

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672

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proportionate to the decrease in the number of utilities. While there certainly should be some relationship, the commission has no time sheet data available to correlate these factors.

In concert with an amendment to exempt these smaller utilities, the following areas should also be addressed:

1. The petition provision which allows customers to request economic regulation of exempted utilities should be amended. Alaska Statute 42.05.711 presently requires 25% of an exempted utility's subscribers to sign the petition. We believe that this is much too great an obstacle to overcome and recommend that an election be called if APUC receives a petition demonstrating significant consumer interest. For example, the petition requirement could be set at the lesser of 5% or 500 customers.
2. This proposed gross revenue exemption statute should not take effect for 6 months to allow utility customers who wish to retain regulation to do so without interruption.
3. The results of past deregulation elections should be honored, thus not requiring a new vote on failed deregulation elections.
4. The customers who continue the benefits of APUC's economic regulatory oversight should be expected to pay for this service (See Recommendation No. 2).

E. Alaska Statute 42.05 should be amended to cease mandatory economic regulation of certain utilities owned by political subdivisions.

Alaska Statute 42.05.711(b) generally exempts utilities owned by political subdivisions from economic regulation, unless they so elect. However, it also provides that if any of a subdivision's utilities directly competes with any other certificated utility then all the subdivision's utilities shall be economically regulated. We presume the intent of this provision was to eliminate the wasting of resources from facility duplication resulting from the then ongoing electric service area dispute as well as preventing the cross-subsidization of rates which might accompany such a dispute. The only utilities falling under this provision, at present, are owned by the Municipality of Anchorage.

The Anchorage service area dispute has been resolved and the present day competition is in the form of economy energy sales of electricity and perhaps telephone communication systems. This type of competition does not encourage the massive facility duplication or the cross-subsidization of rates that a service area dispute might. Service area concerns can be adequately addressed through the certification process without economic regulation.

In conjunction with an amendment to delete this mandatory economic regulation, the following areas should also be addressed:

1. The utilities previously regulated by APUC due to competition should continue to be so regulated unless rejected by the governing body.
2. A governing body should be allowed to withdraw a previous election.
3. The consumers who, through their local government, have chosen to continue the benefits of APUC's economic regulatory oversight should be expected to pay for this service. Specifically, the Municipality of Anchorage Assembly should decide whether their utilities should be regulated locally or by APUC. If they choose to "hire" APUC to perform this regulatory function in their behalf, citizens from all across the State should not be forced to pay for that service with General Funds (See Recommendation No. 2).

Recommendation No. 2

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

APUC is currently being funded primarily by General Funds with a program receipts supplement from partial direct allocations of cost. The statutes require the cost of investigations and hearings to be allocated among the parties, including the commission, as is just under the circumstances. The commission has traditionally not allocated costs to itself and has allocated only the hired consultant fees, attorney general services, and other incremental out-of-pocket costs. In a 1988 decision, the Alaska Supreme Court interpreted the present statutes on cost allocations to disallow attorney general services. The court also remanded the case back to the commission to determine what portion of the cost allocation they should absorb.

Basic fairness prescribes that only the consumers who benefit from the regulatory services provided by APUC should pay the cost of this service. This is the "user fee" concept of funding. A funding method should also be designed to allow responsive adjustments to be made in the level of regulation as desired by consumers. With these criteria in mind, we have briefly commented on three predominate alternatives.

To the extent of its general funding, any approach fails to equitably match the regulatory cost to the consumers who benefit. General funding may be viewed as a payment by all citizens all across the State, while the benefit may accrue primarily to consumers in Anchorage. The utilities owned by the Municipality of Anchorage have contributed greatly to the commission's workload, yet a significant portion of the total cost of the proceedings is paid out of General Funds.

General funding is also less responsive to appropriate regulatory levels; in fact, it probably wastes some of the State's dwindling resources. Given that there is a regulatory cost/benefit break-even point and that certain consumers are given the opportunity to elect full economic regulation, general funding will likely be perceived as payment by "someone else" with the result that regulation will always be extended past this break-even point. Thus, government is providing an unnecessary service.

Funding of APUC through a gross receipts tax levied against the utilities and pipelines that is passed through to consumers could provide a reasonable matching of costs to beneficiaries. This assumes tax rates were established by utility size, by industry, and by level of regulation. However, there would always be inequities.

This tax approach would be responsive to regulatory needs only to the extent that the matching is accurate. However, taxation has traditionally focused on ability to bear rather than resource utilization and, thus, such a funding approach may not be responsive. For example, if a tax was designed which levied 100% of the commission's costs against the pipeline companies and none to the utilities, this approach would do nothing to reduce unnecessary regulation of the utilities.

Full and direct allocation of the commission's costs provides the most accurate and defensible matching among the three alternatives. As such, it would not only be an effective method in eliminating unwarranted government regulation but it could also make the regulatory process more efficient by encouraging adequate and appropriate filings.

To administer this full allocation program would require time sheets for commission staff and attorney general

services, and the use of account codes to share docket proceeding costs among the parties and to allow recovery of general overhead. The administrative cost of this program should be less than with the tax approach but of course, greater than with the General Fund design. These costs could potentially be offset by increased staff efficiency through time sheet accountability. We believe the benefits of a full-cost allocation program would far outweigh a slightly higher administrative cost.

Based upon the above, we recommend that the statutes be amended to establish a full-cost allocation funding approach for APUC. In conjunction with this shift toward program receipts funding, AS 42.05.651 and AS 42.06.610 should be amended, as follows:

1. These statutes should be amended to specify that all costs of the commission may be allocated.
2. Alaska Statute 42.05.651 should be changed to require interim allocation, rather than awaiting completion of a proceeding. The commission has estimated their unbilled utility allocations at \$1.6 million with an average age of 3.0 years. We note that the related pipeline statute, at AS 42.06.610, already requires interim billings. However, APUC does not appear to be in compliance, with their estimated unbilled pipeline allocations at \$2.1 million with an average of 4.7 years. Further, APUC should amend their regulation at 3 AAC 48.157 which provides for cost allocations after pipeline hearings rather than on the required interim basis.
3. These statutes presently require allocation to the parties of a proceeding including the commission; these should be modified to exclude the commission. However, the provisions allowing the commission to allocate among the parties as is reasonable and just should be retained, thus the commission may occasionally absorb some costs indirectly and have a need for minimal General Fund monies.
4. For economically regulated companies, on a case-by-case basis, the commission should be allowed to determine whether the costs being allocated are to be passed through to the consumers.

Recommendation No. 3

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

The commission is a quasi-judicial agency which issues decisions based upon finding of fact and conclusions of law.

These decisions are in the form of written orders that have the effect of law and are subject to judicial review.

The commission's orders are filed chronologically and also within the docket (case) files. Decisions from the courts on appeals of commission orders are filed with the related docket. However, no topical cross-reference system is maintained.

At present, the best catalog of prior actions is institutional memory. Obviously, such a memory-based system cannot provide true access to precedent when needed by commissioners, staff, utilities, consultants, and attorneys. A cross-reference system would allow analysis by staff and decisions by the commission to be made consistently from case to case and in accordance with relevant court decisions. It would also aid utilities and their consultants and attorneys to adequately prepare for filings and hearings.

The Legislature, in conjunction with their FY 89 appropriation to APUC, provided the following: "It is the intent of the Legislature that the commission use the additional permanent part-time position to develop a keyword index filing system for all future commission orders and that prior year orders be incorporated into the system as possible." However, the part-time position was not actually authorized and the system has not yet been designed.

Recommendation No. 4

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

In 1975 the commission was expanded from three to five commissioners. Appointments were made to both the new positions for the standard six-year terms with both terminating on the same date. All other APUC commissioner terms have been appropriately staggered. Because the potential for disruption of commission activity would be high with two new commissioners coming on at the same time, we recommend the terms of the consumer members be staggered.

Currently, the terms are scheduled to end as follows:

Consumer seats (2):	November 1, 1993
Engineering seat:	October 31, 1990
Finance seat:	October 31, 1992
Legal seat:	October 31, 1994

The statute required the governor to stagger the initial appointments. However, as this was not done for the consumer members, we recommend the statute be amended to also require the necessary staggering of subsequent appointments.

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ANALYSIS OF PUBLIC NEED

Limited Analysis

The following analyses of commission activities indicate both positive and negative factors as they relate to the public need factors defined in AS 44.66.050. These analyses were not intended to be all-inclusive, but address those areas we were able to cover within the scope of our review.

1. The extent to which the board, commission, or program has operated in the public interest.

The commission has conscientiously attempted to allow only qualified applicants to provide utility services and to regulate them in such a manner as to ensure adequate service at the lowest reasonable rates. In finding that no public interest would be served through regulation, APUC administratively exempted some utilities through the discretionary power granted at AS 42.05.711(d).

2. The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.

The Alaska Public Utilities Act (AS 42.05) and Pipeline Act (AS 42.06) provide broad discretionary power to the commission to carry out its mandated responsibilities. The jurisdiction provided under these statutes should be limited to require regulation only of industries where the greatest public interest may be served (See Recommendation No. 1).

The budgeting approach and the statutes should be modified to fully allocate the commission's costs to consumers, but only to those consumers of utilities who continue to be regulated. We consider this regulatory funding approach to be most equitable to all the State's citizens. It should also encourage the elimination of any unwarranted economic regulation when combined with consumer regulatory elections (See Recommendation No. 2).

The commission has not developed a topical reference system for commission orders and court decisions (See Recommendation No. 3). APUC has not been successful in obtaining additional personnel or funding for this task.

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

In their FY 88 Annual Report, APUC highlighted certain problems they perceive with the current statutes and also outlined options and recommended solutions.

APUC broached the question of who should pay the cost of regulation and also presented several options on a public policy level. However, they placed the emphasis on agency funding, rather than on equity to the State's citizens or on the potential elimination of unwarranted regulation (See Recommendation No. 2).

The commission recommended that the statutes be amended to allow interim billing of cost allocations for utilities, similar to that allowed for pipelines. We concur, however, we believe that these billings should be required, and we assert that they are in fact already required for pipeline cases (See Recommendation No. 2).

The commission recommended a statute change to allow them to increase certificate application fees to fully reflect the cost of processing these filings. We would concur if it were not for our recommendation which would effectively allocate these costs on a comprehensive basis (See Recommendation No. 2).

APUC also recommended that the exemption scheme at AS 42.05.711 be reviewed and revised. We agree and have outlined our suggestions at Recommendation No. 1. The commission specifically recommended the deregulation of refuse collection.

They requested clarification of AS 42.05.431 which establishes the power of the commission to fix rates. APUC is uncertain how the dispute resolution procedures under subsection (b) could be used to renegotiate wholesale power contract rates if the commission finds them to be unjust and unreasonable.

The commission suggested that, if the Legislature intended for utilities who are not economically regulated to pay interest on customer deposits, AS 42.05.711 should be amended to reflect this intent. They further recommended that unclaimed deposits not be escheated to the State. We disagree with this second recommendation, as it may provide a disincentive to locate the true owners of these funds.

4. The extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service which it has provided.

Formal proceedings are properly and timely noticed and are open to the public. The commission has held public hearings and formal proceedings within the service areas of the utilities before them to facilitate public attendance and participation. APUC also staffs a Consumer Protection and Information Section to resolve complaints and disseminate information.

5. The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

All formal proceedings, including hearings on proposed regulations, are noticed and open to the public. Any interested person or party may intervene in a formal proceeding if that intervention will benefit, but not unduly delay the proceeding. The commission has also held informal workshops with attorneys and utility representatives in an attempt to be more responsive to the needs and concerns of those groups.

The efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, to the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.

The commission has adopted regulations for informal and formal complaint procedures. Procedures include a requirement that the complaint be made first with the utility before being filed with the commission. If the complaint cannot be resolved informally, formal procedures, including an investigation, may be initiated. The Office of the Ombudsman also occasionally handles utility or APUC-related complaints. We found the complaint resolution process to be operating satisfactorily.

7. The extent to which a board or commission which regulates entry into an occupation or profession has presented qualified applicants to serve the public.

The commission, prior to granting a Certificate of Public Convenience and Necessity to a public utility, is required to determine that the applicant is fit, willing, and able to provide the service. APUC employs

utility financial analysts and utility engineers to perform the necessary analyses to make this determination.

8. The extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

We found no evidence of hiring practices or commission appointments that are contrary to state personnel practices. No complaints have been filed with the Human Rights Commission or the Division of Equal Employment Opportunity.

9. The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency board or commission to better serve the interests of the public and to comply with the factors.

Please refer to the previous section, Findings and Recommendations.

APPENDIX

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

<u>Category</u>	1988 Authorized	1988 Expenses and Encumbrances	1989 Authorized
Personal Services	\$2,113,600	\$2,103,406	\$2,113,600
Travel	28,660	27,423	57,100
Other Services	1,592,330	1,224,346	1,688,500
Supplies	21,000	20,800	22,000
Capital Outlay	<u>3,910</u>	<u>3,910</u>	<u>2,900</u>
<u>Total</u>	<u>\$3.759.500</u>	<u>\$3.379.885</u>	<u>\$3.884.100</u>

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

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STATE OF ALASKA

STEVE COWPER, GOVERNOR

ALASKA PUBLIC UTILITIES COMMISSION DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

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MAR - 7 1989

March 7, 1989

Mr. Randy Welker
Legislative Auditor
Division of Legislative Audit
State of Alaska
P. O. Box W
Juneau, Alaska 99811-3300

Re. Response to Preliminary Audit Report

Dear Mr. Welker:

The following is the response of the Commission to the preliminary audit report and recommendations submitted by the Division of Legislative Audit on February 14, 1989, as a result of its performance review of the Commission.

The Commission concurs with the fundamental conclusion of the report that the

Alaska Public Utilities Commission is operating in an efficient and effective manner and should continue to regulate public utilities and pipelines. (Page 5.)

The Commission does not agree with all of the statements of regulatory theory and philosophy in the preliminary audit report but has focused its comments on the actual recommendations.

Recommendation No. 1A

Alaska Statute 42.05 should be amended to cease certification and regulation of companies furnishing collection and disposal service of garbage, refuse, trash, or other waste material.

The Commission supports this recommendation as it did the identical recommendation made in the 1979 and 1985 Sunset Audits. The auditor's statement that the public health and sanitation aspects of this service are monitored by local governments and the Department of Environmental Conservation addresses the Commission's previous reservation on deregulation.

Recommendation No. 1B

Alaska Statute 42.05 should be amended to cease certification and regulation of radio common carriers.

The Commission concurs with this recommendation based on the character of radio common carrier (RCC) services and the current regulatory status of RCCs operating in the state. However, as noted in the Commission's response to the same recommendation in the 1985 Sunset Audit, future developments in the telecommunications industry may require reimposition of RCC regulation at some later time.

The Commission also believes that its authority to partially or fully deregulate a particular utility industry in response to current circumstances is a desirable and appropriate supplement to the legislative action advocated by the auditor. Accordingly, the Commission requests legislative guidance on the validity of its decision to economically deregulate the RCC industry in the event this recommendation is not implemented by statute.

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

Commission Footnotes:

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

Appendix B

42.05.711 (b) is amended to read:

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

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

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

(3) the cooperative files a rate case complying with the requirements of AS 42.05.411 and 3 AAC 48.275, and if 3 AAC 48.540(a) or (b) requires that cooperative to file a cost-of-service study. (EHC. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
 AS 42.05.151 AS 42.05.421
 AS 42.05.301 AS 42.05.431

Article 6. Miscellaneous Provisions

Section	Section
800. General administrative provisions	810. Delegation of authority
805. Waivers	820. Definitions

3 AAC 48.800. GENERAL ADMINISTRATIVE PROVISIONS. (a) Each utility and pipeline carrier has the continuing responsibility to conform the language of its tariff with the definitions in 3 AAC 48 and 3 AAC 52. A definition that is not substantially the same must be revised by means of an appropriate tariff filing.

(b) Definitions contained in 3 AAC 52.080, 3 AAC 52.150 and 3 AAC 52.340 also apply to the defined words as they are used in 3 AAC 48.010 — 3 AAC 48.820. (EHC. 1/13/73, Register 44; am 6/29/84, Register 90)

Authority: AS 42.05.141 AS 42.06.140(a)
 AS 42.05.151 AS 42.06.350

3 AAC 48.805. WAIVERS. (a) Except for those that are also required under AS 42.05, any requirement in 3 AAC 48 may be modified or waived, in whole or in part, by order of the commission upon application and a showing of good cause or on the commission's own motion.

(b) Application for waiver under this section must be in writing and must set out the pertinent facts in sufficient detail to support a finding by the commission that no legitimate public interest will be served by enforcing the requirement designated in the application. An application under this section may be made to the commission by motion, petition, or, where appropriate, by a tariff advice letter.

(c) If modification of a requirement in 3 AAC 48 cannot be granted without also exempting the applicant from a provision of AS 42.05, the application for the modification or waiver must include application for exemption from the provision of AS 42.05.

(d) The commission will grant or deny an application, in whole or in part. The commission's decision will be announced by order or in a letter written "By Direction of the Commission." (EHC. 6/29/84, Register 90)

3 AAC 48.770 ALASKA ADMINISTRATIVE CODE 3 AAC 48.790

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

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.301 AS 42.05.431

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

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

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.301 AS 42.05.431

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

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.301 AS 42.05.431

48.790

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

48.730

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Authority: AS 42.05.141(1)
AS 42.05.151

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

Authority: AS 42.05.141
AS 42.05.151

Article 5. Simplified Rate Filing Procedures for Electric Cooperatives

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

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

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satisfies the requirements of the regulations. The commission may review implementation of the simplified rate filing procedure at reasonable intervals and may revoke permission to use the procedure or require modification of the rates to correct an error. (§ 6 ch 113 SLA 1970; am § 1 ch 86 SLA 1976; am § 5 ch 106 SLA 1977; am § 4 ch 45 SLA 1980; am § 3 ch 104 SLA 1986)

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

NOTES TO DECISIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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WATER UTILITIES (CONT.)
(1967 Calendar Year)

<u>Utility</u>	<u>Net Plant¹</u>	<u>Gross Revenues</u>	<u>Net Income</u>	<u>Users</u>
Potter Creek Water Company	\$ 128,642	500	<3,653>	9
Romig Park Improvement Company ²	- 0 -	12,350	<3,174>	05
Sandlake Services, R. J. & Clara Rhodes d/b/a	35,648	28,566	9,310	130
Settlers Day Properties, Inc.	- 0 -	8,670	<62,000>	62
South Central Utilities, Inc.	81,577	1,323	<22,183>	11
Southeast Utilities, Inc., Robert H. Scott, Evelyn V. Scott, Charles J. Schneider and Marlene C. Schneider, S & S Development d/b/a	214,912	116,983	30,415	638
Spensard Heights Water System, Wayne Cates d/b/a	5,742	4,857	<489>	40
Valley Water Company, Inc. ³	<u>230,175</u>	<u>157,600</u>	<u>54,568</u>	<u>265</u>
Subtotal	<u>\$ 2,536,656</u>	<u>\$ 1,041,128</u>	<u>\$ <5,460></u>	<u>3,715</u>
TOTAL	<u>\$97,209,702</u>	<u>\$21,969,687</u>	<u>\$984,935</u>	<u>46,008</u>

WATER UTILITIES
(1967 Calendar Year)

Utility	Net Plant ¹	Revenues		Users
		Gross Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,000,000)</u>				
Anchorage Water and Wastewater Utility, Municipality of Anchorage d/b/a	\$91,067,395	\$17,029,084	\$391,063	40,305
Barrow Utilities and Electric Cooperative, Inc.	----- ²	2,497,134	421,071	300
College Utilities Corp. ³	<u>3,605,731</u>	<u>1,402,341</u>	<u>178,270</u>	<u>1,600</u>
Subtotal	<u>\$94,753,126</u>	<u>\$20,928,559</u>	<u>\$990,403</u>	<u>42,293</u>

(Gross Operating Revenue Less Than \$250,000)

Alpat Water Utility Company	\$ 93,299	\$ 22,702	\$ 9,976	76
Alyeska Utilities, Inc. ⁴	85,689	102,143	20,522	526
Chuglak Utilities	247,418	51,919	20,454	195
Dawn Development Corporation		(Not Reported)		
Eagle Utilities, Inc.	- 0 -	29,459	7,868	03
Eklutna Utilities, Inc.	456,993	193,555	<66,475>	600
ERU, Inc.	66,600	9,727	<5,352>	34
Kwik Log Water System, Hyron Alton Newton d/b/a	- 0 -	2,688	890	18
Natanuska Utility Company, Inc.	69,689	12,443	<1,159>	12
McGahan Utilities, Inc.	22,801	23,046	2,683	11/1
McKinley Utilities, Inc. ⁵	69,742	9,924	1,635	34
Norfolk Utilities, Inc.	696,505	248,156	235	866
Omlin Water Utility, Paul Omlin d/b/a	31,216	4,437	533	15
Pelican Utility Company		(Not Reported)		

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

Utility	Net Plant	Revenues		Main Access Lines
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$4,000,000)</u>				
Alascom, Inc.	\$329,029,964	\$201,030,131	\$42,456,392	0/A
Anchorage Telephone Utility, Municipality of Anchorage d/b/a	219,695,213	87,020,380	1,669,750	112,107
General Telephone Company of Alaska	12,884,609	8,255,030	1,002,776	10,602
Interior Telephone Company	8,837,986	4,407,591	8,605	1,965
Katanaska Telephone Association, Inc.	91,414,691	29,325,474	1,381,188	25,418
Telephone Utilities of Alaska, Inc.	94,008,561	43,760,048	6,850,419	34,031
Telephone Utilities of the Northland, Inc.	22,071,989	14,845,183	2,058,955	14,297
United Utilities, Inc.	<u>15,760,748</u>	<u>7,651,037</u>	<u>652,195</u>	<u>2,865</u>
Subtotal	<u>\$794,503,841</u>	<u>\$476,294,874</u>	<u>\$55,080,292</u>	<u>201,205</u>
<u>(Gross Operating Revenue Greater Than \$1,000,000 but Less Than \$4,000,000)</u>				
Arctic Slope Telephone Association Cooperative, Inc.	\$ 3,429,404	\$ 3,828,606	\$ 564,797	855
Bristol Bay Telephone Cooperative, Inc.	3,073,711	1,517,469	150,112	942
Copper Valley Telephone Cooperative, Inc.	10,453,257	3,432,288	696,218	2,795
Hukluk Telephone Company, Inc.	2,731,542	1,363,916	347,815	642
National Utilities, Inc.	1,670,124	1,419,241	208,968	1,571
Hushagak Telephone Cooperative, Inc.	3,416,799	1,754,223	304,736	1,286
OTZ Telephone Cooperative, Inc.	<u>3,900,178</u>	<u>2,001,821</u>	<u>349,989</u>	<u>1,540</u>
Subtotal	<u>\$ 28,695,015</u>	<u>\$ 15,317,644</u>	<u>\$ 2,622,635</u>	<u>9,611</u>
<u>(Gross Operating Revenue Less Than \$1,000,000)</u>				
Bush-Tell, Incorporated	\$ 2,334,383	\$ 814,510	\$ <14,506>	520
Yukon Telephone Company, Inc.	<u>684,335</u>	<u>644,904</u>	<u><63,290></u>	<u>343</u>
Subtotal	<u>\$ 3,060,718</u>	<u>\$ 1,459,414</u>	<u>\$ <77,796></u>	<u>863</u>
TOTAL	<u>\$826,267,574</u>	<u>\$493,071,932</u>	<u>\$ 58,625,131</u>	<u>211,779</u>

GENERAL (WASTEWATER) UTILITIES
(1967 Calendar Year)

Utility	Net Plant ¹	REVENUES		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,000,000)</u>				
Anchorage Water and Wastewater Utility, Municipality of Anchorage d/b/a	\$54,302,553	\$10,099,805	\$<1,208,190>	49,140
College Utilities Corp. ²	<u>2,281,975</u>	<u>1,366,995</u>	<u>101,412</u>	<u>1,554</u>
Subtotal	<u>\$56,584,528</u>	<u>\$19,466,800</u>	<u>\$<1,106,778></u>	<u>50,694</u>
<u>(Gross Operating Revenue Less Than \$750,000)</u>				
Harrow Utilities and Electric Cooperative, Inc.	\$----- ³	\$ 554,500	\$ 3,333	367
Salmantof Utilities, Inc.	50,000	804	514	3
Settlers Bay Properties, Inc.	<u>- 0 -</u>	<u>5,045</u>	<u><159,390></u>	<u>12</u>
Subtotal	<u>\$ 50,000</u>	<u>\$ 560,509</u>	<u>\$ <155,543></u>	<u>382</u>
TOTALS	<u>\$56,634,528</u>	<u>\$20,027,309</u>	<u>\$<1,342,321></u>	<u>51,076</u>

GAS UTILITIES
(1987 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$5,000,000)</u>				
ENSTAR Natural Gas Company ¹ (a division of Seagull Energy Corporation)	\$157,479,366	\$99,956,451	\$15,855,146	78,223
Subtotal	\$157,479,366	\$99,956,451	\$15,855,146	78,223
<u>(Gross Operating Revenue Greater Than \$500,000 but Less Than \$1,500,000)</u>				
Darrow Utilities and Electric Cooperative, Inc.	\$----- ²	\$ 804,907	\$ 74,685	908
Subtotal	\$----- ²	\$ 804,907	\$ 74,685	908
TOTALS	<u>\$157,479,366</u>	<u>\$100,761,430</u>	<u>\$15,929,831</u>	<u>79,131</u>

REFUSE AND GARBAGE UTILITIES
(1987 Calendar Year)

Utility	Net Plant	Revenues		Customers
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$200,000)</u>				
Anchorage Refuse, Inc.	\$2,458,804	\$ 9,210,396	\$163,811	26,076
Channel Sanitation Corporation	276,894	2,132,305	<390,404>	4,920
Drake's Sanitation, Inc. ¹	132,400	454,641	<8,716>	165
Eagle River Refuse, Inc.	185,610	932,965	32,697	4,110
Far North Sanitation, Inc.	1,569,616	1,214,258	133,867	712
Interior Services, Ralph E. Bartlett d/b/a	788,822	519,916	<23,940>	262
Kodiak Sanitation, Inc.	82,437	820,551	70,322	182
Peninsula Sanitation Company, Inc. ²	252,395	1,350,321	85,004	1,340
Wasilla Refuse, Inc. ³	130,700	541,037	74,504	702
TOTAL	<u>\$5,877,046</u>	<u>\$17,176,390</u>	<u>\$137,937</u>	<u>30,177</u>

ELECTRIC UTILITIES (CONT.)
(1987 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Less Than \$500,000)</u>				
Andreanof Electric Corporation ¹	\$ 129,345	\$ 79,872	\$ 15,293	37
Bettles Light & Power, Inc.	316,722	373,529	<47,841>	49
Far North Utilities	355,414	112,315	<6,110>	44
Lovelock Electric Cooperative, Inc. ²	75,534	144,844	20,344	69
Hanley Utility Company, Inc.	266,322	111,344	<66,862>	84
Middle Kuskokwim Electric Cooperative, Inc.	1,714,495	375,093	<21,233>	152
Hapaklak Ircinaq Power Company ³	141,137	275,343	61,212	81
Northway Power & Light, Inc.	327,927	366,442	39,759	110
Pelican Utility Company	584,202	394,794	106,033	107
Teller Power Company	96,429	305,680	71,561	86
Subtotal	\$ 4,007,607	\$ 2,539,256	\$ 252,066	819
TOTALS	<u>\$1,002,835,911</u>	<u>\$357,450,846</u>	<u>\$25,159,293</u>	<u>195,650</u>

ELECTRIC UTILITIES (CONT.)
(1967 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,500,000 but Less Than \$5,000,000)</u>				
Alaska Power & Telephone Company	\$ 3,354,850	\$ 3,164,175	\$ 500,190	1,716
Arctic Utilities, Inc. ¹	2,152,979	3,146,571	249,226	26
Barrow Utilities and Electric Cooperative, Inc.	-----2	1,686,884	229,661	1,246
Dethel Utilities Corporation, Inc.	2,836,580	4,277,113	136,114	1,691
Kotzebue Electric Association, Inc.	6,449,884	2,798,398	420,487	973
Hushagak Electric Cooperative, Inc. ³	4,771,174	2,498,707	260,577	1,084
Tlingit-Haida Regional Electrical Authority	<u>5,628,503</u>	<u>2,986,005</u>	<u>480,024</u>	<u>975</u>
Subtotal	<u>\$ 25,193,978</u>	<u>\$ 20,557,933</u>	<u>\$ 2,356,279</u>	<u>7,711</u>

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

Aniak Light and Power Company, Inc.	\$ 526,320	\$ 741,912	\$ 119,449	150
G & K, Inc.	H/A	895,814	H/A	70
Gwitchyaa Zhee Utility Company ⁴	690,130	578,608	<110,310>	297
Haines Light & Power Company, Inc.	1,206,793	1,162,049	97,064	750
I-H-H Electric Cooperative, Inc.	1,522,832	695,272	<1,032>	259
McGrath Light & Power Company ⁴	1,069,476	837,306	143,931	231
Sand Point Electric, Inc. ⁵	438,301	939,039	2,132	400
Tanana Power Company, Inc.	751,797	551,930	81,258	184
Yakutat Power, Inc.	<u>674,831</u>	<u>693,338</u>	<u>45,659</u>	<u>281</u>
Subtotal	<u>\$ 6,800,480</u>	<u>\$ 7,095,268</u>	<u>\$ 377,343</u>	<u>2,622</u>

ELECTRIC UTILITIES
(1987 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$5,000,000)</u>				
Alaska Electric Generation & Transmission Cooperative, Inc.	\$ 17,139,417	\$ 16,256,727	\$ 86,170	1
Alaska Electric Light and Power Company	34,739,603	15,009,700	1,360,002	10,370
Alaska Village Electric Cooperative, Inc. ¹	27,210,242	11,405,183	1,016,263	4,970
Chugach Electric Association, Inc.	366,771,700	93,533,908	5,394,175	60,807
Copper Valley Electric Association, Inc.	14,053,824	7,171,696	806,209	2,350
Golden Valley Electric Association, Inc.	138,156,431	39,115,609	3,173,267	26,704
Homer Electric Association, Inc.	82,327,628	31,160,368	2,551,630	17,239
Kodiak Electric Association, Inc.	32,519,997	14,044,493	2,325,809	4,354
Natanuska Electric Association, Inc.	106,672,760	37,879,553	4,648,728	27,479
Municipal Light & Power Department, Municipality of Anchorage d/b/a	<u>146,962,166</u>	<u>61,594,072</u>	<u>722,462</u>	<u>30,048</u>
Subtotal	<u>\$966,553,048</u>	<u>\$327,258,309</u>	<u>\$22,173,595</u>	<u>184,506</u>

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

1R-89-1(1)
APPENDIX 1

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

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

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

13 ORDER

14 THE COMMISSION FURTHER ORDERS:

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

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

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

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

25 BY DIRECTION OF THE COMMISSION
(Commissioner Louis E. Agi, not participating)

26 (S E A 'L)

Alaska Public Utilities Commission
420 "L" Street, Suite 100
Anchorage, Alaska 99501
(907) 276-6222

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

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

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

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

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

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

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

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

25

26

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

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

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

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

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

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

Alaska Public Utilities Commission
420 "L" Street, Suite 100
Anchorage, Alaska 99501
(907) 275-6222

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

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

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

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

18 Discussion

19 It is the policy of the Commission to minimize the bur-
20 dens and costs of regulation for utilities to the greatest extent
21 possible. However, balance is required in order to both assure
22 the protection of customers of a monopoly providing an essential
23 service and to assure the continued financial and operational
24 viability of these utilities. The goal of this proceeding is to
25
26

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

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

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

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

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

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

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

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

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

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

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

21 For utilities subject to economic regulation, the reg-
 22 ulatory scheme that exists applies uniformly to both large and
 23 small utilities with relatively few exceptions. (For example,
 24

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

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

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STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners:

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

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

ORDER ISSUING NOTICE OF INQUIRY FOR
SIMPLIFICATION OF SMALL UTILITY REGULATION

BY THE COMMISSION:

Introduction

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

Background

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

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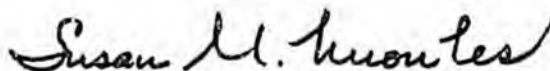
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Appendix

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

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

Sincerely,



Susan M. Knowles
Chairman

Attachments

Recommendation No. 3

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

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

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

Recommendation No. 4

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

The Commission supports this recommendation.

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

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

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

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

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

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

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

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

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

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

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

Recommendation No. 2

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

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

political subdivision, thus giving affected consumers a forum and recourse for concerns and complaints.

The Commission recognizes that this recommendation presently affects only the Municipality of Anchorage. It is pertinent to consideration of this recommendation that, at the present time, there are a number of outstanding issues before, and outstanding requirements by, the Commission for the Anchorage Water and Wastewater Utility (sewer), the Anchorage Telephone Utility, and the Anchorage Municipal Light and Power Department.¹ It is reasonable to assume that the Anchorage Assembly would take into consideration the status and results of proceedings before the Commission at such time as it considers any decision to end economic regulation by the Commission.

¹Docket U-87-47 is an investigation into the general management practices of Anchorage's sewer utility. In Dockets U-88-18 and U-87-61 the Anchorage Telephone Utility is before the Commission requesting a 54.83% rate increase and responding to an investigation into the general and financial management practices of the utility. Commission decisions are currently pending in these sewer and telephone cases. At the present time, the Municipal Light and Power Department is required to provide an equity management plan and obtain Commission approval before further debt refunding is issued because of its poor financial condition.

All utilities which have gross revenues of \$500,000 or less may elect to be exempt from the provisions of AS 42.05, other than AS 42.05.221-42.05.281, under the procedures described in AS 42.05.712.

This approach conforms with the Commission's position that regulation for utilities that heretofore have been regulated should be continued unless the people most affected, the consumers, vote to become deregulated.

The Commission also concurs with the auditor's suggestion that consideration be given to reducing the number of customers required to petition for regulation under AS 42.05.711.

Recommendation No. 1E

Alaska Statute 42.05 should be amended to cease mandatory economic regulation of certain utilities owned by political subdivisions.

The Commission supports the philosophy underlying this recommendation. However, the Commission does not believe that elimination of AS 42.05.711(b)(2) is necessary to achieve the auditor's objective and has proposed an alternative legislative approach and language.

It is reasonable that if regulation is elected at one time by a governing body as currently provided under AS 42.05.711(b)(1), then a future governing body should have similar authority to vote to revoke that election. If such revocation is exercised, it is presumed that the public protection function provided by the Commission will be assumed by the governing body of the

Although the reduction in workload would be approximately commensurate with the loss of Commission staff over the past three years if this recommendation were enacted, and from that standpoint may be appealing, the Commission does not believe that the public interest would be served by wholesale deregulation of utilities serving perhaps the most (or one of the more) vulnerable segment(s) of the ratepaying public.

The Commission believes that the concern about the cost of regulation that has been voiced by the auditor as well as others, for the most part, is directed at the expense (both in time and dollars) associated with regulatory requirements when a utility desires or needs to change its rates. The Commission has recognized for some time that the regulatory scheme that exists and has been applied to both large and small utilities should be examined. To that end, on February 3, 1989, the Commission has issued a Notice of Inquiry. The purpose of the Inquiry is to receive information which would assist the Commission in proposing regulations to simplify rate and other regulatory proceedings for smaller utilities. A copy of this order is attached. (See Appendix A.)

In summary, the Commission believes that the issue of the cost of regulation as it relates to the smaller-sized utilities can be substantially mitigated through administrative procedures rather than legislation which would eliminate the important public protection function today provided by economic regulation.

However, if the Legislature believes public policy is better served by deregulating smaller utilities, the Commission would propose, as it did in response to the 1985 Sunset Audit, the following amendment to AS 42.05.711 to expand the deregulation election process found in AS 42.05.712 which would replace the provisions of AS 42.05.711(e), (f), (g), and (i):

that regulation of small utilities is at the core of its public protection function, especially given the geographic and demographic characteristics of Alaska. The Commission also believes that the burden and cost of regulation on smaller utilities can and should be reduced administratively, and it is currently addressing this issue.

As the auditor points out, it is extremely difficult to quantify the cost of regulation, both to the regulated and to the regulator. At the same time, it is relatively easy to inflate or deflate cost figures to support a given predisposition for or against regulation. Regardless of amount, costs are relatively meaningless unless they are compared to benefits.

The Commission agrees with the auditor that the primary benefits of regulation are a financially stable utility which provides reliable, safe service to all customers at reasonable, non-discriminatory rates. With the exception of 22 water companies, the utilities affected by this recommendation are providing service in rural Alaska and are predominantly electric utilities. It has been the Commission's experience that the need for regulation and the potential benefits provided by regulation are frequently greater for smaller utilities than for larger utilities for many reasons, including, the logistical challenge of operating in remote locations; inexperienced personnel; unsafe facilities as a result of non-compliance with the National Electric Safety Code; lack of familiarity with utility management, maintenance, and accounting procedures; discriminatory actions by utility management; failure to request rate increases when needed; and procurement of wrong equipment. In addition, it can be argued that the consumers in rural Alaska are even more captive than those in the urban areas, and, therefore, are particularly dependent on a high level of protection.

Recommendation No. 1C

Alaska Statute 42.05 should be amended to cease certification of cable television.

The Commission concurs with this recommendation with some qualifications, as it did with the same recommendation in the 1985 Sunset Audit. The recommendation appropriately eliminates the anomaly in the current regulatory scheme for cable television (CATV) service whereby CATV providers hold monopoly certificates but are economically deregulated. However, the Commission would encourage the Legislature to use its legal and research staffs to examine the implications of the following on full CATV deregulation: (1) the Cable Communications Policy Act of 1984, (2) the Federal Communications Commission's recent initiatives to eliminate the existing ban on cross-ownership of CATV and telephone companies, (3) the availability and status of local government oversight, (4) shared use of rights-of-way, (5) community access and institutional network use of CATV systems, and (6) disposition of certificates held by existing CATV providers. In any event, as noted in response to the 1985 Sunset Audit recommendation, CATV certification is not a large element of the Commission's workload.

Recommendation No. 1D

Alaska Statute 42.05 should be amended to exempt smaller utilities from economic regulation.

The Commission opposes this recommendation because it disagrees with the auditor's unsupported presumption that the cost of economic regulation presently exceeds its benefits for smaller utilities. Rather, the Commission concludes from its experience

GENERAL INFORMATION UPDATE FORM

NAME OF UTILITY: Interior Services Inc.

ADDRESS: 400 Sanduir Rd. Fairbanks, Alaska 99701

TELEPHONE NO.: (907) 452-1517 CERTIFICATE NO.: 315

MANAGEMENT

List all principal management personnel:

	<u>NAME</u>	<u>ADDRESS</u>	<u>PHONE NO.</u>
President:	<u>Ralph E. Bartlett</u>	<u>400 Sanduri Rd.</u>	<u>(907) 452-1517</u>
General Manager:	<u>Ralph E. Bartlett</u>	<u>400 Sanduri Rd.</u>	<u>(907) 452-1517</u>
Principal Attourney(s):	<u>Robert Sparks</u>	<u>709 4th Ave</u>	<u>(907) 452-4454</u>
Accountant:	<u>Larry Hendricks</u>	<u>136 E So Temple # 1450 Salt Lake City Utah</u>	<u>(801) 524-2024</u>
Engineer:			

SERVICE AREA INFORMATION

For each location served by the utility list the following:

<u>Location</u>	<u>Local Address</u>	<u>Local Manager</u>	<u>Phone No.</u>
<u>Fairbanks</u>	<u>400 Sanduri Rd.</u>	<u>Ralph E. Bartlett</u>	<u>(907) 452-1517</u>

ATTESTATION

This report must be attested to by an officer of the company.

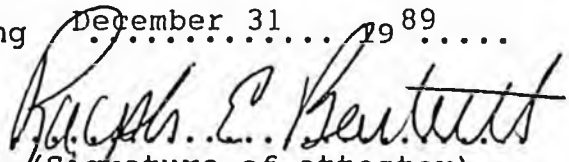
..... Ralph E. Bartlett certifies that
(Insert name of attester)

he/she is President
(Insert here the official title of the attester)

of Interior Services Inc.
(Insert here the exact legal title or name of the respondent).

that he/she has examined this report; that to the best of his/her
knowledge, information , and belief, all statements of fact
contained in the said report are true and the said report is a
correct statement of the business and affairs of the above-named
respondent in respect to each and every matter set forth therein
during the period from and including January 1..... 19⁸⁹.....,

to and including December 31..... 19⁸⁹.....


(Signature of attester)

UTILITY NAME Interior Services Inc. YEAR ENDED 12 / 31 / 89

COMPARATIVE BALANCE SHEET

<u>ASSETS AND OTHER DEBITS</u>	<u>Balance Beginning Of Year</u>	<u>Balance End Of Year</u>	<u>Increase Or (Decrease)</u>
Utility Property			
Intangible Property	\$1,317,817	\$1,317,817	\$ 0
Collection Utility Property			
General Utility Property			
Accumulated Provision For Depreciation (Credit)	(561,995)	(658,128)	(96,133)
Net Utility Property	<u>\$ 755,822</u>	<u>\$659,689</u>	<u>\$ (96,133)</u>
<u>Current and Accrued Assets</u>			
Cash	\$ 8,499	\$ 1,586	\$ (6913)
Notes & Accounts Recv.	13,703	13,482	(221)
Materials & Supplies	25,000	9,082	(15,918)
Prepayments			
Other Current & Accrued Assets (Sched. Pg.11)			
Total Current & Accrued Assets	<u>\$47,202</u>	<u>\$24,150</u>	<u>\$(23,052)</u>
Misc. Assets & Other Debits (Scheduled Pg. 11)	<u>\$</u>	<u>\$</u>	<u>\$</u>
TOTAL ASSETS & OTHER DEBITS	<u><u>\$ 803,024</u></u>	<u><u>\$683,839</u></u>	<u><u>\$(119,185)</u></u>
<u>LIABILITIES & OTHER CREDITS</u>			
<u>Current & Accrued Liab.</u>			
Notes Payable-Short Term	\$ 45,000	\$ 109,018	\$ 64,018
Accounts Payable			
Other Current & Accrued Liab. (Sched. Pg.11)			
Total Current & Accrued Liabilities	<u>\$ 45,000</u>	<u>\$109,018</u>	<u>\$ 64,018</u>
Other Misc. Liab. & Other Credits (Sch. Pg 11)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Long Term Debt (Scheduled Pg. 9)	<u>\$ 524,000</u>	<u>\$ 390,213</u>	<u>\$(133,787)</u>
<u>Proprietary Capital</u>			
Common Stock Issued			
Retained Earnings			
Proprietary Capital			
Total Capital	<u>\$ 234,024</u>	<u>\$184,608</u>	<u>\$ (49,416)</u>
TOTAL LIABILITIES & OTHER CREDITS	<u><u>\$ 803,024</u></u>	<u><u>\$683,839</u></u>	<u><u>\$(119,185)</u></u>

UTILITY NAME Interior Services Inc.YEAR ENDED 12 / 31 / 89

STATEMENT OF INCOME FOR THE YEAR

	<u>Amount For The Year</u>	<u>Increase Or (Decrease)</u>
<u>Operating Revenues</u> (Scheduled Pg. 12)	<u>\$ 630,294</u>	<u>\$ 85,413</u>
<u>Operating Expenses</u>		
Equipment Operating Expenses (Scheduled Page 10)	\$ 151,879	\$ 20,623
Equipment Maintenance & Garage Expense (Scheduled Page 10)	202,804	29,293
Traffic Solicitation & Advertising	441	(229)
Insurance & Safety Expense	57,361	23,512
Office Salaries & Expense	27,192	(19,096)
Depreciation & Amortization (Scheduled Page 13)	96,133	(39,384)
Taxes Other Than Income Taxes	11,065	11,065
Income Taxes-Federal		
Income Taxes-State		
Licences		
Lease of Equipment		
Other Operating Exp. (Scheduled Page 10)	<u>93,814</u>	<u>(3,029)</u>
Total Operating Expenses	<u>\$ 640,689</u>	<u>\$ 3,545</u>
<u>Net Utility Operating Income</u>	<u>\$ (10,395)</u>	<u>\$ 81,868</u>
<u>Interest Charges</u>		
Interest on Long Term Debt	\$ 39,021	\$(13,379)
Other Interest Expense		
Total Interest Charges	<u>\$ 39,021</u>	<u>\$(13,379)</u>
<u>Non-Utility Income</u> (Scheduled Page 10)	<u>\$</u>	<u>\$</u>
<u>Non-Utility Deductions</u> (Scheduled Page 10)	<u>\$</u>	<u>\$</u>
NET INCOME	<u><u>\$ (46,416)</u></u>	<u><u>\$ 95,247</u></u>

UTILITY NAME Interior Services Inc. YEAR ENDED 12 / 31 / 89

SUMMARY OF EQUIPMENT OPERATING EXPENSE

Dumping Fees	\$ 31,752
Drivers, Helpers, and Other Wages	106,147
Gas and Oil	13,523
Other Expense	457
Total Equipment Operating Expense	<u>\$ 151,879</u>

SUMMARY OF EQUIPMENT MAINTENANCE EXPENSE

Mechanics and Helpers Wages	\$ 17,781
Parts, Labor, Materials and Supplies	74,672
Tires, Tubes, Repairs and Maintenance	33,175
Other Garage and Shop Expenses	69,710
Other Expense	7,466
Total Equipment Maintenance Expense	<u>\$ 202,804</u>

PARTICULARS CONCERNING OTHER OPERATING EXPENSES

<u>ITEM</u>	<u>AMOUNT</u>
Phone & Electric	\$ 8,083
Propane	8,056
Attourney fees	57,732
Consultant fees	2,758
CPA	20,185
	<u>\$ 93,814</u>

PARTICULARS CONCERNING NON-UTILITY INCOME ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
	<u>\$</u>

PARTICULARS CONCERNING NON-UTILITY DEDUCTIONS ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
	<u>\$</u>

UTILITY NAME Interior Services Inc.

YEAR ENDED 12/ 31/ 89

SALES DATA FOR THE YEAR

<u>Class of Service</u>	<u>Revenues</u>	<u>Average # of Customers</u>
Residential Sales	\$ 10,769	160
Commercial and Industrial		
Small (or Commercial)	63,035	70
Large (or Industrial)	556,490	5
Total Sales		
Other Sales Revenues		
Total Operating Revenue	<u>\$ 630,294</u>	<u>235</u>

NUMBER OF EMPLOYEES

Total Regular Full Time Employees	6
Total Part-Time and Temporary Employees	3
Total Employees	<u>9</u>

UTILITY CONTRACTS

<u>Customer</u>	<u>Contract Dates</u>		<u>Amount</u>
	<u>Beginning</u>	<u>Ending</u>	
			\$

\$

UTILITY NAME Interior Services Inc.

YEAR ENDED 12 / 31 / 89

SUMMARY OF UTILITY PLANT

Intangible Plant	\$
Collection Utility Property	
Structures and Improvements	27,590
Rolling Equipment (Mobile)	489,474
Containers, Bins, etc.	166,758
Other Collection Property	104,000
General Utility Property	529,995
Construction Work In Progress	
 Total Utility Plant	 1,317,817
Less: Accumulated Provision for Depr & Amort.	<u>658,128</u>
NET UTILITY PLANT	<u>\$ 659,689</u>

DEPRECIATION & AMORTIZATION OF REFUSE PLANT

<u>Functional Classification</u>	<u>Depreciation Expense</u>
Intangible Plant	\$
Collection Utility Property	
Structures and Improvements	1,104
Rolling Equipment (Mobile)	61,184
Containers, Bins, etc.	20,845
Other Collection Property	13,000
General Utility Property	Ø
 Total	 <u>\$ 96,133</u>

FACTORS USED IN ESTIMATING DEPRECIATION CHARGES

<u>Type Plant</u>	<u>Depreciable Plant Base</u>	<u>Estimated Avg Service Life</u>	<u>Deprec Rate %</u>	<u>Avg. Remain. Life</u>
Buildings	27,590	25	4%	
Rolling Equipment	489,474	8	12.5%	
Containers	166,758	8	12.5%	
Other Equipment	104,000	8	12.5%	
Property	529,995	Land		

\$

UTILITY NAME Interior Services Inc.

YEAR ENDED 12 / 31 / 89

SUMMARY OF OFFICER'S/OWNER'S COMPENSATION

	<u>Name</u>	<u>Title</u>	<u>Salary</u>
Construction Supervision:			\$
Total			<u>\$</u>
Operation Supervision:			\$
Total			<u>\$</u>
Maintenance Supervision:			\$
Total			<u>\$</u>
Administrative and General Salaries:			\$ 147,334
Total			<u>\$ 147,334</u>
Total Officers/Owners Compensation			<u>\$</u>

ATTESTATION

The foregoing report must be attested by an officer of the company.

.....Harvey Drake..... certifies that
(Insert here the name of the attester)
he is.....President.....
(Insert here the official title of the attester)
of.....DRAKE SANITATION, INC.....
(Insert here the exact legal title or name of the respondent)

that he has examined the foregoing report; that to the best of his knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from and including

...May 1.....19 89..... to and including...April 30.....1990.....

Harvey Drake
.....
(Signature of attester)

GENERAL INFORMATION UPDATE FORM

NAME OF UTILITY: DRAKE SANITATION, INC.

ADDRESS: P.O. Box 55087, North Pole, AK 99705

TELEPHONE NO.: (907) 488-6435 CERTIFICATE NO.: 220

MANAGEMENT

List all principal management personnel:

	<u>Name</u>	<u>Address</u>	<u>Phone No.</u>
President:	<u>Harvey Drake</u>	<u>P.O. Box 55087 North Pole, AK 99705</u>	<u>907-488-6435</u>
General Manager:	_____	_____	_____
Principal Attorney(s):	<u>B. Richard Edwards</u>	<u>550 W. 7th Ave. Anchorage, AK 99501</u>	<u>907-276-5552</u>
	_____	_____	_____
	_____	_____	_____
Accountant:	<u>Richards, Johnson & Granberry</u>	<u>1100 W. Burnette #102 Fairbanks, AK 99701</u>	<u>907-452-4156</u>
Engineer:	_____	_____	_____

SERVICE AREA INFORMATION

For each location served by the utility list the following:

<u>Location</u>	<u>Local Address</u>	<u>Local Manager</u>	<u>Phone No.</u>
<u>North Pole & Vicinity</u>	<u>P.O. Box 55087 North Pole, AK 99705</u>	<u>Harvey Drake</u>	<u>907-488-6435</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

UTILITY NAME DRAKE SANITATION, INC. YEAR ENDED 04 / 30 / 90

COMPARATIVE BALANCE SHEET

<u>ASSETS AND OTHER DEBITS</u>	<u>Balance Beginning Of Year</u>	<u>Balance End Of Year</u>	<u>Increase Or (Decrease)</u>
<u>Utility Property</u>			
Land and Buildings	\$	\$	\$
Trucks and Automobiles	198,852	198,852	Ø
Machinery, Tools, Furn. and Fixtures	20,016	20,016	Ø
Accumulated Provision For Depreciation (Credit)	<u>(176,016)</u>	<u>(187,310)</u>	<u>(11,294)</u>
Net Utility Property	<u>\$ 42,852</u>	<u>\$ 31,558</u>	<u>\$ (11,294)</u>
<u>Current and Accrued Assets</u>			
Cash	\$ 114,280	\$ 218,947	\$ 104,667
Notes & Accounts Recv.	52,173	57,233	5,060
Materials & Supplies			
Prepayments	26,128	11,209	(14,919)
Other Current & Accrued Assets (Schedule Pg.5)	<u>30,000</u>	<u>Ø</u>	<u>(30,000)</u>
Total Current & Accrued Assets	<u>\$ 222,581</u>	<u>\$ 287,389</u>	<u>\$ 64,808</u>
Misc. Assets & Other Debits (Scheduled Pg. 5)	<u>\$ 44,858</u>	<u>\$ 27,154</u>	<u>\$ (17,704)</u>
TOTAL ASSETS & OTHER DEBITS	<u><u>\$ 310,291</u></u>	<u><u>\$ 346,101</u></u>	<u><u>\$ 35,810</u></u>
<u>LIABILITIES & OTHER CREDITS</u>			
<u>Current & Accrued Liab.</u>			
Notes Payable-Short Term	\$	\$	\$
Accounts Payable	2,064	15,617	13,553
Other Current & Accrued Liab. (Scheduled Pg.5)	<u>6,094</u>	<u>7,415</u>	<u>1,321</u>
Total Current & Accrued Liabilities	<u>\$ 8,158</u>	<u>\$ 23,032</u>	<u>\$ 14,874</u>
Other Misc. Liab. & Other Credits (Sch. Pg 5)	<u>\$ 12,308</u>	<u>\$ 9,582</u>	<u>\$ (2,726)</u>
Long Term Debt	<u>\$ Ø</u>	<u>\$ Ø</u>	<u>\$ Ø</u>
<u>Proprietary Capital</u>			
Common Stock Issued	10,000	10,000	Ø
Retained Earnings	279,825	303,487	23,662
Proprietary Capital	Ø	Ø	Ø
Total Capital	<u>\$ 289,825</u>	<u>\$ 313,487</u>	<u>\$ 23,662</u>
TOTAL LIABILITIES & OTHER CREDITS	<u><u>\$ 310,291</u></u>	<u><u>\$ 346,101</u></u>	<u><u>\$ 35,810</u></u>

UTILITY NAME DRAKE SANITATION, INC. YEAR ENDED 04/30/90

STATEMENT OF INCOME FOR THE YEAR

	<u>Amount For The Year</u>	<u>Increase Or (Decrease)</u>
<u>Operating Revenues</u>	<u>\$ 577,962</u>	<u>\$ 76,478</u>
<u>Operating Expenses</u>		
Equipment Operating Expenses (Scheduled Page 4)	\$ 279,133	\$ (28,492)
Equipment Maintenance & Garage Expense (Scheduled Page 4)	115,694	(7,750)
Traffic Solicitation & Advertising	733	(2,733)
Insurance & Safety Expense	22,381	(7,828)
Office Salaries & Expense	89,802	15,949
Depreciation & Amortization	11,294	1,119
Taxes Other Than Income Taxes	8,195	(440)
Income Taxes-Federal	4,136	9,162
Income Taxes-State	1,049	1,049
Licences	Ø	Ø
Lease of Equipment	46,200	(425)
Other Operating Exp. (Scheduled Page 4)	12,833	(11,380)
<u>Total Operating Expenses</u>	<u>\$ 591,450</u>	<u>\$ (31,769)</u>
<u>Net Utility Operating Income</u>	<u>\$ (13,488)</u>	<u>\$ 108,247</u>
<u>Interest Charges</u>		
Interest on Long Term Debt	\$	\$
Other Interest Expense		
<u>Total Interest Charges</u>	<u>\$ Ø</u>	<u>\$ Ø</u>
<u>Non-Utility Income</u> (Scheduled Page 4)	<u>\$ 86,510</u>	<u>\$ (47,076)</u>
<u>Non-Utility Deductions</u> (Scheduled Page 4)	<u>\$ 49,360</u>	<u>\$ 31,471</u>
<u>NET INCOME</u>	<u>\$ 23,662</u>	<u>\$ 29,700</u>

UTILITY NAME DRAKE SANITATION, INC. YEAR ENDED 04/30 / 90

CHANGES IN RETAINED EARNINGS (OR CAPITAL) DURING THE YEAR

Balance at Beginning of Year		\$ 279,825
Add: Net Income From Current Year	\$ 23,662	
Other Additions		
Total Additions	<u> </u>	<u>\$ 23,662</u>
Deductions:		
Dividends Declared	\$	
Withdrawals		
Other Deductions		
Total Deductions	<u> </u>	<u>\$ 0</u>
Balance at End of Year		<u><u>\$ 303,487</u></u>

REMUNERATION OF PROPRIETORS, PARTNERS, STOCKHOLDERS AND OFFICERS

<u>Name</u>	<u>Address</u>	<u>Title</u>	<u>Number of Shares Owned or Percent of Ownership</u>	<u>Salary and Other Remuneration</u>
Harvey Drake	P.O. Box 55087 North Pole, AK	Pres.	90%	\$ 90,000
Linda Leonard	P.O. Box 55087 North Pole, AK	Sec/Treas.	5%	24,000
		Total	<u>95%</u>	<u>\$114,000</u>

UTILITY NAME DRAKE SANITATION, INC. YEAR ENDED 04 / 30 / 90

SUMMARY OF EQUIPMENT OPERATING EXPENSE

Dumping Fees	\$ 56,034
Drivers, Helpers, and Other Wages	182,713
Gas and Oil	40,386
Other Expense	
Total Equipment Operating Expense	<u>\$ 279,133</u>

SUMMARY OF EQUIPMENT MAINTENANCE EXPENSE

Mechanics and Helpers Wages	\$ 38,287
Parts, Labor, Materials and Supplies	11,641
Tires, Tubes, Repairs and Maintenance	23,766
Other Garage and Shop Expenses	42,000
Other Expense	
Total Equipment Maintenance Expense	<u>\$ 115,694</u>

PARTICULARS CONCERNING OTHER OPERATING EXPENSES

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Telephone/Utility Expense	6,054
Legal & Professional Fees	5,715
Office Supplies	1,064
	<u>\$ 12,833</u>

PARTICULARS CONCERNING NON-UTILITY INCOME ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Container Rental Revenue	80,570
Interest Income	5,940
	<u>\$ 86,510</u>

PARTICULARS CONCERNING NON-UTILITY DEDUCTIONS ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Container Depreciation Expense	11,765
Container Maintenance Expense	31,655
Loss on Disposal of Containers	5,940
	<u>\$ 49,360</u>

UTILITY NAME DRAKE SANITATION, INC.

YEAR ENDED 04 / 30 / 90

PARTICULARS CONCERNING OTHER CURRENT AND ACCRUED ASSETS

<u>ITEM</u>	<u>AMOUNT</u>
None	\$
	<u>\$ 0</u>

PARTICULARS CONCERNING MISCELLANEOUS ASSETS AND OTHER DEBITS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Non-Utility Property	191,804
Less: Accumulated Depreciation	(164,650)
	<u>\$ 27,154</u>

PARTICULARS CONCERNING OTHER CURRENT AND ACCRUED LIABILITIES

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Income Taxes Payable	544
Wages Payable	4,369
Payroll Taxes Payable	2,502
	<u>\$ 7,415</u>

PARTICULARS CONCERNING MISCELLANEOUS LIAB. AND OTHER CREDITS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Deferred Income Taxes	7,402
Deferred Investment Tax Credit	2,180
	<u>\$ 9,582</u>

UTILITY NAME DRAKE SANITATION, INC.

YEAR ENDED 04 / 30 / 90

NUMBER OF CUSTOMERS

Number at Beginning of Year	185
Additions (Reductions) During Year	<u>14</u>
Number at End of Year	<u><u>199</u></u>

NUMBER OF EMPLOYEES

Total Regular Full Time Employees	5
Total Part-Time and Temporary Employees	<u>2</u>
Total Employees	<u><u>7</u></u>

UTILITY CONTRACTS

<u>Customer</u>	<u>Contract Dates</u>		<u>Amount</u>
	<u>Beginning</u>	<u>Ending</u>	
Fairbanks North Star Borough	1987	1995	\$ Tariff Rates

\$

ATTESTATION

This report must be attested to by an officer of the company.

..... BERNARD KOPFcertifies that
(Insert name of attester)

he/she is PRESIDENT/GENERAL MANAGER
(Insert here the official title of the attester)

of FAR NORTH SANITATION SERVICES, INC.
(Insert here the exact legal title or name of the respondent).

that he/she has examined this report; that to the best of his/her
knowledge, information , and belief, all statements of fact
contained in the said report are true and the said report is a
correct statement of the business and affairs of the above-named
respondent in respect to each and every matter set forth therein
during the period from and including .January.1... 19 89...
to and including .December.31.. 19 90...

.....
(Signature of attester)

UTILITY NAME FAR NORTH SANITATION YEAR ENDED 12/ 31/ 89
SERVICES, INC.

COMPARATIVE BALANCE SHEET

	Balance Beginning Of Year	Balance End Of Year	Increase Or (Decrease)
<u>ASSETS AND OTHER DEBITS</u>			
<u>Utility Property</u>			
Land and Buildings	\$ 1,292,460	\$ 1,292,460	\$ -
Trucks and Automobiles	677,057	657,075	(19,982)
Machinery, Tools, Furn. and Fixtures	117,506	271,559	154,053
Accumulated Provision For Depreciation (Credit)	(615,260)	(636,379)	(21,119)
Net Utility Property	<u>\$ 1,471,763</u>	<u>\$ 1,584,715</u>	<u>\$ 112,952</u>
<u>Current and Accrued Assets</u>			
Cash	\$ 15,808	\$ 38,740	\$ 22,932
Notes & Accounts Recv.	191,515	246,894	55,379
Materials & Supplies	-	-	-
Prepayments	29,743	36,026	6,283
Other Current & Accrued Assets (Scheduled)	4,635	27,491	22,856
Total Current & Accrued Assets	<u>\$ 241,701</u>	<u>\$ 349,151</u>	<u>\$ 107,450</u>
Misc. Assets & Other Debits (Scheduled)	<u>\$ 693,281</u>	<u>\$ 697,187</u>	<u>\$ 3,906</u>
TOTAL ASSETS & OTHER DEBITS	<u><u>\$ 2,406,745</u></u>	<u><u>\$ 2,631,053</u></u>	<u><u>\$ 224,308</u></u>
<u>LIABILITIES & OTHER CREDITS</u>			
<u>Current & Accrued Liab.</u>			
Notes Payable-Short Term	\$ -	\$ -	\$ -
Accounts Payable	18,355	346,481	328,126
Other Current & Accrued Liab. (Scheduled)	437,017	611,908	174,891
Total Current & Accrued Liabilities	<u>\$ 455,372</u>	<u>\$ 958,389</u>	<u>\$ 503,017</u>
Other Misc. Liab. & Other Credits (Scheduled)	\$ 445,040	\$ 351,519	\$ (93,521)
Long Term Debt	<u>\$ 1,313,464</u>	<u>\$ 1,001,702</u>	<u>\$ (311,762)</u>
<u>Proprietary Capital</u>			
Common Stock Issued	16,432	16,432	-
Retained Earnings	188,628	316,446	127,818
Proprietary Capital	(12,191)	(13,435)	(1,244)
Total Capital	<u>\$ 192,869</u>	<u>\$ 319,443</u>	<u>\$ 126,574</u>
TOTAL LIABILITIES & OTHER CREDITS	<u><u>\$ 2,406,745</u></u>	<u><u>\$ 2,631,053</u></u>	<u><u>\$ 224,308</u></u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC.

YEAR ENDED 12 / 31 / 89

STATEMENT OF INCOME FOR THE YEAR

	<u>Amount For The Year</u>	<u>Increase Or (Decrease)</u>
<u>Operating Revenues</u>	\$ <u>877,255</u>	\$ <u>(4,285)</u>
<u>Operating Expenses</u>		
Equipment Operating Expenses (Scheduled)	\$ 680,371	\$ 187,482
Equipment Maintenance & Garage Expense (Scheduled)	110,632	(57,675)
Traffic Solicitation & Advertising	7,054	2,150
Insurance & Safety Expense	49,732	(45)
Office Salaries & Expense	64,346	(1,418)
Depreciation & Amortization	84,625	(433)
Taxes Other Than Income Taxes	49,777	16,531
Income Taxes-Federal	(85,263)	(23,349)
Income Taxes-State	(21,307)	(5,408)
Licences	-	-
Lease of Equipment	3,580	(2,420)
Other Operating Exp. (Scheduled)	-	-
 Total Operating Expenses	 \$ <u>943,547</u>	 \$ <u>115,415</u>
<u>Net Utility Operating Income</u>	<u>\$ (66,292)</u>	<u>\$ (119,700)</u>
<u>Interest Charges</u>		
Interest on Long Term Debt	\$ 116,461	\$ (9,613)
Other Interest Expense	-	-
Total Interest Charges	<u>\$ 116,461</u>	<u>\$ (9,613)</u>
<u>Non-Utility Income</u> (Scheduled)	<u>\$ 366,465</u>	<u>\$ (98,271)</u>
<u>Non-Utility Deductions</u> (Scheduled)	<u>\$ 185,685</u>	<u>\$ (50,860)</u>
 NET INCOME (LOSS)	 <u>\$ (1,973)</u>	 <u>\$ (157,498)</u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC.

YEAR ENDED 12 / 31 / 89

CHANGES IN RETAINED EARNINGS (OR CAPITAL) DURING THE YEAR

Balance at Beginning of Year		\$ 188,628
Add: Net Income From Current Year	\$ (1,973)	
Other Additions*	<u>129,791</u>	
Total Additions		\$ <u>127,818</u>
		316,446
Deductions:		
Dividends Declared	\$ -	
Withdrawals	-	
Other Deductions	<u>-</u>	
Total Deductions		\$ <u>-</u>
Balance at End of Year		\$ <u><u>316,446</u></u>

*Prior period adjustments

REMUNERATION OF PROPRIETORS, PARTNERS, STOCKHOLDERS AND OFFICERS

<u>Name</u>	<u>Address</u>	<u>Title</u>	<u>Number of Shares Owned or Percent of Ownership</u>	<u>Salary and Other Remuneration</u>
Bernard Kopf	P.O. Box 289 Fairbanks, Alaska 99707	President and General Manager	100%	\$ 110,000
		Total	<u>100%</u>	\$ <u>110,000</u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC.

YEAR ENDED 12 / 31 / 89

SUMMARY OF EQUIPMENT OPERATING EXPENSE

Tipping Costs in Excess of Billing	\$ 128,384
Drivers, Helpers, and Other Wages	329,630
Gas and Oil	32,866
Other Expense	189,491
Total Equipment Operating Expense	<u>\$ 680,371</u>

SUMMARY OF EQUIPMENT MAINTENANCE EXPENSE

Mechanics and Helpers Wages	\$ -
Parts, Labor, Materials and Supplies	-
Tires, Tubes, Repairs and Maintenance	101,594
Other Garage and Shop Expenses	9,038
Other Expense	-
Total Equipment Maintenance Expense	<u>\$ 110,632</u>

PARTICULARS CONCERNING OTHER OPERATING EXPENSES

<u>ITEM</u>	<u>AMOUNT</u>
	\$
	<u> </u>
	<u> </u>

PARTICULARS CONCERNING NON-UTILITY INCOME ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
Equity in partnership income	\$ 19,529
Interest income	11,222
Rental income, buildings	15,900
Rental income, dumpsters	329,640
Loss on disposition of assets	(9,826)
	<u>\$ 366,465</u>

PARTICULARS CONCERNING NON-UTILITY DEDUCTIONS ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
Salaries and wages	\$ 3,000
Depreciation	32,100
Equipment rental	32,930
Other expenses	21,038
Income tax expense	96,617
	<u>\$ 185,685</u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC. YEAR ENDED 12 / 31 / 89

PARTICULARS CONCERNING OTHER CURRENT AND ACCRUED ASSETS

<u>ITEM</u>	<u>AMOUNT</u>
Accounts receivable - employees	\$ 5,441
Inventory - Copper	7,000
Mortgage reserves	719
Income tax refunds receivable	14,331
	<u>\$ 27,491</u>

PARTICULARS CONCERNING MISCELLANEOUS ASSETS AND OTHER DEBITS

<u>ITEM</u>	<u>AMOUNT</u>
Non-utility land, building and equipment net of accumulated depreciation of \$181,992	\$ 609,479
Cash surrender value of life insurance	25,345
Investments in gold and silver	48,644
Other assets	13,719
	<u>\$ 697,187</u>

PARTICULARS CONCERNING OTHER CURRENT AND ACCRUED LIABILITIES

<u>ITEM</u>	<u>AMOUNT</u>
Current portion of long-term debt	\$ 561,504
Income taxes payable	-
Refund payable current portion	18,000
Accrued liabilities	16,667
Current portion of deferred taxes	15,737
	<u>\$ 611,908</u>

PARTICULARS CONCERNING MISCELLANEOUS LIAB. AND OTHER CREDITS

<u>ITEM</u>	<u>AMOUNT</u>
Deferred income taxes	\$ 211,574
Loans payable, stockholder	139,945
	<u>\$ 351,519</u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC. YEAR ENDED 12/ 31/ 89

NUMBER OF CUSTOMERS

Number at Beginning of Year	622
Additions (Reductions) During Year	<u>92</u>
Number at End of Year	<u><u>714</u></u>

NUMBER OF EMPLOYEES

Total Regular Full Time Employees	18
Total Part-Time and Temporary Employees	<u>-</u>
Total Employees	<u><u>18</u></u>

UTILITY CONTRACTS

<u>Customer</u>	<u>Contract Dates</u> <u>Beginning</u> <u>Ending</u>	<u>Amount</u>
	N/A	\$
		<u><u>\$</u></u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC.

YEAR ENDED 12/ 31/ 89

SUMMARY OF OFFICER'S/OWNER'S COMPENSATION

	<u>Name</u>	<u>Title</u>	<u>Salary</u>
Construction Supervision:	N/A		\$
Total			<u>\$ -0-</u>
Operation Supervision:	Bernard Kopf	President and General Manager	\$
			110,000
Total			<u>\$ 110,000</u>
Maintenance Supervision:			\$
	N/A		
Total			<u>\$ -0-</u>
Administrative and General Salaries:			\$
	N/A		
Total			<u>\$ -0-</u>
Total Officers/Owners Compensation			<u>\$ 110,000</u>

ATTESTATION

This report must be attested to by an officer of the company.

.. Thomas R. Culhanecertifies that
(Insert name of attester)

he/she is ... Vice President
(Insert here the official title of the attester)

of Anchorage Refuse, Inc.
(Insert here the exact legal title or name of the respondent).

that he/she has examined this report; that to the best of his/her knowledge, information , and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from and including ..January..... 19⁸⁹....,

to and including ..January..... 19⁸⁹....

Thomas R. Culhane
.....
(Signature of attester)

UTILITY NAME Anchorage Refuse, Inc. YEAR ENDED 12 / 31 / 89

COMPARATIVE BALANCE SHEET

	Balance Beginning Of Year	Balance End Of Year	Increase Or (Decrease)
ASSETS AND OTHER DEBITS			
<u>Utility Property</u>			
Intangible Property	\$	\$ 12,000.	\$ 12,000.
Collection Utility Property	4,209,706.	6,030,751.	1,821,045.
General Utility Property	493,045.	517,438.	24,393.
Accumulated Provision For Depreciation (Credit)	(2,114,919.)	(3,836,883.)	((1,721,964.))
Net Utility Property	<u>\$ 2,587,832.</u>	<u>\$ 2,723,306.</u>	<u>\$ 135,474.</u>
<u>Current and Accrued Assets</u>			
Cash	\$ 654,307.	\$ 823,036.	\$ 168,729.
Notes & Accounts Recv.	1,201,302.	861,928.	(339,374.)
Materials & Supplies	40,328.	45,319.	4,991.
Prepayments	92,418.	155,006.	62,588.
Other Current & Accrued Assets (Sched. Pg.11)	93,876.	583,927.	490,051.
Total Current & Accrued Assets	<u>\$ 2,082,231.</u>	<u>\$ 2,469,216.</u>	<u>\$ 386,985.</u>
Misc. Assets & Other Debits (Scheduled Pg. 11)	<u>\$ 1,236,481.</u>	<u>\$ 1,150,728.</u>	<u>\$ (85,753.)</u>
TOTAL ASSETS & OTHER DEBITS	<u><u>\$ 5,906,544.</u></u>	<u><u>\$ 6,343,250.</u></u>	<u><u>\$ 436,706.</u></u>
<u>LIABILITIES & OTHER CREDITS</u>			
<u>Current & Accrued Liab.</u>			
Notes Payable-Short Term	\$ N/A	\$ N/A	\$ 0
Accounts Payable	529,155.	849,514.	320,359.
Other Current & Accrued Liab. (Sched. Pg.11)	510,464.	345,655.	(164,809.)
Total Current & Accrued Liabilities	<u>\$ 1,039,619.</u>	<u>\$ 1,195,169.</u>	<u>\$ 155,550.</u>
Other Misc. Liab. & Other Credits (Sch. Pg 11)	<u>\$ 252,000.</u>	<u>\$ 264,000.</u>	<u>\$ 12,000.</u>
Long Term Debt (Scheduled Pg. 9)	<u>\$. 978,461.</u>	<u>\$ 978,276.</u>	<u>\$ (185.)</u>
<u>Proprietary Capital</u>			
Common Stock Issued	38,700.	38,700.	0
Retained Earnings	(121,000.)	(121,000.)	0
Proprietary Capital	3,718,764.	3,988,105.	269,341.
Total Capital	<u>\$ 3,636,464.</u>	<u>\$ 3,905,805.</u>	<u>\$ 269,341.</u>
TOTAL LIABILITIES & OTHER CREDITS	<u><u>\$ 5,906,544.</u></u>	<u><u>\$ 6,343,250.</u></u>	<u><u>\$ 436,706.</u></u>

UTILITY NAME Anchorage Refuse, Inc.

YEAR ENDED 12/ 31/ 89

STATEMENT OF INCOME FOR THE YEAR

	<u>Amount For The Year</u>	<u>Increase Or (Decrease)</u>
<u>Operating Revenues</u> (Scheduled Pg. 12)	\$ 10,690,689.	\$ 700,324.
<u>Operating Expenses</u>		
Equipment Operating Expenses (Scheduled Page 10)	\$ 7,294,249.	\$ 903,709.
Equipment Maintenance & Garage Expense (Scheduled Page 10)	1,493,677.	(36,495.)
Traffic Solicitation & Advertising	118,210.	1,945.
Insurance & Safety Expense	398,348.	(55,699.)
Office Salaries & Expense	449,930.	28,345.
Depreciation & Amortization (Scheduled Page 13)	328,246.	64,724.
Taxes Other Than Income Taxes	318,917.	21,904.
Income Taxes-Federal	226,936.	27,499.
Income Taxes-State	64,008.	7,757.
Licences	7,969.	(53.)
Lease of Equipment	(21,448.)	(3,024.)
Other Operating Exp. (Scheduled Page 10)	<u>212,427.</u>	<u>121,405.</u>
Total Operating Expenses	<u>\$ 10,891,469.</u>	<u>\$ 1,082,017.</u>
<u>Net Utility Operating Income</u>	<u>\$ (200,780.)</u>	<u>\$ (381,693.)</u>
<u>Interest Charges</u>		
Interest on Long Term Debt	\$ 114,358.	\$ (4,387.)
Other Interest Expense		
Total Interest Charges	<u>\$ 114,358.</u>	<u>\$ (4,387.)</u>
<u>Non-Utility Income</u> (Scheduled Page 10)	<u>\$ 3,610,292.</u>	<u>\$ 516,352.</u>
<u>Non-Utility Deductions</u> (Scheduled Page 10)	<u>\$ 2,912,363.</u>	<u>\$ 581,610.</u>
NET INCOME	<u>\$ 382,791.</u>	<u>\$ (442,564.)</u>

UTILITY NAME Anchorage Refuse, Inc.

YEAR ENDED 12 /31 /89

CHANGES IN RETAINED EARNINGS (OR CAPITAL) DURING THE YEAR

Balance at Beginning of Year		\$ 3,718,764.
Add: Net Income From Current Year	\$ 382,791.	
Other Additions		
Total Additions		<u>\$ 382,791.</u>
Deductions:		
Dividends Declared	\$ 0	
Withdrawals	33,450.	
Other Deductions	80,000.	
Total Deductions		<u>\$ 113,450.</u>
Balance at End of Year		<u><u>\$ 3,988,105.</u></u>

REMUNERATION OF PROPRIETORS, PARTNERS, STOCKHOLDERS AND OFFICERS

<u>Name</u>	<u>Address</u>	<u>Title</u>	<u>Number of Shares Owned or Percent of Ownership</u>	<u>Salary and Other Remuneration</u>
John P. Culhane	Anchorage, AK	Pres.	17%	\$ 84,508.
Thomas R. Culhane	" "	V. Pres.	17%	91,753.
Gerald J. Culhane	" "	Sec/Treas.	17%	76,720.
Tom Culhane	" "	Director	49%	0
		Total	<u>100%</u>	<u>\$ 252,981.</u>

LONG TERM DEBT

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Issued To</u>	<u>Interest Rate</u>	<u>Original Issued Amount</u>	<u>Balance</u>
Jan 75	02/90	NBoFA	10.75%	\$690,000.	\$ 15,108.
Feb 77	03/97	NBoFA	10.50%	625,000.	377,697.
Oct 82	10/2002	NBoFA	14.00%	350,000.	239,167.
Jun 84	06/1999	Clayton	10.00%	175,000.	137,708.
Jun 88	07/2003	Key Pacific	8.00%	220,000.	208,596.
				<u>\$ 2,060,000.</u>	<u>\$ 978,276.</u>

UTILITY NAME Anchorage Refuse, Inc.

YEAR ENDED 12 / 31 / 89

SUMMARY OF EQUIPMENT OPERATING EXPENSE

Dumping Fees	\$ 5,033,234.
Drivers, Helpers, and Other Wages	2,012,513.
Gas and Oil	241,860.
Other Expense	6,642.
Total Equipment Operating Expense	<u>\$ 7,294,249.</u>

SUMMARY OF EQUIPMENT MAINTENANCE EXPENSE

Mechanics and Helpers Wages	\$ 988,324.
Parts, Labor, Materials and Supplies	315,349.
Tires, Tubes, Repairs and Maintenance	77,608.
Other Garage and Shop Expenses	98,687.
Other Expense	13,709.
Total Equipment Maintenance Expense	<u>\$ 1,493,677.</u>

PARTICULARS CONCERNING OTHER OPERATING EXPENSES

<u>ITEM</u>	Loan Fees	50.	
	Prof. Exp	56,183.	<u>AMOUNT</u>
	Off. Exp	52,127.	\$
	Bad Debt	43,996.	
	Travel	4,203.	
	Donation	11,743.	
	Dues & Subs	7,874.	
	Misc. Emp.	31,918.	<u>\$ 212,427.</u>
	Misc.	4,333.	

PARTICULARS CONCERNING NON-UTILITY INCOME ACCOUNTS

<u>ITEM</u>	Container Sales & Rent	349,671.	<u>AMOUNT</u>
	Recycling	2,670,991.	\$
	Rental	4,800.	
	Int. Income	34,280.	
	Gain on Sale of Eqp.	14,324.	
	Misc.	11,226.	
	Emerson Bldg	12,000.	<u>\$3,610,292.</u>
	Freightliner	113,000.	

PARTICULARS CONCERNING NON-UTILITY DEDUCTIONS ACCOUNTS

<u>ITEM</u>	Cost of Sales - Containers	18,084.	<u>AMOUNT</u>
	Emerson Bldg Depr	33,461.	
	Other Emerson Bldg Exp	17,535.	\$
	Trlr House Depr.	322.	
	Other Trlr House Exp	818.	
	Other Income Ded.	45,600.	
	Recycle Eqp. Depr.	31,782.	
	Recycle Exp.	2,627,020.	<u>\$2,912,363.</u>
	FLA Exp.	137,741.	