

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672  
5905 HOUSE LABOR & COMMERCE

339



# Representative Dave Donley, Chair House Labor & Commerce Committee

DATE: 4-18-89

PLACE: C#17

SUBJECT OF MEETING:  
 HB 96      HB 168  
 HB 284      HB 13      AB 166  
 SCR 21  
 SB 82      SSR 41

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
✓ ED CRANE	CFAB	5260 LORIN PL. ANC	99507	562-7556	276-2007	(Y) N	SB 82
✓ Bob Bartholomew	DOTHPF	P.O. Box 2 Juneau		463-3237	465-3911	(Y) N	HB 284
✓ Tom Lawson	DCED	PO Box D Juneo	99811		465-2012	Y (N)	SCR 21 Available for Questions
✓ Paul Koller	D.O.F	Pouch D "	99811		465-7515	(Y) N	SCR 41
✓ MARTHA FISCHBACH	SELF	Box 34496, JNU	99803	364-2675	465-8828	(Y) N	HB 96 - Vet 13d.
✓ ROFAUNK HORSCHER	Assoc Fence A.S.A	10360 Nigh Rd	99515	522-1155	522-5289	(Y) N	HB 284
✓ Karl OHL	Sen. Zharoff	P.O. Box V, Juneau	99811		465-3473	(Y) N	SB 82
✓ Resa Terrell	A.G.C. of Alaska	234 No. Franklin	99801	584-1740		(Y) N	HB 284
✓ Randall Burns	Dept. of Commerce	P.O. Box D-216 Juneau, AK 99811			465-2535	(Y) N	HB 96
✓ Dean Paddock	Self	Box 20312 Juneau 99802		789-4231	465-1470	(Y) N	SB 82
✓ Scott Burgess	AML	217 2nd St Suite 200 Juneau 99801			6-1325	(Y) N	HB 284



# Representative Dave Donley, Chair House Labor & Commerce Committee

DATE: 4-20-89

PLACE: GM 17

SUBJECT OF MEETING:

SB 82                      SB 101  
 SJR 30                    HB 284                    HB 166  
 HB 278

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
PAULA TERRELL	SENATOR KERITOLA					<input checked="" type="radio"/> Y <input type="radio"/> N	
ROSIE PETERSON	G/COVE	211 FOURTH ST. #101	99801		6-1736	<input checked="" type="radio"/> N	SJR 30
Doree Gray	SON KELLY			3822		<input type="radio"/> Y <input type="radio"/> N	SB 101
GUY WARREN	JOHN DOUGLAS OFFICIAL ASSO	4362 TAKUBLUD JUNEAU	99801		9-3852	<input checked="" type="radio"/> Y <input type="radio"/> N	SB 107
166 KATE GRAHAM	UNITED FISHERMEN OF ALASKA	211 4TH ST. SUITE 106 JUNEAU	99801		6-2820	IF NEEDED <input type="radio"/> Y <input type="radio"/> N	SB 82 HB 166
166 Dennis Mestas	Alaska Academy of Trial Lawyers	880 'N' ST. SUITE 202	99501	277-4	277-4551	<input checked="" type="radio"/> Y <input type="radio"/> N	HB 166
166 Pat Kerstula	<del>ALASKA</del> ALASKA GEN	Juneau				<input type="radio"/> Y <input checked="" type="radio"/> N	HB 166
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	



# Representative Dave Donley, Chair House Labor & Commerce Committee

DATE: 4-24-89

PLACE: C#17

SUBJECT OF MEETING:  
HB 146  
HB 166 (Work session)

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Randall Burns	Dept of Commerce	P.O. Box D-4C Juneau AK 99801	99801		445-2535	<input checked="" type="radio"/> Y <input type="radio"/> N	HB 146
Kim Smith	MICA	10301 GLACIER JUNEAU AK	99801	789-0531	789-2910	<input checked="" type="radio"/> Y <input type="radio"/> N	HB 166
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	



# Representative Dave Donley, Chair House Labor & Commerce Committee

SUBJECT OF MEETING:  
*HB 166*

DATE: *4-22-89*

PLACE: *C#17*

NAME	<i>Alaska Professional Design Council Chairman Leg Liason Committee</i>		BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
	REPRESENTING						Y	N	
<i>✓ RICHARD RITTER</i>	<i>APDC</i>		<i>800 GLACIER AVE. JUNEAU</i>	<i>99801</i>		<i>6-1371</i>	<input checked="" type="radio"/>	<input type="radio"/>	<i>HB 166</i>
<i>✓ DAVID CROSBY</i>	<i>HEALTH BSIN AK</i>		<i>424 N. Fremelin Juneau</i>	<i>99801</i>		<i>6-1786</i>	<input checked="" type="radio"/>	<input type="radio"/>	<i>HB 166</i>
							<input type="radio"/>	<input type="radio"/>	
							<input type="radio"/>	<input type="radio"/>	
							<input type="radio"/>	<input type="radio"/>	
							<input type="radio"/>	<input type="radio"/>	
							<input type="radio"/>	<input type="radio"/>	
							<input type="radio"/>	<input type="radio"/>	
							<input type="radio"/>	<input type="radio"/>	
							<input type="radio"/>	<input type="radio"/>	
							<input type="radio"/>	<input type="radio"/>	

HB

168

# HOUSE COMMITTEE REPORT

(7)

Date Referred: March 24, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 3/06/90

The LABOR & COMMERCE Committee considered:

HB 168

HOUSE BILL NO. 168 [LOCAL EXCHANGE PHONE COS./TARIFF FILINGS]  
 "An Act relating to simplified regulation of local exchange telephone utilities; and relating to suspending the operation of tariff filings."

**RECOMMENDATIONS:**

- [ ] be replaced with CS HB 168 [✓] the same title
- [ ] have attached amendment(s) [ ] a new title
- [✓] do pass
- [ ] do not pass
- [ ] no recommendation
- [ ] individual recommendations
- [ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(S):  
 (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Date/Dept)

- [✓] fiscal impact C+ED (APVC)
- [ ] zero fiscal note \_\_\_\_\_
- [ ] zero with analysis \_\_\_\_\_

- [ ] fiscal note(s) \_\_\_\_\_
- [ ] zero fiscal note(s) \_\_\_\_\_
- [ ] zero fn/analysis \_\_\_\_\_

**SIGNING DO PASS:**

**SIGNING:**

(Check approp. column)

Do Not Pass    No Rec    Amend

[Signature] *Boucher*

[Signature] *Boyer*

[Signature] *Finkelstein*

[Signature] *Leman*

[Signature] *Greenberg*

<u>[Signature]</u> <i>Donley</i>	X		

[Signature]  
 Chairman's Signature

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Local exchange telephone  
utilities/tariff filings  
 Sponsor: Boucher  
 Requestor: House Labor & Commerce

Agency Affected: Commerce & Economic Dev.  
 BRU: APUC  
 Components: Operations

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	132.8	132.8	132.8	132.8	132.8	132.8
TRAVEL	2.5	2.5	2.5	2.5	2.5	2.5
CONTRACTUAL						
SUPPLIES						
EQUIPMENT	5.4					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>140.7</b>	<b>135.3</b>	<b>135.3</b>	<b>135.3</b>	<b>135.3</b>	<b>135.3</b>
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING:** (Thousands of Dollars)

GENERAL FUND	140.7	135.3	135.3	135.3	135.3	135.3
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME	3.0	3.0	3.0	3.0	3.0	3.0
PART-TIME						
TEMPORARY						

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

SEE ATTACHED

Prepared by: T.S. Moninski II, Executive Director  
 Division: Alaska Public Utilities Commission

Phone: 276-6222  
 Date: 3/12/90

Approved by Commissioner: Larry Mercurieff *Larry Mercurieff*  
 Agency: Department of Commerce & Economic Development

Date: 3/12/90

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

## ANALYSIS - CSHB 168 (L&C)

### LOCAL EXCHANGE PHONE UTILITIES/TARIFF FILINGS

The committee substitute for HB 168 has substantially reduced the APUC's original estimate of fiscal impact. However, a review of both Sections 1 and 2 of CSHB 168 (L&C) reveal that some level of augmented resources will still be necessary if this bill is enacted. Section 1 contributes to this impact in the creation of a new rate review procedure for telephone utilities. While a simplified filing may require less analysis than a traditional rate case, these filings will be made with much greater frequency and are likely to be utilized by a significant number of regulated telephone utilities. The combination of this effect will contribute to a positive fiscal impact.

Although Section 2 of the bill now provides for the exercise of commission discretion in extending the processing time for cases based on "good cause," the obvious intent of this section is that the commission should improve its turnaround time for tariff review and decision making. Although it is difficult to quantify, it is clearly necessary to enhance the level of staff resources available to achieve the intent of this provision.

The APUC estimates that the combined impact as noted above will result in the need to add three positions to its authorized staffing. Proposed additions include a Utility Finance Analyst II, a Utility Tariff Analyst II, and an Administrative Support Technician III.

1.	POSITION TITLE Administrative Support Technician III				RANGE/STEP 10	BARG. UNIT G	PAGE/LINE	GOV.	APPROV.	DISAPP
2.	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION:					
4.	TYPE OF EXPENDITURE				In order to process the simplified rate filing for telephone utilities created by this bill and to comply with the intent of this legislation for the Commission to improve the timeliness of tariff processing and decision-making, it is necessary to augment the Commission's support staff with a new Administrative Support Technician III (AST III).					
	1	2	3		Enactment of CSHB 168 will impact the need for support services agency-wide. As such, the Commission proposes the addition of an AST III to its centralized "pool" of support staff. In this configuration, the added resource can be dispatched to any section which is adversely impacted by implementation of the telephone simplified rate filings or the compression created by the bill's imposition of more stringent processing deadlines.					
	PERSONAL SERVICES				Unlike the request for new Tariff section staff, this element of the fiscal note is unaffected by the Commission's FY 91 budget submission or amendment. IF CSHB 168 becomes law, the addition of an AST III is essential to the Commission's ability to comply with the new requirements.					
5.	Salary	22,020								
6.	Benefits	9,753								
7.	Supplemental Benefits									
8.	Fixed Benefits									
9.	TOTAL PERSONAL SERVICES	01	31,773							
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05	1,800							
14.	Other									
15.	TOTAL COST		33,573							
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004		33,573						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR B&M USE ONLY										
KEY NUMBER										

REQUEST FOR NEW POSITION  8167M
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AGENCY Commerce & Economic Dev.  
 BRU Alaska Public Utilities Comm.  
 COMPONENT Operations

FY 91
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Page 1 of 3
Revised Date

1.	POSITION TITLE Utility Financial Analyst II				RANGE/STEP 19A	BARC. UNIT G	PAGE/LINE	GOV.	APPROV.	DISAPP
2.	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION:					
4.	TYPE OF EXPENDITURE									
	1	2			3					
	PERSONAL SERVICES									
5.	Salary		40,032							
6.	Benefits		13,680							
7.	Supplemental Benefits									
8.	Fixed Benefits									
9.	TOTAL PERSONAL SERVICES		01	53,712						
10.	Travel		02	2,500						
11.	Contractual		03							
12.	Commodities		04							
13.	Equipment		05	1,800						
14.	Other									
15.	TOTAL COST			58,012						
	RECEIPT CODE				FUNDING SOURCE					
16.					Federal Receipts 1002					
17.					G.F. Match 1003					
18.				58,012	General Funds 1004					
19.					I-A Receipts 1005					
20.					Program Receipts 1028					
21.					Other					
FOR B&M USE ONLY										
KEY NUMBER - - - - -										

In order to process the simplified rate filings for telephone utilities created by this bill and to comply with the intent of this legislation for the Commission to improve the timeliness of tariff processing and decision-making, it is necessary to augment the Finance Section staff with a new Utility Financial Analyst II (UFA II).

This position will provide specialized analytical services for the larger telephone utilities that will be eligible to participate in the simplified filing procedures implemented by this bill's enactment and subsequent Commission regulations. The Finance staff will also need this additional resource as it attempts to comply with the bill's new and more stringent processing deadlines.

Unlike the request for a Tariff Analyst, this element of the fiscal note is unaffected by the Commission's FY 91 budget submission and amendment. If CSHB 168 becomes law, the addition of a UFA II is essential to the Commission's ability to comply with the new requirements.

REQUEST FOR  
NEW POSITION  
8167M-3

AGENCY Commerce & Economic Dev.  
BRU Alaska Public Utilities Comm.  
OPERATIONS  
COMPONENT \_\_\_\_\_

FY 91

Page 2 of 3  
Revised Date \_\_\_\_\_

1.	POSITION TITLE Utility Tariff Analyst II				RANGE/STEP 17A	BARG. UNIT G	PAGE/LINE	GOV.	APPROV.	DISAPP
2.	TYPE OF POSITION	STAFF MONTHS	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION:					
4.	TYPE OF EXPENDITURE				In order to process the simplified rate filings for telephone utilities created by this bill and to comply with the intent of this legislation for the Commission to improve the timeliness of tariff processing and decision-making, it is necessary to augment the Tariff Section staff with a new Utility Tariff Analyst II (UTA II).					
	1	2	3		This position will provide general analytical services for all new tariffs filed under the simplified procedures to be implemented via the bill's enactment and subsequent Commission regulations. This position will also assist existing staff in its efforts to comply with the bill's new and more stringent processing deadlines.					
	PERSONAL SERVICES				It should be noted that the Commission has submitted a budget amendment for FY 91 which, if approved, would allow the Commission to reallocate funds internally for the purpose of creating a new UTA II. While the primary justification for this request is the impact of major interexchange telecommunications decisions, the budget amendment and this fiscal note could be evaluated together and might result in a request which was less than the two FTE positions that would result if considered separately.					
5.	Salary	34,740								
6.	Benefits	12,526								
7.	Supplemental Benefits									
8.	Fixed Benefits									
9.	TOTAL PERSONAL SERVICES	01	47,266							
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05	1,800							
14.	Other									
15.	TOTAL COST		49,066							
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004		49,066						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR B&M USE ONLY										
KEY NUMBER										

REQUEST FOR NEW POSITION 8167M-5
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AGENCY Commerce & Economic Dev.  
 BRU Alaska Public Utilities Comm.  
 COMPONENT Operations

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Revised Date _____

FY 91
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Item 2

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: HB 168  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Econ. Dev.  
Title: Local exchange telephone BRU: APUC  
utilities/tariff filings  
Sponsor: Boucher Components: Operations  
Requester: House State Affairs

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		371.7	371.7	371.7	371.7	371.7
TRAVEL		10.0	10.0	10.0	10.0	10.0
CONTRACTUAL						
SUPPLIES						
EQUIPMENT		12.6				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		394.3	381.7	381.7	381.7	381.7

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of dollars)

GENERAL FUND		394.3	381.7	381.7	381.7	381.7
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		7.0	7.0	7.0	7.0	7.0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

See attached

Prepared by: T. S. Moninski II, Executive Director Phone: 276-6222  
Division: Alaska Public Utilities Commission Date: 2-21-89  
Approved by Commissioner: Larry Mercurieff -SVM Phone: 465-2500  
Agency: Department of Commerce & Economic Development Date: 2-24-89

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

3436D-1/022889a

HB 168

LOCAL EXCHANGE PHONE UTILITIES/TARIFF FILINGS

Section 1 of the bill would create a simplified ratemaking methodology for local exchange telephone utilities. While it will be necessary for the commission to assign resources to the task of promulgating regulations to implement this section, the ongoing fiscal impact is expected to be negligible.

Section 2 of HB 168 would impose an absolute 12-month processing deadline on tariff requests which are suspended for investigation. In estimating the fiscal impact of this bill, a number of assumptions must be made to define the commission's strategy in response to imposition of this constraint.

First, it is assumed that the jurisdiction of the commission is essentially the same as that which existed prior to enactment of HB 168. Next, the commission assumes the intent of this legislation includes the continued enforcement of high qualitative standards for staff investigations, analyses, reporting and ultimate commission decision making. It is further assumed that the commission should actually complete its required work within the time frame established rather than unilaterally rejecting filings that it cannot reach or, conversely, allowing requests to default to approval due to inadequate resources or investigative time. Finally, since the bill fails to provide for any exceptions, it is assumed that commission resources should be sufficient to comply with statutory time standards even during periods of peak workload.

If the assumptions stated above are valid, the only way to implement the legally mandated time standards expressed in HB 168 is by reinstating a substantial portion of commission staff resources which have been lost to budget reductions since FY 84. The participation of all professional categories would be impacted by this bill. The commission's finance section would be the most severely affected and would require reinstatement of all three Utility Financial Analyst positions that have been deleted due to budget cuts. The Engineering, Tariff and Consumer Protection sections would each require the reinstatement of one professional position. In support of this added contingent of professional staff, reinstatement of two clerical positions would also be required.

Position Title		Utility Engineer III		No. of Positions	1	Range/Step	19A	Barg. Unit	G
Time Status	Staff Months			12		Location		Anchorage	
						Election District			
Justification									
In order to comply with statutory deadlines and to facilitate the continued production of professional quality recommendations, reports, analyses, and testimony a portion of the staffing in the Engineering section previously lost as a result of budget reductions must be reinstated.									
Type of Expenditure				Amount					
1		2		3					
Salary		40,032							
Benefits		13,680							
Premium Pay									
Other									
Total Personal Services				53,712					
Travel				2,500					
Contractual									
Commodities									
Equipment				1,800					
Other									
Total Cost				58,012					
Funding Source for Total Cost									
Federal Receipts		1002							
G. F. Match		1003							
General Fund		1004		58,012					
I-A Receipts		1006							
CIP Receipts		1061							
Other									

**Request For  
New Position**

Agency Commerce & Economic Development  
 BRU Alaska Public Utilities Comm.  
 Component Operations

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 Revised Date \_\_\_\_\_

**FY 90**

Position Title <u>Administrative Support Technician III</u>		No. of Positions <u>2</u>	Range/Step <u>10A</u>	Barg. Unit <u>G</u>
Time Status	Staff Months <u>24</u>	Location <u>Anchorage</u>		Election District
Type of Expenditure		Justification		
	Amount	<p>In order to comply with statutory deadlines and to facilitate the continued production of professional quality recommendations, reports, analyses, and testimony a portion of the staffing in the Administrative Support section previously lost as a result of budget reductions must be reinstated.</p>		
<b>I</b>	<b>2</b>			
<b>3</b>				
Salary	44,040			
Benefits	19,506			
Premium Pay				
Other				
<b>Total Personal Services</b>	<b>63,546</b>			
Travel				
Contractual				
Commodities				
Equipment	3,600			
Other				
<b>Total Cost</b>	<b>67,146</b>			
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006	67,146		
CIP Receipts	1061			
Other				

**Request For  
New Position**

Agency Commerce & Economic Development  
 BRU Alaska Public Utilities Comm.  
 Component Operations

**FY 90**

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 Revised Date

Position Title <b>Utility Financial Analyst II</b>			No. of Positions <b>2</b>	Range/Step <b>19A</b>	Barg. Unit <b>G</b>	
Time Status	Staff Months <b>24</b>		Location <b>Anchorage</b>		Election District	
Type of Expenditure			Amount			
1			2		3	
Salary			80,064			
Benefits			27,360			
Premium Pay						
Other						
<b>Total Personal Services</b>			<b>107,424</b>		<b>Justification</b>  In order to comply with statutory deadlines and to facilitate the continued production of professional quality recommendations, reports, analyses, and testimony a portion of the staffing in the Finance section previously lost as a result of budget reductions must be reinstated.	
Travel			5,000			
Contractual						
Commodities						
Equipment			3,600			
Other						
<b>Total Cost</b>			<b>116,024</b>			
Funding Source for Total Cost						
Federal Receipts 1002						
G. F. Match 1003						
General Fund 1004						
I-A Receipts 1006			116,024			
CIP Receipts 1061						
Other						

**Request For  
New Position**

Agency Commerce & Economic Development  
BRU Alaska Public Utilities Comm.  
Component Operations

**FY 90**

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Revised Date

Position Title Utility Financial Analyst III		No. of Positions 1	Range/Step 21A	Barg. Unit G
Time Status	Staff Months 12	Location Anchorage		Election District
Justification				
In order to comply with statutory deadlines and to facilitate the continued production of professional quality recommendations, reports, analyses, and testimony a portion of the staffing in the Finance section previously lost as a result of budget reductions must be reinstated.				
Type of Expenditure		Amount		
1	2	3		
Salary	45,744			
Benefits	14,696			
Premium Pay				
Other				
Total Personal Services		60,440		
Travel		2,500		
Contractual				
Commodities				
Equipment		1,800		
Other				
Total Cost		64,740		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	64,740		
I-A Receipts	1006			
CIP Receipts	1061			
Other				

**Request For  
New Position**

Agency Commerce & Economic Development  
 BRU Alaska Public Utilities Comm.  
 Component Operations

**FY 90**

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 Revised Date

Position Title <b>Consumer Protection &amp; Info, Officer I</b>		No. of Positions <b>1</b>	Range/Step <b>14A</b>	Barg. Unit <b>G</b>	
Time Status	Staff Months <b>12</b>	Location <b>Anchorage</b>		Election District	
Type of Expenditure		Justification			
	Amount	<p>In order to comply with statutory deadlines and to facilitate the continued production of professional quality recommendations, reports, analyses, and testimony a portion of the staffing in the Consumer Protection section lost as a result of budget reductions must be reinstated.</p>			
<b>1</b>	<b>2</b>				<b>3</b>
Salary	28,236				
Benefits	11,109				
Premium Pay					
Other					
<b>Total Personal Services</b>					<b>39,345</b>
Travel					
Contractual					
Commodities					
Equipment		1,800			
Other					
<b>Total Cost</b>		<b>41,145</b>			
Funding Source for Total Cost					
Federal Receipts	1002				
G. F. Match	1003				
General Fund	1004	41,145			
I-A Receipts	1006				
CIP Receipts	1061				
Other					

**Request For  
New Position**

Agency Commerce & Economic Development  
 BRU Alaska Public Utilities Comm  
 Component Operations

Page 7 of 8  
 Revised Date

**FY 90**

Position Title <b>Utility Tariff Analyst II</b>			No. of Positions <b>1</b>	Range/Step <b>17A</b>	Org. Unit <b>6</b>	
Time Status	Staff Months <b>12</b>		Location <b>Anchorage</b>		Election District	
			<b>Justification</b>  In order to comply with statutory deadlines and to facilitate the continued production of professional quality recommendations, reports, analyses, and testimony a portion of the staffing in the Tariff section previously lost as a result of budget reductions must be reinstated.			
<b>Type of Expenditure</b>		<b>Amount</b>				
<b>1</b>	<b>2</b>	<b>3</b>				
Salary	<b>34,740</b>					
Benefits	<b>12,526</b>					
Premium Pay						
Other						
<b>Total Personal Services</b>		<b>47,266</b>				
Travel						
Contractual						
Commodities						
Equipment		<b>1,800</b>				
Other						
<b>Total Cost</b>		<b>49,066</b>				
<b>Funding Source for Total Cost</b>						
Federal Receipts	<b>1002</b>					
C. F. Match	<b>1003</b>					
General Fund	<b>1004</b>	<b>49,066</b>				
I-A Receipts	<b>1006</b>					
CIP Receipts	<b>1061</b>					
Other						

**Request For  
New Position**

Agency Commerce & Economic Development  
 BRU Alaska Public Utilities Comm.  
 Component Operations

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 Revised Date

**FY 90**

# STATE OF ALASKA

Item 3

STEVE COWPER, GOVERNOR

ALASKA PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

420 "L" STREET  
SUITE 100  
ANCHORAGE, ALASKA 99501  
(907) 276-6222

## ALASKA PUBLIC UTILITIES COMMISSION

### COMMENTS ON HB 168

February 21, 1989

The Commission opposes Section 1 of HB 168. This Section extends the simplified rate filing procedure currently allowed for electric cooperatives under AS 42.05.381(e) to all local exchange telephone companies (LECs). The existing law was premised on the elected board of directors of electric cooperatives assuming responsibility for rate changes. The proposed bill would extend this ratemaking option to all LECs regardless of their ownership or size. Rate increases for electric cooperatives are limited to 8 percent per year or 20 percent over three years under Commission regulations which can be modified, if necessary. HB 168 would allow LECs to increase their rates by 10 percent per year by statute. The level of rate increases permitted under a simplified filing procedure should not be established by statute, and, in any event, 10 percent annually is too high. It would allow LECs to double their rates in less than 8 years without significant regulatory oversight. In addition to the above, the Commission questions whether LEC regulation is amenable to this simplified process given the complexities of separating costs and revenues between local, interstate and intrastate toll services. Lastly, if this regulatory scheme is good policy for the LECs, it is difficult to imagine why an argument could not be made that it is equally applicable to all other types of utilities. This

logic and conclusion effectively results in no utility regulation in Alaska.

The Commission also can not support Section 2 in its present form. Any deadlines for Commission action must be established with due consideration of the resources available to the Commission to perform its duties and of the consequences of any inability to do so. Also, any deadlines should have some provision for extensions under extenuating circumstances. While a fixed time period may be desirable and achievable in most instances, the time periods established under the bill are too short and too restrictive for a number of reasons:

(1) Given budget cuts in recent years, the Commission is presently overloaded without imposing any additional time constraints on its performance.

(2) It is not appropriate to size the Commission Staff (per the attached fiscal note) in order to assure that cases that are particularly large or complex, or that happen to be filed contemporaneously, can be handled within a narrow time period. Rather, it is preferable to use scheduling flexibility to smooth out workload where necessary.

(3) To the extent that cases currently take longer than one year to process, it is just as likely to be a function of utility delay as it is regulatory delay. If the Commission were bound by a one year time frame, it would have to be much more stringent with respect to the quality of utility filings and requests for extension of time. In addition, it would not be a desirable

result if permanent rate requests were either rejected or accepted prior to completion of Commission review simply because the time period had run out.

(4) Any utility which requests interim rate relief and meets certain minimal standards is granted an interim rate increase within 45 days of filing its request. Requiring a second interim within six months is an administrative and regulatory burden and increases the likelihood that a refund may be necessary. The Commission believes that the provision to increase an interim rate to the level of the permanent rate request should not be exercised until one year has passed, so this additional financial protection would be invoked only in those instances where rate cases had been unduly protracted.

While the Commission continues to prefer the existing statutory language, it would suggest that if the approach in Section 2 is adopted, the provisions be clearly targeted at tariff filings in which utilities request general rate increases to offset a revenue shortfall. In addition, the time frames should be enlarged after due consideration of the Commission's duties and resources and the actual impact of both existing and proposed deadlines on utilities. Lastly, there should be a provision for extending the full time period under extenuating circumstances. Attached is alternative draft legislation for Section 2 addressing some of the Commission's concerns.

Attachment

HB 168

AS 42.05.421 is amended to read:

(a) When a tariff filing is made containing a new or revised rate, classification, rule, regulation, practice, or condition of service the commission may, either upon written complaint or upon its own motion, after reasonable notice, conduct a hearing to determine the reasonableness and propriety of the filing.

Pending such a hearing the commission may, by order stating the reasons for its action [SUSPEND THE OPERATION OF THE TARIFF FILING FOR]:

(1) suspend the operation of any tariff filing which does not include an increase in the utility's revenue requirement for an initial period not longer than six months beyond the time it would otherwise go into effect, and for such additional periods as appropriate;

(2) suspend the operation of a tariff filing which includes an increase in the utility's revenue requirement for a period not longer than 12 months before an interim rate increase equal to the requested rate increase goes into effect and, absent good cause shown, not longer than -- months before a permanent rate increase goes into effect if the annual gross revenues of the utility making the filing are more than \$3,000,000; and

(3) suspend the operation of a tariff filing which includes an increase in the utility's revenue requirement for a period [2]

not longer than 5 months [150 DAYS] before an interim rate increase equal to the requested [NEW] rate increase goes into effect and, absent good cause shown, not longer than one year before a permanent rate increase goes into effect if the annual gross revenues of the utility making the filing are \$3,000,000 or less.

ALASKA TELEPHONE ASSOCIATION

POSITION PAPER ON H.R. 168, AN ACT RELATING TO SIMPLIFIED  
REGULATION OF LOCAL EXCHANGE TELEPHONE UTILITIES; AND  
RELATING TO SUSPENDING THE OPERATION OF TARIFF FILINGS

Since the implementation of the consent decree requiring AT&T to divest itself of its local exchange telephone companies in 1984, the telecommunications industry has been completely restructured. The old system of settlements, that is, cost recovery through negotiated agreements between local exchange companies (LECs) and interexchange carriers (IXCs), has been done away with at the interstate level in favor of a new system of carrier access charges, that is, charges paid by IXCs to LECs for access to the local loop. Competition in the provision of interstate, interexchange services has become practice.

This restructuring has resulted in a rethinking of standard methods of regulation, both at the federal and the state level. Since 1984, 25 states have passed legislation pertaining to deregulation of telecommunications exchange services. Most of the legislation pertains to the provision of interexchange services. Very few omit the maintenance of universal service as a continuing goal. Most of them do, however, consider, to varying extents, the effect on basic local service.

Indiana, for instance, enacted legislation which allows a LEC

serving less than 6,000 access lines or a representative group of their customers to petition for deregulation in the areas of rates, charges and financing. Missouri deregulated rates of cooperative telephone companies. Oregon deregulated rates for LECs with fewer than 15,000 lines. Virginia provided for relaxed regulation for small investor owned LECs. Texas provided for a range of rates concept for certain LECs, whereby rates could be altered within a predetermined range without the expense and time involved for a full rate case.

Since that first round of state action, there has been enough passage of time to determine the effect on consumers and the LECs. That effect has been universally good. In an article in the January issue of Telematics: The National Journal of Communications Business and Regulation, Warren G. Lavey and Ronald W. Gavillet track the progress of these moves toward less regulation. This excellent article concludes: "While measuring the success of these efforts is difficult, all indications are positive. No legislature or commission with experience in lighter burdens for small companies has subsequently increased or reimposed regulatory requirements. On the contrary, Iowa, Minnesota, South Dakota and Virginia have raised the maximum number of access lines for small telephone company exemptions, and the Wisconsin Public Service Commission has recommended the same action."

The states referred to in the Lavey-Gavillet article have adopted differing size limitations for relaxed regulation. Looking briefly at the list, we find the following:

Illinois - 15,000  
Indiana - 6,000  
Iowa - 15,000  
Minnesota - 30,000  
Missouri - 25,000  
Montana - 5,000  
Nebraska - All Companies  
Ohio - 15,000  
Oklahoma - 15,000  
Oregon - 15,000  
South Dakota - 10,000  
Texas - 5,000  
Utah - 5,000  
Virginia - Gross Revenues Less Than \$10 Million  
West Virginia - 2,500  
Wisconsin - 7,500

There are two differences between these states and Alaska which come to mind in terms of the size and structure of LECs. First, the companies in Alaska are much smaller overall than in any of the other states. There are 22 LECs providing service in Alaska. Of those, all but two would be eligible for relaxed or streamlined regulation in Minnesota; 19 in Missouri; 17 in Illinois, Iowa, Ohio, Oklahoma or Oregon; 15 in Montana, Texas, Utah or Wisconsin; and 13 in West Virginia. Of the four largest companies in Alaska (that is, over 20,000 access lines), three are consumer or municipally owned.

Second, Alaska has heretofore not been subjected directly to competition in telecommunications services to the extent these other states have felt. The question of intrastate competition is being pressed, however. Additionally we have

been and are being subjected to cost shifts as a result of the interstate competitive market. Stated simply, costs that were previously borne by ratepayers nationwide are, over an eight year transition period which ends in 1992, be shifted back to ratepayers within the state. How those costs will, in turn, be divided between intrastate toll ratepayers and local ratepayers has not yet been determined.

We know that costs are being shifted from interstate to intrastate and that companies will have to seek rate adjustments. We also know that if companies are obligated to go through a full rate case to make the necessary adjustments, the result will be simply additional costs to customers. It should be noted that we are not asking for deregulation. We are only asking in HB 168 that the Commission be directed to devise a simplified proceeding to allow all companies to move quickly and with a minimum of cost to react to these pressures which are outside of their control. We are asking for a procedure which has worked well in other states and, since its implementation for electric utilities, has worked well in Alaska.

The second section of HB 168 simply requires the Commission to complete its review of a rate filing within one year. As we note above, the pressures on LECs are coming quickly and the days when lengthy delays can be afforded are gone. We do not believe that 12 months is unreasonable. Again looking at

other states, we find several with considerably shorter

limitations: Arkansas - Currently developing range of rates system providing for ten days notice.

Kentucky: Rates are automatically allowed on an interim & refundable basis after six months.

Nebraska: Commission must act within five months if consume objection is received.

Pennsylvania: Nine months on major rate cases.

South Dakota: Except for Bell, no Commission action required.

Wisconsin: Unlimited time for action for companies over 7,500; six months allowed for smaller companies upon complaint. It should be noted that the Wisconsin Commission supports legislation which would provide a seven month limitation for companies under 50,000 access lines.

Georgia: Rate allowed on interim & refundable basis after five months.

Ohio: Rate allowed on interim & refundable basis after nine months.

New York: 11 months limit. Company can voluntarily agree to extend.

Iowa: Ten months on major rate cases; can be extended under certain circumstances.

Washington: 11 months.

Oregon: Six months with 60 day extension.

Florida: Eight months.

Utah: Eight months.

In summary, the companies providing local exchange telephone service note the transitory nature of the industry today. They advise the legislature that there is a necessity to revise the system of regulation to provide for reduced costs and more prompt reaction. The industry asks that the

Commission be directed, through HB 168, to promulgate and implement regulations which provide for a streamlined rate adjustment proceeding for all companies, with proper provision for consumer protection and based on a predetermined range of rates. The industry further asks, through passage of HB168, that the Commission be required to respond to rate filings and issue a decision within one year.

LOCAL EXCHANGE TELEPHONE COMPANIES CERTIFICATED IN ALASKA

Company	Access Lines
Anchorage Telephone Utility	112,241
Telephone Utilities of the Northland	34,648
Matanuska Telephone Association	25,744
Fairbanks Municipal Utilities System	23,361
Telephone Utilities of Alaska	15,013
GTE of Alaska	11,234
Ketchikan Public Utilities	7,003
Copper Valley Telephone Cooperative	2,932
United Utilities	2,588
Interior Telephone	2,086
National Utilities	1,551
OTZ Telephone Cooperative	1,542
Nushagak Telephone Cooperative	1,286
Arctic Slope Telephone Association Cooperative	1,256
Cordova Telephone Cooperative	1,185
Bristol Bay Telephone Cooperative	894
Mukluk Telephone	537
Bush-Tell	411
Yukon Telephone	320
North Country Telephone	90
Bettles Telephone	50
Summit Telephone	40

# Telematics

THE NATIONAL JOURNAL OF COMMUNICATIONS BUSINESS AND REGULATION

Volume 6, Number 1, January 1989, Monthly

## Regulation of Small Exchange Telephone Companies: Lighter Burdens in 17 States

By Warren G. Lavey and Ronald W. Gavillet

Small exchange telephone companies face several disadvantages in attempting to provide services comparable in rates and quality to those of large exchange telephone companies.

Because they serve fewer subscribers and low-density (rural) areas, most small companies are unable to gain the economies of scale and density evident in this industry. Moreover, these carriers usually serve a lower proportion of "premium" subscribers, such as businesses and users of custom-calling features.<sup>1</sup>

Regulatory burdens can add to the operational disadvantages of small exchange telephone companies. These burdens include the expenses of filing tariffs, preparing cost support, witnesses attending and briefs for rate changes, and the costs of reports on operations and financial performance. On a per subscriber basis, these regulatory activities typically impose heavier burdens on small telephone companies than on their large ones.<sup>2</sup>

Heavy regulatory burdens are neither inevitable nor essential to effective regulation of small exchange telephone companies. This paper reviews legislative and regulatory developments in seventeen states that impose lighter burdens on small

Warren G. Lavey is a partner and Ronald W. Gavillet is an associate at the Chicago office of Skadden, Arps, Slate, Meagher & Flom. The authors are grateful for the research assistance of Lisa Barbieri in the preparation of this article.

exchange telephone companies than on large ones. Although the intent is similar across these states, they differ in what qualifications are necessary for lighter burdens, the nature of the exemptions, and when and how the exemptions were enacted.<sup>2</sup>

While measuring the success of these efforts is difficult, all indications are positive. No legislature or commission with experience in lighter burdens for small companies has subsequently increased or reimposed regulatory requirements. On the contrary, Iowa, Minnesota, South Dakota and Virginia have raised the maximum number of access lines for small-company exemptions, and the Wisconsin Public Service Commission has recommended the same action. The Chairperson of the Iowa Utilities Board recently observed that small companies in that state have performed well under lighter regu-

*Continued on page 2*

### ARTICLES

#### Rewriting the "Computing Devices Rules": The FCC's Ongoing Struggle To Regulate Design in a Dynamic Industry

By Lawrence J. Movshin

7

The FCC's efforts to protect communications services from computer interference has been marked by informal regulatory oversight. A more comprehensive regulatory proceeding is being closely watched to see if the Commission can anticipate developments in a rapidly changing industry.

### DEPARTMENTS

#### On the Podium:

AT&T's Richard Romano

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latory burdens in terms of both rates and service quality. Additionally, subscribers served by small companies have almost universally endorsed continuation of lighter burdens.

The U.S. Department of Commerce recently concluded that regulatory burdens on small rural telephone companies should be further reduced:

[T]he current trend toward reducing regulatory burdens on small rural communications companies should be continued, and indeed, accelerated. It is difficult enough to operate a very small, independent telephone system in a remote rural area without the Government imposing an array of regulatory requirements essentially designed for much larger entities. And while the elimination of virtually all regulation may pose some risks, they likely are far smaller in rural areas, where company and community tend to be even more closely tied than is true in larger population locales.<sup>4</sup>

More states should lighten the regulatory burdens for small companies, and those states which have already done so should further limit the burdens of filing data and responding to commission inquiries.

## Rationale for Lighter Regulatory Burdens

Decisions by legislatures and regulatory commissions to impose lighter regulatory burdens on small companies have been justified on the basis of (1) community accountability, and (2) cost-benefit analysis.

**Community Accountability.** Subscribers served by small companies typically have closer social and economic contacts with the companies' owners and managers than do subscribers served by large companies. The greater community accountability ("peer pressure") of companies decreases the need for review by regulatory commissions. Statements from Iowa, Illinois and Oregon illustrate this rationale for lighter burdens.

As the Chairperson of the Iowa Utilities Board stated:

In large part, Iowa's success with deregulation of small LECs [local exchange carriers] is due to the nature of life in rural, small town Iowa. Typically, the small LEC provides service only to its own local community or, in addition, to a few neighboring communities. The manager and board of directors of a small LEC are the neighbors and friends

of their customers. The immediacy of that relationship keeps the management and ownership closely in tune with and responsible to the customers. In effect, these small LECs are subject to a far more intrusive form of regulation—local public pressure—than that exercised by the IUB. Without the strong and special sense of community found in rural Iowa, I don't believe deregulation of telephone rates would be nearly as effective.<sup>6</sup>

Similarly, the Illinois Commerce Commission noted that "for small local exchange carriers, informal community pressure will prevent unnecessary rate increases."<sup>7</sup> Also, in granting several requests by small companies not to keep tariffs on file, the Oregon Public Utilities Commission observed that the service areas for these companies are "small and compact [and] the customers likely have more direct influence on rates and service than the customers of large utilities."<sup>8</sup>

**Cost-Benefit Analysis.** Cost-benefit analysis weighs in favor of less regulation for small companies. Fewer subscribers cause higher costs per subscriber from certain regulatory burdens for small companies. The costs of many activities (e.g.,

## Telematics

THE NATIONAL JOURNAL OF COMMUNICATIONS BUSINESS AND REGULATION

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a rate case or a report on service quality) vary relatively little with differences in the size of exchange telephone companies. Consequently, the cost of some regulatory activities are more likely to outweigh its public benefits; this supports lighter burdens for small companies.

This cost-benefit justification for lighter regulatory requirements recognizes that ratepayers served by small companies benefit from less regulation. Less regulation of these companies does not mean that they will undertake unreasonable rate increases or let service quality deteriorate. Rather, lower regulatory costs mean lower rates.

The cost-benefit rationale appears in a legislative finding in Minnesota,<sup>9</sup> a recommendation for legislation by the Wisconsin Public Service Commission,<sup>8</sup> a report of the Illinois Commerce Commission,<sup>10</sup> and an order of the Oregon Public Utilities Commission.<sup>11</sup>

## Success of Lighter Regulatory Burdens on Small Companies

The states' successful experience with lighter regulatory burdens on small exchange telephone companies is indicated by three factors: (1) actions in five states to increase the maximum size of telephone companies qualifying for lighter burdens; (2) a statement from one state on the performance of small companies under lighter burdens; and (3) endorsements from subscribers served by almost all small companies subject to lighter burdens for continuation of such regulation.

**Maximum Size.** First, four states have raised the maximum size of telephone companies qualifying for lighter burdens, and a fifth state's Commission recently recommended similar action. Expansion of these provisions indicates that the states were satisfied with their experience.

When enacted in 1981, Minnesota's provision was limited to companies serving fewer than 2,500 customers; this covered 56 companies. In 1984, 18 more companies were included when the threshold was raised to 15,000 customers. In 1987 the legislature extended the provision to companies with fewer than 30,000 customers.<sup>12</sup>

Similarly, Iowa raised its exemption from 2,000 access lines (enacted in 1963) to 15,000 access lines and customers (enacted in 1983). The increase exempted six additional companies from rate regulation.<sup>13</sup> South Dakota increased its exemption from 7,000 subscribers in 1979 to 10,000 subscribers in 1987.<sup>14</sup> In 1987, Virginia expanded the availability of streamlined regulation from companies with less than \$10 million in gross revenues to include companies with gross revenues between \$10 and

\$30 million that are not subsidiaries of an interstate holding company.<sup>15</sup> Along the same lines, the Wisconsin Commission proposed to raise its maximum qualification from 7,500 customers to 9,000 access lines.<sup>16</sup>

**Performance Review.** Another positive measure is regulators' direct assessment of how small companies have performed under lighter burdens. The Chairperson of the Iowa Utilities Board recently concluded that:

Iowa's experience with deregulation of its small LECs has been positive. Their average local service rates are at or below the rates of the five rate-regulated companies, their service levels are perceived as adequate as noted in the fact that service complaints registered with the IUB on a per capita basis for the small LECs are no higher than for rate-regulated companies. Furthermore, it's our impression that the nonrate-regulated LECs have done as good a job as their regulated brethren in updating equipment.<sup>17</sup>

This positive review of small companies' rates, service quality, and technological advances is based on 25 years of experience with lighter regulation in Iowa.

**Subscriber Endorsements.** A third positive indication appears in states that give subscribers served by small companies an opportunity to elect to have their carriers subject to heavier regulation. Subscribers have almost universally endorsed continuation of lighter requirements for small companies.

South Dakota<sup>18</sup> and Nebraska<sup>19</sup> enacted provisions to permit such elections in 1982, but neither state has had a petition filed calling for an election. A similar provision in Oklahoma was enacted in 1986, but also has not been used by subscribers.<sup>20</sup> Since 1968, approximately 40 small companies in Wisconsin have been subjected to lighter burdens;<sup>21</sup> rate regulation has been reapplied to only one company there as a result of a subscriber petition.<sup>22</sup>

## State-by-State Review

Here is a summary of the status of small exchange telephone company regulation in 17 states with lighter regulatory burdens.

**Alaska.** Companies with gross revenues less than \$50,000 annually may elect to be exempt from all regulation unless 25 percent of the subscribers petition for regulation.<sup>23</sup> Carriers with gross revenues less than \$325,000 must obtain certification from the Comm' (ion but may opt out of all other

*Threshold -  
# subscribers  
# access lines  
gross rev.*

regulations,<sup>34</sup> provided they receive support from a majority of their subscribers voting in an election.<sup>35</sup>

**Illinois.** Companies that are not a subsidiary of a holding company outside of Illinois and serve fewer than 15,000 subscribers may have streamlined tariff review.<sup>36</sup> However, an investigation into a rate change may be held upon petition by five percent of the affected subscribers or on a motion by the Commission. Currently, 87 small companies are covered by this provision.<sup>37</sup> The Illinois Independent Telephone Association has stated that Commission staff often requests small companies to provide cost support and other data related to tariff filings.<sup>38</sup> Illinois has not streamlined the annual reports that must be filed by small companies.

**Indiana.** Companies serving fewer than 8,000 access lines may, upon petition, be exempt from Commission approval requirements for rates, charges, and financing.<sup>39</sup> Tariffs and annual reports must still be filed by these carriers.<sup>40</sup> Regulation may be reimposed upon petition by 10 percent or 500 (whichever is less) of the subscribers.<sup>41</sup>

**Iowa.** Companies serving fewer than 15,000 access lines and fewer than 15,000 customers are not subject to rate regulations, including exemption from rate of return restrictions.<sup>42</sup> Annual reports and tariffs are still filed by these carriers, and service quality is still regulated. Approximately 150 small carriers are covered by this provision.

**Minnesota.** Companies serving fewer than 30,000 subscribers are not subject to general rate case requirements.<sup>43</sup> Tariffs and annual reports must still be filed, and service quality and depreciation schedules continue to be regulated.<sup>44</sup>

**Missouri.** Since 1987, companies serving fewer than 25,000 subscriber access lines have received streamlined review of rate and tariff changes.<sup>45</sup> Hearings for rate increases are not mandatory, and a decision must be issued within 180 days.

**Montana.** Companies serving fewer than 5,000 subscribers in the state are not subject to rate regulation, but proposed rates can be reviewed upon petition by 10 percent of the subscribers or by the consumer counsel.<sup>46</sup> The Commission does not require these carriers to file tariffs.

**Nebraska.** All exchange companies have enjoyed significant rate flexibility since January 1, 1987.<sup>47</sup> Hearings for basic rates are necessary for carriers serving fewer than 50,000 access lines only if 5 percent of their subscribers complain; rate changes for carriers serving 50,000 to 250,000 access lines are reviewed only if 3 percent of their subscribers complain; carriers serving over 250,000 access lines have a hearing only if 2 percent of subscribers complain.<sup>48</sup>

Another statute provides that exchange companies serving fewer than 5,000 subscribers are not subject to rate regulation unless (1) at least 51 percent of the subscribers petition to apply rate regulation to the carrier; (2) 5 percent of the subscribers petition to apply rate regulation to a specific rate change; or (3) rate increases exceed 20 percent in a given year.<sup>49</sup> Rate regulation can later be removed if at least 51 percent of the subscribers petition.<sup>50</sup>

**Ohio.** In December 1988, Ohio enacted legislation allowing the Commission to exempt a telephone company having fewer than 15,000 access lines from regulation, except as to (1) procedures for abandoning facilities and dealing with service complaints, (2) requirements of adequate service and facilities, just and reasonable charges, minimum service standards, filing rate schedules and charging of schedule rates, and (3) authority of the Commission to order changes in utility operations. A small telephone company must apply for such an exemption.<sup>51</sup>

**Oklahoma.** Companies serving fewer than 15,000 subscribers are not subject to rate regulation unless 51 percent of the subscribers petition to change the status of the carrier's regulation.<sup>52</sup> In a specific rate case, however, rate regulation may be imposed if the rate increase exceeds \$2.00 per access line, or if 15 percent of the subscribers petition to apply rate regulation to that specific rate case.<sup>53</sup> Tariffs are filed by these carriers, but the reasonableness of the rates is not reviewed unless rate regulation is applied.

**Oregon.** Companies serving fewer than 15,000 access lines and not affiliated with any other Oregon utility are exempt from rate review and financing approval provisions.<sup>54</sup> However, if 10 percent or 500 subscribers (whichever is less) petition within 10 days of the effective date of the proposed rate increase, a hearing will be held.<sup>55</sup> There has yet to be a hearing as a result of subscriber petitions.

**South Dakota.** Companies serving fewer than 10,000 subscribers are exempt from regulation.<sup>56</sup> However, if 5 percent or 25 subscribers (whichever is greater) petition, an election among all subscribers to return the carrier to regulation will be held.<sup>57</sup> These carriers exempt from regulation are not required to file annual reports or tariffs with the Commission, but are still subject to service quality regulations.

**Texas.** Companies serving fewer than 5,000 access lines may change rates under streamlined procedures.<sup>58</sup> The Commission has discretion whether to investigate the rate change. However, the Commission will investigate an increase if 5

part of the Interagency Task Force on Telecommunications Regulation 52 (Dec. 1986).

9. The Wisconsin Commission proposed the following statement of legislative intent:

The legislature finds that the telecommunications industry is in a state of transition, providing new sources of competition and experiencing changes in technology, public policy and federal regulatory and judicial initiatives which are revolutionizing the industry. To respond to those changes and to recognize their small consumer base and volatile earnings, small telecommunications utilities shall be given a lesser degree of regulation than other local exchange carriers, unless the other local exchange carriers are subject to competition. It is the intent of the Legislature to give small telecommunications utilities greater flexibility and to reduce their regulatory burdens, costs, and delays by permitting those companies to establish their rates for service, depreciation rates, profit sharing and classifications without commission review, investigation and approval.

Letter from C. Thompson (Chairman) to Hon. R. Shoemaker (State Representative) (Jan. 5, 1988).

10. "This provision also reduces the regulatory costs that are incurred by the company (and hence the ratepayers) and the Commission in traditional rate cases." Illinois Commerce Commission, *supra*, at 5.

11. See, e.g., *Petition of Pine Telephone System, Inc.* Order No. 88-1915 (Or. Oct. 18, 1988) ("Relief from the [tariff] filing requirements should reduce Pine's costs and increase its flexibility, allowing more efficient operations and lower rates for monthly service.")

12. Minn. Stat. Ann. § 237.075, Subd. 9; Minnesota State Planning Agency, *supra*, at 52-53.

13. Iowa Code Ann. § 476.1; D. Nagel, *supra*.

14. S.D. Codified Laws Ann. § 49-31-5.1 (1987 Amendment).

15. Va. Code § 56-531 (1987 Amendment).

16. Letter from C. Thompson, *supra*.

17. D. Nagel, *supra*, at 6.

18. S.D. Codified Laws Ann. § 49-31-5.2.

19. Neb. Rev. Stat. § 75-609.01(5).

20. Okla. Stat. tit. 17 § 137(F).

21. Wis. Stat. Ann. § 195.213, 215.

22. See Letter from Wisconsin Public Service Commission to C. Schroeder, Peoples Telephone Company (May 11, 1988).

23. Alaska Stat. § 42.05.711(c).

24. *Id.* § 42.05.711(f).

25. *Id.* § 42.05.712.

26. Ill. Ann. Stat. ch. 111 2/3, § 19-504.

27. Illinois Commerce Commission, *supra*, at 5.

28. Personal communication from Illinois Independent Telephone Association to authors.

29. Ind. Code Ann. § 8-1-2-88.5.

30. *Id.* § 8-1-2-88.5(e),(f).

31. *Id.* § 8-1-2-88.5(d).

32. Iowa Code Ann. § 476.1.

33. Minn. Stat. Ann. § 237.075, Subds. 9, 9.

34. Minnesota State Planning Agency, *supra*, at 53.

35. Mo. Ann. Stat. § 392.230(4),(5).

36. Mont. Code Ann. § 69-9-902, 907.

37. Neb. Rev. Stat. § 88-803.

38. *Id.* § 88-803(3).

39. *Id.* § 75-609.01.

40. *Id.* § 75-609.01(5).

41. Ohio Rev. Code § 4927.04.

42. Okla. Stat. Tit. 17 § 137(B),(F).

43. *Id.* § 137(B)(2),(3).

44. Or. Rev. Stat. § 757.570.

45. *Id.* § 757.570(6).

46. S.D. Codified Laws Ann. § 49-31-5.1, 5.2.

47. *Id.* § 49-35-5.2.

48. Tex. Rev. Civ. Stat. Ann. Art. 1446c Sec. 43B.

49. *Id.* Sec. 43B(6)(c).

50. Utah Code Ann. § 54-7-12(6).

51. Utah Admin. R. § 750-944.

52. See *Union Telephone Company*, Case No. 87-054-01 (Utah Dec. 31, 1987).

53. Va. Code Ann. § 56-531, 532.

54. *Id.* § 56-532.

55. See *Adopting Rules to Implement the Small Investor-Owned Telephone Utility Act*, Case No. PUC860017 (Va. Sept. 19, 1986).

56. W. Va. Code § 24-2-4a.

57. Wis. Stat. § 195.213.

58. See Letter from Wisconsin Public Service Commission to C. Schroeder, *supra*.

59. See Letter from C. Thompson, *supra*.

percent of the affected subscribers petition, if the gross revenues increase 2.5 percent, or if any one rate increases 25 percent annually.<sup>40</sup>

Utah. Companies serving fewer than 5,000 access lines are not required to enter into hearings to support rate increases.<sup>40</sup> However, a hearing may be held on the Commission's motion or if 10 percent of the subscribers challenge the rate increase. Twelve of the state's 14 exchange carriers are covered by this provision.

The Commission has adopted rules to implement this statute,<sup>41</sup> and has held proceedings pursuant to this provision. The normal proceeding involves three steps. First, a streamlined rate filing is made. Next, the Commission reviews and audits the figures informally. Third, a community hearing is held. If over 10 percent of the subscribers complain, a formal hearing will be convened.<sup>42</sup>

Virginia. Companies with gross operating revenues of less than \$10 million, or with gross operating revenues of \$10-30 million and not a subsidiary of an interstate holding company, have streamlined tariff review.<sup>43</sup> However, on the Commission's motion or petition of the lesser of 5 percent or 150 subscribers, a hearing will be required for any rate change.<sup>44</sup>

The Commission's rules address notice requirements and minimum support for rate changes, and remove the annual informational filing requirements.<sup>45</sup> Seven of the nine small companies have filed rate changes using these streamlined procedures. The Commission has never suspended rates on its own motion, nor held a hearing based on customer complaints.

West Virginia. Tariff suspension periods are shorter for companies serving fewer subscribers; tariffs for carriers serving fewer than 2,500 customers cannot be suspended more than 125 days.<sup>46</sup>

Wisconsin. Companies serving fewer than 7,500 customers may elect flexible rate regulation.<sup>47</sup> The flexible regulation includes pricing limitations and provisions allowing customers to petition for review of rate changes and for reapplication of rate regulation. The Commission may also investigate rate changes. Only one of the approximately forty carriers covered by this provision has had rate regulation reapplied as a result of a customer election.<sup>48</sup>

The Commission has proposed guidelines to the legislature addressing the Commission's exercise of its discretion to investigate rate changes.<sup>49</sup> In addition, the Commission is recommending raising the small-carrier definition from 7,500 to 9,000 customers, and limiting customer elections for regulation to one per 12-month period.

## Conclusion

The reasons for relieving small exchange telephone companies from certain regulatory burdens are strong, and there is a positive record from lighter burdens on small companies in 17 states.

Additional deregulation of small companies appears justified. One such action would further limit the need for cost support and hearings when small companies change rates, and further limit reports from small companies. For example, some states that now allow commission staff on its own initiative to request additional information from small companies could limit such inquiries to instances when a substantial percentage of the affected subscribers petition the Commission. A second action along these lines would raise the maximum size of companies for which small-company exemptions are available. Finally, additional states could adopt lighter regulatory burdens for small companies.

## NOTES

1. See W. Lavy, *Factors Influencing Investment, Costs, and Revenues of REA Telephone Companies* (Harvard Program on Information Resources Policy 1992).
2. When the Federal Communications Commission decided to reduce certain regulatory burdens for small but not large exchange carriers, the Commission reasoned that "large companies have sufficient administrative resources and economies of scale to satisfy burdens of existing tariff filing requirements. These advantages are not available to the small telephone companies." *Regulation of Small Telephone Companies*, 2 FCC Rcd 8811, at 3512 (1987). See also United States General Accounting Office, *Telephone Communications: Issues Affecting Rural Telephone Service*, 27-30 (1987).
3. All of the regulatory burdens analyzed here involve procedures for changing rates and reporting operational and financial results. This paper does not address certain widespread measures such as allowing small companies to use average cost schedules for toll compensation (rather than preparing individual cost studies), and to use fewer accounting classifications.
4. National Telecommunications and Information Administration, *Telecom 2000: Charting the Course for a New Century* 94 (1988).
5. D. Nagel, *A Case Study of Iowa's Experiences in Implementing Deregulation* 8 (unpublished speech Sept. 26, 1988).
6. Illinois Commerce Commission, *1987 Annual Report on Telecommunications* at 5 (1988).
7. *Petition of Hallx Telephone Co.*, Order No. 88-584 at 2 (Or. May 31, 1988). See also *Petition of Eagle Telephone System*, Order No. 88-581 at 2 (Or. May 12, 1988); *Petition of Midvale Telephone Exchange, Inc.*, Order No. 88-585 at 2 (Or. May 31, 1988); *Petition of Pine Telephone System, Inc.*, Order No. 88-1215 (Or. Oct. 18, 1988).
8. "The cost of regulation was believed to outweigh the benefits which the customers of these small companies were receiving." Minnesota State Planning Agency, *Re-*

Items

HB 168  
OPENING STATEMENT  
by  
Rep. H. A. "Red" Boucher

HB 168 was introduced at the request of the Alaska Telephone Association. It has two purposes.

Its first purpose is to require the APUC to adopt regulations that would allow local telephone companies (not long distance companies like Alascom and GCI) a simplified, less costly procedure for changing telephone rates. The range of rate changes encompassed by the bill, as presently written, would have to be less than ten percent in any twelve month period. The change in rates may be an increase or a decrease.

The second purpose of HB 168, is to establish certain time periods in which the APUC must act on matters that utility companies are required to submit to them for approval. Presently, there is no deadline for Commission action. HB 168's time period for APUC action is six months for interim rate changes and one year for permanent rate changes. (Interim rate changes for utilities with less than three million dollars gross annual revenue have a five month deadline instead of a six month deadline.)

HB 168 would benefit the telephone utility companies that operate in communities throughout the state. The key question to which I invite the committee's urgent attention, and to which I want all witnesses to attend, is whether this legislation erodes APUC's mandate to protect telephone consumers from arbitrary increases in telephone rates.

Item 6

Alaska Consumer Advocacy Program  
Comments on HB 168

March 22, 1989

The Alaska Consumer Advocacy Program represents residential utility consumers in electric, natural gas, water, waste water, and telephone hearings throughout the State of Alaska. We support (1) sound utility management, (2) fair and just regulation of public utility monopolies, and (3) the lowest utility rates that are reasonable and just for ratepayers.

ACAP opposes HB 168 very strenuously. We understand that Alaskan local exchange telephone utilities are anticipating increased financial pressures for the next several years. We believe, however, that the present HB 168 is not proper and that it will not bring relief to local exchange telephone utilities in financial need ... or for that matter ... provide lowest cost possible telephone services that are just and reasonable to ratepayers throughout Alaska.

Here in outline form is why ACAP is against HB 168:

- (1) the philosophical basis underlying the proposition is an improper extension of existing regulatory law,
- (2) it provides for imprudent economic regulation of monopoly services in local exchange telephone utilities,

The Alaska Consumer Advocacy Program  
Post Office Box 103111  
Anchorage, Alaska 99510

(3) it gives shortened review periods for APUC to examine interim and permanent rate requests that would invite disaster, and

(4) this bill would undo current telephone economic regulation to the point that long State of Alaska court intervention would be extremely likely,

At this point ACAP would like to expand upon and clarify the points identified above. What is wrong with the philosophy that was used to allow electric cooperatives the opportunity of a simplified rate-making process? Nothing is wrong with this procedure when it is used by a coop. If the coop Board of Directors uses this procedure to set electric rates which are too high, this same electric coop refunds these overpayments back to its owner-members. If the coop members do not like what the Board of Directors have done with their electric rates, the coop Board of Directors can be voted out. This simplified rate filing procedure limits the participating electric coop to a maximum rate increase of 8% per year or to 20% over a three year period.

One of the problems with HB 168, is that local exchange telephone companies are not all cooperatives (coops). These local exchange telephone companies are: (1) coops, (2) municipally-owned like ATU, or (3) private investor owned utilities. How do ratepayers

retrieve overpayments made to municipally-owned or privately owned utilities? How do they get their money back? Under HB 168 it is not clear under what conditions the APUC staff will even have access to the books of a local exchange telephone company: if the LEC were inside the 10% per year rate increase ceiling, why would APUC intervene? Under the mechanics of HB 168, it would seem that ratepayers would not get their money back (or more likely, even know that it was missing).

For many years local exchange telephone utility companies have provided better service and at very reasonable rates.

This was done because of good company people, modern equipment, ratepayers who paid rates, and the regulatory bodies which set fair and reasonable rates for all. Speaking for ACAP, I can see this in my ATU bills: in January 1976 I paid ATU \$8.75 for a residential telephone service. By January of 1989 my same residential bill was \$12.72. In thirteen years my bill had increased only 45% or at a rate of 2.9% per year. When I called ATU, one of their personnel, told me informally that their estimate was lower than mine: about 2.2% per year counting their entire pending telephone rate request. Why is this important?

At 2.9% per year, a \$.10 phone call becomes a \$.15 (14.5)

phone call in 10 years time.

HB 168 asks for automatic, unlimited in number, rate increases of up to 10% per year for local exchange telephone companies.

At 10% per year, a \$.10 phone call becomes a \$.25 (23.6) phone call in 10 years time.

This shows how differently our past at 2.2% growth rates will compare with a proposed 10.0% growth rate: \$.15 vs. \$.25.

Under present statutes and administrative regulations, the APUC performs economic regulation of local exchange telephone utilities because they are natural monopolies. For the business and financial risks that they face prudently, APUC authorizes rates to keep these utilities healthy ... without destroying the ratepayers they serve. Without the timely review of the APUC, unfair or excessive returns can be paid to poorly regulated utilities. Under HB 168 a local exchange telephone utility, could achieve the following book rates of return: 14% in year one growing to 45% by year five, and to 109% by year ten. The rates that would produce such abnormal rates of return on utility investment are paid by normal, decent people who are currently under economic strain themselves. HB 168 lacks sufficient tariff oversight by APUC to be fair, just, reasonable, or prudent regulation of local exchange telephone companies.

Regarding HB 158 Section 2. AS 42.05.421(a) an attempt to speed the review process by establishing or by advancing review deadlines for APUC in considering tariff filings:

This proposal is destructive of any attempt to perform reasonable and just oversight of regulated utilities. This section, if enacted, would almost immediately produce a blizzard of poorly, half, or improperly drawn proposals by countless legal entities whose only plan would be to seek "relief" while burying the APUC in paper. If, by chance or by design, APUC were forced by lack of personnel or by budget shortfall "to pass a deadline" would ratepayers have legal right to judicial review in court. Yes, they would. ACAP believes that economic regulation should be fair to the regulated utilities and consumers. Legislation such as HB 168 Section 2 is not responsible.

Thank you.

For ACAP

David L.T. Knudson

Amendment

page 2, line 11, after \$3,000,000 insert the phrase

"unless the commission extends the period for good cause."

6-0777Ea  
Cramer

A M E N D M E N T

OFFERED IN THE HOUSE

BY REP. DONLEY

TO: CSHB 168 (State Affairs)

Page 2, line 4, after "."

Insert "In this subsection, "good cause" includes a finding by the commission that it has insufficient staff or money to comply with the time limits imposed by this subsection."

6-0777Eb  
Cramer

A M E N D M E N T

OFFERED IN THE HOUSE

BY REP. DONLEY

TO: CSHB 168 (State Affairs)

Page 1, line 29, after "filing", through page 2, line 16:

Delete all material.

Insert "for a period not to extend more than six months after the matter is referred to the commission for opinion or decision [FOR

(1) AN INITIAL PERIOD NOT LONGER THAN SIX MONTHS BEYOND THE TIME WHEN IT WOULD OTHERWISE GO INTO EFFECT IF THE ANNUAL GROSS REVENUES OF THE UTILITY MAKING THE FILING ARE MORE THAN \$3,000,000; AND

(2) NOT LONGER THAN 150 DAYS BEFORE AN INTERIM RATE EQUAL TO THE REQUESTED NEW RATE GOES INTO EFFECT AND NOT LONGER THAN ONE YEAR BEFORE A PERMANENT RATE GOES INTO EFFECT IF THE ANNUAL GROSS REVENUES OF THE UTILITY MAKING THE FILING ARE \$3,000,000 OR LESS]."

March 6, 1990

STATEMENT OF ALASKA TELEPHONE ASSOCIATION ON THE LABOR AND  
COMMERCE CS FOR HOUSE BILL 168

A. House Labor & Commerce Committee Substitute

The Labor and Commerce CS makes two changes to the State  
Affairs CS:

1. The words rate design are included in Sec. 2(a).  
Alaska Telephone Association agrees with this amendment.

2. In Sec. 2(a)(1), it would require an interim rate to  
be approved within twelve (12) months of a rate case filing  
and a permanent rate within eighteen (18) months. Alaska  
Telephone Association opposes this change.

At its February 1 public meeting, the Commission agreed that  
twelve (12) months is the norm for action on rate cases. We  
agree with the two Commissioners voting to endorse the bill  
that to state eighteen (18) months in statute would result in  
changing the norm to eighteen (18) months. That is not  
progress.

B. Amendment #1

Amendment #1 would define "good cause" to include insufficient  
staff or money to comply. Alaska Telephone Association has  
concerns about this language as it appears to weaken the bill.  
We are convinced that the phrase "for good cause" contained in  
the State Affairs CS has legal standing and is sufficient to  
allow for extensions for a variety of acceptable reasons.

C. Amendment #2

Amendment #2 would allow the Commission six months to respond  
once the proceeding is completed. Alaska Telephone  
Association does not support this amendment simply because it  
is the length of proceedings about which we are concerned. It  
would do little good to require a decision within six months  
if the proceedings stretched on for fourteen months prior to  
completion.

ALASKA Telephone ASSOC.  
6 MARCH 1990  
GORDON PARKER

6-0771  
Ford  
3/5/90

Original sponsor(s): State Affairs Committee

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 168 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to simplified regulation of local  
7 exchange telephone utilities; and relating to sus-  
8 pending the operation of tariff filings."

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

10 \* Section 1. AS 42.05.381(e) is amended to read:

11 (e) The commission shall adopt regulations for electric coopera-  
12 tives and for local exchange telephone utilities setting a range for  
13 adjustment of rates by a simplified rate filing procedure. A cooper-  
14 ative or telephone utility may apply for permission to adjust its  
15 rates over a period of time under the simplified rate filing procedure  
16 regulations. The commission shall grant the application if the coop-  
17 erative or telephone utility satisfies the requirements of the regu-  
18 lations. The commission may review implementation of the simplified  
19 rate filing procedure at reasonable intervals and may revoke permis-  
20 sion to use the procedure or require modification of the rates to  
21 correct an error.

22 \* Sec. 2. AS 42.05.421(a) is amended to read:

23 (a) When a tariff filing is made containing a new or revised  
24 rate, classification, rule, regulation, practice, or condition of  
25 service the commission may, either upon written complaint or upon its  
26 own motion, after reasonable notice, conduct a hearing to determine  
27 the reasonableness and propriety of the filing. Pending the hearing  
28 the commission may, by order stating the reasons for its action,  
29 suspend the operation of the tariff filing. For a tariff filing that

1 does not change the utility's revenue requirement or rate design, the  
2 suspension may last for a period not longer than six months beyond the  
3 effective date established in the tariff filing unless the commission  
4 extends the period for good cause. For a tariff filing that changes  
5 the utility's revenue requirement or rate design, the suspension may  
6 last, unless the commission extends the period for good cause, for a  
7 period not longer than

8 (1) 12 [AN INITIAL PERIOD NOT LONGER THAN SIX] months  
9 before an interim rate equal to the requested rate goes into effect  
10 and not longer than 18 months before a permanent rate goes [BEYOND THE  
11 TIME WHEN IT WOULD OTHERWISE GO] into effect if the annual gross  
12 revenues of the utility making the filing are more than \$3,000,000;  
13 and

14 (2) [NOT LONGER THAN] 150 days before an interim rate equal  
15 to the requested new rate goes into effect and not longer than one  
16 year before a permanent rate goes into effect if the annual gross  
17 revenues of the utility making the filing are \$3,000,000 or less.  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

6-0777Ea  
Cramer

A M E N D M E N T

OFFERED IN THE HOUSE

BY REP. DONLEY

TO: CSHB 168 (State Affairs)

Page 2, line 4, after "."

Insert "In this subsection, "good cause" includes a finding by the commission that it has insufficient staff or money to comply with the time limits imposed by this subsection."

6-0777Eb  
Cramer

A M E N D M E N T

OFFERED IN THE HOUSE

BY REP. DONLEY

TO: CSHB 168 (State Affairs)

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STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 22, 1990

SUBJECT: CSHB 168 (I&C)  
(Simplified rate regulation and tariff filing  
operations)

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

FROM: Teresa B. Cramer *TBC*  
Legislative Counsel

Enclosed is the draft CSHB 168 (Labor & Commerce) you requested. The alternate systems of deadlines that sections 2 and 3 of the bill create raise equal protection questions.

Tariff filings from two identically situated utilities could be treated differently based solely on the operating budget for the fiscal year in which the filings occurred. Since neither the governor's budget request for the Alaska Public Utilities Commission nor the legislature's final action on that request directly address the workload of the commission staff when a particular filing is made, the means used by this legislation to relieve the commission from overload is not closely related to that goal.

As an alternative, the commission could be permitted to extend the deadlines contained in CSHB 168 (SA) when it was faced with a work overload.

If you would like me to address the constitutional issues raised by this Committee Substitute more fully or if I may be of further assistance, please let me know.

TBC:p1  
WKP2/084

Enclosure

6-0777H✓  
Cramer  
2/22/90

Original sponsor(s): State Affairs Committee

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 168 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to simplified regulation of local  
7 exchange telephone utilities; and relating to sus-  
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9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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22 \* Sec. 2. AS 42.05.421(a) is amended to read:

23 (a) When a tariff filing is made containing a new or revised  
24 rate, classification, rule, regulation, practice, or condition of  
25 service the commission may, either upon written complaint or upon its  
26 own motion, after reasonable notice, conduct a hearing to determine  
27 the reasonableness and propriety of the filing. Pending the hearing  
28 the commission may, by order stating the reasons for its action,  
29 suspend the operation of the tariff filing. Unless the time limits

1 set out in (e) of this section apply, a tariff filing may be suspended  
2 for a period not longer than

3 (1) [AN INITIAL PERIOD NOT LONGER THAN] six months beyond  
4 the time when it would otherwise go into effect if the annual gross  
5 revenues of the utility making the filing are more than \$3,000,000;  
6 and

7 (2) [NOT LONGER THAN] 150 days before an interim rate equal  
8 to the requested new rate goes into effect and not longer than one  
9 year before a permanent rate goes into effect if the annual gross  
10 revenues of the utility making the filing are \$3,000,000 or less.

11 \* Sec. 3. AS 42.05.421 is amended by adding a new subsection to read:

12 (e) During a fiscal year in which the amount appropriated in the  
13 state operating budget to the commission was at least equal to the  
14 amount requested for the commission in the operating budget introduced  
15 by the governor, the commission shall comply with the time limits set  
16 out in this subsection instead of the time limits set out in (a) of  
17 this section. If a suspension extends from one fiscal year to another  
18 fiscal year and if in either of the fiscal years the commission's  
19 budget was less than the amount requested for the commission for that  
20 year in the operating budget as introduced by the governor, then the  
21 time limits set out in this subsection do not apply to that filing.  
22 For a tariff filing that does not include an increase in the utility's  
23 revenue requirement, the suspension may last for a period not longer  
24 than six months beyond the effective date established in the tariff  
25 filing unless the commission extends the period for good cause. For a  
26 tariff filing that includes an increase in the utility's revenue  
27 requirement, the suspension may last, unless the commission extends  
28 the period for good cause, for a period not longer than

29 (1) six months before an interim rate equal to the



A M E N D M E N T

OFFERED IN THE HOUSE

BY REP. DONLEY

TO: CSHB 168 (State Affairs)

Page 2, line 4, after "."

Insert "In this subsection, "good cause" includes a finding by the commission that it has insufficient staff or money to comply with the time limits imposed by this subsection."

A M E N D M E N T

OFFERED IN THE HOUSE

BY REP. DONLEY

TO: CSHB 168 (State Affairs)

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(2) NOT LONGER THAN 150 DAYS BEFORE AN INTERIM RATE EQUAL TO THE REQUESTED NEW RATE GOES INTO EFFECT AND NOT LONGER THAN ONE YEAR BEFORE A PERMANENT RATE GOES INTO EFFECT IF THE ANNUAL GROSS REVENUES OF THE UTILITY MAKING THE FILING ARE \$3,000,000 OR LESS]."

**Alaska Telephone Association**

201 E. 56th Avenue / Suite 230  
Anchorage, Alaska 99518  
(907)568-4000 / FAX (907)562-3776

HB168

**Claude Zike**  
President

**Gordon Parker**  
Executive Director

March 1, 1990

To: Rep. Donley  
Ginger Baim  
From: Gordon Parker  
Re: CSHB 168



-----  
Following is a discussion of the latest position paper from the APUC regarding HB 168. I hope this is helpful to you.

If you have any questions, please don't hesitate to call.

Thanks for all your assistance and patience.

COMMENTS OF ATA REGARDING 2/26/90 APUC POSITION PAPER  
ON HB 168

I am unable to comment on anything which occurred at the February 23 public meeting of the commission as we received no notice that it was being held.

ATA did originally draft a specific simplified approach providing for a range of rates concept, i.e., a company could make rate adjustments which fell within a predetermined range (which we established at ten per cent) and the approach was unacceptable to the commission. This is a concept in use in several other states and one which is working well. It in no way implies an automatic rate adjustment. Built into the system are opportunities for consumers, staff or the commission itself to review the process and stop the process if appropriate.

The document also implies that costs to the telephone industry are coming down. This is a misconception. It would be correct to say that the costs of the system which relate to those pieces of equipment which are driven by the continual reduction in the costs of electronics are going down. However, these are capital costs which show up as reductions in a company's depreciation expense. While these costs are going down, there are continuing pressures due to rapid technological change resulting in a shorter depreciable life. In other words, an electronically driven switch used to cost, say \$750,000 and its effective life was, perhaps, 20 years. That same switch today may cost \$600,000 but will be outmoded in 15 years, thereby compressing the time available for the company to recover its investment.

While the costs associated with electronics goes down, the reduction is offset by increases in the enhanced features built into the switches: i.e., software. In fact, companies are being required to make investments in some enhanced features not because of customer demand but because they are forced to. Protocol Seven is a good example. In rural areas, there is little market for the enhanced features provided by Protocol Seven. However, as the nationwide network is shifting to Protocol Seven in the near future, Alaskan companies will be required to follow suit in order to have continued access to national data bases which provide billing verification.

Donley  
3/1/90  
Page two

It should also be noted that the electronic component is only part of a company's system. The other parts, i.e., buildings, cable, vehicles, tools, etc., are all increasing with inflation.

As with any business, labor is a significant cost of doing business. Labor costs are not going down. Perhaps more significant is the cost of providing benefits. As the legislature is aware, and as a trustee of an insurance plan I can personally testify, the cost of providing benefits is reaching a state of crisis. Other items necessary to the operation of a business, i.e., travel, stationery, furniture, etc., are all increasing to us just as they are to other businesses.

In summary, it appears that in making the statement that costs in the telephone industry are decreasing, the commission is taking an extremely narrow view at one category of costs and considering neither the shortened period available for depreciation nor the costs associated with other categories.

As we have consistently advised the legislature, the problem we are facing is one of cost shifts. The FCC has ordered that only 25 per cent of a telco's costs can be recovered from the interstate toll jurisdiction. The APUC has ordered that only 20 per cent of a telco's costs can be allocated to the intrastate toll jurisdiction. That means that 55 per cent of the costs must be borne by the local ratepayer. Some telcos must act to adjust their rates. We think it to be in the public interest to develop a method to accomplish those adjustments which will reduce the cost and complexity to telcos, to the commission itself and to the customers.

The commission mentions the interstate universal service fund as a source of revenue which will mitigate some of the costs being shifted to the local rate from the interstate and intrastate toll rates. Again, the commission doesn't go far enough. In many instances, the USF will mitigate the effect of the shifts, but not for all companies. Anchorage Telephone Utility, serving 115,000 of the 246,000 customers in the state, receives no USF assistance. The net effect of the shifts to ATU customers is approximately \$11.00 per

Donley  
3/1/90  
Page three

month. Likewise, the net effect to customers of Fairbanks Municipal Utility System and Cordova Telephone Cooperative, both recipients of USF assistance, will be approximately \$6.56 and \$4.37, respectively.

We have also consistently warned the commission that they should not make decisions affecting the future based on the existing support from the USF. That fund is being eroded rapidly. At the interstate level, the long distance companies and the larger local companies (Bell companies) are actively seeking to lessen their payments to that fund. Simply put, we do not expect that assistance to continue indefinitely.

The commission is correct in noting that implementation of access charges on January 1, 1991, will bring with it significant increases in data filed with the commission. As ATA testified on February 22 and as Commissioner Whiteaker stated in the commission meeting of February 1, these filings will be, essentially, rate case filings. The conclusion Commissioners Whiteaker and O'Tierney drew was that the commission will have more data on the telephone industry than on any other utility under their jurisdiction and therefore simplified ratemaking should be less complex for the telephone industry than for any other utility.

The commission argues that "simplification" is a vague word but then concludes by urging the legislature to pass legislation which is "stated in as general terms as possible." I am not sure which the commission wants. As noted above, we originally offered a very detailed procedure based on similar procedures which have been successful in other states. That was rejected by the commission. We came back with the general language which now exists in CSHB 168, expressing our willingness to leave the definition of "simplified" to the commission. Being unsure whether the commission prefers a "specific" or a "general" approach, I don't know what more I can say. I would note, however, that it is much too late in the session to attempt to start over with consideration of a "specific" approach.

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Regarding the commission's comments on section two of CSHB 168:

It appears to me that of the commission's proposed amendment would create a system which is worse than what we have now. The six month limit would apply only to issuance of a decision after the proceeding is completed. The proceeding is the source of our concern. Under the commission's proposed amendment, a proceeding could continue for two years and the clock wouldn't start running until it was completed. That is no help at all to us.

The commission has also proposed changing the 12 months in section two to 18 months. At its February 1 meeting, the commission agreed that 12 months is the norm except for the extraordinary instance. To establish an 18 month period would, in my opinion and in the opinion of the two commissioners voting to endorse the bill, change the norm from 12 to 18 months. We have long since agreed to the allowance of extensions for good cause. Essentially, that phrase, in my opinion, grants the commission wide latitude in exceeding the 12 months proposed.

From: Peter Sokolov  
Commissioner  
APUC

ALASKA PUBLIC UTILITIES COMMISSION

ADDITIONAL COMMENTS ON HB 168\*

FEBRUARY 26, 1990

Subsection AS 42.05.381(e)

The Commission wishes to reiterate and emphasize that it fully supports the concept of "simplified rate filing procedures"; however, it opposes this bill because of a question of timing and knowing how to precisely effect such simplification. Any system that would continue to protect the ratepayer and truly be simpler requires considerable effort to develop on the part of the Commission as well as the industry. Thus far, the principal proponent has not come up with any specific approach. (In the original version of this bill the Alaska Telephone Association (ATA) proposed automatic annual rate increases up to 10 percent which was unacceptable to the Commission, especially in an industry where costs are generally decreasing).

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\*Commissioner Daniel Patrick O'Tierney was out of State and did not participate at the February 23, 1990, public meeting in which the Commission discussed these additional issues. Commissioner Whiteaker is on leave until shortly before the effective date of her resignation on March 2, 1990, and also did not participate.

As the ATA has testified, major changes are occurring in the way local exchange company (LEC) costs are allocated between interstate, intrastate, and local jurisdictions, and indeed the shifts are unfavorable for some of the companies. ATA failed to mention, however, that except for the Anchorage Telephone Utility, GTE Alaska, and Telephone Utilities of Alaska, all other local telephone companies are eligible for the Federal Universal Service Fund that was explicitly established to mitigate the impact of the cost allocation changes on local rates of small telephone companies. For example, in the case of Matanuska Telephone Association which was cited in ATA's testimony to the Committee on February 22, 1990, there are cost shifts to the local jurisdiction of nearly \$3 million from interstate toll and almost \$2 million from intrastate toll. The Universal Service Fund, however, cancels the impact of these shifts to the extent that the resulting impact on local rates is only one cent per month.<sup>1</sup>

Currently, the regulation of telephone companies, both local and long distance, is in a highly evolutionary state. In the fall of 1990, LECs will file access charges,

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<sup>1</sup>Comments presented in the fall of 1989 by Commission Staff which were based on data supplied by ATA on August 18, 1989, in Docket R-88-3.

and the Commission is very hopeful that data attained in conjunction with access charges will provide the majority of the data needed in rate cases. The extent to which access charge data can simplify rate proceedings will only be known after the initial filings are made and analyzed. The Commission also remains open to consider other approaches. Incentive rates and variations of the FCC "price cap system" are used in other states; however, experience has shown that most such systems turned out to be considerably more complex and controversial than initially expected.

Most other states have already dealt with access charges and competition several years ago, and now are experimenting with new approaches to telephone company ratemaking. Due to the uniqueness of the Alaska network, the issues of access charges and competition are only now being addressed. The competition issue alone is exceedingly complex. Consequently, the Commission believes that it is essential that the majority of its efforts be devoted to these issues during the next year.

The Commission wishes to apprise the Legislature that due to shifts in cost allocations, local exchange costs of some companies will experience considerable decreases while others will see considerable increases. Consequently, allowing utilities to automatically raise rates would inadequately

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protect ratepayers of some telephone companies but would provide insufficient revenues for other telephone companies. In its testimony to the Committee, the Commission tried to be very direct and call attention to the vagueness of the word "simplification." Rather than legislation, the Commission believes it needs an honest and cooperative discussion with the industry about a specific "simplification" approach that could reasonably maintain the same level of protection of the ratepayer as is being given now. In any event, should the Legislature desire to include telephone companies in AS 42.05.381(e), the Commission urges that, unless a specific approach is thoroughly examined, the legislation be stated in as general terms as possible.

Section AS 42.05.421(a):

In response to the suggestion made by Representative Gruenberg, the Commission offers the attached modifications to AS 42.05.421(a) to impose a time limit to the Commission's decisionmaking. As previously explained, the Commission does not believe that the changes requiring interim rate increases are warranted since interim rate relief based on a "probable success" criterion is routinely granted within 45 days of the utility's filing.

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The Commission wishes to reemphasize that the attached modification to AS.42.05.421(a) only addresses the time frame after the case is taken under advisement by the Commission. The Commission has direct control over this time frame and considers the proposal reasonable.

Alternatively, the Commission requests that the Legislature adopt an 18-month time limit for the overall case with a "for good cause" exception to account for the most unusual circumstances. While the 12-month limit advocated by the ATA is an admirable goal, the Commission has limited control over the timeframe that some of the individual steps may require. The Commission requests that the Legislature either adopt the 6-month limit following the time the case is referred to the Commission or the 18-month time limit for the overall case and not both. Implementing both restrictions may handicap the Commission from effectively discharging its duties.

The Commission's proposed amendment is as follows:

AS 42.05.421(a) is amended to read:

(a) When a tariff filing is made containing a new or revised rate, classification, rule, regulation, practice, or condition of service the commission may, either upon written

complaint or upon its own motion, after reasonable notice, conduct a hearing to determine the reasonableness and propriety of the filing. Pending the [SUCH A] hearing the commission may, by order stating the reasons for its action, suspend the operation of the tariff filing for a period not to extend more than six months after the matter is referred to the commission for opinion or decision

[(1) AN INITIAL PERIOD NOT LONGER THAN SIX MONTHS BEYOND THE TIME WHEN IT WOULD OTHERWISE GO INTO EFFECT IF THE ANNUAL GROSS REVENUES OF THE UTILITY MAKING THE FILING ARE MORE THAN \$3,000,000; AND

(2) NOT LONGER THAN 150 DAYS BEFORE AN INTERIM RATE EQUAL TO THE REQUESTED NEW RATE GOES INTO EFFECT AND NOT LONGER THAN ONE YEAR BEFORE A PERMANENT RATE GOES INTO EFFECT IF THE ANNUAL GROSS REVENUES OF THE UTILITY MAKING THE FILING ARE \$3,000,000 OR LESS].



# Alaska State Legislature

Please enter into the record my testimony to the Labor & Commerce  
 committee name  
 committee on CSHB 168, dated 3/24/89  
 bill/subject

As a very small telephone company owner I'm pleased to support this bill which streamlines rate cases. Our company, Summit Telephone Company (35 customers) has not yet had a rate case, but it won't be long before we do. There are many horror stories about high cost of small company rate cases. This bill will simplify the procedure and reduce the costs to us and our subscribers.

Signed: Perry Stoop  
 Testifier  
Summit Telephone Company  
 Representing (Optional)  
571 Aquila Street, Fairbanks, AK 99712  
 Address  
(907) 452-1012  
 Phone No.

TESTIMONY OF THOMAS R. MINNICH  
BEFORE THE HOUSE LABOR & COMMERCE COMMITTEE  
HOUSE BILL 168  
FEBRUARY 22, 1990

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE: MY NAME IS THOMAS R. MINNICH. I AM PRESIDENT AND CHIEF EXECUTIVE OFFICER OF MATANUSKA TELEPHONE ASSOCIATION, HEADQUARTERED IN PALMER AND SERVING MORE THAN 28,000 CUSTOMERS IN 11 COMMUNITIES. I

ALSO SERVE ON THE BOARD OF DIRECTORS <sup>OF THE UNITED STATES Telephone</sup> AND AS A MEMBER OF THE ASSOCIATION AND ~~AM A MEMBER OF THAT ASSOCIATION'S EXECUTIVE COMMITTEE.~~ EXECUTIVE COMMITTEE OF THE UNITED STATES TELEPHONE

<sup>However today</sup> ASSOCIATION. I AM SPEAKING TO YOU TODAY AS A MEMBER OF THE BOARD OF DIRECTORS OF THE ALASKA TELEPHONE ASSOCIATION AND ON BEHALF OF THE 22 COMPANIES CERTIFICATED BY THE STATE OF ALASKA TO PROVIDE LOCAL EXCHANGE TELEPHONE SERVICE.

HOUSE BILL 168 IS A PRIORITY BILL FOR ATA. WE SEEK PASSAGE OF THIS LEGISLATION IN RECOGNITION OF THE FACT THAT OUR INDUSTRY HAS BEEN, AND WILL CONTINUE TO BE FOR THE FORESEEABLE FUTURE, IN THE MIDST OF TERRIFIC CHANGE. THE TECHNOLOGY EXPLOSION WHICH WE HAVE BEEN EXPERIENCING IN THE PAST DECADE PLUS THE OPENING OF THE LONG DISTANCE MARKET TO COMPETITION HAS RESULTED IN A DRASTIC RESTRUCTURING OF THE INDUSTRY. WE DO NOT DO BUSINESS IN THE SAME MANNER THAT WE DID TEN OR 20 YEARS AGO.

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· CONCURRENTLY WITH THE CHANGE IN THE STRUCTURE OF OUR  
· INDUSTRY, WE KNOW THAT THERE MUST BE CHANGES IN THE SYSTEM OF  
· REGULATION. IT IS 1990. THE 21ST CENTURY IS ALMOST UPON US  
· BRINGING WITH IT TECHNOLOGY WHICH ONLY A FEW YEARS AGO WAS  
· CONSIDERED NOTHING MORE THAN A CARTOONIST'S DREAM; AND YET,  
· OUR SYSTEM OF REGULATION IS ESSENTIALLY THE SAME AS IT WAS IN  
· 30 YEARS AGO.

· SECTION ONE OF THE BILL REQUIRES THE COMMISSION TO IMPLEMENT  
· A STREAMLINED RATE FILING PROCEDURE FOR TELEPHONE COMPANIES.  
· WE ORIGINALLY PROPOSED A VERY DETAILED DESCRIPTION OF WHAT  
· THIS PROCEDURE, IN OUR OPINION, SHOULD BE. BUT AFTER MEETING  
· WITH THE PUBLIC UTILITIES COMMISSION, WE AGREED THAT THE BILL  
· SHOULD BE BROAD ENOUGH TO LEAVE THE DETAILS TO THE  
· COMMISSION'S DISCRETION. WE WOULD EXPECT THE END RESULT TO  
· BE SOMEWHAT SIMILAR TO THE STREAMLINED PROCEDURE WHICH IS NOW  
· IN PLACE IN THE ELECTRIC INDUSTRY, I.E., COMPANIES MAY MAKE  
· ADJUSTMENTS FALLING WITHIN A PREDETERMINED RANGE WITHOUT THE  
· NECESSITY FOR A FULL RATE CASE BUT WITH PROPER PROTECTION FOR  
· THE GENERAL PUBLIC.

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WE HAVE REVIEWED THE ACTIONS OF THE 16 OTHER STATES WHICH HAVE ACTED TO ALLOW THE REGULATORY SYSTEM TO RESPOND MORE QUICKLY TO TODAY'S RAPID MARKET CHANGES. SOME OF THOSE, IOWA AND NEBRASKA, FOR INSTANCE, HAVE ESSENTIALLY DEREGULATED SOME CLASSES OF COMPANIES. LET ME BE ABSOLUTELY CLEAR: WE ARE NOT ASKING FOR ANY FORM OF DEREGULATION. WE ARE MERELY ASKING THAT THE REGULATORY SYSTEM BE STREAMLINED FOR CERTAIN SITUATIONS.

WHY DO WE NEED STREAMLINING AT THIS POINT? I'LL TRY TO PROVIDE A SIMPLE ANSWER FROM A COMPLEX SYSTEM. ALL COSTS IN THE TELEPHONE INDUSTRY ARE DIVIDED INTO, AND RECOVERED FROM, THREE JURISDICTIONS: INTERSTATE TOLL, INTRASTATE TOLL AND LOCAL. WITH THE ADVENT OF COMPETITION IN THE INTERSTATE TOLL MARKET, PRESSURE WAS BROUGHT TO REDUCE THE AMOUNT PAID TO LOCAL COMPANIES BY LONG DISTANCE COMPANIES. THE FCC, WITH ITS AUTHORITY OVER THE INTERSTATE JURISDICTION, RULED THAT NO MORE THAN 25 PER CENT OF THE NETWORK'S COSTS CAN BE PAID FROM THE INTERSTATE JURISDICTION.

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THE APUC, WITH ITS JURISDICTION OVER INTRASTATE TOLL, RECENTLY RULED THAT NO MORE THAN 20 PER CENT OF THE LOCAL COMPANIES' COSTS CAN BE PAID FROM THE INTRASTATE TOLL JURISDICTION. THAT THEN MEANS THAT 55 PER CENT OF THE COSTS MUST BE PAID FROM THE LOCAL JURISDICTION. IN TURN, THAT GUARANTEES THAT THERE MUST BE RATE ADJUSTMENTS FOR SEVERAL COMPANIES IN THE NEAR FUTURE.

THE LAST MAJOR RATE CASE PROSECUTED BEFORE THE APUC TOOK SOME 14 MONTHS TO CONCLUDE AND COST THE COMPANY, AND EVENTUALLY ITS RATEPAYERS, 1.6 MILLION DOLLARS. GRANTED THAT WAS AN UNUSUALLY COMPLICATED CASE. BUT THE POINT IS RATE CASES ARE EXTREMELY TIME CONSUMING AND EXPENSIVE. WITH THE KIND OF PRESSURES NOW BEING FELT, LOCAL COMPANIES, AND THEIR CUSTOMERS CAN NOT AFFORD TO WAIT FOR MORE THAN A YEAR OR TO PAY HUGE BILLS. THERE HAS GOT TO BE AN EASIER WAY.

WITH MORE THAN 35 YEARS IN THE TELEPHONE INDUSTRY, I CAN TELL YOU THAT MOST COMPANIES WILL PUT OFF GOING TO THE COMMISSION FOR AS LONG AS POSSIBLE BECAUSE OF THE EXPENSE AND THE COMPLICATED PROCEDURE. THAT'S WHY YOU HEAR ABOUT THE

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• REQUESTS FOR 50 OR 60 PER CENT INCREASES. WITH A STREAMLINED PROCEDURES, COMPANIES COULD MAKE SMALLER ADJUSTMENTS AND AVOID THE SHOCK THAT COMES WITH LARGE INCREASES. WE THINK THAT CUSTOMERS WILL BE BETTER SERVED WITH, FOR INSTANCE, A FOUR OR FIVE PER CENT INCREASE EVERY COUPLE OF YEARS THAN A 65 PER CENT INCREASE EVERY TEN YEARS. AS A MATTER OF FACT, AT LEAST TWO COMMISSIONER'S AT THE APUC AGREE WITH THAT STATEMENT. I QUOTE COMMISSIONER WHITEAKER FROM THE TRANSCRIPT OF THE COMMISSION'S PUBLIC MEETING ON HB 168 HELD ON FEBRUARY 1: "I THINK THERE'S SOMETHING WRONG WHEN THE PUBLIC PROCESS IS THWARTED BY THE EXPENSE OF RATE CASES. AND YES, I CAN SIT HERE AND SAY, IF WE DON'T DO THIS, ANCHORAGE AND FAIRBANKS WILL PROBABLY NOT BE IN HERE EVERY YEAR TO CHANGE THEIR RATES, EVEN IF THEY SHOULD CHANGE BECAUSE THEY DON'T WANT TO GO THROUGH THE GRIEF AND THE EXPENSE OF DOING IT...YOU CAN SAY GREAT, THAT HOLDS THE RATES DOWN FOR PEOPLE FOR TWO YEARS BUT THEN THEY GET SOCKED ON THE THIRD YEAR WITH 15 PER CENT INSTEAD OF FIVE PER CENT A YEAR. I DON'T THINK THAT'S DOING OUR JOB. I THINK THAT'S SORT OF THWARTING WHAT OUR PURPOSE IS." IN TODAY'S CLIMATE, CUSTOMERS GET SOCKED

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WITH LARGE RATE INCREASES EVERY FEW YEARS. WITH A STREAMLINED PROCEDURE, THE ADJUSTMENTS COULD BE MORE EASILY MADE SMALLER, THEREBY AVOIDING THE BIG IMPACTS.

I HAVE QUOTED FROM THE TRANSCRIPT OF THE COMMISSION'S FEBRUARY FIRST PUBLIC DISCUSSION OF THIS BILL. I FIND THAT DISCUSSION TO BE VERY INTERESTING IN THAT TWO OF THE FIVE COMMISSIONERS ARGUED IN FAVOR OF THE BILL. IN FACT, THE MOTION VOTED ON BY THE COMMISSION WAS ONE TO ENDORSE THE BILL. IT WAS DEFEATED BY A THREE TO TWO VOTE AND, HENCE, YOU HAVE BEFORE YOU THE COMMISSION'S OPPOSITION TO HB 168.

SOME POINTS WERE DISCUSSED BY THE COMMISSION ON FEBRUARY FIRST WHICH YOU MIGHT FIND INTERESTING. FIRST, SOME ON THE COMMISSION DECLARED THEIR BELIEF THAT SIMPLIFIED RATEMAKING DOESN'T APPLY TO TELEPHONE UTILITIES BECAUSE THEY FEAR THEY DON'T KNOW ENOUGH ABOUT THE BUSINESS OF THE TELEPHONE COMPANIES. LET ME GIVE YOU SOME EXAMPLES OF THE TYPE OF INFORMATION WHICH FLOWS TO THE COMMISSION FROM OUR COMPANIES ON A REGULAR BASIS.

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THIS IS KNOWN AS A FORM M (Produce Form M). EACH TELEPHONE COMPANY MUST FILE THIS REPORT WITH THE COMMISSION ON AN ANNUAL BASIS. IT IS, ESSENTIALLY, A FINANCIAL REPORT.

THIS IS A COPY OF A JANUARY 29, 1990, LETTER TO TELCOs FROM COMMISSION EXECUTIVE DIRECTOR TED MONINSKI (Produce Moninski letter) IN WHICH HE REMINDS COMPANIES THAT WE ARE NOW REQUIRED TO FILE WITH THE APUC COPIES OF ALL FILINGS MADE TO THE FCC IN ITS DOCKET ESTABLISHED TO MONITOR THE NATIONAL POOL. IN OTHER WORDS, WE ARE REQUIRED TO FILE INTERSTATE DATA WITH THE STATE COMMISSION.

*These*  
~~THESE~~ DOCUMENTS <sup>ARE</sup> A REVENUE REQUIREMENTS STUDY AND A COST SEPARATIONS STUDY (Produce studies). AS OF JANUARY 1, 1991, WHEN OUR INDUSTRY SHIFTS TO AN ACCESS CHARGE METHOD OF RECOVERING INTRASTATE COSTS, EACH COMPANY WILL FILE THE EQUIVALENTS OF THESE TWO DOCUMENTS EACH YEAR.

I AM CONVINCED, AS WERE THE TWO COMMISSIONERS VOTING IN THE MINORITY ON FEBRUARY 1. THAT THE COMMISSION HAS MORE INFORMATION ABOUT THE TELEPHONE UTILITIES THAN THEY DO ABOUT ANY OTHER INDUSTRY UNDER THEIR JURISDICTION.

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BY THE WAY, AS LONG AS WE'RE PROVIDING EXAMPLES, LET'S ASSUME A COMPANY FILES A RATE CASE AND IT GOES TO HEARING. THIS IS THE BACK UP MATERIAL REQUIRED FOR THE RATE CASE I MENTIONED EARLIER IN MY TESTIMONY (Produce ATU prefiled testimony).

ANOTHER POINT MADE ON FEBRUARY 1 WHICH NEEDS AIRING IS THE BELIEF BY SOME COMMISSIONERS THAT A SIMPLIFIED PROCEDURE MIGHT WORK FOR SMALL COMPANIES BUT NOT FOR LARGE COMPANIES. I SUBMIT TO YOU TODAY, AS THE TWO COMMISSIONERS VOTING IN THE MINORITY DID ON FEBRUARY FIRST, THAT IT IS THE LARGE COMPANIES THAT NEED THE HELP. AS A RESULT OF THE COMMISSION'S DECISION LIMITING COST ALLOCATIONS TO THE INTRASTATE TOLL JURISDICTION TO 20 PER CENT, IT IS PRECISELY ANCHORAGE, FAIRBANKS AND THE MATANUSKA VALLEY, ALONG WITH A FEW SMALLER COMPANIES, WHO WILL BE FORCED TO SEEK ADJUSTMENTS TO THEIR LOCAL RATES.

THOUGH SOME ON THE COMMISSION HAVE SAID THEY ARE INTERESTED IN A SIMPLIFIED PROCEDURE FOR SMALL COMPANIES, THERE IS REASON TO WONDER WHETHER THAT WILL COME ABOUT THROUGH THE COMMISSION'S INITIATIVE. IT IS TRUE THAT A DOCKET HAS BEEN OPENED TO INVESTIGATE SIMPLIFIED RATEMAKING FOR SMALL UTILITIES; HOWEVER, AT THE FEBRUARY FIRST MEETING, IT WAS

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REVEALED THAT THE DOCKET IS PROCEEDING WITH TELEPHONE UTILITIES OMITTED FROM IT.

FINALLY, LET ME REMIND YOU THAT THIS BILL WOULD NOT APPLY TO ALL RATE CASES. THE EXTRAORDINARILY COMPLEX RATE CASE, OR ONE WHICH EXCEEDED WHAT WE WOULD EXPECTED TO BE A RELATIVELY LOW PREDETERMINED PERCENTAGE RANGE, WOULD CONTINUE THROUGH THE EXISTENT HEARING PROCESS. BUT WE ARE CONVINCED THAT A PROCESS WHICH WOULD ALLOW FOR SMALL INCREASES ON A STREAMLINED BASIS WOULD SAVE TIME AND MONEY FOR TELCOS, FOR CUSTOMERS AND FOR THE COMMISSION ITSELF.

SECTION TWO OF THIS BILL WOULD REQUIRE THE COMMISSION TO COMPLETE ITS WORK ON A RATE CASE WITHIN A YEAR. WE DON'T BELIEF IT TO BE UNREASONABLE TO ASK ANYONE TO DO THEIR JOB WITHIN A YEAR.

THE COMMISSION HAS SAID THAT MOST RATE CASES ARE COMPLETED WITHIN A YEAR. THEY POINT OUT THAT THE OCCASIONAL COMPLICATED PROCEEDING CAN GO BEYOND 12 MONTHS AND, FOR THAT REASON, WE AGREED TO AMEND THE BILL LAST YEAR TO ALLOW

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FURTHER EXTENSION FOR "GOOD CAUSE." THE COMMISSION NOW SUGGESTS AMENDING THIS SECTION TO PROVIDE 18 MONTHS. WE ARE NOT IN AGREEMENT BECAUSE, AGAIN LIKE THE COMMISSIONERS VOTING IN THE MINORITY ON FEBRUARY FIRST, WE DON'T WANT TO SEE THE NORM BECOME 18 MONTHS.

FRANKLY, WE CAN'T UNDERSTAND THE COMMISSION'S OBJECTION TO ONE YEAR. IN LOOKING AT OTHER STATES, WE FIND NUMEROUS STATES WITH SHORTER TIME PERIODS. UTAH AND FLORIDA, FOR INSTANCE, HAVE EIGHT MONTHS; OREGON IS SIX MONTHS WITH ALLOWANCE FOR A 60 DAY EXTENSION; IOWA IS TEN MONTHS WITH ALLOWANCE FOR "GOOD CAUSE" EXTENSION; NEW YORK AND WASHINGTON ARE 11 MONTHS.

IN CLOSING, MR. CHAIRMAN, LET REITERATE THAT WE ARE NOT ASKING FOR ANY TYPE OF DEREGULATION. WE ARE SIMPLY SAYING THAT 1960 REGULATION WILL NOT WORK IN 1990. WE MUST REVISE THE SYSTEM TO MAKE IT MORE RESPONSIVE. WE ARE CONVINCED THAT HB 168 REPRESENTS A VERY REASONABLE CHANGE TO THE STATUS QUO. ADOPTING THIS LEGISLATION NOW WILL PROVIDE A NEEDED