pelican wrote Banfield on case
April 28	Pelican copies PUC on Pelican Utility Annual Report
May 5	Received letter from Banfield
May 11	P. S. Ganty called M. Oaksmith, Assistant Director PUC requesting action
May 15	Received letter from PUC requesting additional information
May 19	Banfield's office answers PUC letter
May 24	Pelican advised Banfield on usage study
August 1, 1976	New rates become effective

Box 1081
Petersburg, Ak 99833
13 Mar 1980

Senator Bradley
Senate Commerce Committee
Pouch V
Juneau, AK 99811

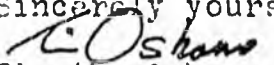
Dear Senator Bradley;

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 Capitol 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



Official Business

Alaska State Legislature

Senate

Committee on Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

March 13, 1980

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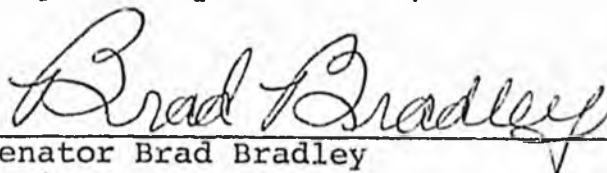
were informed during the public hearing that new concepts are being implemented by the Executive Director and the situation is improving. If this is accomplished within a reasonable length of time, no legislative action will be necessary.

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

OWNER MANUAL

for consumer-owners of the
Matanuska Electric Association, Inc.
Palmer, Alaska

INTRODUCTION

MATANUSKA ELECTRIC ASSOCIATION, INC.: CONSUMER-OWNED/CONSUMER-ORIENTED

Your electric cooperative is committed to provide the best electric service at the lowest possible cost. We are always striving to assist and educate our membership in order to fulfill the true cooperative spirit.

This owner's manual is provided as a part of our continuing effort to enlighten interested consumers. It should answer many of your questions and serve as an informational guide to your cooperative.

Please complete the following information and keep it handy in case of service interruptions or other consumer inquiries.

SERVICE LOCATION (Pole Number)

METER NUMBER

ACCOUNT NUMBER

MEA OFFICES AND TELEPHONE NUMBERS

	8:00 a.m. - 5:00 p.m.	After Hours
Palmer Headquarters	745-3231	745-3235
Eagle River Branch	694-2161	694-2161
Big Lake Branch	892-6021	745-3235

Collect Calls will be accepted from Talkeetna

This manual is published by the Matanuska Electric Association, Inc., a rural Electric Cooperative owned by the members it serves. Information contained in this manual is judged to be correct at day of publication. MEA's policies and tariff, however, are subject to change, periodically superceding parts of this manual. These changes will be published in future revised editions or made available on an insert basis.

Part 17, "What to do if fuses blow or circuit breakers trip frequently" copyright 1969 Sears Roebuck & Company is printed herein by permission of Sears Roebuck & Company.

Edited at MEA by Budd Goodyear

Printed in Alaska

Matanuska Electric Association, Inc.
P.O. Box 1148
Palmer, Alaska 99645

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Welcome to MEA. You are now a part of Alaska's oldest REA cooperative, organized in 1941. Whether you are a "Cheechako" or a "Sourdough," I am sure you'll be interested in a few facts about MEA.

Our service area is large — 3,360 square miles (twice the size of the entire state of Delaware). Growth has been a real factor at MEA, as we have experienced the fastest growth-rate in the state and have been one of the fastest growing areas in the country during the past several years. We now serve over 13,000 consumers in the Matanuska-Susitna and Anchorage boroughs.

The material contained in this owner's manual will provide you with valuable and interesting information about your electric cooperative. It defines your rights and responsibilities; answers questions; gives you information and phone numbers, and will help you to understand MEA.

One of the important processes we have is the annual membership meeting. There, directors are elected, the business of the past year discussed, and a future outlook given. It is an important part of your Co-op membership that you attend and participate. Notices are published three weeks in advance of the meeting which is in April each year.

I hope you will take a few minutes to become familiar with the information in this manual. It will not only help you understand MEA's operation and service policies, but it will also make reporting outages simple, and finding answers to your questions easier.

Again, welcome to membership in MEA. Welcome to the MEA service area. Let's work together for the future of Alaska and its heartland — Southcentral.

Malcolm Cheek
General Manager

Part 2

MEA IS

MEA is a Rural Electrification Administration cooperative, a type of business which belongs to the people who use its services, its members. Matanuska Electric Association, Inc. is the oldest REA cooperative in Alaska. Since 1941, you, our members have controlled the business of providing rural power supplies. The annual election of directors who represent you and consider your wishes when setting policy by which the cooperative business is conducted, gives you a voice in the operation of your

electric utility.

MEA is a business which consumers operate to obtain electric power, one which began when no other utility entity would invest in rural society and provide power. When you become a member of MEA you join 12,000 consumer-members who have built an association providing power to 3,360 square miles of south-central Alaska. From Eagle River to Hurricane, south to north, and Sheep Mountain to Petersville, east to west, MEA, your Co-op, is truly on the "cutting edge of progress."

Part 3

REA IS

REA is the Rural Electrification Administration which was established by President Franklin D. Roosevelt by executive order in 1935. REA and Rural Electric Cooperatives brought power to the rural residents across the country. In 1935 only 10.9 per cent of farms

in the country had electric power. In 1969, 98.4 per cent of all farms were energized with electricity. REA does not subsidize rural electric co-ops, but it is a banker and regulator, making loans to co-ops and insuring sound business practices are followed.

Part 4 YOUR ROLE AS A MEMBER-OWNER

One of the more important facts about REA cooperatives is that they are controlled by the people they serve. MEA, as a member-owned business, gives you the unique opportunity of participating in both the role of an owner and role of consumer. The typical MEA consumer-owner . . .

- *Pays energy bills on time.
- *Gives easement for construction and service of electric facilities on his property
- *Cooperates with



Get an idea for improving the Coop? Share it with us, we listen.

right-of-way brush control programs

- *Notifies Co-op of any system damages and service interruptions
- *Keeps informed by reading *Ruralite* and energy related articles
- *Attends Association



The annual membership meeting is an important part of being a R&A co-op member.

community and annual meetings

- *Offers suggestions for improved service
- *Serves on special Co-op committees
- *Observes the Co-op's rules, regulations and by-laws
- *Cooperates during storm emergency situations
- *Helps provide transportation to inaccessible areas
- *Votes for directors to guide the Association
- *Notifies Association of electric power diversions and equipment misuse or theft
- *Participates in wise energy use programs and uses energy wisely

Part 5

TARIFF

MEA operates under a tariff approved by the Alaska Public Utilities Commission (APUC). This tariff covers rates as well as service rules and regulations. Copies of the current tariff may be inspected at MEA offices in Eagle River, Palmer and Mile 51, Parks Highway at the Big Lake Office.

The following are some of the important items in our tariff:

MEA will provide electric service to customer premises that are utilized on a seasonal basis as provided in the applicable rate schedules.

MEA may require the customer to sign a contract guaranteeing a certain minimum level of revenue for a specified period of time, prior to new construction.

The customer shall use electricity from the Association

(MEA) exclusively at the premises designated by his order and shall not generate or cause to be generated any electricity which is or may be connected to Association service.

The Association (MEA) will read all meters monthly. If, for any reason, reading cannot be obtained for any particular period, the billing may be based on an estimated energy use and demand.

MEA will, at its own expense, inspect and test its meters as required to insure a high standard of accuracy. Each meter is tested before it is installed.

Additional tests at request of customer will be made, and if the meter is found to register within 2 per cent (2%) of accuracy the customer shall pay the test fee as determined by Tariff Rule 9 and the Schedule of Fees.

MEA's Manager is entrusted by its members and directed by the board to provide electrical power at the lowest possible costs and to engage in accepted business practices which will produce the necessary power economically and with fairness to all members. As the tariff provides, MEA is responsible for and may:

*Make service charges as outlined in the schedule of fees.

*Assess a four (\$4.00) handling charge for dishonored checks

*Refuse to connect and will disconnect service for violation of service policies.

*Temporarily suspend service to make repairs and improve the system.

*Provide construction service to a consumer-member meeting cost specifications as agreed upon. This is a temporary service limited to 90 days.

*Provide underground service for primary voltage when consumer pays difference between overhead and underground installation costs.

*Provide underground service for secondary service or voltages for a minimum charge when consumer digs his own trench, and fills it, according to specifications, after MEA installs cable.

*Provide line extension for a minimum monthly charge based on the estimated cost of construction of a line.

*Review line extension contracts on an annual basis (calendar year) to determine status of gross revenue from extension contracts.

*Terminate extension contracts when gross revenue derived from the extension exceeds required return on the investment in construction costs.

We believe that:

it is the right of persons to provide for themselves a vitally needed service, in the form of an Electric Co-op;

the Association exists primarily to serve its consumer-owners;

the Association exists for the

mutual benefit of its member-owners, directors, employees and the public;

the Association must provide the highest quality electric service at a cost consistent with sound business practices;

the opportunities in the enterprise carry with them both economic and social

responsibilities;

the ability of the Association to continue providing this essential service depends upon its attracting and retaining capable employees;

the natural resources of this country should be developed to provide an abundance of power consistent with other resource development needs;

the economic future of the

State of Alaska depends upon its having an abundance of electric power available to persons who can use it;

the Association must exemplify leadership in the community by doing all things essential to good management;

attaining these ideals will require our constant and untiring efforts.



"I warned Elrod I was going to get him to an annual meeting—one way or another."

TO OPERATE the Association as a non-profit enterprise on a continuing and progressive basis;

TO ASSURE the availability of a constantly high quality of central station service to members;

TO KEEP the member-owners fully informed on the affairs, problems, and methods of the Association;

TO DEVELOP among members, through democratic processes of participation, a recognition of member-ownership and accountability;

TO ENHANCE the Association's reputation for fair dealings, prompt and efficient service, dependability, integrity, courtesy, productive ability, and technical competence;

TO STRIVE constantly for ever higher standards of service through progressive management;

TO STIMULATE and support rural development programs, especially those which will increase and stabilize the economic level of the Association's service area;

TO DEVELOP, operate and maintain the system at optimum performance;

TO PROVIDE the means whereby the member-consumers can build and maintain the Association by contributing a reasonable amount of essential capital;

TO RECOGNIZE that our greatest assets are our human assets;

TO OBTAIN acceptance of the ideals which emphasize the obligations involved in doing a job well;

TO REWARD, encourage progress, inform, train, develop and properly assign all employees;

TO DEVELOP understanding, acceptance, and support of the Association's objectives, plans and programs, and

TO PROVIDE leadership and to cooperate with other community and civic groups.



*Kick out the old! Bring in the new!
MEA is dedicated to bettering the
lifestyle of its members.*