

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990
5890 HOUSE LABOR & COMMERCE 8672

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Rather than eliminating AS 42.05.711(b)(2), as the auditor appears to suggest, AS 42.05.711(b) should be expanded to provide for deregulation of a municipal entity if its governing body so elects, once competition no longer exists between it and other utilities, and to allow the governing body of a political subdivision to revoke a previous election. The Commission believes it is desirable to continue a protective mechanism for regulated utilities in the event a future situation arises involving competition with a municipal utility. Proposed language is attached. (See Appendix B.)

Recommendation No. 2

Alaska Statute 42.05 and 42.06 should be amended to more fully allocate the costs of regulation.

The Commission concurs in part, and opposes in part, this recommendation. The Commission agrees with the auditor's suggestion that, in light of the current economic climate as well as a recent court decision, discussion should be focused on the appropriate method to fund this agency. Clearly, the time is ripe to evaluate funding options; however, the Commission disagrees with the method of funding advocated by the auditor. Regardless of the outcome of the broader funding discussion, the Commission concurs that AS 42.05.651(a) should be amended to allow interim allocations during a proceeding and to exclude the Commission from bearing any costs of a hearing or investigation.

The Commission opposes the auditor's "full and direct allocation of the Commission's costs" approach to funding for several reasons. First, the Commission believes that this is the most costly and cumbersome funding option from an administrative perspective. In order to allocate all costs, it would be necessary to develop an extensive cost accounting system to track direct costs and to allocate indirect costs to each utility or pipeline carrier. It would also be necessary to establish an accounting staff and procedures to bill, audit, and collect cost allocations on a regular basis. The costs to design and to provide the personnel and other resources required to implement a system to recover the Commission's budget would be substantial. The Commission also anticipates that its energies would be diluted from substantive regulatory responsibilities to accounting and auditing of cost allocations.

Second, the "full allocation" approach does not accurately and equitably allocate indirect costs. A number of Commission activities do not fall within categories that are readily allocable to specific cases in the manner suggested in the audit. These include: administrative duties such as preparation of the annual budget or responses to administration, legislative, or other agency (both state and federal) requests; generic cases; requests from consumer and utility groups to participate in educational efforts; training; regulations proceedings; court appeals; Commissioner time; all non-regulatory briefings and meetings. In addition, there are a number of Commission activities where the cost-benefit of maintaining individual time records for cost allocation purposes may not be justified. Under the auditor's recommendation, all indirect costs would apparently be assigned to utilities and pipeline carriers on the same basis as the direct cost assignments they have received. The effect of this approach is to shift the cost of statewide regulation to those entities who happen to have proceedings during the year and to ignore the public protection benefits associated with the

availability of regulation for all certificated and regulated entities. The alternative to this imprecise, inequitable allocation of indirect costs is to continue to provide a significant portion of the Commission's ongoing budget from the General Fund, which conflicts with the objective of the "full allocation" scheme.

Third, the "full allocation" approach is contrary to the auditor's underlying economic thesis that utility consumers are motivated by (or should be motivated by) the cost of regulation when choosing the appropriate amount of regulation. In particular, the allocation of indirect costs suggested by the auditor bears no real relationship to the direct costs which are allocated, thus inflating the cost of regulation and sending an incorrect economic signal. It will also be much more difficult for utilities and pipeline carriers to budget for, and incorporate in rates, the cost of regulation than it would be under other alternative funding approaches.

Lastly, a "full allocation" program does not address the legal concern of incurring costs, through the program receipts process, in one fiscal year and recovering them through the allocation process until subsequent fiscal years. In addition, this recommendation appears to conflict with recent administration and legislative discussions on the resolution of the Commission's financial exposure for program receipts payments as a result of a 1988 Supreme Court decision.

The Commission believes that the focus of the funding discussion should be on the other options: Continuation of general funding

and the "user fee" concept of funding.² To paraphrase what the Commission stated on page 85 of its FY1988 Annual Report to the Legislature, the issue is:

Who should pay for regulation: taxpayers (general fund) or ratepayers (user fees)? There are advantages and disadvantages to each approach. However, a preference for the former is largely based on a policy premise that regulation is a responsibility of government and a right to which all citizens are entitled, while the latter may best be supported on a policy premise that the cost-causer should be the cost-payer. In the end, the policy that is adopted may depend on balancing those objectives as well as the budget itself.

The Commission is prepared to respond to specific questions about each of these funding options and will work with all interested persons in determining the optimum funding methodology to enable the Commission to carry out its public protection function.

²Under a user fee approach, certificated and regulated utilities and pipelines are directly assessed fees usually based on gross revenues, which approximate the Commission's budget approved by the Legislature.

Recommendation No. 3

APUC should develop a topical reference system for commission orders and court decisions.

The Commission supports this recommendation, which was previously made in the 1979, 1984, and 1985 Sunset Audits. The Commission also reiterates that funding is essential to the implementation of this recommendation.

The almost-realized funding in the Commission's FY89 budget would have provided a part-time person to reference current decisions. However, the historical decisions made during the past 18 years, with particular emphasis on the last 12 years, are an integral and equal, if not more important, component of a reference system which would serve all who are directly and indirectly affected by Alaska utility regulation. The Commission believes the historical reference system could be developed through a one-time capital appropriation and that the current reference system could be maintained with a part-time person.

Recommendation No. 4

Alaska Statute 42.05.030 should be amended to stagger the appointments of the two consumer members of the commission.

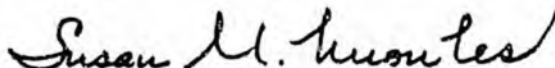
The Commission supports this recommendation.

Appendix

The Commission also finds that the Appendix at page 23 of the preliminary audit report which summarizes Commission appropriations and expenditures for FY1988 and FY1989 is somewhat misleading because of the current sources and uses of funding from the General Fund and program receipts. Accordingly, attached to this response as Appendix C is a copy of page 23 with suggested footnotes to explain the variations in amounts presented.

While it disagrees with some of the specific findings and recommendations in the preliminary audit report, the Commission supports the auditor's underlying objective of matching the duties and the resources of the agency (and the state) and looks forward to working with the Legislature in its consideration of the audit report. Please feel free to contact me if you have any questions about this response.

Sincerely,



Susan M. Knowles
Chairman

Attachments

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners:

Susan M. Knowles, Chairman
Carolyn S. Guess
Louis E. Agi
Kathleen L. Whiteaker
Peter Skolov

In the Matter of the Consideration) R-89-1
of Simplification of Small)
Utility Regulation) ORDER NO. 1

ORDER ISSUING NOTICE OF INQUIRY FOR
SIMPLIFICATION OF SMALL UTILITY REGULATION

BY THE COMMISSION:

Introduction

A longstanding objective of the Commission and a subject of frequent legislative interest is simplification of regulation of small utilities. As a result, the Commission identified this as one of its program priorities for the current fiscal year. At its Public Meeting on November 22, 1988, the Commission adopted a work plan for addressing this objective, the first step of which is issuance of this notice of inquiry (NOI).

Background

A substantial number of the public utilities operating in Alaska are businesses providing service in small, geographically dispersed areas of the state; almost all of these operate outside the major urban areas of the state. Of the 94 utilities

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1 which are economically regulated,¹ the following chart indicates,
 2 by gross revenues and type of service, utilities that could be
 3 proposed within a definition of a small utility. (Financial and
 4 customer information for all economically regulated utilities is
 5 provided on Appendix 1, an extract from the Commission's FY 1988
 6 Annual Report.)

7 UTILITY	8 GROSS REVENUES				
	9 Less than ² \$1,000,000	10 Less than \$ 500,000	11 Less than \$ 250,000	12 Less than \$ 100,000	13 Less than \$ 50,000
14 Electric	18	10	4	1	0
15 Gas	1	--	--	--	--
16 Refuse	5	1	--	--	--
17 Sewer	3	2	2	2	2
18 Telephone	2	--	--	--	--
19 Water	<u>22</u>	<u>22</u>	<u>22</u>	<u>15</u>	<u>14</u>
20 TOTAL	51	35	28	18	16

21 For utilities subject to economic regulation, the reg-
 22 ulatory scheme that exists applies uniformly to both large and
 23 small utilities with relatively few exceptions. , example,

24 ¹Per 3 AAC 48.820(43), "'economic regulation' means that the
 25 commission's jurisdiction extends to matters concerning rates and
 26 charges for public utility or pipeline carrier services, quality
 of service provided by the utility or pipeline carrier to its
 customers or shippers, management practices of the utility or
 pipeline carrier, and customer or shipper complaints concerning
 the services furnished by a utility or pipeline carrier."

²CS for SB369 (L&C), which was introduced in the last ses-
 sion of the Legislature, proposed a simplified scheme of rate
 regulation for utilities with annual gross revenues of \$1,000,000
 or less.

1 certain recordkeeping requirements are less complex for smaller
2 sized utilities.) Since the Commission's statute is modeled
3 after a "Lower 48" average-size utility, a number of real or
4 potential problems exist with the present regulation of small
5 utilities.³

6 First, by its nature, regulation is a complex, techni-
7 cal process. The basic ground rules for utility regulation in
8 Alaska are set forth in statute and regulations which exceed 150
9 pages in length and are written in the terminology (both legal
10 and technical) which is peculiar to these documents as well as to
11 utility regulation. State regulation is also influenced by, and
12 at times dictated by, national trends and developments. An ex-
13 tensive bibliography of regulatory texts, periodicals, and court
14 and commission cases have been applied to and interpreted in
15 hundreds of Commission decisions. Additionally, there is no in-
16 dex of Commission decisions,⁴ further complicating the process
17 for small, less experienced and sophisticated utilities. Thus,
18 small utilities face a formidable challenge in acquiring a work-
19 ing understanding of the rules, vocabulary, and formulas of the
20 process sufficient to operate as regulated businesses.

21 _____
22 ³The substantial assistance provided in regulatory matters
23 by Commission Staff (Staff) to smaller utilities attests to the
24 very real circumstances that face both these utilities and the
25 Commission under the traditional regulatory scheme.

26 ⁴Beginning in 1979, with support of Legislative Audit recom-
mendations, the Commission has unsuccessfully sought funding for
development of an index of its decisions.

1 Second, small utilities, because of their geographic
2 locations and higher costs of operation, find personnel special-
3 ized in regulatory matters unavailable or extremely costly. Many
4 of the smaller utilities are basically one-person operations or
5 have few employees. As a result, they must be "jacks of all
6 trades" specializing in maintaining adequate service above all
7 else. Their skills are focused in the area of operations, which
8 are especially critical and challenging in rural Alaska, not in
9 the particular aspects of engineering, accounting, and record-
10 keeping which are typically required in the regulatory process.
11 As a result, small utilities may find the complexities of the
12 regulatory process disinviting, if not overwhelming; may not
13 maintain records in accordance with regulatory requirements; and
14 may find it difficult, without some guidance and assistance, to
15 provide the information necessary to meet the same standards of
16 proof for rate and other tariff revisions which are required of
17 larger utilities. This, coupled with a natural reluctance to
18 raise rates to their neighbors, can jeopardize the long-term
19 operation and existence of a utility. Furthermore, individuals
20 who are struggling to maintain viable utility operations in a
21 harsh environment or are otherwise independent-minded Alaskan
22 entrepreneurs may have little time or use for the complexities
23 and requirements of regulation. Regulation is more likely to be
24 ignored and less likely to fulfill its stated public purposes
25 under these circumstances.

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1 Third, the costs of compliance with standardized infor-
2 mation and recordkeeping requirements may be high relative to
3 other costs and revenues for small utilities. Absent in-house
4 expertise, the small utility is often put in a position where it
5 must contract for outside assistance to fulfill its regulatory
6 needs. The costs incurred for attorneys, accountants, and en-
7 gineers, as well as for hearings before the Commission, can have
8 a direct and material effect on the rates paid by consumers.
9 While regulatory costs may be a relatively small portion of over-
10 all costs for larger utilities, they may actually be a signifi-
11 cant contributor to the rate increases required by smaller utili-
12 ties. As a result, small utilities may not be able to afford the
13 unavoidable costs of exercising their rights and fulfilling their
14 responsibilities under regulation. This problem is multiplied
15 for those small utilities operating in remote locations.

16 Fourth, small utilities may have financial characteris-
17 tics which differ from those traditionally identified with
18 economically regulated utilities. In particular, some of these
19 utilities have a small investment in rate base (plant investment)
20 relative to revenues and expenses in contrast to utilities which
21 require large investments of fixed assets in relation to revenues
22 generated. There are a number of reasons for this difference,
23 including, the utility may not be capital intensive by nature
24 (e.g., refuse utilities); the utility has received government
25 grants to finance its plant (e.g., water or electric utilities);
26 the utility was initiated with and financed by a real estate

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1 development (e.g., water utilities); or the utility owner has
2 contributed substantial "sweat equity" in one or more years of
3 the utility's operation which is not reflected in booked capital
4 investment (e.g., all small utilities). Minor fluctuations in
5 revenues and expenses have significant consequences for the
6 financial condition of small utilities with higher ratios of
7 revenues to assets. Predictable fixed charges are a low portion
8 of these utilities' expenses, and they may not have the cash flow
9 cushion provided by depreciation expense and return on investment
10 (as compared to operating expenses) which is available to more
11 capital intensive industries. The lead time and requirements of
12 regulation may be particularly critical to these small utilities.

13 Fifth, one of the consequences of the decrease in Com-
14 mission resources without a corresponding decrease in statutory
15 responsibilities and workload is that it is increasingly dif-
16 ficult for the Commission to provide the necessary level of as-
17 sistance to small utilities. For example, there have been a num-
18 ber of instances in the past where Staff has essentially prepared
19 and processed a small utility's rate case, in particular, where
20 the financial health of the business depended on rate relief.
21 For some, it is the Staff's analysis which provides the utility
22 with the input to determine the level of rate adjustment it needs
23 to meet its operating costs. The Staff routinely provides
24 guidance and assistance on other regulatory matters as well.
25 While the need for and interest in providing this type of support
26 still exists, it is not possible to continue the past level of

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1 service with existing resources. Therefore, other mechanisms
2 must be developed to simplify the regulatory process for small
3 utilities and to reduce their reliance on individualized support.

4 The above discussion of small utility regulation should
5 not be read to imply that consumers of small utilities require
6 less protection than those of large utilities. In fact, ex-
7 perience may suggest that the need is greater. Similarly, the
8 above problems with regulation of small utilities in no manner
9 diminish the Commission's statutory obligation to assure that
10 consumers of economically regulated small utilities are protected
11 with respect to the cost, terms, and conditions of service they
12 receive and the reliability and safety of facilities that are
13 providing those services. The statute is relatively indifferent
14 to utility size in prescribing the general duties and respon-
15 sibilities of both the regulators and regulated but allows the
16 Commission through the promulgation of regulations to implement
17 the law in its specifics.

18 Discussion

19 It is the policy of the Commission to minimize the bur-
20 dens and costs of regulation for utilities to the greatest extent
21 possible. However, balance is required in order to both assure
22 the protection of customers of a monopoly providing an essential
23 service and to assure the continued financial and operational
24 viability of these utilities. The goal of this proceeding is to

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1 implement this policy for small utilities by examining the cur-
2 rent approach to regulation and by developing simplified pro-
3 cedures for that regulation which minimize administrative and
4 regulatory burdens and costs for utilities and regulators. It is
5 the Commission's intent to solicit input from all interested per-
6 sons on this subject by issuing this NOI and to use that input
7 for drafting regulations. The regulations would, in turn, be
8 noticed for comment and suggested changes prior to being
9 promulgated.

10 While there are many facets of small utility regulation
11 which are worthy of reassessment and refinement, the Commission
12 believes that its initial focus should be on the ratemaking pro-
13 cess. For the reasons discussed earlier in this Order, ratemak-
14 ing is perhaps the least discretionary and most critical of the
15 regulatory functions for small utilities. As a corollary to its
16 ratemaking review, the Commission intends to examine the annual
17 report forms currently used by small utilities for simplifica-
18 tion, wherever possible, and for maximum coordination with the
19 supporting information requirements of rate cases. The Commis-
20 sion understands that there are also opportunities for simplify-
21 ing other areas of small utility regulation, such as the prepara-
22 tion and processing of miscellaneous tariff filings. While com-
23 ments are welcome on the full range of regulatory reform for
24 small utilities, the Commission's anticipated order of priority
25 in this inquiry is: (1) ratemaking; (2) annual report forms; and
26 (3) other matters.

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1 Interested persons are encouraged to provide the Com-
2 mission any and all information and suggestions which they
3 believe are relevant to this inquiry. However, to facilitate
4 comments to the NOI, the list of questions which follow includes
5 issues which the Commission believes should be considered. Some
6 questions are more relevant for utilities or their representa-
7 tives responding to this inquiry, while others may be more ap-
8 propriate for a response from Staff or other interested parties
9 such as the Alaska Consumer Advocacy Program, the Alaska Rural
10 Electric Cooperative Association, or the Alaska Telephone As-
11 sociation. All respondents are encouraged to be as specific as
12 possible and, where appropriate, to detail the content and format
13 of any forms which may be proposed.

14 1. What should be the objectives of any procedures for
15 simplifying ratemaking and reporting functions for small
16 utilities?

17 2. What should be the criteria for being designated a
18 "small" utility which is eligible for participation in simplified
19 ratemaking procedures?

20 3. What approach should be used to simplify the ratemaking
21 process for small utilities? For example,

22 a. Should the emphasis be on making periodic rate case
23 filings easier?

24 b. Should a simplified rate filing procedure similar to
25 that found in AS 42.05.381(e) and 3 AAC 48.700 -- 3 AAC 48.790 be
26 adopted? (A copy of these provisions is attached as Appendix 2.)

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1 c. Should some other alternative to traditional rate
2 base/rate of return regulation be implemented such as a ratio of
3 operating expenses to revenues?

4 4. What is the minimum amount of information needed to per-
5 form the type of small utility regulation which is proposed?

6 5. What additional information (above that suggested in
7 response to question 4) would be desirable or necessary to in-
8 crease the accuracy or accountability of small utility regula-
9 tion; what is the cost/benefit of acquiring that information?

10 6. What, if any, forms or information are provided to other
11 state or federal agencies by small utilities which could be sub-
12 stituted for some or all of the forms required for rate cases or
13 Commission annual reports? (Please provide a sample.)

14 7. Is it possible to develop a substantially similar set of
15 forms to be used for both rate case filings and annual reports by
16 small utilities? (Please provide examples of proposed forms.)

17 8. What are the most difficult sections of the annual re-
18 port forms for small utilities to complete? Why?

19 9. What are the most useful and the least useful sections
20 of the annual report? Why?

21 10. What, if any, changes should be made in the procedures
22 for processing small utility rate filings in order to minimize
23 their administrative complexity and cost? (Please provide an
24 example.)

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1 11. What level of support have small utilities been provided
2 by Commission Staff for ratemaking or other regulatory require-
3 ments? (Individual utilities should be as specific as possible.)

4 12. What level of support, guidance, or assistance is neces-
5 sary for the Commission to provide to small utilities?

6 In conclusion, the Commission is issuing this NOI to
7 solicit comments on and suggestions for simplification of the
8 regulation of small utilities consistent with the Commission's
9 responsibilities under the law. Written responses to this NOI
10 should be filed no later than April 3, 1989, with reply comments
11 due no later than May 1, 1989. Further procedures and schedules
12 will be established upon review of those comments.

13 ORDER

14 THE COMMISSION FURTHER ORDERS:

15 1. By issuance of this notice of inquiry, a proceeding
16 is opened for the purpose of considering simplification of reg-
17 ulation of small utilities.

18 2. All interested persons may submit comments in
19 response to the notice of inquiry no later than 4 p.m.,
20 April 3, 1989.

21 3. All interested persons may submit reply comments no
22 later than 4 p.m., May 1, 1989.

23 DATED AND EFFECTIVE at Anchorage, Alaska, this 3rd day of Febru-
24 ary, 1989.

25 BY DIRECTION OF THE COMMISSION
(Commissioner Louis E. Agi, not participating)
26 (S E A 'L)

ELECTRIC UTILITIES
(1987 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$5,000,000)</u>				
Alaska Electric Generation & Transmission Cooperative, Inc.	\$ 17,139,417	\$ 16,256,727	\$ 86,170	1
Alaska Electric Light and Power Company	34,739,603	15,000,700	1,360,802	10,370
Alaska Village Electric Cooperative, Inc. ¹	27,210,242	11,485,183	1,016,263	4,970
Chugach Electric Association, Inc.	366,771,780	93,533,988	5,394,175	60,007
Copper Valley Electric Association, Inc.	14,053,824	7,171,696	886,209	2,358
Golden Valley Electric Association, Inc.	138,156,431	39,115,609	3,173,267	26,704
Homer Electric Association, Inc.	82,327,628	31,168,360	2,551,630	17,239
Kodiak Electric Association, Inc.	32,519,997	14,044,493	2,325,809	4,354
Natanaska Electric Association, Inc.	106,672,760	37,879,553	4,648,728	27,479
Municipal Light & Power Department, Municipality of Anchorage d/b/a	<u>146,962,166</u>	<u>61,594,072</u>	<u>722,462</u>	<u>30,040</u>
Subtotal	<u>\$966,553,848</u>	<u>\$327,258,309</u>	<u>\$22,173,595</u>	<u>184,506</u>

(This Appendix contains excerpts from the Commission's FY88 Annual Report to the Legislature; footnotes are omitted.)

1R-87-1(1)
APPENDIX I

ELECTRIC UTILITIES (CONT.)
(1987 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,500,000 but Less Than \$5,000,000)</u>				
Alaska Power & Telephone Company	\$ 3,354,850	\$ 3,164,175	\$ 580,190	1,716
Arctic Utilities, Inc. ¹	2,152,979	3,146,571	249,226	26
Barrow Utilities and Electric Cooperative, Inc.	----- ²	1,606,004	229,661	1,246
Bethel Utilities Corporation, Inc.	2,036,500	4,277,113	136,114	1,691
Kotzebue Electric Association, Inc.	6,449,804	2,790,398	420,487	973
Mushagak Electric Cooperative, Inc. ³	4,771,174	2,490,787	260,577	1,004
Tillingit-Haida Regional Electrical Authority	<u>5,628,503</u>	<u>2,906,005</u>	<u>400,024</u>	<u>975</u>
Subtotal	<u>\$ 25,193,970</u>	<u>\$ 20,557,933</u>	<u>\$ 2,356,279</u>	<u>7,711</u>

(Gross Operating Revenue Greater Than \$500,000 but Less Than \$1,500,000)

Aniak Light and Power Company, Inc.	\$ 526,320	\$ 741,912	\$ 119,449	150
G & R, Inc.	N/A	895,814	N/A	70
Gwitchyaa Zhee Utility Company ⁴	690,130	570,608	<110,318>	297
Haines Light & Power Company, Inc.	1,206,793	1,162,049	97,064	75
I-H-H Electric Cooperative, Inc.	1,522,032	695,272	<1,032>	259
McGrath Light & Power Company ⁴	1,069,476	837,306	143,931	231
Sand Point Electric, Inc. ⁵	430,301	939,039	2,132	400
Tanana Power Company, Inc.	751,797	551,930	81,250	104
Yakutat Power, Inc.	<u>674,031</u>	<u>693,330</u>	<u>45,659</u>	<u>201</u>
Subtotal	<u>\$ 6,000,400</u>	<u>\$ 7,095,268</u>	<u>\$ 377,343</u>	<u>2,622</u>

ELECTRIC UTILITIES (CONT.)
(1987 Calendar Year)

<u>Utility</u>	<u>Net Plant</u>	<u>Revenues</u>		<u>Assets</u>
		<u>Total Revenues</u>	<u>Net Income</u>	
<u>(Gross Operating Revenue Less Than \$500,000)</u>				
Andreanof Electric Corporation ¹	\$ 129,345	\$ 79,072	\$ 15,203	37
Bettles Light & Power, Inc.	316,722	373,529	<47,041>	49
Far North Utilities	355,414	112,315	<6,110>	44
Levelock Electric Cooperative, Inc. ²	75,534	144,844	20,344	69
Hanley Utility Company, Inc.	266,322	111,344	<66,862>	84
Middle Kuskokwim Electric Cooperative, Inc.	1,714,495	375,093	<21,233>	152
Napaklak Ircinaq Power Company ³	141,137	275,343	61,212	81
Northway Power & Light, Inc.	327,927	366,442	39,759	110
Pelican Utility Company	504,282	394,794	106,033	107
Teller Power Company	96,429	305,600	71,561	86
Subtotal	\$ 4,007,607	\$ 2,539,256	\$ 252,066	819
TOTALS	<u>\$1,002,635,913</u>	<u>\$357,450,046</u>	<u>\$25,159,203</u>	<u>195,650</u>

GAS UTILITIES
(1987 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$5,000,000)</u>				
ENSTAR Natural Gas Company ¹ (a division of Seagull Energy Corporation)	\$157,479,366	\$99,956,451	\$15,855,146	70,223
Subtotal	\$157,479,366	\$99,956,451	\$15,855,146	70,223
<u>(Gross Operating Revenue Greater Than \$500,000 but Less Than \$1,500,000)</u>				
Darrow Utilities and Electric Cooperative, Inc.	\$----- ²	\$ 804,987	\$ 74,685	900
Subtotal	\$----- ²	\$ 804,987	\$ 74,605	900
TOTALS	<u>\$157,479,366</u>	<u>\$100,761,438</u>	<u>\$15,929,831</u>	<u>79,131</u>

REFUSE AND GARBAGE UTILITIES
(1987 Calendar Year)

Utility	Net Plant	Revenues		Customers
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$200,000)</u>				
Anchorage Refuse, Inc.	\$2,458,004	\$ 9,210,396	\$163,011	26,076
Channel Sanitation Corporation	276,094	2,132,305	<390,404>	4,920
Drake's Sanitation, Inc. ¹	132,400	454,641	<0,716>	165
Eagle River Refuse, Inc.	105,610	932,965	32,697	4,110
Far North Sanitation, Inc.	1,569,616	1,214,250	133,067	712
Interior Services, Ralph E. Bartlett d/b/a	780,022	519,916	<23,940>	262
Kodiak Sanitation, Inc.	82,437	020,551	70,322	102
Peninsula Sanitation Company, Inc. ²	252,395	1,350,321	05,004	1,340
Wasilla Refuse, Inc. ³	130,700	541,037	74,504	702
TOTAL	<u>\$5,077,046</u>	<u>\$17,176,390</u>	<u>\$137,937</u>	<u>30,177</u>

GENERAL (WASTEWATER) UTILITIES
(1987 Calendar Year)

Utility	Net Plant ¹	REVENUES		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,000,000)</u>				
Anchorage Water and Wastewater Utility, Municipality of Anchorage d/b/a	\$54,302,553	\$10,099,805	\$<1,200,190>	49,140
College Utilities Corp. ²	<u>2,281,975</u>	<u>1,366,995</u>	<u>101,412</u>	<u>1,554</u>
Subtotal	<u>\$56,584,528</u>	<u>\$19,466,800</u>	<u>\$<1,106,778></u>	<u>50,694</u>
<u>(Gross Operating Revenue Less Than \$750,000)</u>				
Narrow Utilities and Electric Cooperative, Inc.	\$----- ³	\$ 554,500	\$ 3,333	367
Salmantof Utilities, Inc.	50,000	004	514	3
Settlers Bay Properties, Inc.	<u>- 0 -</u>	<u>5,045</u>	<u><159,390></u>	<u>12</u>
Subtotal	<u>\$ 50,000</u>	<u>\$ 560,509</u>	<u>\$ <155,543></u>	<u>302</u>
TOTALS	<u>\$56,634,528</u>	<u>\$20,027,309</u>	<u>\$<1,342,321></u>	<u>51,076</u>

TELECOMMUNICATION UTILITIES
(Long Lines and Local Exchange Carriers)
(1987 Calendar Year)

Utility	Net Plant	Revenues		Main Access Lines
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$4,000,000)</u>				
Alascom, Inc.	\$329,029,964	\$281,030,131	\$42,456,392	N/A
Anchorage Telephone Utility, Municipality of Anchorage d/b/a	219,695,213	87,020,380	1,669,758	112,107
General Telephone Company of Alaska	12,884,689	8,255,030	1,002,776	10,602
Interior Telephone Company	8,837,986	4,407,591	8,605	1,965
Katanuska Telephone Association, Inc.	91,414,691	29,325,474	1,381,188	25,418
Telephone Utilities of Alaska, Inc.	94,008,561	43,760,048	6,850,419	34,031
Telephone Utilities of the Northland, Inc.	22,871,989	14,845,183	2,058,959	14,297
United Utilities, Inc.	<u>15,760,748</u>	<u>7,651,037</u>	<u>652,195</u>	<u>2,065</u>
Subtotal	<u>\$794,503,841</u>	<u>\$476,294,874</u>	<u>\$56,080,292</u>	<u>201,285</u>
<u>(Gross Operating Revenue Greater Than \$1,000,000 but Less Than \$4,000,000)</u>				
Arctic Slope Telephone Association Cooperative, Inc.	\$ 3,429,404	\$ 3,828,686	\$ 564,797	855
Bristol Bay Telephone Cooperative, Inc.	3,073,711	1,517,469	150,112	942
Copper Valley Telephone Cooperative, Inc.	10,453,257	3,432,288	696,218	2,795
Hukluk Telephone Company, Inc.	2,731,542	1,363,916	347,815	642
National Utilities, Inc.	1,670,124	1,419,241	208,968	1,571
Hushagak Telephone Cooperative, Inc.	3,436,799	1,754,223	304,736	1,206
OTZ Telephone Cooperative, Inc.	<u>3,900,178</u>	<u>2,001,821</u>	<u>349,989</u>	<u>1,540</u>
Subtotal	<u>\$ 28,695,015</u>	<u>\$ 15,317,644</u>	<u>\$ 2,622,635</u>	<u>9,611</u>
<u>(Gross Operating Revenue Less Than \$1,000,000)</u>				
Dash-Tell, Incorporated	\$ 2,384,383	\$ 814,510	\$ <14,506>	520
Yukon Telephone Company, Inc.	<u>684,335</u>	<u>644,904</u>	<u><63,290></u>	<u>343</u>
Subtotal	<u>\$ 3,068,718</u>	<u>\$ 1,459,414</u>	<u>\$ <77,796></u>	<u>863</u>
TOTAL	<u>\$826,267,574</u>	<u>\$493,071,932</u>	<u>\$ 58,625,131</u>	<u>211,779</u>

WATER UTILITIES
(1967 Calendar Year)

Utility	Net Plant ¹	Revenues		Users
		Gross Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,000,000)</u>				
Anchorage Water and Wastewater Utility, Municipality of Anchorage d/b/a	\$91,067,395	\$17,029,084	\$391,062	40,305
Barrow Utilities and Electric Cooperative, Inc.	----- ²	2,497,134	421,071	300
College Utilities Corp. ³	<u>3,605,731</u>	<u>1,402,341</u>	<u>178,270</u>	<u>1,608</u>
Subtotal	<u>\$94,753,126</u>	<u>\$20,928,559</u>	<u>\$990,403</u>	<u>42,293</u>
<u>(Gross Operating Revenue Less Than \$250,000)</u>				
Alpat Water Utility Company	\$ 93,299	\$ 22,702	\$ 9,976	76
Alyeska Utilities, Inc. ⁴	85,689	102,143	20,522	526
Chugiak Utilities	247,418	51,919	20,454	195
Dawn Development Corporation		(Not Reported)		
Eagle Utilities, Inc.	- 0 -	29,459	7,868	83
Eklutna Utilities, Inc.	456,993	193,555	<66,475>	600
ERU, Inc.	66,608	9,727	<5,352>	34
Kwik Log Water System, Hyron Allon Newton d/b/a	- 0 -	2,608	890	18
Hatanuska Utility Company, Inc.	69,689	12,443	<1,159>	12
McGahan Utilities, Inc.	22,801	23,046	2,683	11/1
McKinley Utilities, Inc. ⁵	69,742	9,924	1,635	34
Norfolk Utilities, Inc.	696,505	248,156	235	866
Omlin Water Utility, Paul Omlin d/b/a	31,216	4,437	533	15
Pelican Utility Company		(Not Reported)		

WATER UTILITIES (CONT.)
(1907 Calendar Year)

<u>Utility</u>	<u>Net Plant¹</u>	<u>Gross Revenues</u>	<u>Net Income</u>	<u>Users</u>
Potter Creek Water Company	\$ 128,642	500	<3,653>	9
Romig Park Improvement Company ²	- 0 -	12,350	<3,174>	85
Sandlake Services, R. J. & Clara Rhodes d/b/a	35,648	28,566	9,310	130
Settlers Bay Properties, Inc.	- 0 -	8,670	<62,000>	62
South Central Utilities, Inc.	81,577	1,323	<22,103>	11
Southeast Utilities, Inc., Robert H. Scott, Evelyn V. Scott, Charles J. Schneider and Marlene C. Schneider, S & S Development d/b/a	214,912	116,983	30,415	630
Spensard Heights Water System, Wayne Cates d/b/a	5,742	4,057	<409>	40
Valley Water Company, Inc. ³	<u>230,175</u>	<u>157,600</u>	<u>54,568</u>	<u>265</u>
Subtotal	<u>\$ 2,536,656</u>	<u>\$ 1,041,128</u>	<u>\$ <5,468></u>	<u>3,715</u>
TOTAL	<u>\$97,289,782</u>	<u>\$21,969,607</u>	<u>\$984,935</u>	<u>46,000</u>

Sec. 42.05.365. Interest on deposits. (a) A public utility may collect and retain a deposit for contracted recurring monthly service. A public utility that collects and retains a deposit of over \$100 for recurring monthly service shall pay interest on that deposit at or before the time it is returned. Interest paid under this section shall be at the legal rate of interest at the time the deposit is made. However, if the deposit is placed in an interest bearing account, the utility shall pay the interest rate of the interest bearing account.

(b) If delinquent payments result in interruption of service, a public utility is not required to pay interest under (a) of this section for 12 months after reestablishment of service. (§ 1 ch 50 SLA 1986)

Cross references. — For legal rate of interest, see AS 45.45.010.

Sec. 42.05.381. Rates to be just and reasonable. (a) All rates demanded or received by a public utility, or by any two or more public utilities jointly, for a service furnished or to be furnished shall be just and reasonable; however, a rate may not include an allowance for costs of political contributions, or public relations except for reasonable amounts spent for

- (1) energy conservation efforts;
- (2) public information designed to promote more efficient use of the utility's facilities or services or to protect the physical plant of the utility;
- (3) informing shareholders and members of a cooperative of meetings of the utility and encouraging attendance; or
- (4) emergency situations to the extent and under the circumstances authorized by the commission for good cause shown.

(b) In establishing the revenue requirements of a municipally owned and operated utility the municipality is entitled to include a reasonable rate of return.

(c) A utility, whether subject to regulation by the commission or exempt from regulation, may not charge a fee for connection to, disconnection from, or transfer of services in an amount in excess of the actual cost to the utility of performing the service plus a profit at a reasonable percentage of that cost not to exceed the percentage established by the commission by regulation.

(d) A utility shall provide for a reduced fee or surcharge for standby water for fire protection systems approved under AS 18.70.081 which use hydraulic sprinklers.

(e) The commission shall adopt regulations for electric cooperatives setting a range for adjustment of rates by a simplified rate filing procedure. A cooperative may apply for permission to adjust its rates over a period of time under the simplified rate filing procedure regulations. The commission shall grant the application if the cooperative

(See attached regulations (3AAC 48.700 - 3AAC 48.790) pp. 428-433.)

R-89-1(1)
Appendix 2

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satisfies the requirements of the regulations. The commission may review implementation of the simplified rate filing procedure at reasonable intervals and may revoke permission to use the procedure or require modification of the rates to correct an error. (§ 6 ch 113 SLA 1970; am § 1 ch 86 SLA 1976; am § 6 ch 106 SLA 1977; am § 4 ch 45 SLA 1980; am § 3 ch 104 SLA 1986)

Effect of amendments. — The 1980 amendment added subsection (e).

NOTES TO DECISIONS

Lobbying expenses excluded from revenue requirement. — The commission acted reasonably and within its statutory authority in excluding lobbying expenses as part of a utility's revenue requirement. *Homer Elec. Ass'n v. State, Pub. Utils. Comm'n, Sup. Ct. Op. No. 3327 (File No. S-1952), P.2d (1988).*

Sec. 42.05.385. Charges for water and sewer line extensions.

(a) A water or sewer line extension may not be constructed unless the legislative body of each municipality through which the extension passes has approved the extension. This subsection does not apply to an extension that will not create any charges or assessments against the adjacent property.

(b) Except as provided in (c) of this section, when utility service is available to a property owner as a result of a water or sewer line extension, the utility offering the service through the extension shall notify the property owner, according to the procedure set forth for service of process in the Alaska Rules of Civil Procedure, of the charges and interest due the utility if the property owner elects to obtain the utility service through the extension. The property owner does not owe the charge for the extension until the property owner connects to the extension.

(c) Except as provided in (e) of this section, and unless the property owner connects to the extension,

(1) charges do not accrue against the property for construction of the extension;

(2) interest does not accrue against the property for the construction of the extension; and

(3) a lien or encumbrance may not be levied against the property for the construction of the extension.

(d) If the costs of constructing a water or sewer line extension have been paid by charges collected under this chapter, a utility may not charge for connection to the extension an amount greater than the actual cost of the connection.

(e) The provisions of this section do not apply to a water or sewer line extension constructed by a municipality under AS 29.46. (§ 1 ch 107 SLA 1986)

explaining the reason for the action and stating that the action is without prejudice to refiling.

(b) If an application is found to be partially incomplete or defective, a letter may be written to the applicant containing the statement "By direction of the commission" in which attention is directed to the omitted material or defects and specifying a future date when the application may be dismissed unless satisfactory action is taken to correct the deficiencies of the application. If the applicant needs additional time to perfect his application, he may request an extension at least five days before the deadline date specified in the commission's letter. The commission may then by letter grant or deny the request or specify an alternative deadline date.

(c) If the commission's technical staff finds that an application, which is otherwise complete, lacks certain information needed to determine and fully evaluate its merits, the commission may request the applicant to furnish it, by a specified date, in a letter written "By direction of the commission" and the applicant shall supply it by the date specified as a condition precedent to any further action by the commission other than dismissing the application. (Eff. 1/13/73, Register 44)

Authority: AS 42.05.141(1)
AS 42.05.151

3 AAC 48.660. BURDEN OF PROOF. Every applicant shall have the burden of furnishing whatever information and data that may be required to prove to the commission's satisfaction that the applicant has, or will, comply with the governing law and the provisions of any applicable rule, regulation or order of the commission. When a governing law requires the commission to make a finding in regard to any application, the applicant shall, in each case, have the burden of furnishing whatever information, data, and documents may be required to prove to the commission's satisfaction that the finding is justified. (Eff. 1/13/73, Register 44)

Authority: AS 42.05.141
AS 42.05.151

**Article 5. Simplified Rate Filing Procedures
for Electric Cooperatives**

Section
700. Application and purpose
710. Filing requirements
720. Supporting information
730. Notice and effective date
740. Rate adjustments
750. Calculation of TIER

Section
760. Target TIER determination
770. Limitations on use of simplified procedure
780. Application of rate increases
790. Cost-of-service filings

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3 AAC 48.700. APPLICATION AND PURPOSE. (a) The purpose of 3 AAC 48.700 — 3 AAC 48.790 is to implement AS 42.05.381(e) and to establish simplified, expedited filing and rate adjustment procedures for those nonprofit electric cooperatives organized under AS 10.25 and regulated by the commission.

(b) If allowed or required by 3 AAC 48.740, an electric cooperative organized under AS 10.25 may adjust rates no more than quarterly based on the filing requirements and other conditions set out in 3 AAC 48.710 — 3 AAC 48.790. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141
AS 42.05.151
AS 42.05.381

AS 42.05.411
AS 42.05.421
AS 42.05.431

3 AAC 48.710. FILING REQUIREMENTS. (a) A rate adjustment filing under 3 AAC 48.700 — 3 AAC 48.790 is governed by 3 AAC 48.240 and 3 AAC 48.270.

(b) A cooperative that adjusts its rates under the authority of 3 AAC 48.700 — 3 AAC 48.790 shall then file all of the information required by 3 AAC 48.720 for whichever period is elected, quarterly or semi-annual, whether or not a change in rates is requested, until permission to discontinue the filing is granted by the commission or the cooperative submits a filing in accordance with AS 42.05.411 and 3 AAC 48.275. A cooperative that files the information required by 3 AAC 48.720 for each quarterly period shall file that information within 60 days after the end of each quarter, and a cooperative that files the information required by 3 AAC 48.720 for each semi-annual period shall file that information within 90 days after the end of the semi-annual period. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141
AS 42.05.151
AS 42.05.381

AS 42.05.411
AS 42.05.421
AS 42.05.431

3 AAC 48.720. SUPPORTING INFORMATION. (a) In accordance with 3 AAC 48.710(b), a cooperative shall file with the commission the following information for each quarterly or semi-annual period:

- (1) APUC Form 201 (Modified REA Form 7);
- (2) a schedule and explanation of all amortized expenses;
- (3) a schedule and explanation of all pro forma and normalizing adjustments;
- (4) a schedule and explanation of each line item on APUC Form 201 which has increased or decreased more than 10 percent from the previous 12-month period;
- (5) a schedule of the calculation of the cooperative's Times Interest Earned Ratio (TIER), calculated in accordance with 3 AAC 48.750;

(6) a schedule showing the ratio of residential class kilowatt-hour sales to total kilowatt-hour sales for the current 12-month period and the ratio that existed when the cooperative last filed a cost-of-service study;

(7) if appropriate, a schedule showing the ratio of retail kilowatt-hour sales as a percentage of total retail and wholesale kilowatt-hour sales, and the ratio that existed when the cooperative filed its last cost-of-service study; and

(8) a copy of the cooperative's annual certified audit, including any adjusting journal entries.

(h) If a cooperative proposes to adjust rates in accordance with 3 AAC 48.740 based on its quarterly or semi-annual filing, the cooperative shall file with the commission the following additional information:

(1) tariff sheets showing any proposed adjustments to the cooperative's rates;

(2) if applicable, power cost equalization updates, including tariff sheets;

(3) a copy of the resolution of the board of directors of the cooperative authorizing the requested increase in rates; and

(4) a narrative description or evidence of the cooperative's actions taken to comply with the notice requirements in 3 AAC 48.730. (EIT, 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.381 AS 42.05.431

48.730

3 AAC 45.730: NOTICE AND EFFECTIVE DATE. (a) A cooperative's rate adjustment filing under 3 AAC 48.700 — 3 AAC 48.790 is governed by 3 AAC 48.280 and will become permanent at the end of the notice period described in AS 42.05.411 unless the commission suspends the filing in accordance with AS 42.05.421. If the commission suspends the filing, the commission will, in its discretion, allow the filing to take effect on an interim basis, subject to refund.

(b) A cooperative shall provide to its customers prior individual notice of the intent of its board of directors to consider participation in the simplified rate filing procedure established in 3 AAC 48.700 — 3 AAC 48.790. That notice must include, at a minimum,

(1) the purpose of 3 AAC 48.700 — 3 AAC 48.790 and its possible effect on recurring electric rates on a quarterly or semi-annual basis, whichever is appropriate;

(2) the time and place of the board of director's meeting scheduled for consideration of the appropriateness and desirability of participation in the simplified rate procedure; and

3 AAC 48.740 . COMMERCE AND ECON. DEV. 3 AAC 48.760

(3) acknowledgment that the major responsibility for rate adjustments under the simplified procedure will rest with the board of directors of the cooperative rather than with the commission.

(c) A cooperative shall provide its customers with reasonable notice of any rate adjustments approved by its board of directors either before or at the time the rate adjustment takes effect. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
 AS 42.05.151 AS 42.05.421
 AS 42.05.381 AS 42.05.431

3 AAC 48.740. RATE ADJUSTMENTS. If a cooperative's TIER deviates from the cooperative's Target TIER, the cooperative may adjust rates in accordance with 3 AAC 48.700 — 3AAC 48.790 to achieve its Target TIER. If a cooperative's TIER is more than five percent above the cooperative's Target TIER, the cooperative shall reduce rates to achieve its Target TIER. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
 AS 42.05.151 AS 42.05.421
 AS 42.05.381 AS 42.05.431

3 AAC 48.750. CALCULATION OF TIER. A cooperative's TIER is calculated for the most recent 12-month period, based on the information filed in accordance with 3 AAC 48.720 and on the following principles:

(1) the annualized long-term interest expense for the period must be used;

(2) the actual operating expenses for the period must be normalized to remove nonrecurring items and to adjust for items normally amortized for ratemaking purposes, and may also be normalized to reflect pro-forma adjustments for known and measurable changes that are more than likely to continue through the period in which the rates will be in effect;

(3) interest income must be included in the determination of TIER to the extent that interest income exceeds short-term interest expense. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
 AS 42.05.151 AS 42.05.421
 AS 42.05.381 AS 42.05.431

3 AAC 48.760. TARGET TIER DETERMINATION. (a) The Target TIER (Times Interest Earned Ratio) for a cooperative is the TIER approved by the commission in that cooperative's last general rate case or the TIER established under (b) of this section.

48.790

3 AAC 48.770 ALASKA ADMINISTRATIVE CODE 3 AAC 48.790

(b) By petition separate from another proceeding under 3 AAC 48.700 — 3 AAC 48.790, a cooperative may request that a new Target TIER be set, based on consideration of the cooperative's present equity levels, optimum equity levels, cost of debt, growth rate and capitalization, mortgage covenants, the capital credits retirement program of the cooperative, and other relevant factors. (EFF. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.381 AS 42.05.431

3 AAC 48.770. LIMITATIONS ON USE OF SIMPLIFIED PROCEDURE. (a) Rate adjustments allowed under 3 AAC 48.700 — 3 AAC 48.790 may not exceed a cumulative 20 percent increase in any three-year period, or a cumulative eight percent in any 12-month period, excluding purchased power and fuel costs rate adjustments.

(b) For good cause shown, the commission will, in its discretion, revoke or deny a cooperative's authority to request an increase under the simplified rate filing procedure in ~~3 AAC 48.700~~ = 3 AAC 48.790. 3 AAC 48.700 - 3 AAC 48.790. (EFF. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.381 AS 42.05.431

3 AAC 48.780. APPLICATION OF RATE INCREASES. A rate increase granted under 3 AAC 48.700 — 3 AAC 48.790 must be applied as an across-the-board adjustment to all recurring charges, except the customer charge. (EFF. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.381 AS 42.05.431

48.790

3 AAC 48.790. COST-OF-SERVICE FILINGS. To ensure that a cooperative's rates properly reflect the cost to serve the various classes of customers, a cost-of-service study in accordance with 3 AAC 48.540(c) — (h) must be filed if

- (1) the residential class kilowatt-hour sales as a percentage of total kilowatt-hour sales, on an annual basis, changes by more than 5 percent from the percentage that existed when the cooperative last filed a cost-of-service study; or
- (2) the retail kilowatt-hour sales as a percentage of total retail and wholesale kilowatt hour sales, on an annual basis, changes by more than 5 percent from the percentage that existed when the cooperative last filed a cost-of-service study; or

Appendix B

42.05.711 (b) is amended to read:

(b) Except as otherwise provided in this subsection, public utilities owned and operated by a political subdivision of the state, or electric operating entities established as the instrumentality of two or more public utilities owned and operated by political subdivisions of the state, are exempt from this chapter, other than AS 42.05.221 -- AS 42.05.281 and 42.05.385. However,

(1) the governing body of a political subdivision may elect to be subject to this chapter and may elect to revoke a previous election to be subject to this chapter; and

(2) a utility or electric operating entity that is owned and operated by a political subdivision and that directly competes with another utility or electric operating entity is subject to this chapter and any other utility or electric operating entity owned and operated by the political subdivision is also subject to this chapter; when the direct competition ends the governing body of the political subdivision may elect not to have one or more of the utilities or electric operating entities owned and operated by the political subdivision subject to this chapter.

APPENDIX

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
ALASKA PUBLIC UTILITIES COMMISSION
SUMMARY OF APPROPRIATIONS AND EXPENDITURES
For Fiscal Years 1988 and 1989
(UNAUDITED)

<u>Category</u>	1988 Authorized	1988 Expenses and Encumbrances	1989 Authorized
Personal Services	\$2,113,600	\$2,103,406	\$2,113,600
Travel	28,660	27,423	57,100 ^{2/}
Other Services	1,592,330 ^{1/}	1,224,346 ^{1/}	1,688,500 ^{2/}
Supplies	21,000	20,800	22,000
Capital Outlay	<u>3,910</u>	<u>3,910</u>	<u>2,900</u>
<u>Total</u>	<u>\$3,759,500</u>	<u>\$3,379,885</u>	<u>\$3,884,100</u>

Note: The information included in this summary was obtained from APUC records and the state accounting system. This information has not been audited by us and, accordingly, we express no opinion on it.

Commission Footnotes:

- 1/ The "Other Services" category is predominantly funded through program receipts which can only be expended for case related activities which are reimbursable by cost allocations. The difference between the 1988 authorization and expenditure in this category is because of a lapse in program receipts funds which were not required for case related expenses.
- 2/ Since FY1982, "Travel" and "Other Services" budget authorizations have been funded by both the General Fund and program receipts: For FY1989, the funding ratio is \$27,100 General Fund to \$30,000 program receipts for the "Travel" category and \$473,500 General Fund to \$1,215,000 program receipts for the "Other Services" category.

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX 9, JUNEAU 99811

(907) 465-3892



April 20, 1989

MEMORANDUM

To: House Finance Committee

From: Representative Dave Donley, Chair
House Labor and Commerce Committee

Re: HB 72 - Continuing the APUC

Last week the House Labor and Commerce Committee passed out a "clean" version of HB 72 after a half dozen public hearings spanning a period of several months.

We did so because we believe it is in the best interest of the public to have HB 72 stand on its own and to address concerns raised in the APUC annual report and recommendations made by LB&A in separate legislation so that HB 72 would not be "held hostage" to force legislative action on public utility issues other than continuation of the APUC.

Subsequent to passage of HB 72 the House Labor and Commerce Committee introduced legislation concerning regulation and recycling of solid waste and a bill dealing with regulation of electrical utilities. We will be considering additional legislation addressing the remaining issues outlined in the reports referenced above.

The APUC is an essential state agency and its continuation is necessary for the protection of the public's health, safety and welfare. HB 72 received a unanimous "do pass" vote in the House Labor and Commerce Committee. I urge the House Finance Committee to pass the measure on to the full House with the same recommendation.

L+C
BILLS { HB 300 - ELECTRICAL
HB 307 - RECYCLING
HB 35 - SOLID WASTE REGULATION

"RED"
UP TO DATE
IN L&C { HB 13 - UNIVERSAL SERVICES
HB 168 - TIME LINES FOR APUC

SB 168 - 'Competition'
(FRANK)

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 11, 1989

SUBJECT: Can HB 72 be amended without a title change
(Continuing the APUC)

TO: Representative Dave Donley
Chairman, House Labor and Commerce Committee

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have asked whether HB 72 could be amended by adding other provisions concerning the Alaska Public Utilities Commission without also amending the title.

The question arises because the state constitution requires, in art. II, sec. 13, that the subject of a bill be expressed in its title. The title of HB 72 reads:

An Act continuing the existence of the Alaska Public Utilities Commission; and providing for an effective date.

The date to which the existence of the APUC was extended could be amended, but I am unable to think of any other change to the APUC that would be permitted in this bill without amending the title.

If I may be of further assistance, please advise.

TC:kb
wkk3/087



Representative H.A. "Red" Boucher

Chairman House Committee on State Affairs • Special Committee on Telecommunications

MEMORANDUM

April 4, 1989

TO: Rep. Dave Donley

FM: Rep. Red Boucher
Chairman, Subcommittee on Solid Waste Utilities

RE: Comments on Minority Report of March 30, 1989

This is a critique of the three points raised in the Minority Report that purport to rebutt the Majority Report of March 23, 1989.

The first point deals with whether or not A.S. 42.05.720 (4)(F) is intended to include solid waste utilities within the APUC's regulatory scheme. The minority report suggests that the APUC should be left to its own determination of legislative intent despite the clear language in the statute:

"utility includes every corporation...that owns, operates, manages or controls any plant or system for (F) furnishing collection and disposal service for garbage, refuse, trash or other waste material;

Despite this unambiguous citation (which should be read in conjunction with AS 42.05.221(a)) the minority report would have us believe that regulation of waste utilities is somehow a new twist of interpretation. The objective situation testifies that waste utilities have been regulated since the statute went into effect... regulation is the status quo. To contend that deregulation is the intent of the statute when deregulation is the result of having no statute at all is ridiculous.

As to whether or not a legal opinion should be sought as to the intent of the statute, the legislature is its own and the ultimate arbiter of legislative intent. Also, the language and facts are too clear to ask for a legal opinion when there is no purpose other than fishing for obtuse angles for debate.

The second point of rebuttal in the minority report involves whether or not prospective competitors in a deregulated market are concerned about economies of scale. The minority misses the point. It is not whether prospective competitors are concerned about economies of scale; the point is that the advantages of scale are good for the public because the public pays less for a utility service that is a compulsory cost to citizens about which they do not have a choice to spend or not to spend. Our society deems it prudent not to have competition and redundant investment in utility services where costs are mandated to the public. That is the rationale for regulation.

The third point in the minority report is that public health and environment are not the concerns of APUC. The reality of the situation is that protection of public health, safety and environment costs money and requires investment in expensive trucks, incinerators and a related equipment. Utilities are deserving of a return on their investment which must be part of their rate base and tariff structure approved by the APUC. Public and environmental health are an integral part of the "Standards of Service and Facilities" requirements of the APUC statute (A.S. 42.05.291). To suggest that inspections by OSHA, Health and Social Services or DEC are a substitute for regulatory, economic incentives that have worked in the U.S. for more than a hundred years is a misreading of regulatory powers.

CHANNEL CORPORATIONS

CHANNEL SANITATION CORPORATION
CHANNEL EQUIPMENT RENTAL INCORPORATED
CHANNEL LANDFILL, INC.

March 30, 1989

Representative Dave Donley
Chairman House Labor and Commerce Committee
PO Box V
Juneau, AK 99811

Dear Representative Donley:

The APUC is attempting to get through the Legislature a Bill to deregulate the garbage business. As a member of the Alaska Refuse Haulers Association, we are opposed to deregulation for several reasons.

Financially, deregulation would drastically effect the quality of service. Operators would not be able to afford to buy quality equipment nor would they be able to obtain financing for decent equipment without any guarantee of income. There certainly wouldn't be any incentive to make an investment like Channel Sanitation has made.

There would be less incentive to recycle because the market would be so divided there would be no real volumes to make it economically feasible to recycle.

As it stands now, DEC and EPA know who the haulers of all waste material are including hazardous wastes. If there were three to four times the number of haulers, they would have less control of how these wastes were being handled. More seriously, the location of where they were being dumped. Deregulation would cause a lot more illegal dumping and litter as the haulers would be trying to cut all expenses in order to compete. The litter problem would increase because there would be companies hauling in all types of vehicles that wouldn't have the capacity to contain the garbage.

Letter to Rep. Donley
March 30, 1989
Page 2

This issue is a financial and environmental problem. If you agree, please let your opinion be known by writing to Jerry Reinwand.

Very truly,



W.R. Tonsgard, Jr.
Chairman of the Board

WRT/jak

cc: House Labor & Commerce Committee Members

Rep. H. Boucher
Rep. M. Boyer
Rep. V. Collins
Rep. M. Gruenberg, Jr.
Rep. L. Leman
Rep. A. Spohnholz
File



Alaska State Legislature

House of Representatives
COMMITTEE ON STATE AFFAIRS

March 23, 1989

TO: Rep. Dave Donley
Chairman, Committee on Labor and Commerce

FM: Rep. H.A. "Red" Boucher
Rep. Loren Leman
Rep. Ann Spohnholz

RE: Subcommittee on Solid Waste Utilities

The Subcommittee on Solid Waste Utilities has met to consider two questions.

I. Should solid waste utilities be deregulated by the APUC.

II. Should the Committee introduce legislation regulating recovery and recycling of solid waste.

Regarding Question I, the subcommittee has reviewed the past and current record on the issue of deregulating refuse utilities. Appendix One to this memorandum contains the legislative history of bills introduced in the eleventh legislature. There is no bill in the current legislature concerning deregulation of refuse utilities.

In addition, the subcommittee members met with representatives of the refuse industry, and also with Susan Knowles of the APUC, to ascertain their views on this issue.

The subcommittee has concluded that current statute requires the APUC to regulate refuse utilities (A.S. 42.05.720(F)). The fact that the legislature has considered and declined to change the statute affirms the prescribed public policy for APUC to follow.

The subcommittee is disconcerted by information from the refuse utilities that the APUC is de facto deregulating refuse utilities by encouraging applicants to apply for "certificates of public convenience

and necessity" in areas where existing refuse utilities are operating. This practice is not in conformance with the statute and should be changed in favor of stricter regulation.

The subcommittee's conclusion in favor of strict regulation is based on traditional economic theory of regulation that holds that the public interest is best served by allowing economies of scale to accumulate for capital and operational cost recovery. In exchange for the preferred monopolistic position enjoyed by most utilities, they are regulated in order to prevent public abuse in the form of excessive profits and substandard or discriminatory service. The practice of regulation saves the public from inconstancy that is the by-product of competitive markets. Regulation of utilities is especially applicable in thin markets, like most Alaskan communities, that need reliable service from fundamental utilities.

In addition, the subcommittee is persuaded that regulation of refuse utilities is necessary to protect public health and the environment. The commonplace occurrence of hazardous waste and toxic substances in our communities requires, in the opinion of this subcommittee, a measure of control and planning that can be achieved only by regulation. Issues regarding waste products and disposal methods are of increasing urgency in communities throughout the country. These issues deserve to be scrutinized more rather than less in order to preserve public health and the aesthetic values cherished in most Alaskan communities.

For the aforementioned reasons the subcommittee recommends that a letter of legislative intent be attached to HB 72 (APUC sunset bill) that reaffirms APUC's statutory mandate to regulate refuse utilities until the legislature chooses to change the statute. Suggested language follows:

The legislature finds that the APUC's practice of regulation of refuse utilities as required under A.S. 42.05.720 is inconsistent with that statute. It is the intent of the legislature that APUC should strictly regulate refuse utilities consistent with A.S. 42.05. 720.

Regarding the second question, i. e., should the Committee sponsor legislation requiring regulation of solid waste recovery and/or recycling. The subcommittee is of the opinion that the merits of the proposed legislation, Appendix Two, cannot be satisfactorily determined without public hearings. Consequently, the subcommittee supports introduction of the legislation so that public process will be available to determine its viability.



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

CONSIDERATION OF THE MAJORITY REPORT

POINT #1: "The subcommittee has concluded that current statute requires the APUC to regulate refuse utilities (AS 42.05.720(4F)). The fact that the legislature has considered and declined to change the statute affirms the prescribed public policy for the APUC to follow."

REBUTTAL: The APUC is proceeding with a form of deregulation they believe they are authorized to implement. In fact, the failure of the Legislature to pass legislation prohibiting the APUC from pursuing deregulation may actually represent tacit approval of the APUC's actions. Additionally, no legal opinions were presented that substantiated the subcommittee's interpretation of AS 42.05.720(4F).

In fact, the majority report of the subcommittee suggests the need for additional intent language.

POINT #2: "The subcommittee's conclusion in favor of strict regulation is based on traditional economic theory of regulation that holds that the public interest is best served by allowing economies of scale to accumulate for capital and operational cost recovery."

REBUTTAL: The fact that others desire to compete indicates they do not share the monopolists concerns with respect to economies of scale. The situation is that those already largely capitalized and who enjoy monopoly are asking for protection, while those seeking entry into the market without guarantees are not dissuaded by traditional economic theory.

POINT #3: "The subcommittee is persuaded that regulation of refuse utilities is necessary to protect public health and the environment."

REBUTTAL: APUC is responsible for economic and service regulation. APUC deregulation should have no effect on health and safety concerns monitored by other agencies of the state.

I concur with the recommendation of the subcommittee with respect to the second question, i.e., should the Committee sponsor legislation requiring solid waste recovery and/or recycling.



H.B.72
FILE

February 3, 1989

~~W.D. Donley~~
~~Chairman~~

The Honorable Dave Donley
Chairman
Labor and Commerce Committee
House of Representatives
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Chairman:

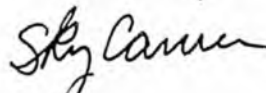
In addition to operating a refuse disposal utility on the Kenai Peninsula, I serve as President of the Alaska Refuse Utilities Association. Our Association is comprised of the state's major refuse utilities with membership in every major Alaska community.

We anticipate that the issue of deregulating refuse may come before your Committee in the near future, particularly if the sunset audit report prepared by the Division of Legislative Audit follows previous recommendations made by the Division's staff. However, until the Division's report is finalized and brought before your Committee--and the Division's recommendations are made public--it is the association's position that it is premature to take any legislative action on the refuse issue. For that reason we have not requested the Committee to address some of the legislative proposals the Association would like to see enacted into law.

We would, however, like to let you know of our interest in discussing several of the Association's legislative proposals

with either the full Committee, or a Subcommittee which has been given the responsibility of reviewing the full spectrum of public policy concerns regarding refuse disposal. We believe there are compelling policy reasons for leaving APUC regulation of refuse in place. However, we also believe there are improvements which can be made to the present statutory framework which will provide continued protection to the ratepaying consumer and to the environment, while at the same time lifting much of the current self-inflicted workload which has developed at the APUC regarding refuse dockets. Therefore, we request the opportunity to appear before the Committee to discuss refuse deregulation whenever you believe it would be appropriate. Thank you for your consideration of this request.

Sincerely,



Sky Carver
President
Alaska Refuse utilities Association

STATEMENT IN SUPPORT OF RECYCLING LEGISLATION

This statement supports the legislation that promotes recycling and recovery of energy and resources from waste ("Waste Recovery") by refuse public utilities that collect and dispose of refuse from residence of the State of Alaska. Most of these utilities are already engaged in Waste Recovery. The natural operations of these utilities make them ideally suited to carry out Waste Recovery activities. The utilities collect refuse either directly from residential and business customers and in some Boroughs by emptying optimally placed Borough owned containers used by residence in the immediate areas of the containers. The utilities operations cause their vehicles to visit these collection sites, residential homes and businesses periodically and in most cases at least once a week. The management and operations already in place to provide this utility service are ideal to also be used in the Waste Recovery business.

The Waste Recovery business is highly risky. The price paid for recyclable materials widely fluctuates in the market. Energy recovery requires substantial investments in waste burning equipment, energy recovery equipment, and electrical generating apparatus. Due to the general content of garbage it is also necessary to invest in equipment and labor to sort out recyclable materials. Often this can be done by the homeowner before the utilities collect the garbage from either the homeowner or the container sites provided by Boroughs.

The Waste Recovery business also demonstrates that substantial economies of scale in operating the business are realized if the utilities collect as much waste as possible. Guaranteeing the utilities this volume of material is crucial to viable Waste Recovery businesses in the State. The difference between losing money or breaking even in the Waste Recovery business can be directly attributable to the volume of material available for Waste Recovery. Spreading this volume out among many different Waste Recovery businesses means that none will risk investment in the business. Except for non-profit organizations, most non-utility operated Waste Recovery businesses have failed.

The Legislature is already well aware of the landfill problems faced by the communities in this State. Landfills are very expensive and will become more so in 1991 when the new Environmental Protection Agency regulations take effect. Thus, anything the Legislature can do to prolong the life of these landfills is in the public interest. Waste Recovery will extend the life of our landfills.

The Waste Recovery business is a local business, and thus employs labor in the State. The recycling business currently engaged in by Anchorage Refuse Inc. is a prime example of local

employment. Its recycling business has grown to such an extent that it now employs 27 persons in Anchorage. As its recycling business matures, more persons will be employed.

The utility Waste Recovery Act is drafted to give the refuse utilities a secure volume of garbage and to place a burden on them to engage in Waste Recovery from that garbage. The utilities are required to spend at least 3% of their annual expenses on Waste Recovery activity or face competition in their service areas. This encourages the private sector to carry out Waste Recovery and places little or no burden on the public sector.

1
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3 AN ACT

4 Relating to waste collection & recycling

5 Section 1. FINDINGS AND POLICY. (a) The legislature finds
6 that

7 (1) the recycling and reuse of garbage, refuse, trash or
8 other waste material ("Waste") and the material, resource, and
9 energy recovery from Waste would substantially extend the useful
10 life of existing solid waste disposal sites in the State of
11 Alaska, reduce the need for new landfills, save Alaska's environ-
12 ment, reduce outdoor pollution, and create jobs in the state;

13 (2) refuse utilities are ideally situated, to collect, and
14 recycle waste and to engage in recovery activity;

15 (3) the recycling and recovery activity is in its infancy
16 in the nation and particularly in the State of Alaska, derives
17 little or no profits for those engaged in the activity, and
18 requires that the legislature promote the activity whenever
19 possible;

20 (4) substantial volumes of Waste are needed to make the
21 recycling and recovery business economically viable which
22 requires that certificated refuse utilities collect and control
23 the available waste in their service areas;

24 (5) it is in the public interest to encourage the existing
25 refuse utilities to develop the necessary technology and business
26 opportunities to engage in economical and efficient waste re-
27 cycling and recovery activities.
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3 (b) It is the policy of the State to encourage Waste re-
4 cycling and recovery activities and to assist and encourage
5 refuse utilities to develop Waste recycling and recovery tech-
6 nology and to conduct an economical and efficient Waste recycling
7 and recovery business.

8 Section 2. AS 42.05.221 is amended to read:

9 (a) A public utility may not operate and receive compen-
10 sation for providing a commodity or service after January 1, 1971
11 without first having obtained from the Commission under this
12 chapter a certificate declaring that public convenience and
13 necessity require or will require the service. A certificate to
14 furnish collection and disposal service of garbage, refuse, trash
15 or other waste material in an area already served by a certif-
16 icated refuse utility may only be granted if the operating and
17 capital expense incurred by the utility and its affiliated
18 interests on waste recovery is not 3% or more of the annual
19 operating and capital expense of the utility and the refuse
20 utility will not provide service to the satisfaction of the
21 Commission. The operating and capital expense incurred by the
22 utility and its affiliated interests for waste recovery for the 5
23 years prior to the filing of an application to serve in an area
24 already served by a certificated refuse utility may be averaged
25 to calculate the 3% annual operating and capital expense figure.
26 Where a public utility provides more than one type of utility
27 service, a separate certificate of convenience and necessity is
28 required for each type. A certificate shall describe the nature

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2 and extent of the authority granted in it, including, as
3 appropriate for the services involved, a description of the
4 authorized area and scope of operations of the public utility.
5

6 Section 3. AS 42.05.711(d) is amended to read:

7 (d) The commission, on a finding that no legitimate public inter-
8 est will be served, may exempt a utility from all or any portion
9 of this chapter other than AS 42.05.221 - AS 42.05.281.

10 Section 4. AS 42.05.720 is amended by adding new paragraphs
11 to read:

12 (1) "resource recovery" means the process of obtaining
13 useful material or energy resources from waste;

14 (2) "energy recovery," means recovery in which all or a
15 part of the waste materials are processed to utilize the heat
16 content, or other forms of energy, of or from the material;

17 (3) "material recovery," means any process of obtaining
18 from waste, by presegregation or otherwise, materials which still
19 have useful physical or chemical properties after serving a
20 specific purpose and can, therefore, be reused or recycled for
21 the same or other purpose;

22 (4) "recycling," means any process by which solid waste
23 materials are transformed into new products in such a manner that
24 the original products may lose their identity;

25 (5) "reuse," means the return of a commodity into the
26 economic stream for use in the same kind of application as before
27 without change in its identity;
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(6) "waste" means garbage, refuse, trash or other waste material;

(7) "waste recovery" means resource recovery, energy recovery, material recovery, recycling or reuse of waste.

Section 5. No certificate may be granted to furnish collection and disposal service of garbage, refuse, trash or other waste material in an area already serviced by a certificated refuse utility for 1 year from the effective date of this Act.

Section 6. This Act takes effect immediately under AS 01.10.070 (c).



Alaska State Legislature

HOUSE OF REPRESENTATIVES

REPRESENTATIVE LOREN LEMAN
465-2095

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Representative Dave Donley
Chairman, House Labor and Commerce Committee

FROM: Representative Loren Leman *Loren*

DATE: March 30, 1989

SUBJ: COMPETITION IN WASTE COLLECTION/DISPOSAL

After consideration of the presentation made by the subcommittee chairman, representatives of the monopoly providers, and meeting with the Chairman of the Alaska Public Utilities Commission (APUC), I find that I do not concur with the recommendation made by a majority of the subcommittee.

There are five principal reasons for this divergence in opinion.

(1) The APUC has reviewed the situation and has come to the conclusion that this is an industry that does not require monopoly to serve the public interest.

AS 42.05.720(4F) notwithstanding, the APUC believes they have the authority to initiate the limited competition they have authorized. I agree.

(2) Allowing citizens the economic freedom to compete does not repeal or restrict health and safety regulations. I am not aware of evidence to support the contention that monopolies have a better compliance record with health and safety regulations than do competing businesses.

(3) The current monopolists largely began as "Mom & Pop" operations collecting refuse. The gate should not be shut for the "Mom & Pops" of the 1990s--those who are willing to accept the challenges of free competition.

(4) The public is better served by having the freedom to choose. With competition, the businesses will have to take the consumers into account in ways a monopolist may be able to ignore.

(5) Remote areas will be better served by competition. Competing firms have an incentive to innovate. A protected monopolist has little incentive to innovate. The presumption should be to allow the competing enterprise an opportunity to provide the service. If some areas remain unserved that the Legislature believes should be served, corrective action could be taken. The right of Alaskans to compete should be honored.



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 9981

CONSIDERATION OF THE MAJORITY REPORT

POINT #1: "The subcommittee has concluded that current statute requires the APUC to regulate refuse utilities (AS 42.05.720(4F)). The fact that the legislature has considered and declined to change the statute affirms the prescribed public policy for the APUC to follow."

REBUTTAL: The APUC is proceeding with a form of deregulation they believe they are authorized to implement. In fact, the failure of the Legislature to pass legislation prohibiting the APUC from pursuing deregulation may actually represent tacit approval of the APUC's actions. Additionally, no legal opinions were presented that substantiated the subcommittee's interpretation of AS 42.05.720(4F).

In fact, the majority report of the subcommittee suggests the need for additional intent language.

POINT #2: "The subcommittee's conclusion in favor of strict regulation is based on traditional economic theory of regulation that holds that the public interest is best served by allowing economies of scale to accumulate for capital and operational cost recovery."

REFUTTAL: The fact that others desire to compete indicates they do not share the monopolists concerns with respect to economies of scale. The situation is that those already largely capitalized and who enjoy monopoly are asking for protection, while those seeking entry into the market without guarantees are not dissuaded by traditional economic theory.

POINT #3: "The subcommittee is persuaded that regulation of refuse utilities is necessary to protect public health and the environment."

REBUTTAL: APUC is responsible for economic and service regulation. APUC deregulation should have no effect on health and safety concerns monitored by other agencies of the state.

I concur with the recommendation of the subcommittee with respect to the second question, i.e., should the Committee sponsor legislation requiring solid waste recovery and/or recycling.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS, AS 42.05 requires that the furnishing of services to collect and dispose of garbage, refuse, trash or other waste material be regulated as a public utility for the purpose of accomplishing efficient, timely, safe, healthy, and environmentally sound handling of garbage and assuring that potentially hazardous garbage and waste is handled in a manner that promotes and protects the public health and environment;

WHEREAS the Legislature has not changed the statute regarding regulation of collection and disposal of garbage, waste, trash and other waste materials;

WHEREAS, without legislative authority, the Alaska Public Utility Commission's practice has tended to deregulate the collection and disposal of garbage, refuse, trash or other waste material and the Alaska Public Utilities Commission has decided that it is not in the public interest to regulate the number of providers of such service; and

WHEREAS, there are increasing environmental risks associated with the disposal of garbage, refuse, trash or waste material and there is only beginning to evolve a technology to adequately deal with the risks, and

WHEREAS, the Legislature believes that the Alaska Public Utilities Commission shall follow AS 42.05 with respect to the

regulation of the collection and disposal of garbage, refuse, trash or other waste material such regulation shall be carried out under traditional public utility standards.

BE IT RESOLVED by the Alaska State Legislature that it is in the public interest to continue the regulation of services for collection and disposal of garbage, refuse, trash and other waste materials, that the Alaska Public Utilities Commission shall regulate the collection and disposal of garbage, refuse, trash or other waste material as it regulates other traditional public utility services.

Fairbanks North Star Borough

GARBAGE DEREGULATION

Historical Summary

In 1970, the Alaska State Legislature repealed AS 42.05.196, a statute which imposed in unambiguous language the requirement that an applicant for an area already served by a certificated utility show that the existing service was unsatisfactory, which indicated that the Legislature intended to leave the decision to allow or prohibit competition to the Public Utilities Commission.

In August, 1979, the Legislative Auditor issued a report as part of the "Sunset Review" of the Alaska Public Utilities Commission (APUC). Recommendation #3 of this report suggested that "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 Legislative Auditor based the above recommendation on the following considerations:

1. The APUC did not have sufficient funds or personnel to regulate these utilities;
2. The refuse industry is not capital intensive, as fixed utilities are;
3. Competition in this industry would not be detrimental to the public interest;
4. 91% of states returning questionnaires to the auditor did not regulate refuse utilities.

In 1980, the Alaskan Legislature reviewed the question of continued regulation of refuse collection by the APUC. The 1980 Legislature considered the recommendation of the APUC 1979 Sunset Audit Report to remove the refuse service industry from regulation by the APUC. The Legislature mandated continued regulation of refuse collection. (From the April 6, 1988, Memorandum of Clarification, Wasilla Refuse, Inc., vs. State of Alaska, APUC.)

In June, 1983, APUC staff issued a white paper concerning deregulation of garbage. The staff suggested that APUC consider the issues of allowing overlapping service areas and of economically deregulating all refuse utilities. Staff concluded, after reviewing the nature of the refuse utility service, that in many respects refuse utilities have characteristics of businesses functioning in the unregulated sector of the economy, rather than other regulated Alaskan utilities. The economic ratios discussed in the paper indicate that refuse utilities are unique to the regulated utility industry: entry into a refuse utility is not capital intensive; and refuse utilities are not physically connected to the customer (i.e., the customer can change services). Staff recommendations in the white paper included:

1. enactment of a policy of certificating refuse utility applicants that can demonstrate fitness, willingness, and ability; and
2. exemption of all refuse utilities from economic regulation.

The staff concluded that refuse collection is not a "natural" monopoly and should not be regulated as such by allowing exclusive service areas and imposing cost-based rate regulation.

The white paper also mentioned that in Document U-80-18(6), Marche Sanitation and Far North Sanitation were authorized to provide refuse service to commercial customers within the Fairbanks City limits. It was determined that the two companies did not constitute either "identical" utility services or "undesirable duplication of facilities." Because Marche was exempt from economic regulation and Far North was economically regulated, which the APUC perceived as unfair to Far North, the APUC economically deregulated Far North to give it an equal basis on which to compete with Marche.

As an aside, Far North Sanitation bought out Marche Sanitation several years ago and currently (March, 1989) provides the only commercial refuse service within the Fairbanks City limits. The city itself provides residential refuse collection services.

In August, 1986, Heather Stockard, Borough Environmental Services Director, sent a memo to Mark Andrews, Assistant Borough Attorney, on the Subject of the legal ownership of garbage. The memo stated that the FNSB pays two refuse haulers to maintain and empty 18 rural dumpsters, and that the Borough was obligated to use certificated haulers. The Borough at that time was soliciting proposals for alternative solid waste handling and/or processing methods.

Questions asked of the attorney were:

1. Is a garbage hauler with 10 or fewer customers required to have a certificate of Public Convenience and Necessity from the APUC? And if not, what constituted a "customer": one dumpster, one department, one Borough?
2. Who owns the garbage when? At what point does ownership transfer to the Borough - - could a contractor use garbage from the dumpsters for his own purposes?

Answers to the above questions were as follows:

1. No, the 10 or fewer customers exemption did not apply to the Borough.
2. The picked up refuse is considered "collection" until the final disposal site at the landfill; therefore, a contractor could use refuse from the Borough dumpsters for his own purposes.

From an August 20, 1986, memo to FNSB Assembly from Juanita Helms, Borough Mayor:

The memo mentioned that garbage collection was regulated by the APUC and that the FNSB must contract only with the franchised certificate holder in any given area to provide rural dumpster service. The Mayor stated that she believed that

Garbage Deregulation
page 3

the FNSB and other local governments may benefit from deregulation of garbage. She would endorse a consolidated effort to lobby for the required legislative changes.

From a December, 1986, informational sheet to the Borough's Pollution Control Commission (PCC) concerning deregulation of garbage collection services:

Statement of Problem: FNSB provides garbage collection for residents on a nonareawide basis (outside the cities of Fairbanks and North Pole) with 18 rural dumpsters. Because garbage services are regulated by the Alaska Public Utilities system, the Borough has to contract on a non-competitive basis with two APUC certificated haulers. The APUC has been unresponsive to complaints about inadequate service by the certificated haulers.

Costs of refuse disposal had increased 12-18% each year since beginning of program. It was estimated that the desired outcome of deregulation could result in cost savings of 30-35%.

The sheet stated that if refuse regulation continued, the results would be that local taxpayers would continue to pay too much for refuse service; free market competition and entry into the garbage industry would be restricted; and the Borough would remain nearly powerless to penalize contractors for inadequate service.

From a January 7, 1987, memo to Dick Jackson, Administrative Director, from Heather Stockard, Environmental Services Department Director:

Subject: Proposed Meeting with APUC:

The memo listed several items H. Stockard wished to discuss with the APUC:

- * conflicting information about the tariff rate for Interior Services;
- * complaints about Interior Services;
- * Drake's and Interior's proposed revised tariff schedules;
- * draft final solid waste report which had section on tariffs which showed that the FNSB was being substantially overcharged for dumpster service;
- * explain the FNSB stand on garbage deregulation.

From a January 20, 1987, memo to Dick Jackson, Administrative Director, from Heather Stockard, Environmental Services Department Director:

Subject: January 16, 1987, trip to Anchorage to work with APUC:

The memo listed the results of H. Stockard's meeting with the APUC:

- * in general, the APUC staff was extremely supportive of the FNSB deregulation of garbage efforts;
- * Interior Services had not filed for an approved tariff;
- * Drake Sanitation's tariff seemed to allow Drake an excessively high rate of return -- a full investigation was never done;
- * language requiring municipalities to buy out existing utility when they take over the service was removed from the statute several years previous.

Garbage Deregulation

page 4

The memo recommended that the Borough:

- * continue working with the Legislature towards deregulation of garbage services;
- * file a petition with the APUC requesting an investigation of Drake's tariff;
- * file a petition with the APUC requesting an investigation to determine why Interior Services is not fully regulated;
- * if Interior Services files a tariff request, the FNSB should file a petition to intervene and request a full cost-of-service review;
- * consider the option of applying for competing certificates in all areas of the Borough.

From a March 27, 1987, letter to Ray Wipperman, APUC from Heather Stockard, Environmental Services Department Director:

Subject: Interior Services Did Not Appear to be Fully Regulated by the APUC

- * Interior had exceeded \$200,000 threshold for years on FNSB payments alone;
- * the FNSB has received complaints about Interior's service they provide;
- * Interior does not have an approved tariff;
- * the FNSB urges the APUC to investigate the above problems of Interior Services.

From a July 27, 1987, letter from Juanita Helms, Mayor, to the APUC:

The FNSB was seeking temporary authority to perform garbage collection services due to developing health problems with overflowing dumpsters at Interior Services sites. Two of four of their trucks were out of service for emergency repairs.

August 13, 1987, the Matanuska Susitna Borough was issued a Certificate of Public Convenience and necessity to collect and dispose of refuse. They are currently contracting with an operator who has a subcontractor doing the actual refuse collecting. The Mat-Su Borough's certificate allows them to collect municipal refuse only.

From a September 14, 1987, letter to Mrs. Judy White, APUC, from Heather Stockard, Director, Health and Safety:

Subject: FNSB comments on Tariff No.1 for Interior Services filed by Ralph Bartlett on August 13, 1987

- * The FNSB is Interior Services' largest customer;
- * The FNSB disagrees with Bartlett's statement that the utility has a special contract with the FNSB. The document, which was drafted in 1983, was not approved as a special contract and had expired;
- * The FNSB would object to tariff being set higher than \$2.40/cubic yd. Would also request tariff be made interim and refundable pending a cost of service study;
- * Not addressed in the filing was the issue of \$21/ton tipping fee, effective 10/01/87;

Garbage Deregulation

page 5

- * It is difficult to comply with Rule 130, Section A of the filing which states that "Informal complaints against a public utility shall be made first to the utility." It was almost impossible to reach Interior Services during business hours as they had only a message phone.

From an October 5, 1987, APUC response to Legislative Audit concerning deregulation of garbage:

The APUC concurred in the recommendation that refuse collection agencies should not be regulated by the APUC, but that local governments should be given the responsibilities of issuing Certificates of Public Convenience and Necessity, and regulating the utilities.

However, the major municipalities rejected the contention that they were in a superior position to regulate refuse and waste disposal services. They also expressed concerns about health problems from improper waste disposal, aesthetic concerns and traffic problems if numerous refuse collectors made continuous pick ups and deliveries in residential areas; and that many operators would enter the market and then fail to perform as promised, which would leave customers without reliable refuse service.

From a January 8, 1988, Memorandum of Opinion and Judgment, Wasilla Refuse, Inc., vs. State of Alaska, APUC.

It was determined that Wasilla Refuse, Inc. would be subject to economic regulations as they were a utility which furnished refuse collection and disposal and had revenues greater than \$200,000. However, the APUC indicated that it should be expressly stated that newly certificated carriers would not be subject to economic regulation even if they exceeded the \$200,000 statutory threshold.

From an April 11, 1988, Memorandum of Clarification, Wasilla Refuse, Inc. vs. State of Alaska, APUC

It was the opinion of the court that the APUC must subject all carriers which exceed the \$200,000 gross revenue threshold to economic regulation, or, exempt all carriers exceeding the \$200,000 threshold from economic regulation pursuant to the power given by the APUC under AS 42.05.711(d).

From August 11, 1988, notes to Gene Hardy, Borough Attorney, from Richard Joy, Acting Health and Safety Director:

Subject: Garbage Services by Regulated Haulers in the FNSB

The following problems were documented as a result of regulated refuse services:

- * The FNSB was not able to use a competitive bidding process to select a contractor to haul the public dumpsters or to operate the transfer station. This resulted in:

- higher cost of service
 - no control of costs
 - no contractual agreement with the hauler if the hauler does not want to enter into one
 - no ability to specify standard equipment
 - conflicting laws and regulations between the tax cap and tariff increases
- * The APUC failed to adequately monitor and control the certificated firms:
- poor complaint response as there was no local APUC representative
 - too far removed from the local situation
 - appears only recourse is a full hearing to correct small operational problems
- * The Borough cannot use FNSB employees or equipment to haul dumpsters or operate the transfer station.
- * It is nearly impossible for the FNSB to develop innovative, cost effective ways to provide collection service or do long range planning since certificated haulers have a vested interest in maintaining the status quo.

Plans to help solve above problems:

- * Oppose tariff increases
- * Try to get interior services under contract. Drake Sanitation currently is under contract as a result of a North Pole Transfer Station litigation settlement.
- * Look at option of no dumpster service, replace with easier to monitor system of transfer stations

From an August 16, 1988 memo to Juanita Helms, Mayor, FNSB, from Richard Joy, Acting Health and Safety Director.

Subject: Topics for meeting with Governor Cowper

- * Possible deregulation of garbage service
- * APUC currently regulates garbage collection as a public utility
- * FNSB pursued the possibility of deregulation for the last 2 years
- * APUC may feel deregulation is appropriate now
- * problems:
 - FNSB not able to use competitive bidding process for dumpster and transfer station operations. This results in high cost of service and poor performance by hauler
 - absence of APUC staff in Fairbanks results in inadequate monitoring and control of licensed firms
 - FNSB cannot develop new, innovated solutions to garbage collection as the haulers have a vested interest in maintaining the status quo.

MAR 20 11:00 FAIRBANKS NS BOROUGH

Garbage Deregulation

page 7

In a March 9, 1989, telephone conversation between Ray Wipperman, Chief, Consumer Protection Section and Joan Hardesty, Environmental Specialist. Mr. Wipperman stated that there are currently certificated haulers in the Mat-Su Borough which compete in the same area, for the same residential business. He said one result has been an increase in the number of residential customers who utilize the residential pick up option. He also stated that the FNSB could seek a Certificate of Public Convenience and Necessity from the APUC, but he was sure our current certificated haulers would object and that there was no telling what the APUC would decide.

Current Problem

Current problems include:

- * No competitive selection process leads to:
 - higher costs
 - no direct control over possible cost increases
 - no contractual agreements with dumpster haulers
 - no ability to specify standard equipment
 - no recourse to fix operational problems with dumpster haulers
 - no clear statement of Borough/hauler liabilities in providing this service

- * Interior Services current request for a rate increase has led to a direct confrontation with the Borough's voter-approved tax cap. While this rate hike, which was originally requested as an 80% increase, will be somewhat less than that, it is believed that this increase will be at least 25%. An increase of this magnitude would result in an additional yearly cost of over \$100,000 in dumpster haulage fees. The tax cap effectively puts a lid on total nonareawide expenditures. The Borough's solid waste collection system has been funded by nonareawide taxes since 1986, when the State Legislature revised Alaska Statute Title 29. One result of these revisions was to require local governments to tax for nonareawide services on a nonareawide basis. This caused the Borough to revise its taxing structure for this service. Because the Borough is already at the tax cap limit for total nonareawide taxes, any increased expenditures in dumpster costs would come at the expense of the two other nonareawide services: economic development or ambulance service outside the cities of Fairbanks and North Pole. Total Borough budgets for the three programs for Fiscal Year 1988-89 are as follows:

- economic development	-	\$ 98,850
- emergency medical services	-	736,310
- solid waste collections	-	1,241,630

These figures show that even a zeroing out of funding for economic development would not pay for just this year's projected increase in dumpster costs. Also, unlike dumpsters, economic development is a voter-approved service. There is sufficient money in the emergency

Garbage Deregulation
page 8

medical services (EMS) budget to fund necessary increase in the solid waste collections budget. However, nonarea-wide EMS is also voter-approved, and involves a service which has direct and substantial benefits in saving people's lives. Increased funding for garbage dumpsters, at the expense of the EMS program, does not appear to be a reasonable choice.

STEVE FRANK
DISTRICT K
SEAT A

119 N. Cushman, Rm. 213
Fairbanks, Alaska 99701

While in Juneau
P.O. Box V
Juneau, Alaska 99811
(907) 465-3709
Capitol Rm. 514

Alaska State Legislature



Senate

MEMBER
Finance Committee
Resources Committee
Legislative Council
Special Committee on Banking &
Economic Development

VICE-CHAIR
Community & Regional
Affairs Committee

TO: All Senators
FROM: Senator Steve Frank
RE: Intrastate Long Distance Telephone Competition
DATE: March 6, 1989

I am introducing legislation to allow competition in the long distance telephone industry within Alaska because I believe that due to changing technologies, competition is now feasible, and therefore in the Alaskan consumers best interest.

In free market economies we rely on competition as the most efficient mechanism to protect the consumer with regard to the price and availability of goods and services. However, when a monopoly evolves due to the basic nature of an industry, society has recognized the need for regulation to serve the public interest. But if fundamental technological changes in an industry occur and it is no longer a natural monopoly, that monopoly should not be perpetuated through protection from competition by regulations. To do so would be counter to our basic philosophy that competition is preferable to regulation.

The telecommunications industry has experienced this kind of fundamental technological change, especially in the delivery of long distance telecommunications. Satellite technology has replaced capital intensive land lines, drastically reducing costs and making the delivery of long distance service feasible on a competitive basis.

To understand the change in technology and why it has allowed the feasibility of competition, one must examine the basic elements of a single long distance telephone call. A long distance phone call is routed through the phone lines to the local phone company (local exchange carrier) and from there to the long distance carrier (interexchange carrier). It is the interexchange carrier that sends the message via satellite to an earth station in the distant city. From there it is routed to the local exchange company in the community that is being called and through the phone lines to the receiving telephone. It is important to keep in mind, the legislation would allow competition only on the long distance service (interexchange). Local Exchange Companies, which remain natural monopolies, would still be regulated by the

APUC for their portion (exchange tariff) of the total long distance rate.

An often used argument against competition in Alaska involves the myth that Alaska is unique and that it has higher costs, particularly in rural regions. The argument follows that those higher rural costs require a monopoly to provide service to the entire state, with huge subsidies flowing from urban to rural areas. In fact, we are unique. We are uniquely suited to competition because of our use of satellite technology rather than land line based technology. All that is required to provide competition in a community is a relatively inexpensive earth station and switch.

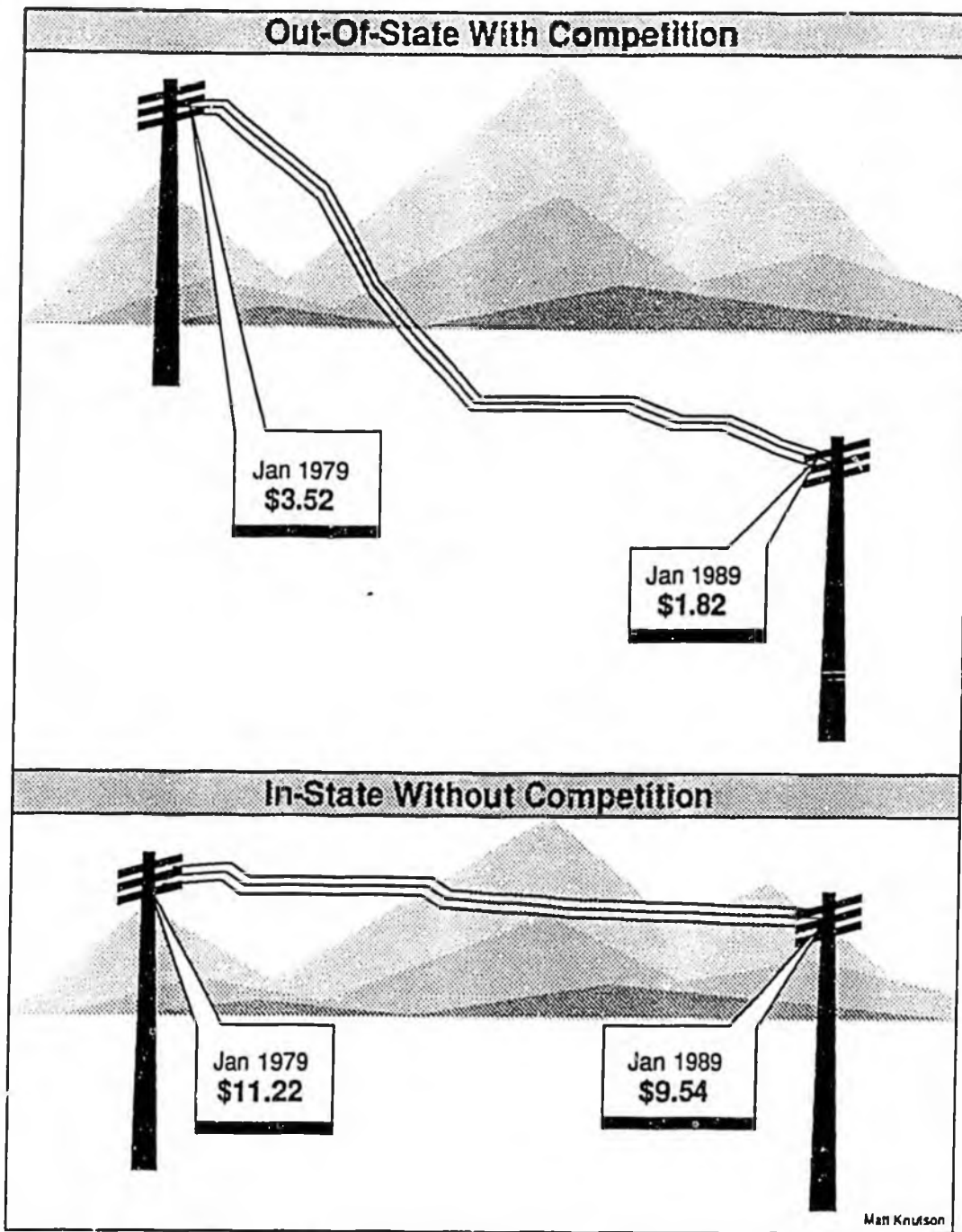
In addition, the assumption that the urban areas support the rural areas does not appear to be true as evidenced by information that Alascom has filed with the Alaska Public Utilities Commission (APUC), showing that there is not a significant subsidy flowing from urban to rural Alaska - if one exists at all.

To protect rural consumers on routes not served by competition, the legislation specifically prohibits the dominant carrier (now Alascom) from raising rates on routes not served by competition. To further protect rural consumers, this legislation also provides for a universal service fund to protect telephone service throughout Alaska and to insure that rural rates remain reasonable.

History has shown in both the national and Alaskan experience, that competition has reduced long distance telephone rates. Since the Federal Communications Commission (FCC) opened the national interstate market to competition, American Telephone & Telegraph (AT&T) has reduced its rates by over 50%. Moreover, the assertion that monopolists cannot reduce their costs has been proved false as evidenced by the fact that, during the same period, AT&T has reduced its costs by over 30%. This reduction in costs has been achieved through a combination of operating efficiencies and improved technology. As a result of their competitively induced lower rates, AT&T has seen its total traffic volume increase. These three factors together; technological advances, operating efficiencies and increased demand, have allowed AT&T to remain healthy and thriving in the face of competition. Similarly, since the introduction of interstate competition in Alaska in 1982, long distance rates on interstate calls have decreased by roughly 50% while volumes have doubled, allowing Alascom to maintain its volume and profits. The dire predictions by Alascom about the effects of competition have not come true.

Therefore, based on both competitive economic theories and historical experience, it is reasonable to conclude that competition will result in lower long distance phone rates in the intrastate market for Alaskans.

Thank you for your consideration.



Note: Alascom rates based on a \$10.00 call placed in January 1969

HISTORY OF TELECOMMUNICATIONS COMPETITION IN ALASKA

In 1969, RCA Alascom bought the Alaska Communications System from the military. As part of Alascom's bid proposal to the military, it agreed to provide service to all areas of 25 people or more.

By 1974, when Alascom had not expanded its system to rural Alaska, Congress and the FCC became concerned and requested a proposal for bush service from Alascom. In response, Alascom proposed a system consisting of large satellites in regional centers with terrestrial cable linking the regional centers.

Following an analysis of Alascom's proposal, the State of Alaska informed Alascom that its proposed system was inefficient and unreliable, asking Alascom to accept a proposal consisting of small earth stations in each village instead.

When Alascom refused to accept the state's alternative proposal, the state filed its own application in 1975 for 120 small earth stations to serve rural Alaska. In response, Alascom filed parallel applications with the FCC for the same small earth stations. Since the applications were overlapping, this created an impasse that could have lasted

several years. In an effort to avoid further delays in rural telephone service, the State of Alaska and the Alaska Legislature agreed to fund the small earth station program if Alascom installed and operated the earth stations.

The State of Alaska's application to the FCC was the first sign of competition and its resulting beneficial effect in Alaska.

In 1980, GCI filed an application with the FCC to provide communication service between Alaska and the Lower 48. Alascom opposed GCI's application even though competition had been accepted and was in full force in the lower 48 since the early 70's. Alascom argued to the FCC that competition in Alaska would destroy rural service, increase rates, and limit technological innovation. 1

In November 1982, GCI began long distance service in Anchorage under continuing protests by Alascom. The issue of whether or not Alaska should have competition in the provision of long distance service to and from Alaska was not fully put

1 See for example: Rebuttal Comments of Alascom in CC Docket No. 78-72, June 1981, pp. 16-21, Supplemental Comments of Alascom CC Docket 78-72, January, 1980, pp. 94-100.

to rest until 1984 when the FCC released a final order denying Alascom's applications for review - stating that Alascom's claims had been addressed and rejected on several occasions. 2

Since competition began in the interstate market, Alascom's rates have gone down by over 50% in urban as well as rural areas. Technological innovation has occurred bringing in more reliable and cost efficient digital service as well as new expanded private line services. Meanwhile rates within the state, where there is no competition, have increased since 1982.

The issue of competition within the State of Alaska was first addressed when the Alaska Public Utilities Commission (APUC) began a proceeding to determine whether or not Alaska should have competition within the state in August, 1983. The telephone industry and other participants filed several rounds of comments and attended two public hearings on the issue of intrastate competition. In addition, GCI filed proposed regulations which would establish the rules under which competitive services would be provided. Alascom opposed GCI's

2 See, Memorandum Opinion and Order, in Re Applications of GCI, File Nos. W-P-C-3345 et al., FCC 84-168 (April 24, 1984).

regulations making many of the arguments that it made in delaying interstate competition before the FCC.

In 1986, the APUC closed the proceeding on competition within Alaska without taking action. In response, GCI filed a formal application to provide service within Alaska as well as a new proposal for regulations.

Since 1986, the APUC has held two public hearings on the competitive question and has asked for comments from the industry on several occasions. Alascom continues to oppose competition and to this date the APUC has taken no action.



Alaska State Legislature

HOUSE OF REPRESENTATIVES

REPRESENTATIVE LOREN LEMAN
465-2095

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

HB 72 Fil

M E M O R A N D U M

TO: All Members of the House
FROM: Rep. Loren Leman *Loren*
DATE: April 5, 1989
SUBJ: Intrastate telecommunication competition

Today, I introduced legislation to allow intrastate interexchange telecommunication competition.

ADVANTAGES:

- 1) Competition will lead to lower costs and greater efficiency.
- 2) Universal service at reasonable rates is protected.
- 3) Provides clear policy mandate for Alaska Public Utilities Commission.

OBJECTIONS:

- 1) The Bush will go dark. The bill provides for regulation by the APUC that requires cost and income separation for entities participating in competitive and monopoly markets.
- 2) Bush telecommunications costs will skyrocket. According to ALASCOM's 1985 Intrastate MTS revenue data filed with the APUC, the subsidy flowing from urban to rural areas is at most 7.2% of rural costs.
- 3) ALASCOM will lose AT&T subsidy. The FCC is reviewing the subsidy regardless. Also, there is no evidence the rate integration subsidy will be endangered by competition.
- 4) Alaskan market too small to allow competition. GCI and others do not think so. We should let the market decide.
- 5) Decision should rest with APUC. The APUC has been considering competition for more than three years. The bill decides the public policy question of competition; APUC is still responsible for determining most of the "how".

SUNSET PROVISION: My bill includes a sunset provision for 1993. A future legislature will review APUC's evaluation of competition and determine if competition is worth preserving.

ALASCOM 1985 INTRASTATE MTS REVENUE DATA

	<u>Dollars Per Year</u>			
	(millions)			
	<u>ANC-FBX JNU ROUTES</u>	<u>ANC-MAT VALLEY KENAI ROUTES</u>	<u>REST OF STATE</u>	<u>TOTAL STATE LONG DISTANCE REVENUES</u>
Alascom revenues	22.5	10.2	50.2	82.9
Alascom cost	(2.5)	(3.1)	(25.2)	(30.8)
Average local Telephone Co. Settlements	(9.2)	(14.3)	(28.6)	(52.1)
Surplus or * (Subsidy)	10.9	(7.3)	(3.6)	(0.0)

* A total of \$10.9 million in surplus revenue is earned on the Anchorage-Fairbanks-Juneau route. Of this amount, \$7.3 million is used to subsidize the Anchorage-Mat Valley-Kenai Routes. The remaining \$3.6 million is available to subsidize service in the remainder of Alaska. See "Analysis of GCI Scenarios 1 and 2" presented by Alascom at public hearing, APUC Docket No. R-86-2, April 8, 1987.

Proposed by ARECA
February 2, 1989

AS 42.05.720(3) Definitions, "Public" is amended to read:

(3) "public" or "general public" means

(A) any group of 10 or more customers that purchase the service or commodity furnished by a public utility as defined in (4) of this section and that is located or purchases the product or service outside the certificated service area of a public utility; [AND]

(B) any person, association or corporation that purchases a utility service or product and that is located or purchases the product or service within the certificated service area of a public utility; and

[(B)] (C) any utility purchasing the product or service or paying for the transmission of electric energy, natural or manufactured gas, or petroleum products which are re-sold to an individual or [A] group included in (A) or (B) of this paragraph or which are used to produce the service or commodity sold to the public by the utility;

Comment: This amendment adds a third way to qualify as "public" under AS 42.05. The "Public" would be (1) ten or more customers outside a certificated service area, (2) one customer within the certificated service area of a utility, and (3) a utility buying a product or service for resale. This amendment was drafted in this way to continue to permit utility type sales, without regulation, to fewer than 10 customers outside of an area certificated to a utility while treating any such sale within a certificated territory as a utility transaction. This amendment would give the commission the authority to protect the financial health of Alaska's utilities from being undermined by other entities who can "cherry pick" the best customers with no responsibility to serve the less desirable customers.

Proposed by ARECA
February 2, 1989

AS 42.05.461 is amended to read:

AS 42.05.461. Continuing Property Records. The commission may require a public utility to establish, provide, and maintain as part of its system of accounts, continuing property records segregated by the year of placement in service, including a list or inventory of all the units of tangible property used or useful in the public service identifying the property by location or project [, SHOWING THE CURRENT LOCATION OF THE PROPERTY UNITS BY DEFINITE REFERENCE TO THE SPECIFIC LAND PARCELS UPON WHICH THE UNITS ARE LOCATED OR STORED]. The commission may require a public utility to keep accounts and records in such a manner as to show, currently, the original cost of the property when first devoted to the public service, and the related reserve for depreciation. Each public utility with annual revenues exceeding \$100,000 shall keep continuing property records.

Comment: The purpose of this proposed amendment is to permit regulated utilities to keep the same kind of continuing property records for the APUC as they are required to keep for REA, CFC, and other lenders. Without this amendment, the present law actually requires a detailed mapping system to identify the location, by legal description, of every crossarm and bolt in the system.

Proposed by ARECA
February 2, 1989

AS 42.05.381 is amended by adding a new subscription:

AS 42.05.381(f) Dues or fees paid to a trade association that is tax exempt under Section 501(c)(6) of the Internal Revenue Code shall not be disallowed as a business expenses because the trade association is engaged in lobbying.

Comment: The purpose of this proposed amendment is to protect the existence of associations like ARECA by establishing in the law that dues paid to such associations are an appropriate business expense for the member utilities.



Representative H.A. "Red" Boucher

Chairman House Committee on State Affairs • Special Committee on Telecommunications

March 29, 1989

Dave Donley
Representative
P.O. Box V
Juneau, Alaska 99811

Dear Dave,

In the process of researching the workload of APUC, I found out that there is no record of "aging" for the dockets under consideration. In other words, the Commission doesn't make available to the public, the length of time each case has been under consideration.

I suggest that intent language would be appropriate in the sunset bill as follows:

"The Commission shall publish in their annual report the filing date for each matter pending before them for action."

Sincerely,

A handwritten signature in cursive script that reads "Red".

H.A. "Red" Boucher
Representative

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



January 23, 1989

Gordon Parker
Alaska Telephone Association
201 E. 56th Avenue, Suite 230
Anchorage, Alaska 99518

Dear Gordon:

Thanks for your January 13 letter regarding HB 72, extending the termination date for the Alaska Public Utilities Commission.

A copy of your letter has been included in the House Labor and Commerce Committee members files. We look forward to hearing your proposals during future meetings on this bill.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dave Donley".

Representative Dave Donley, Chair
House Labor and Commerce Committee

cc: Members files

dd/gb

subsequent

Alaska Telephone Association

201 E. 56th Avenue / Suite 230
Anchorage, Alaska 99518
(907)563-4000 / FAX (907)562-3776

W. D. Pyron
President

Gordon Parker
Executive Director

January 13, 1989

Hon. Dave Donley, Chairman
House Committee on Labor & Commerce
House of Representatives
P.O. Box 4
Juneau, Alaska 99801

Dear Rep. Donley:

I have been advised that you have scheduled a hearing on sunset review of the Alaska Public Utilities Commission for January 20. The Alaska Telephone Association, and the 21 local telephone companies which I represent, are very interested in this proceeding.

Unfortunately, I have an unbreakable commitment on that date. I will be in Norman, Oklahoma at the University of Oklahoma participating in the fourth year of a six year educational program in which I am enrolled.

ATA will have proposed amendments to the APUC statutes. We have been working with Rep. Boucher on suggested language. On January 6, I met with the Commission to discuss our proposal. As a result of that conversation, I am recommending to my Board of Directors that we make some changes in our proposal. They will act on my recommendations on January 25. When that is accomplished, I would ask to meet with you to present our suggestions and would then be prepared to testify before your Committee.

I have spoken with Ginger on your staff who informs me there will be additional hearings. I thank you for understanding our absence and assure you of our participation in this proceeding.

If I can be of assistance, please don't hesitate to call.

Sincerely,


Gordon Parker

GP/jv



Representative Dave Donley, Chair House Labor & Commerce Committee

SUBJECT OF MEETING:

HJR 37 HB 155
HCR 2 HB 166
HB 72

DATE: 3-30-89

PLACE: C-17

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT WHICH BILL
Paula Halley	State Comm for Human Rights	500 "A" St. Suite 202 Anchorage AK 99501		907 272-8706	907 372-7174	(Y) N	HB 155
Tom Lawson	DCED	PO Box 0 Juneau	99801		465-2017	(Y) N	HCR 2
Mary Pierce	WICHA	4000 Old Seward Hwy Suite 203 Anch, AK	99503	907 563-3414	W/C	Y (N)	
DAVID JOHNSON	ASMA	3012 Tongass Ave Ketchikan AK	99901	907 225-6396	907 225-5149	Y (N)	HB 166
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	



Representative Dave Donley, Chair House Labor & Commerce Committee

SUBJECT OF MEETING:

HB 166
HB 92
HB 72

HB 155

DATE: 4-4-89

PLACE: C-17

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT WHICH BILL?
GORDON EVANS	HIAA	318 4TH ST., JUNEAU	99801		586-3210	(Y)	N	HB 92
MIKE COUGHLIN	RET/BEN	P.O. Box CR JUNEAU 99811		4	465-4470	Y	N	HB 92 IF NEEDED
Paul Zoller	DIO, U	Pouch D Juneau			465-2175	(Y)	N	HB 92
Kip Leff	Asst Admin				465-4430	(Y)	N	HB - 155
Dennis Scholl, PhD	Alaska Mental Health Board	419 6th St, Suite 124 Juneau, AK 99801 →			465-3071	(Y)	N	HB - 92
CONNIE J. SIPE	OAC				5-350	Y	N	To answer questions/obs H
Mary Piere	MICA	4000 Old Seward Anch AK 99503			563-3414	(Y)	N	HB-166
Clark Liruewing	APA	217 Second Street Suite 204 Juneau				(Y)	N	If true
Ben Bertie	AGO	Juneau				Y	(N)	HB-166
						Y	N	
						Y	N	



Representative Dave Donley, Chair

House Labor & Commerce Committee

SUBJECT OF MEETING:

HB 155 ~~HB 72~~
 HB 235 HB 166

DATE: 4-6-89

PLACE: C#17

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT WHICH BILL?
John Manning	HSS	Box H-060 Juneau	99811		465-23027	Y <input checked="" type="checkbox"/>	
Kim Smith	MICA	10301 GLACIAL HWY JUNEAU	99801	789-0631	789-2910	<input checked="" type="checkbox"/> N	HB 166
Beth Kerttula	AG's	AGO				Y <input checked="" type="checkbox"/> N	HB 166
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

HB

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