

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

7928 HOUSE LABOR & COMMERCE

1993

**HB 50: Authorization of Anchorage-Kenai and Healy-Fairbanks interties."**

The bill includes several provisions:

1. Authorizes design and construction of two 138 kV transmission lines (Anchorage-Kenai and Healy-Fairbanks) in accordance with AS 44.83.185(c).
2. Approves a construction cost for each project in accordance with AS 44.83.185(c).
3. Requires that each transmission line be capable of upgrade to 230 kV.
4. Makes project authorization contingent upon agreement by participating utilities to pay 50 percent of design and construction costs, and all operations and maintenance costs.

AEA supports the concept of using the Railbelt Intertie Reserve for design and construction of railbelt intertie projects. While HB 51 would focus on several energy projects in this state, it does not address the overall state's energy needs. This is imperative if we hope to succeed in providing efficient power at reasonable cost to all areas of our state. HB 51 only deals with a small section of our state's needs.

  
\_\_\_\_\_  
Paul Fuhs, Commissioner

2-10-93  
\_\_\_\_\_  
Date

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**HB 51: Special appropriation for construction of Anchorage-Kenai and Healy-Fairbanks Interties.**

This bill would appropriate \$90 million from the Railbelt Intertie Reserve for design and construction of Anchorage-Kenai and Healy-Fairbanks 138 kV interties.

The Alaska Energy Authority (AEA) supports the use of the Railbelt Intertie Reserve for design and construction of these Railbelt intertie projects. We are concerned, however, that past efforts to appropriate amounts of this magnitude as grant contributions for these projects, without concurrent attention to long-term energy needs in other areas of the state, have not been successful. This has led us to the view that Railbelt intertie funding is more likely to be achieved if:

1. it is provided in the form of a low-interest loan with long-term payback to the State; and
2. it is combined with energy proposals that would provide long-term benefits in other major regions of the state.

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HB 51 Fiscal Note -- Analysis (prepared February 8, 1993)

HB 51 appropriates \$90 million as a State contribution for Railbelt intertie design and construction. Its companion bill, HB 50, provides that the State will pay 50 percent of the design and construction costs and the participating utilities will pay the other 50 percent. Therefore, if the total cost of the two interties is less than \$180 million, the State contribution will be less than \$90 million. Conversely, it should be recognized that the State contribution according to the provisions of HB 50 will exceed \$90 million if the total intertie cost exceeds \$180 million.

This fiscal note assumes that the actual cost will be \$180 million, and that State funds will be drawn upon for the first \$90 million expenditure according to the expected cash flow for the two projects. It is anticipated that the Energy Authority would issue bonds for the remaining \$90 million to be expended during the latter part of FY 97 and during FY 98. The first year of operation is assumed to be FY 99.

The Energy Authority expects to contract with the utilities for operations and maintenance (O&M) of the projects. Expected O&M costs for the first year are estimated at \$165,000 (in 1991 dollars) in the project feasibility study, and have been escalated to \$225,000 in the fiscal note to account for future inflation.

One additional position is provided within the Energy Authority during both the construction phase and operations phase. The Energy Authority anticipates contracting with the utilities for construction of the projects as well as operations and maintenance. The additional position would provide contract management and oversight. It is assumed that an experienced project manager would be appropriate for oversight of projects of this magnitude, with salary estimated at range 24C. In addition to salary and benefits for this position, overhead support including clerical, accounting, and other indirect costs is estimated at \$75,000 increasing with inflation. Travel is also included at \$25,000 increasing with inflation. Funding would come initially from the General Fund appropriation, then bond proceeds, and finally from program receipts (utility payments) during the operations phase.

It is assumed that financing costs associated with the bond issue would be recovered from bond proceeds. Such financing costs, including legal fees, financial advisor fees, Energy Authority staff time, and other costs of bond issuance are not shown in the fiscal note.



# Homer Electric Association, Inc.

CORPORATE OFFICE  
3977 Lake Street  
Homer, Alaska 99603 7186  
Phone: (907) 235 8167  
FAX: (907) 235-8313

Service Center  
Port Way  
Homer, Alaska 99603 5280  
Phone: (907) 235-5831  
FAX: (907) 235-7122

February 11, 1993

Representative Bill Hudson  
Chairman, Labor & Commerce Committee  
House of Representatives  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

Dear Chairman Hudson:

REF: TESTIMONY TO LABOR AND COMMERCE COMMITTEE

I am unable to attend your Committee hearing on House Bills 50 and 51. I would appreciate your acceptance of this letter as Homer Electric's comments on the above bills.

As indicated in an earlier letter to you, we emphasized the great importance of the Railbelt Interties to the Kenai Peninsula as well as the rest of the Railbelt. Additionally, we indicated the expectation of a Bill that would be introduced by the Governor. This Bill, if introduced, would address the restructure of the Alaska Energy Authority and include provision to fund the Railbelt Interties.

Please pass House Bill 50 and 51 out of committee, and support later efforts to arrive at a final and viable solution that will use the Railbelt Intertie Fund to fund the north and south Interties.

Sincerely,

HOMER ELECTRIC ASSOCIATION, INC.

*N. L. Story*  
N. L. Story  
General Manager

NLS:em

cc: RF - NLS

bcc: Rep. Mike Navarre



Municipality of Anchorage  
Tom Fink, Mayor



## **Municipal Light & Power**

1200 East First Avenue  
Anchorage, Alaska 99501-1685  
Telephone: (907) 279-7671, Telecopiers: (907) 263-5204, 277-9272

February 10, 1993

Representative Mike Navarre  
Alaska House of Representatives  
Capitol Building, Room 521  
Juneau, AK 99801

Dear Representative Navarre:

On behalf of Anchorage Municipal Light and Power, please accept this letter as a strong measure of our support for HB 50 and 51. Our organization and I will support any bill which has as its objective construction of the North/South Interties.

We believe that construction of these interties is necessary to improve the electrical infrastructure of the railbelt region. One of the keys to growth is a strong electrical infrastructure.

Thank you for the opportunity to let our collective voices be heard. Should you have any questions regarding our position please advise at your earliest convenience.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Thomas R. Stahr".

Thomas R. Stahr  
General Manager

**Putting Energy into Anchorage for 60 years**  
"1932 - 1992"



# CHUGACH ELECTRIC

ASSOCIATION, INC.

DAVID L. HIGHERS  
General Manager

February 8, 1993

Representative Mike Navarre  
Alaska House of Representatives  
Capitol, Room 521  
Juneau, AK 99801-1182

Dear Representative Navarre:

HBs 50 and 51 authorize the construction and appropriate \$90 million from the Railbelt Intertie Reserve Fund to strengthen the railbelt's electric grid by constructing a transmission line between Anchorage and the Kenai Peninsula and a second line from Healy to Fairbanks. Collectively these lines are referred to as the "interties" and their construction has been a priority to the railbelt electric utilities since 1987 when the Railbelt Energy Council recommended this project to the legislature. Funding for the projects was set aside in 1986 when the legislature created the Railbelt Energy Fund from money left over from the Susitna project which was closed out in 1985.

Since 1987, a series of intertie bills have been before the legislature and have died in one committee or another. Of the \$285 million dollars that was placed into the original Railbelt Energy Fund, only about \$115 million remains in the Railbelt Intertie Reserve Fund today. The balance has been spent for a variety of projects—very few of which are energy related or in the railbelt.

The railbelt electric utilities have not asked for a free ride, but rather have opted to join the state in a cost-sharing for these tremendously beneficial projects. The proposed legislation requires the railbelt electric utilities to pay a minimum of 50% of the estimated cost to design and build the lines and further mandates the utilities to pay all operations and maintenance costs for the projects over their anticipated 50 year life.

These projects will provide significant benefits to nearly three-quarters of the state's population for several generations. The intertie feasibility studies which have been undertaken show a broad range of benefits for the projects. Although it is clear that the experts have varying opinions on the precise level of benefits the projects will provide, the Alaska Energy Authority has concluded that the benefits will exceed the cost of the projects. The expected benefits of the interties include:

**Increased Reliability** - The new interties will reduce the number and duration of transmission related power outages. The interties will also allow more energy to be

Representative Mike Navarre

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February 8, 1993

delivered to areas experiencing generation or transmission related power outages from other unaffected areas.

**Economy Energy Transfer** - By allowing the transfer of the lowest-cost energy available, interties will reduce the cost of energy to the utilities and their consumers. With the new interties, low-cost energy generated in one part of the grid can be shipped to other areas and replace higher-cost energy. This "economy energy" transfer is currently utilized between Anchorage and Fairbanks, reducing costs for Fairbanks rate-payers. Transfers are now limited by the capacity of the fully loaded intertie.


**Capacity Sharing** - New interties will allow two or more areas to share generation capacity and defer or eliminate the need to build costly generation facilities. The Railbelt utilities currently have an abundance of generation facilities, but are not always able to move energy to areas where it is needed. In addition to capacity sharing, the interties will allow the utilities to share reserve capacity. Reserve capacity is an extra amount of generation which is running above the level that is in demand at any particular time. These reserves are immediately available to meet additional electrical needs and to prevent power outages. Interties will allow the utilities to share their reserve capacity and again reduce operating costs.

**Transmission Efficiency** - New interties will reduce the amount of energy lost through transmission, thereby reducing costs. Like any electrical circuit that is heavily loaded, the existing interties experience a high level of energy loss caused by resistance.

In summary, Chugach believes that the interties are solid energy projects that have stood the test of economic analysis and will yield direct benefits for nearly three-quarters of the state's population. Upgrading the electrical infrastructure through a state-utility partnership makes good economic sense. The interties will create a stable, reliable and more economical power delivery system to serve the majority of Alaska's population and support economic growth within the region for years to come. I urge you to support HB 50 and 51 which uses a portion of the Railbelt Energy Fund for its originally intended purpose—to provide energy projects for the railbelt.

Sincerely,

CHUGACH ELECTRIC ASSOCIATION, INC.



David L. Highers  
General Manager

REPORT OF THE  
RAILBELT ENERGY COUNCIL  
TO THE  
FIFTEENTH ALASKA STATE LEGISLATURE  
FIRST SESSION

January 24, 1987

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## RAILBELT ENERGY COUNCIL MEMBERSHIP

### LEGISLATIVE MEMBERS

Senator Jan Faiks (Chairman, REC), Anchorage

Senator Jack Coghill, Nenana

Representative Sam Cotten, Eagle River

Representative Steve Frank, Fairbanks

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### GOVERNOR'S APPOINTEES

Mano Frey, Executive President, Alaska State AFL&CIO

Steven Lewis, President, PETROSTAR

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### UTILITIES' MEMBERS

RON GARZINI, City Manager,  
Seward Electric System

VIRGIL GILLESPIE, General Manager,  
Fairbanks Municipal Utilities System

MIKE KELLY, General Manager,  
Golden Valley Electric Association

RICK NEWLAND, General Manager,  
Craigach Electric Association

JAMES PALIN, General Manager,  
Matanuska Electric Association

TOM STAHR, General Manager,  
Anchorage Municipal Light & Power

KENT WICK, General Manager,  
Homer Electric Association Utilities  
(Vice-Chairman, REC)

## EXECUTIVE SUMMARY

In 1986, the Alaska Legislature created the Railbelt Energy Council (REC) and charged it with addressing five areas of concern dealing with the Railbelt energy needs (Ch 30, SLA 1986). The Council membership consists of two members appointed by the Governor; two senators appointed by the President of the Senate; two members of the House of Representatives appointed by the Speaker of the House; and one representative from each of the seven interconnected Railbelt utilities. The Council was to report its recommendations to the Legislature by February 15, 1987.

The Council addressed the organizational and financial aspects as well as reviewed various alternatives for meeting the future energy needs of the Railbelt. The Council was unable to conduct the review of the alternatives in as great a detail as originally anticipated because of a freeze placed on the \$2.5 million appropriation to the Alaska Power Authority (APA) for that specific purpose. Despite these difficulties further exacerbated by the declining oil prices and state revenues, the Council has addressed the major issues and unanimously approved its findings and recommendations. They are summarized below.

### FINDINGS:

1. DECREASING OIL PRICES AND STATE REVENUES ARE CAUSING SIGNIFICANT CHANGES IN THE FORECASTED RAILBELT ENERGY REQUIREMENTS FOR THE NEXT SEVERAL YEARS. THE IMPACT OF THESE DEVELOPMENTS ON LONG-TERM GROWTH IS UNCLEAR.

2. DUE TO BUDGETARY LIMITATIONS, STATE PARTICIPATION IN FUTURE ENERGY PROJECTS WILL BECOME MORE CONSTRAINED.
3. INCREASING THE UTILIZATION AND EFFICIENCY OF THE EXISTING RAILBELT GENERATION AND TRANSMISSION RESOURCES REPRESENTS THE BEST SOLUTION IN THE NEAR TERM.
4. IMPROVING COOPERATION AND COORDINATION AMONG RAILBELT UTILITIES WILL INCREASE THE RELIABILITY AND COST EFFECTIVENESS OF THE REGION'S ELECTRIC SYSTEM.
5. THE LEGISLATURE ESTABLISHED THE RAILBELT ENERGY FUND FOR THE SOLE PURPOSE OF FINANCING ENERGY PROJECTS IN THE RAILBELT REGION.

MAJOR RECOMMENDATIONS:

1. CREATION OF A REGIONAL GENERATION AND TRANSMISSION TYPE UTILITY ORGANIZATION IS IN THE BEST INTEREST OF THE RAILBELT CONSUMERS AND SHOULD CONTINUE TO BE SUPPORTED BY ALL CONCERNED.
2. THE ALASKA POWER AUTHORITY SHOULD CONTINUE TO PERFORM ITS RAILBELT FUNCTIONS UNTIL THE LEGISLATURE AND ADMINISTRATION COMPLETE THEIR REVIEW AND DETERMINE THE APA'S FUTURE ROLE AND STRUCTURE.
3. THE COUNCIL RECOMMENDS THAT THE UTILITIES SHOULD HAVE REPRESENTATION ON THE ALASKA POWER AUTHORITY BOARD OF DIRECTORS.
4. CONSTRUCTION OF THE BRADLEY LAKE HYDROELECTRIC PROJECT SHOULD CONTINUE IN ACCORDANCE WITH A PLAN OF FINANCE AND POWER SALE AGREEMENTS PREVIOUSLY APPROVED OR AS MAY BE MODIFIED BETWEEN APA AND THE RAILBELT UTILITIES. ALL RAILBELT UTILITIES SHOULD BE GIVEN AN OPPORTUNITY TO PARTICIPATE IN THE BRADLEY LAKE PROJECT.

5. A PORTION OF THE RAILBELT ENERGY FUND SHOULD BE APPROPRIATED FOR THE COMPLETION OF THE ANCHORAGE-KENAI PENINSULA AND ANCHORAGE-FAIRBANKS INTERTIES IN CONJUNCTION WITH THE COMPLETION OF THE BRADLEY LAKE PROJECT.
6. THE BURDEN OF PROOF FOR DEMONSTRATING A COMPELLING NEED FOR ANY ADDITIONAL ENERGY PROJECT BEYOND BRADLEY LAKE AND THE RAILBELT INTERTIES, FOR WHICH STATE FINANCIAL ASSISTANCE IS BEING SOUGHT, IS ON THE PROJECT SPONSOR(S) AND SHOULD INCLUDE A CREDIBLE PLAN OF FINANCE AS WELL AS PUBLIC POLICY CONSIDERATIONS JUSTIFYING THE STATE ASSISTANCE.
7. AN ENERGY PROJECT REVOLVING FUND SHOULD BE ESTABLISHED, UTILIZING ANY MONIES REMAINING IN THE RAILBELT ENERGY FUND. A METHOD TO REPLENISH THE FUND SHOULD BE DEVELOPED WITH AFFORDABILITY TO THE RATEPAYER AS THE KEY TO ANY SUCH REPAYMENT PLAN.

## INTRODUCTION

The Railbelt Energy Council was created by the Alaska Legislature (Chapter 30, SLA 1986) during the 1986 Legislative session. The Council was created in response to requests from the Railbelt utilities and other interested parties concerned that with the demise of the Susitna River Hydroelectric Project (Watana and Devil Canyon dams) early in 1986, the Railbelt's energy needs would not be met. The terms of financing for the Susitna project were found to be unacceptable due to its large capital cost and decreasing State revenues, although the project still appears economically feasible over the long run.

The demise of the two-dam Susitna project left the Railbelt Energy Program in question and with the problem of how best to utilize some \$280 million designated as part of the state's equity in that project.

Another issue that had to be addressed dealt with the perception that the cooperation and coordination among the Alaska Power Authority and the seven interconnected Railbelt utilities was not as effective as deemed necessary for formulating the most efficient solutions to Railbelt energy needs.

In general then, the Council was created to address the organizational, generation, transmission and financial issues as they related to the Railbelt energy problems. The statutorily specified issues are addressed later in this report. Pending completion of the Council's

work, the Legislature placed all of the remaining Susitna Project funds into the Railbelt Energy Fund (REF) (Chapter 29 & 41, SLA 1986) while retaining the sole authority for making appropriations from it. Further, as a way of assisting the Council, the Legislature appropriated \$2.5 million from REF to the APA for conducting a review and evaluation of Railbelt electric power alternatives (Chapter 42, SLA 1986).

While the Council has addressed the five areas mandated by statute, the report is not as comprehensive as desired largely because of two unplanned events. First, the previous Administration froze most of the \$2.5 million appropriation to the APA that was to be used to review and evaluate Railbelt electric power alternatives. Second, the decline of economic growth has substantially delayed the need for future generation facilities in the Railbelt.

Despite these obstacles, the Council has been able to forge unified positions on a number of major issues dealing with the Railbelt energy problems. The Council feels that implementation of its recommendations will go a long way toward assuring Railbelt consumers--who represent three fourths of the State's population--of more reliable and low cost electrical energy. Further, utilization of the REF for energy projects in the Railbelt will restore some of the regional equity originally envisioned under the Energy Program for Alaska.

The Findings and Recommendations of this report are keyed to the five specific reporting requirements of the statute (Ch. 30, Sec 2, SLA 1986). Each of the five parts under Findings & Recommendations is headed with one of the statute requirements, which is underlined for easier identification.

## FINDINGS & RECOMMENDATIONS

1. Recommend the best options for planning, financing, constructing, and managing electric power facilities in the Railbelt area.
  - A. Planning. The Railbelt Energy Council finds that a well coordinated planning effort among those responsible for supplying the service is absolutely essential to assure that the Railbelt customers will have the most reliable, efficient and economic electric supply system. While there are many interested parties that have much valuable input to offer to the planning process, THE FACT REMAINS THAT THE RESPONSIBILITY FOR SUCH PLANNING REMAINS WITH THE RAILBELT UTILITIES AND THE ALASKA POWER AUTHORITY. The Council should not be expected to become a substitute for such a planning entity.

THE COUNCIL BELIEVES THERE MUST EXIST A FORMAL ORGANIZATION of all interconnected Railbelt utilities. The creation of such a regional utility organization should continue to be supported by the responsible agencies, the Legislature and the Administration as being in the best interest of the Railbelt consumers.

While the Council recognizes that in the long-term the optimal solution would be a regional generation and transmission (G&T) utility organization, it is also aware that technical and political considerations may preclude such a solution in the short-term. Therefore, as an interim solution the Council recommends that:

1. The Railbelt utilities and APA work diligently toward establishing a regional organization as soon as possible.
2. Pending any change in its role and/or structure, the APA should continue to administer and perform its existing programs and functions relative to the Bradley Lake and the Railbelt interties projects.
3. The APA Board of Directors be immediately reorganized to include direct utility representation.

The Council recommends that the role of APA be re-evaluated. Two issues that should be taken into consideration in this review are the pending formation of a regional G&T utility and a significantly smaller state budget. Such a review by the Legislature and the Administration should begin during the 1987 session and provide for the Railbelt utility input.

B. Financing. The Council finds that it is not appropriate to recommend financing options without first having a specific project proposal. In general terms, the Council believes that each project will have some unique aspect and the optimal financing plan will have to be custom tailored after specific economic feasibility and all relevant financial factors have been identified and public policy aspects considered. The Council recognizes that new State capital project funds will most likely remain scarce in the immediate future.

Therefore, THE COUNCIL RECOMMENDS THAT THE LEGISLATURE CONSIDER THE FINANCING OPTIONS FOR EACH NEW PROJECT SEPARATELY AND ENSURE OPTIMAL USE OF THE STATE AND PRIVATE EQUITY FUNDS.

Specifically, THE COUNCIL RECOMMENDS THAT THE LEGISLATURE CONTINUE TO SUPPORT THE PREVIOUSLY APPROVED BRADLEY LAKE HYDROELECTRIC PROJECT NOW UNDER CONSTRUCTION.

The Bradley project has already been deemed economically and environmentally feasible and has received licensing approval from the Federal Energy Regulatory Commission. Construction was begun in the summer of 1986. The State of Alaska has appropriated approximately \$168 million for the project, \$50 million of which was frozen after the 1986 Legislative session.

The Railbelt Energy Council unanimously supports timely completion of the Bradley project and supports full additional funding of \$50 million for a total appropriation of \$218 million as previously approved by the Legislature and which was in effect at the time of the signing of conditional power sales agreements. Changes to the existing plan of finance should be contemplated only after a careful evaluation of the impact they would have on the existing power sale agreements, but with the recognition that all seven interconnected Railbelt utilities should have direct access to the Project through completion of the Anchorage-Fairbanks and Anchorage-Kenai Peninsula interties.

Further, THE COUNCIL RECOMMENDS THAT A PORTION OF THE RAILBELT ENERGY FUND BE USED TO COMPLETE THE ANCHORAGE TO FAIRBANKS AND ANCHORAGE TO KENAI PENINSULA INTERTIES. The Council finds that the completion of these interties will allow all of the Railbelt utilities to more equally share the benefits of the Bradley Lake project as well as provide more reliable and less costly electric service to all consumers in the region.

- C. Constructing. The Council finds that the owner or owners of a power project should retain the responsibility and authority to decide how best to construct it. Unless and until its role and/or structure are changed, the APA should

retain responsibility for the completion of the Bradley Lake Project and the Interties. The APA should closely coordinate its activities with the Railbelt utilities.

If at some future date there should come into being a regional utility organization, then any projects constructed by it should be accomplished totally under that organization's control.

D. Managing. The Council finds that in general the utilities are best qualified to operate and maintain the power supply facilities and recommends that the APA policy of contracting out such operations to local utilities be continued. The Council further recommends that management decisions, which are normally the prerogative of the owner and which could impact ratepayers, be closely coordinated among the owners, operators and users.

On the issue of divestiture, the Council finds that the transfer of the federal Eklutna Hydroelectric project to local utility or utilities makes sense only if the purchase price and terms are favorable to consumers and other interested parties. Accordingly, the Council recommends that the appropriate Railbelt utilities continue to pursue the divestiture process until the sale is consummated or it becomes clear that the process will not be successful due to political and other constraints.

2. Examine all alternatives and recommend the best method for meeting projected Railbelt energy demand.

As previously mentioned, the Council was unable to thoroughly examine a wide spectrum of energy alternatives because funds for energy alternative studies were frozen. In addition, the Council finds that the dramatic decline in oil prices since the end of the 1986 Legislative Session has had a profound effect on near-term Railbelt energy forecasts. For the near future, this seems to indicate that unless there is a significant upturn in the economy, there may not be a need for major new power plant additions after the completion of the Bradley Lake and Interties projects and excluding any existing plant replacements.

Given these circumstances, THE COUNCIL FINDS THAT THE PRUDENT STRATEGY TO FOLLOW AT THIS TIME IS TO INCREASE THE UTILIZATION AND OPERATIONAL EFFICIENCY OF THE EXISTING RAILBELT GENERATION AND TRANSMISSION FACILITIES AND THOSE UNDER CONSTRUCTION.

Specifically, this should include timely completion of the Bradley Project, constructing a new Anchorage-Kenai Peninsula intertie, upgrading the Anchorage-Fairbanks intertie, implementation of various conservation measures and extending the life of existing power plants.

There are many benefits of an improved transmission system. Some of these are not easily quantifiable into dollars. Examples of such benefits include improved reliability, decreased

standby generation requirements, flexibility of buying from lowest cost generation source, the increased competition due to greater access to alternative generation methods and facilitation of general economic development requirements. THEREFORE, THE COUNCIL RECOMMENDS THAT THESE PUBLIC POLICY ISSUES BE CONSIDERED AS AN IMPORTANT PART OF THE DECISION MAKING PROCESS IN ADDITION TO THE TRADITIONAL BENEFIT/COST ANALYSIS.

The Council finds that electricity has become a necessity and a prerequisite to improving the quality of life for the rural residents. While the Council recognizes that extending the electrical service to all rural residents is neither practical, nor desired by some of them, it finds that extension of such services along state routes and interties, on a priority basis, would be highly desirable. Accordingly, the Council believes that the Legislature and the Administration should adopt policies and appropriations designed to achieve that goal, thereby enhancing the economic development potential of the rural residents while concurrently improving their quality of life.

3. Recommend alternative financing plans for assisting the private sector and public utilities to meet the future energy needs of the Railbelt area.

The Council has in this report made specific recommendations covering methods of financing for Bradley Lake and the Interties. The Council recognizes that State revenues have severely declined and that no new generation, in addition to the Bradley Lake and

Interties projects may be needed in the near future. The Council generally supports construction of future power supply projects by the municipalities, utilities or the private sector.

The Council further recommends that the burden of proof for making a compelling case for State participation in any project rest with the project sponsor(s) to include demonstrating that private financing is not feasible or available and that public policy considerations warrant financial assistance by the State.

THE COUNCIL FINDS THAT THE LEGISLATURE ESTABLISHED THE RAILBELT ENERGY FUND FOR THE SOLE PURPOSE OF FINANCING ENERGY PROJECTS IN THE RAILBELT REGION. Accordingly, THE COUNCIL RECOMMENDS THAT A PLAN OF FINANCE BE DEVELOPED TO ASSURE THAT THESE FUNDS ARE USED SOLELY FOR THEIR INTENDED PURPOSE AND THAT REPLENISHMENT OF THE FUNDS BE CONSIDERED A KEY ELEMENT IN ANY SUCH PLAN.

4. Determine whether a regional generation and transmission utility organization can operate to the best interests of utility consumers.

As alluded to under Finding 1A, the Council is aware that previous studies have demonstrated that a regional power supply utility organization is in the best interest of consumers.

Currently, work is being pursued by the Railbelt utilities toward a regional generation and transmission utility organization. This includes a formal generation and transmission organization study and a possible modification of the existing Alaska Electric Generation & Transmission cooperative by-laws to accommodate further expansion.

The Council is convinced that a regional generation and transmission utility organization makes sense and that the goal is worthwhile pursuing despite potential implementation problems. Pending a successful resolution of the issue, the Council recommends that the APA become a formal member of any organization designated to deal with the Railbelt energy issues.

5. Cooperate with the Alaska Power Authority to examine the feasibility and desirability of energy projects.

The Council notes that APA and the utilities are already cost sharing in the study of the Anchorage-Kenai Peninsula Intertie feasibility. The Council finds that freezing of the \$2.5 million (except for the \$150,000 for the Anchorage-Kenai Peninsula Intertie feasibility study) designated for studying the Railbelt electric power alternatives limited the Council's ability to review and evaluate Railbelt electric power alternatives such as coal, gas, conservation, Devil Canyon, and other hydro generation options.

Should the Legislature desire additional analysis to determine whether any of the above options are desirable, the Council would recommend that a highly qualified team be assembled to prepare plans of finance to determine whether the projects are able to be financed before proceeding with a feasibility analysis. The Council believes that this sequence would preclude needless expenditure of funds on detailed feasibility studies for projects which are not able to be financed despite being economically feasible.

While the Council finds that restructuring the APA Board of Directors is the best solution to assuring improved cooperation and coordination between the Railbelt utilities and the APA, should the Legislature desire to extend the life of REC for any reason, then the APA should be made a full member.



## **Alaska Energy Authority**

A Public Corporation

### **FINANCIAL RESTRUCTURING OF THE ALASKA ENERGY AUTHORITY**

On October 12, 1992 the Board of Directors of the Alaska Energy Authority voted unanimously in favor of financially restructuring the Authority. That vote of support came after months of work by utilities around the state and the Authority to develop a plan to position Alaska to meet future energy needs during a time of declining state revenue.

The following day, Governor Walter J. Hickel gave the effort his strong support and said he would propose legislation in January to implement the financial restructuring. The legislative package is designed to serve two major goals: promote economic diversification by expanding the availability of reliable and affordable power, and provide continuing support for rural village economies by extending the Power Cost Equalization (PCE) program.

The financial restructuring would establish the Alaska Energy Authority Revolving Fund. The Fund and its earnings would provide the financial structure needed to construct four proposed intertie projects: one between the Kenai Peninsula and Anchorage, a second between Healy and Fairbanks, a third between the Copper River Valley and the Railbelt, and a fourth in Southeast Alaska to tap the underutilized power of the Tye hydroelectric project. In addition, it would provide an annuity of \$17 million annually for 20 years to assure reasonable power costs in rural areas through Power Cost Equalization (PCE) or more efficient energy projects. It would also support a continuing budget of about \$3.5 million per year for rural technical assistance, small capital projects and conservation efforts.

The new Fund's beginning balance would be \$154.8 million. It would be composed of \$2.8 million currently in the Railbelt Energy Fund, \$100 million in the Railbelt Intertie Reserve Fund, \$21 million in interest on the Railbelt Intertie Reserve Fund, a Bradley Lake construction surplus of \$11 million and an additional State contribution of \$20 million. Annual revenues, such as repayment of the State loan for construction of the Four Dam Pool, would be deposited in the Fund as received.

With the exception of an annual General Fund appropriation (which would decline to zero over a seven-year period) to help support the PCE program, and any additional appropriations the Legislature may choose to make for specific purposes, the Authority would become self-supporting.

The restructuring would have a beneficial impact on the Authority's overall operations because it would make the structural changes necessary to establish accounts and prepare financial forecasts on a multi-year basis based on its kilowatt hour sales and investment income in keeping with normal practice in the utility industry. The legislation would propose specific language to authorize the establishment of reserve accounts for renewals and replacements, self-insurance, and capitalization to support and preserve operating projects. This would allow for long-range commitment of funds which, in turn, would allow long-range planning to occur. Currently, the Authority is limited in its ability to engage in long-

range planning due to the uncertainty of an annual budgeting process that requires an infusion of General Fund dollars.

According to utility estimates, the existing Anchorage-Fairbanks Intertie presently saves Railbelt consumers roughly \$7 million per year by allowing less expensive power from Southcentral Alaska to supply a significant portion of Fairbanks power requirements. However, the capacity of the Railbelt transmission system is inadequate for present day demands, and the existing single line connections do not satisfy prevailing industry reliability standards.

The single line between Anchorage and the Kenai Peninsula was built 30 years ago, but regional power demand is now 10 times higher than it was when the line was new. The single line from Healy to Fairbanks was built 25 years ago to carry 25 megawatts from a Healy power plant. Now that line carries 95 megawatts, including 70 megawatts from Anchorage. Both of the lines were built for a smaller system scale in an earlier era, and are now pushed to their operational limits.

Construction of the two interties would allow full use of the Bradley Lake hydroelectric project's capacity throughout the Railbelt and would accommodate additional power should a third turbine be added to the project.

The estimated construction cost of the Healy-Fairbanks and the Anchorage-Kenai Peninsula interties is \$180 million. The AEA Fund would provide one-half of the cost with a zero interest loan. The remaining half of the construction cost would be financed with revenue bonds.

The Copper Valley region and Southeast Alaska also would benefit from an expanded transmission network.

Copper Valley electricity consumers are burdened with retail power rates that, with the exception of rural Alaska, are among the highest in the United States -- close to 20 cents per kilowatt hour. Power demand in the region is growing beyond the energy capability of the Solomon Gulch hydroelectric project that presently serves the area. With the additional power requirements from the new Petro Star oil refinery in Valdez, roughly half of Copper Valley's electricity will be supplied with diesel generation. An intertie between the Copper Valley system and the Railbelt would provide lower cost power and eliminate the need for diesel fuel to generate electricity.

The preliminary cost estimate for the Copper Valley intertie is about \$60 million, with \$40 million coming from the AEA Fund in the form of a zero interest loan. The remaining monies would come from revenue bonds. A full feasibility study on the project is planned for 1993.

In Southeast, the Tyee hydroelectric project provides power to Wrangell and Petersburg. However, due to low demand only one-third of the project's generating capability is now being used. Ketchikan, south of the Tyee project, receives much of its electricity from the Swan Lake hydroelectric project. However, local demand is now outstripping Swan Lake's generating capability. The city will soon have to generate additional electricity using diesel fuel. Ketchikan is an obvious candidate for an intertie with the Tyee hydroelectric project.

Similarly, Juneau receives most of its electricity from the Snettisham hydroelectric project. Economic growth coupled with potential power sales to area mining developments could quickly lead to renewed fossil fuel-based power generation in the near future. As a result, Juneau is also a candidate for an intertie with the Tyee Lake hydroelectric project.

The cost estimate for a Southeast intertie segment to market Tyee Lake surplus power is also in the range of \$60 million, \$40 million of which could be financed with a zero interest AEA loan and the balance financed with revenue bonds.

The Energy Authority has administered what is now known as the Power Cost Equalization (PCE) program since its creation by the Alaska Legislature in 1981. Its purpose is to reduce the consumer cost of electricity in rural Alaska. In fiscal year 1992, about \$15.2 million was spent on PCE. In its 12-year history, the PCE program has disbursed nearly \$160 million to rural Alaska consumers in the form of rate relief. Although the bulk of power provided by utilities to commercial and industrial customers is not eligible for PCE, eliminating the program would double or even triple residential electric bills in many areas in rural Alaska.

The Alaska Village Electric Cooperative (AVEC), one of 97 utilities receiving PCE, is a good example of the program's impact. AVEC serves a population of 17,400 people in 49 rural villages. Only about one-third of the kilowatt hours sold by AVEC are eligible for PCE. The average AVEC residential rate without PCE is 41.7 cents per kilowatt hour. However, the utility's customers receive 21.8 cents per eligible kilowatt hour from PCE, resulting in an average residential rate of 19.9 cents for the first 750 kilowatt hours used per month. This is still roughly twice the average cost of power in Anchorage, Fairbanks and Juneau, as well as Petersburg, Wrangell, Ketchikan and Sitka.

The AEA Revolving Fund balance would be drawn down over a period of 20 years. During that time, the PCE Program would continue to be funded at roughly \$17 million per year, regardless of the phase-out of State General Fund support. As annual PCE General Fund appropriations by the legislature were being decreased, contributions from the Revolving Fund would be increased to make up the difference. This would provide a transition period for rural utilities to adopt cost-savings measures such as utility consolidation or use of more efficient technologies, and for communities to adapt to higher real energy costs in the long run.

Constructing the intertie projects will create a much stronger transmission system with greater capacity and far greater reliability, and eliminate the need to add additional diesel-fired generation capacity in many areas. All of these transmission projects will contribute to lower costs, greater reliability and greater system flexibility over the long term, all of which is critical to economic development and diversification. Further, the positive economic impact created by \$300 million in construction projects over the next several years will be significant.

Funding the Power Cost Equalization Program with an annuity not only benefits rural power consumers, but also will cut State General Fund spending by \$17 million per year.

Financially restructuring the Alaska Energy Authority will not reduce legislative oversight. The Authority will remain a state agency that must be responsive to the public's elected representatives.

In conclusion, almost \$135 million is available in reserve funds for the intended purpose of constructing energy projects. The premise of this proposal is that these revenues should be used for energy projects rather than lost to annual operating budgets. The proposal is further based on a deep concern that overnight reductions in the PCE Program would be catastrophic for rural Alaska. Financially restructuring the Alaska Energy Authority and creating the Revolving Fund can go a long way in meeting energy demand, promoting economic diversification and helping rural Alaska cope with today's high energy costs. We believe that providing reliable and affordable power is one of the best investments we can make with our non-renewable wealth.

ALASKA ENERGY AUTHORITY  
(All Dollars in Thousands)

Page 1 of 3  
29 Jan 93

	6/30/93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>AEA Revolving Fund Balance</b>	<b>\$154,800</b>	<b>\$172,401</b>	<b>\$180,992</b>	<b>\$180,920</b>	<b>\$122,445</b>	<b>\$61,600</b>	<b>\$62,444</b>	<b>\$61,520</b>	<b>\$58,298</b>	<b>\$55,383</b>	<b>\$52,725</b>
<b>Revenue</b>											
Revolving Fund Investment Income		11,610	12,930	13,574	13,569	9,183	4,620	4,683	4,614	4,372	4,151
Collections on Existing Loans		2,413	2,413	2,271	2,244	2,234	2,181	2,130	1,956	1,937	1,931
Intertie State Loan Repayments											
Railbelt Interties		0	0	0	0	0	360	720	1,080	1,440	1,800
Southeast Intertie		0	0	0	0	0	0	160	320	480	640
Copper Valley Intertie		0	0	0	0	0	0	160	320	480	640
Debt Service from 4-Dam Pool		10,396	10,667	10,909	11,155	11,405	11,584	11,766	11,932	12,061	12,121
Appropriation - PCE		17,000	14,571	12,143	9,714	7,286	4,857	2,429	0	0	0
Appropriation - PCE Admin.		182	180	199	207	217	227	237	0	0	0
<b>Total</b>		<b>41,601</b>	<b>40,772</b>	<b>39,096</b>	<b>36,890</b>	<b>30,325</b>	<b>23,829</b>	<b>22,285</b>	<b>20,222</b>	<b>20,773</b>	<b>21,206</b>
<b>Expenditure</b>											
Railbelt Intertie Construction		1,000	9,000	14,400	65,600	0	0	0	0	0	0
Southeast Intertie Construction		500	500	1,200	3,600	34,200	0	0	0	0	0
Copper Valley Intertie Construction		500	500	1,200	3,600	34,200	0	0	0	0	0
Conservation		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Other Capital Projects/ Programs		1,000	1,045	1,092	1,141	1,193	1,246	1,302	1,361	1,422	1,486
AEA Administration		1,500	1,568	1,638	1,712	1,789	1,869	1,953	2,041	2,133	2,229
PCE Outlay		\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000
Rural Technical Assistance		1,500	1,568	1,638	1,712	1,789	1,869	1,953	2,041	2,133	2,229
<b>Total</b>		<b>24,000</b>	<b>32,160</b>	<b>39,168</b>	<b>95,365</b>	<b>91,170</b>	<b>22,985</b>	<b>23,209</b>	<b>23,443</b>	<b>23,688</b>	<b>23,944</b>
<b>Surplus (Shortage)</b>		<b>\$ 17,601</b>	<b>\$ 8,592</b>	<b>(\$72)</b>	<b>(\$58,475)</b>	<b>(\$60,845)</b>	<b>\$ 844</b>	<b>(\$924)</b>	<b>(\$3,221)</b>	<b>(\$2,915)</b>	<b>(\$2,659)</b>

Revolving Fund Beginning Balance		Assumptions	
Railbelt Energy Fund	\$2,800	Annual Inflation Rate	4.5 %
Railbelt Intertie Reserve Fund	100,000	Return on AEA Fund	7.5 % of fund balance
Interest on Rblt Intertie Reserve	21,000	PCE State Appropriation	7 year ramp
Bradley State Fund Surplus	11,000	Interest Rate: State Intertie Loans	0.0 %
Additional State Contribution	20,000	Term: State Intertie Loans	50 years
<b>Total</b>	<b>\$154,800</b>	Railbelt Intertie Est. Total Cost	\$180,000
		Railbelt Intertie State Loan	\$90,000
		SE Intertie Est. Total Cost	\$60,000
		SE Intertie State Loan	\$40,000
		Copper Valley Est. Total Cost	\$60,000
		Copper Valley State Loan	\$40,000

Projections exclude restricted revenues and associated expenditures.  
(Example: revenues dedicated to project operations and maintenance.)

ALASKA ENERGY AUTHORITY  
(All Dollars in Thousands)

page 2 of 2  
29 Jan 93

	2004	2005	2006	2007	2003	2009	2010	2011	2012	2013	Total
<b>AEA Revoiving Fund Balance</b>	<b>\$50,880</b>	<b>\$48,442</b>	<b>\$45,396</b>	<b>\$41,795</b>	<b>\$37,650</b>	<b>\$32,920</b>	<b>\$27,544</b>	<b>\$21,457</b>	<b>\$14,591</b>	<b>\$6,871</b>	
<b>Revenue</b>											
Revolving Fund Investment Income	3,954	3,816	3,633	3,405	3,135	2,824	2,469	2,066	1,609	1,094	\$111,315
Collections on Existing Loans	1,831	1,609	1,425	1,347	1,333	1,333	1,333	1,333	1,333	1,333	35,920
Interlie State Loan Repayments											
Railbelt Intertie	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,400
Southeast Intertie	800	800	800	800	800	800	800	800	800	800	9,600
Copper Valley Intertie	800	800	800	800	800	800	800	800	800	800	9,600
Debt Service from 4-Dam Pool	12,182	12,228	12,290	12,338	12,395	12,454	12,512	12,568	12,625	12,694	238,263
Appropriation - PCE	0	0	0	0	0	0	0	0	0	0	68,000
Appropriation - PCE Admin.	0	0	0	0	0	0	0	0	0	0	1,350
<b>Total</b>	<b>21,367</b>	<b>21,053</b>	<b>20,738</b>	<b>20,488</b>	<b>20,263</b>	<b>20,011</b>	<b>19,714</b>	<b>19,367</b>	<b>18,957</b>	<b>18,511</b>	<b>497,556</b>
<b>Expenditure</b>											
Railbelt Intertie Construction	0	0	0	0	0	0	0	0	0	0	90,000
Southeast Intertie Construction	0	0	0	0	0	0	0	0	0	0	40,000
Copper Valley Intertie Construction	0	0	0	0	0	0	0	0	0	0	40,000
Conservation	0	0	0	0	0	0	0	0	0	0	10,000
Other Capital Projects/ Programs	1,553	1,623	1,698	1,772	1,852	1,935	2,022	2,113	2,208	2,308	31,371
AEA Administration	2,329	2,434	2,544	2,658	2,778	2,903	3,034	3,170	3,313	3,462	47,057
PCE Outlay	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	340,000
Rural Technical Assistance	2,329	2,434	2,544	2,658	2,778	2,903	3,034	3,170	3,313	3,462	47,057
<b>Total</b>	<b>23,212</b>	<b>23,491</b>	<b>23,784</b>	<b>24,089</b>	<b>24,408</b>	<b>24,741</b>	<b>25,089</b>	<b>25,454</b>	<b>25,834</b>	<b>26,231</b>	<b>645,486</b>
<b>Surplus (Shortage)</b>	<b>(\$1,845)</b>	<b>(\$2,438)</b>	<b>(\$3,045)</b>	<b>(\$3,601)</b>	<b>(\$4,145)</b>	<b>(\$4,730)</b>	<b>(\$5,376)</b>	<b>(\$6,087)</b>	<b>(\$6,867)</b>	<b>(\$7,720)</b>	<b>(147,929)</b>

**■ CONSTITUENTS**

**■ GENERATION PLANTS**

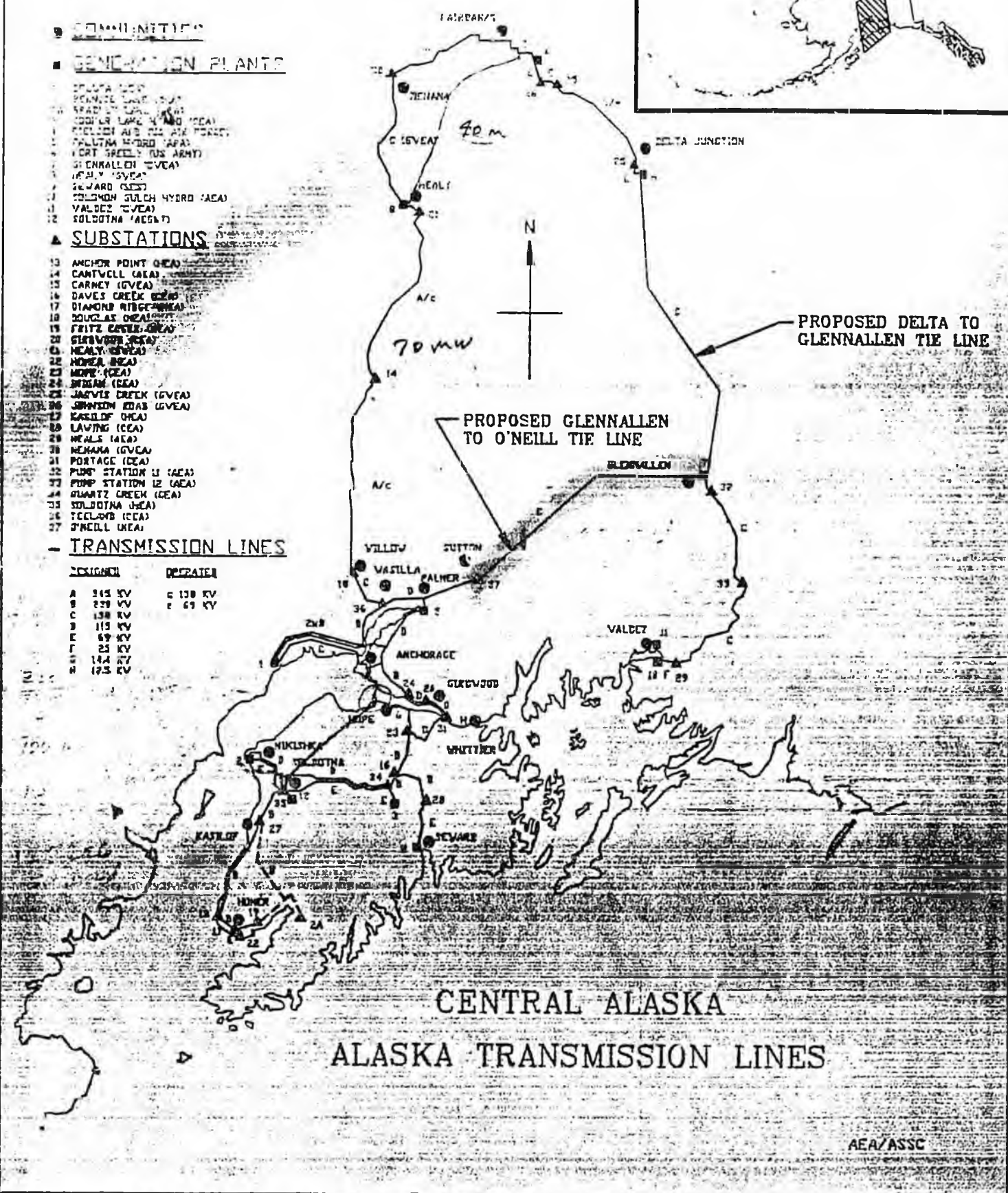
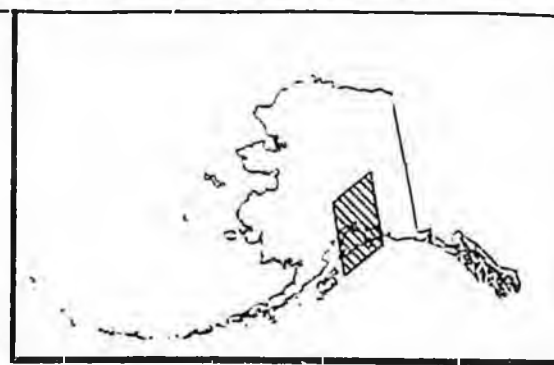
- 1 BRUCE LEE
- 2 BRUCE LEE (2A)
- 3 BRUCE LEE (2B)
- 4 BRUCE LEE (2C)
- 5 BRUCE LEE (2D)
- 6 BRUCE LEE (2E)
- 7 BRUCE LEE (2F)
- 8 BRUCE LEE (2G)
- 9 BRUCE LEE (2H)
- 10 BRUCE LEE (2I)
- 11 BRUCE LEE (2J)
- 12 BRUCE LEE (2K)

**▲ SUBSTATIONS**

- 13 ANCHOR POINT (SEA)
- 14 CANTWELL (SEA)
- 15 CARNEY (GVEA)
- 16 DAVES CREEK (SEA)
- 17 DIAMOND RIDGE (SEA)
- 18 DOUGLAS (SEA)
- 19 FRITZ CREEK (SEA)
- 20 STARBUCK (SEA)
- 21 NEALY (SEA)
- 22 HOPKIN (SEA)
- 23 HOPE (SEA)
- 24 BREWSTER (SEA)
- 25 JARVIS CREEK (GVEA)
- 26 JOHNSON (SEA)
- 27 KATLOF (SEA)
- 28 LAWING (SEA)
- 29 NEALS (SEA)
- 30 NEHANA (GVEA)
- 31 PORTAGE (SEA)
- 32 PUMP STATION 11 (SEA)
- 33 PUMP STATION 12 (SEA)
- 34 QUARTZ CREEK (SEA)
- 35 SODOTNA (SEA)
- 36 TULLOCH (SEA)
- 37 O'NEILL (SEA)

**- TRANSMISSION LINES**

DESIGNATION	VOLTAGE	OPERATOR
A	345 KV	E 138 KV
B	230 KV	F 69 KV
C	138 KV	
D	115 KV	
E	69 KV	
F	25 KV	
G	14.4 KV	
H	12.5 KV	



**CENTRAL ALASKA  
ALASKA TRANSMISSION LINES**

AEA/ASSC



# CHUGACH ELECTRIC ASSOCIATION, INC.

DAVID L. HIGHERS  
General Manager

February 8, 1993

Representative Bill Hudson  
Alaska House of Representatives  
Capitol, Room 108  
Juneau, AK 99801-1182

Dear Representative Hudson:

HBs 50 and 51 authorize the construction and appropriate \$90 million from the Railbelt Intertie Reserve Fund to strengthen the railbelt's electric grid by constructing a transmission line between Anchorage and the Kenai Peninsula and a second line from Healy to Fairbanks. Collectively these lines are referred to as the "interties" and their construction has been a priority to the railbelt electric utilities since 1987 when the Railbelt Energy Council recommended this project to the legislature. Funding for the projects was set aside in 1986 when the legislature created the Railbelt Energy Fund from money left over from the Susitna project which was closed out in 1985.

Since 1987, a series of intertie bills have been before the legislature and have died in one committee or another. Of the \$285 million dollars that was placed into the original Railbelt Energy Fund, only about \$115 million remains in the Railbelt Intertie Reserve Fund today. The balance has been spent for a variety of projects--very few of which are energy related or in the railbelt.

The railbelt electric utilities have not asked for a free ride, but rather have opted to join the state in a cost-sharing for these tremendously beneficial projects. The proposed legislation requires the railbelt electric utilities to pay a minimum of 50% of the estimated cost to design and build the lines and further mandates the utilities to pay all operations and maintenance costs for the projects over their anticipated 50 year life.

These projects will provide significant benefits to nearly three-quarters of the state's population for several generations. The intertie feasibility studies which have been undertaken show a broad range of benefits for the projects. Although it is clear that the experts have varying opinions on the precise level of benefits the projects will provide, the Alaska Energy Authority has concluded that the benefits will exceed the cost of the projects. The expected benefits of the interties include:

**Increased Reliability** - The new interties will reduce the number and duration of transmission related power outages. The interties will also allow more energy to be

delivered to areas experiencing generation or transmission related power outages from other unaffected areas.

**Economy Energy Transfer** - By allowing the transfer of the lowest-cost energy available, interties will reduce the cost of energy to the utilities and their consumers. With the new interties, low-cost energy generated in one part of the grid can be shipped to other areas and replace higher-cost energy. This "economy energy" transfer is currently utilized between Anchorage and Fairbanks, reducing costs for Fairbanks rate-payers. Transfers are now limited by the capacity of the fully loaded intertie.

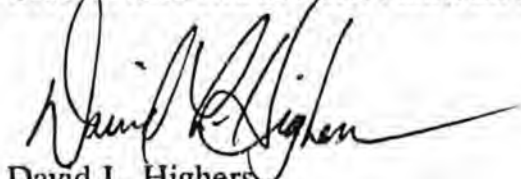
**Capacity Sharing** - New interties will allow two or more areas to share generation capacity and defer or eliminate the need to build costly generation facilities. The Railbelt utilities currently have an abundance of generation facilities, but are not always able to move energy to areas where it is needed. In addition to capacity sharing, the interties will allow the utilities to share reserve capacity. Reserve capacity is an extra amount of generation which is running above the level that is in demand at any particular time. These reserves are immediately available to meet additional electrical needs and to prevent power outages. Interties will allow the utilities to share their reserve capacity and again reduce operating costs.

**Transmission Efficiency** - New interties will reduce the amount of energy lost through transmission, thereby reducing costs. Like any electrical circuit that is heavily loaded, the existing interties experience a high level of energy loss caused by resistance.

In summary, Chugach believes that the interties are solid energy projects that have stood the test of economic analysis and will yield direct benefits for nearly three-quarters of the state's population. Upgrading the electrical infrastructure through a state-utility partnership makes good economic sense. The interties will create a stable, reliable and more economical power delivery system to serve the majority of Alaska's population and support economic growth within the region for years to come. I urge you to support HB 50 and 51 which uses a portion of the Railbelt Energy Fund for its originally intended purpose--to provide energy projects for the railbelt.

Sincerely,

CHUGACH ELECTRIC ASSOCIATION, INC.



David L. Highers  
General Manager

DRAFT CS HB 50 (L&C)

SECTIONAL ANALYSIS

Section 1 states the reasons the legislature has in adopting this program and expresses the intent of the legislature as to how this program is to be managed. Included is the intent that the power cost equalization program be funded for 20 years at \$17 million annually.

Section 2 authorizes the Alaska Energy Authority to contract with utilities to design and construct electric transmission lines when those utilities assume the risks of completion and cost overruns and when the utilities agree to pay all costs of operation and maintenance.

Section 3 amends the definition of program receipts to include earnings of the energy authority revolving fund created in Section 7.

Section 4. provides that the Department of Revenue shall invest the balance of the energy authority revolving fund.

Sections 5-6 are conforming amendments which change references from "power project fund" to "power project loan account."

Section 7 creates the energy authority revolving fund which would be the consolidated fund for all income and assets of the energy authority except for the electrical service extension fund and the power cost equalization fund. All other funds or accounts which exist or may later be created in the Energy Authority would be accounts within this fund. Income on assets of the authority would be received by this fund. The authority may make interest bearing loans from this fund to qualified borrowers in amounts not to exceed \$10 million, but all other uses of this fund would require legislative appropriations.

Section 8 transfers the "power project fund" to the status of "power project loan account" within the new revolving fund.

Section 9 transfers the loan programs of the energy authority to this new loan account and consolidates authority for fuel loans in this new account.

Sections 10-11 are conforming amendments which change references from "power project fund" to "power project loan account."

Section 12 also changes a reference from "power project fund" to "power project loan account." In addition, it provides that the legislature may specifically authorize no-interest loans for transmission interties. This is a vestige of an earlier draft in which it was intended that two of the interties authorized in this bill would be financed by no-interest loans. The plan with this draft is to use grants rather than loans, but this provision was retained as possibly being of use in later small interties between villages.

Section 13 provides that interest earned by loans from the new power project loan account will be deposited in the energy authority revolving fund.

Sections 14 -17 are conforming amendments which change references from "power project fund" to "power project loan account."

Section 18 is a conforming amendment which changes a reference from "power development fund" to "power development account."

Section 19 changes the power development fund to an account within the energy authority revolving fund called the "power development account."

Section 20 is a conforming amendment changing references from "fund" to "account."

Section 21 changes references from "fund" to "account," and it also repeals the requirement that income to this investment account must be deposited in the general fund.

Section 22 is a conforming amendment which changes a reference from "fund" to "account."

Section 23 provides a definition of "account" in this section to mean the power development account.

Section 24 changes the name of the "power development revolving loan fund" to "power development revolving loan account."

Sections 25-27 are conforming amendments which change references from "fund" to "account."

Section 28 defines "account" in that section as the power development loan account.

Section 29 repeals the bulk fuel revolving loan fund which is consolidated with the power project loan account; it repeals the rural electrification revolving loan fund which has not been used since enactment of the electrical service extension fund; and it repeals a requirement that income earned from energy authority projects be deposited in the general fund.

Section 30 authorizes design and construction of the proposed transmission intertie between Anchorage and the Kenai Peninsula.

Section 31 authorizes design and construction of the proposed transmission intertie between Healy and Fairbanks.

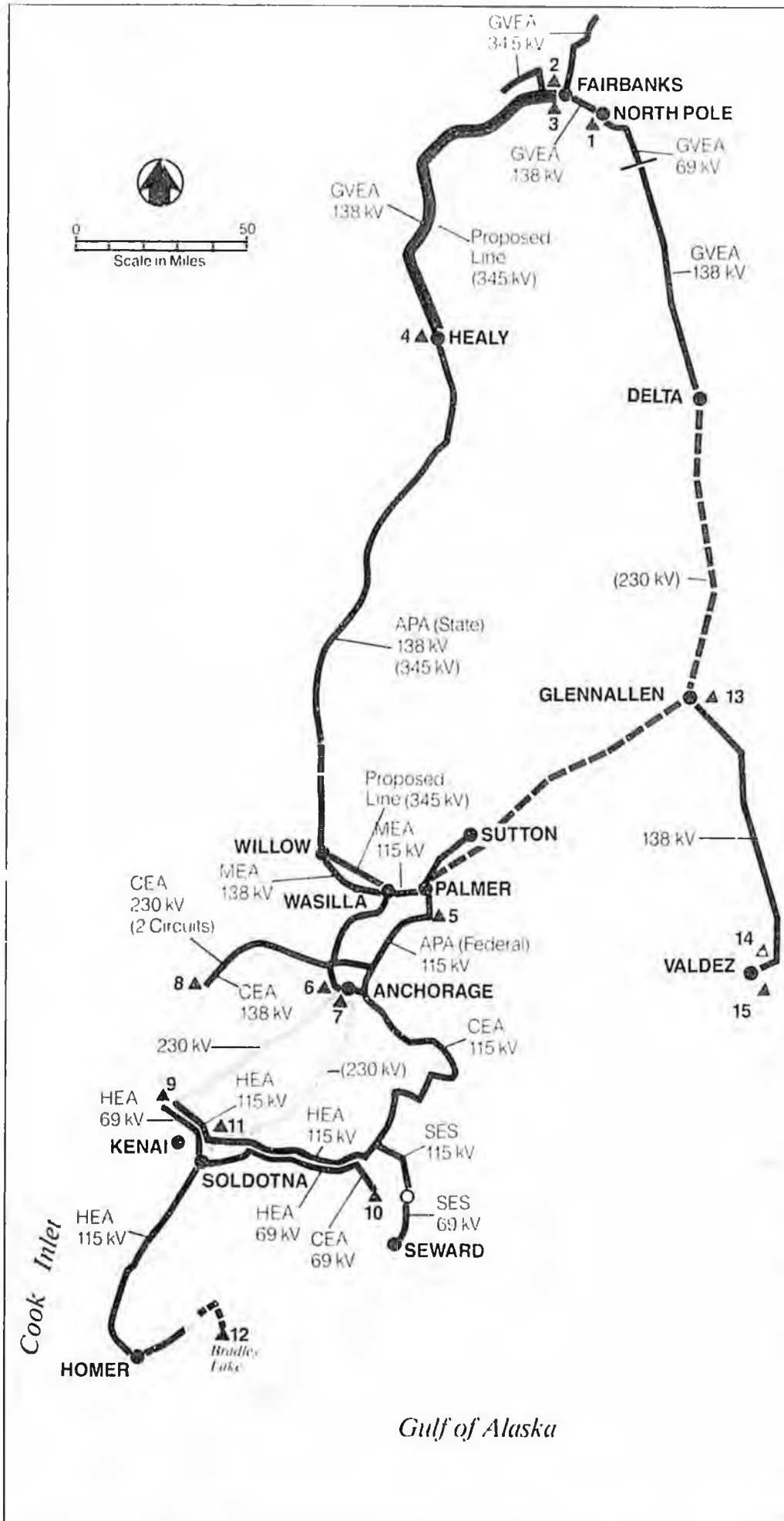
Section 32 conditions the authorizations given in Sections 30 and 31 upon the utilities agreeing to pay all completion costs above \$90 million and to pay all costs of operation and maintenance.

Section 33 authorizes the design and construction of a transmission intertie between the Swan Lake and Tyee Lake hydroelectric projects upon the condition that the utility agrees to pay completion costs above \$35 million and to pay all costs of operation and maintenance.

Section 34 authorizes the design and construction of a transmission intertie between Sutton and Glennallen upon the condition that the utility agrees to pay for completion costs above \$27.5 million and to pay all costs of operation and maintenance, and upon the condition that the Office of Management and Budget approves the feasibility study submitted by the Energy Authority.

Section 35 provides for an effective date.

# Railbelt Generation and Transmission Systems



- Community
  - ▲ Generation Station
  - 2 Generation Station Identification Number
  - 230 kV Line Capacity
  - Line Capacity Change
  - Northeast Transmission Line Route (Proposed)
  - Parks Highway Line (Proposed)
  - ..... Fritz Creek Transmission Line (Proposed)
  - ..... Enstar Gas Pipeline Route (Proposed)
  - ..... Tesoro Products Line Route (Proposed)
  - Transmission Line Route (Existing)
  - Bradley Junction to Soldotna Line (under construction)
  - Bradley Transmission Line (part of Bradley Lake Project)
- (Prepared by ARECA—January 1989)

1. Oil Fired Generation — 121.8 mW — Golden Valley Electric Association — North Pole
2. Oil Fired Generation — 40.6 mW — Fairbanks Municipal Utilities System — Fairbanks  
Coal Fired Generation — 28.6 mW — Fairbanks Municipal Utilities System — Fairbanks
3. Oil Fired Generation — 51 mW — Golden Valley Electric Association — Fairbanks
4. Coal Fired Generation — 25 mW — Golden Valley Electric Association — Healy
5. Hydroelectric Generation — 30 mW — Alaska Power Administration (Federal) — Eklutna
6. Natural Gas Generation — 330 mW — Anchorage Municipal Light & Power — Anchorage
7. Natural Gas Generation — 49.4 mW — Chugach Electric Association — Anchorage
8. Natural Gas Generation — 360 mW — Chugach Electric Association — Beluga
9. Natural Gas Generation — 81.7 mW — Chugach Electric Association — Bernice Lake
10. Hydroelectric Generation — 17.4 mW — Chugach Electric Association — Cooper Lake
11. Natural Gas Generation — 38.5 mW — Alaska Electric Generation & Transmission — Soldotna
12. Hydroelectric Generation — 90 mW — Alaska Power Authority (State) — Bradley Lake
13. Oil Fired Generation — 10.4 mW — Copper Valley Electric Association — Glennallen
14. Oil Fired Generation — 7.2 mW — Copper Valley Electric Association — Valdez
15. Hydroelectric Generation — 12 mW — Alaska Power Authority (State) — Solomun Gulch

HB

51

# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 14, 1993

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/13/93

The LABOR AND COMMERCE Committee considered:

HB 51

HOUSE BILL NO. 51

APPE.OP: POWER TRANSMISSION INTERTIES

"An Act making a special appropriation for design and construction of power transmission interties between Anchorage and the Kenai Peninsula and between Healy and Fairbanks; and providing for an effective date."

**RECOMMENDATIONS:**

be replaced with

CSHB 51

the same title

a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

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

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	✓	<i>Brian Porter</i>		✓	
<i>x Joe Setton</i>	✓	<i>[Signature]</i>		✓	
<i>W. Williams</i>	✓	<i>[Signature]</i>		✓	
		<i>Bill Hudson</i>		✓	

*Bill Hudson*  
CHAIRMAN'S SIGNATURE

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

### MEMORANDUM

April 13, 1993

**SUBJECT:** Sectional Summary of CSHB 51(L&C) (Appropriations for power transmission interties, for the Alaska Energy Authority, and to fund the four dam pool account and the Railbelt intertie reserve.)

**TO:** Representative Bill Hudson, Chair  
House Labor and Commerce Committee

**FROM:** Teresa B. Cramer *TBC*  
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill is not considered an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

**Sec. 1** appropriates \$112,250,000 and the interest on that amount from the Railbelt intertie reserve and, if the reserve is insufficient to satisfy the appropriation, from the Railbelt energy fund, to the Alaska Energy Authority for the three interties named.

**Sec. 2** appropriates \$20,000,000 from the Railbelt energy fund to the four dam pool account for a loan for an intertie between Swan Lake and Tyee Lake. Subsections (b) - (d) set out legislative intent concerning the appropriation.

**Sec. 3** appropriations \$800,000 from the four dam pool account to the Alaska Energy Authority FY 1994 operating expenses. Subsection (b) sets out legislative intent concerning the appropriation.

**Sec. 4** appropriates \$8,000,000 from the four dam pool account to the Alaska Energy Authority for environmental impact statements for the named interties.

**Sec. 5** repeals and reappropriates the unexpended and unobligated balances of the appropriations identified in the section, for the Bradley Lake hydroelectric project, for deposit in the Railbelt intertie reserve.

Representative Bill Hudson, Chair  
April 13, 1993  
Page 2

**Secs. 6 and 7** are lapse provisions.

**Sec. 8** is a contingent effective date.

TBC:gc  
93-334.glc

DRAFT CS HB 51 (L&C)

SECTIONAL ANALYSIS

Section 1 appropriates the balance in the Railbelt intertie reserve on 6-30-93 to the energy authority revolving fund. This consists of \$100 million plus interest of approximately \$18 million.

Section 2 appropriates \$90 million from the energy authority revolving fund to the Alaska Energy Authority for design and construction of a transmission intertie between Healy and Fairbanks and for a transmission intertie between Anchorage and the Kenai Peninsula.

Section 3 appropriates \$35 million from the energy authority revolving fund to the Alaska Energy Authority for design and construction of a transmission intertie between Tyee Lake and Swan Lake hydroelectric projects.

Section 4 appropriates \$27.5 million from the energy authority revolving fund to the Alaska Energy Authority for design and construction of a transmission intertie between Sutton and Glennallen.

Section 5 appropriates the balance in the Railbelt energy fund to the energy authority revolving fund. This amount is approximately \$2.8 million.

Section 6 appropriates the money left from construction of the Bradley Lake hydroelectric project to the energy authority revolving fund. This amount is approximately \$11 million.

Section 7 appropriates the right, title and interest in all receivables on loans or power sales agreements and reserves of the energy authority to the energy authority revolving fund. The largest of these items is the 4-dam pool power sales agreement.

Section 8 appropriates an amount from the general fund required to complete the capitalization of the energy authority revolving fund.

Sections 9-14 provide for lapse conditions and effective dates.

H B

5 4

# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 14, 1993

FURTHER REFERRALS:

Judiciary  
Finance

Date of Committee Action: 3/16/93

The LABOR AND COMMERCE Committee considered:

HB 54

HOUSE BILL NO. 54

TELEPHONE CONSUMER PROTECTION

"An Act relating to eavesdropping, telephone caller identification, and telephone directory listings and solicitations."

**RECOMMENDATIONS:**

be replaced with CS HB 54

the same title  
 a new title

- have attached amendments(s)
- do pass
- do not pass
- no recommendations
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) \_\_\_\_\_

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

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note Commerce

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Brian D. Porter</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				

*[Signature]*  
CHAIRMAN'S SIGNATURE



# Alaska Women's Resource Center

111 W. 9th Ave., Suite 4 • Anchorage, Alaska 99501 • (907) 276-0528

March 12, 1993

Bill Hudson, Chairman  
House Labor & Commerce  
State Capitol  
Juneau, AK 99811-1182

Dear Representative Hudson,

I am writing to support the CS HB 54 on telephone caller identification which was discussed yesterday in your committee. I was at the teleconference site in Anchorage and was unable to testify because of the time constraints.

I urge the committee to move the bill out, preferably with favorable recommendations. In addition I hope that members of the committee will consider co-sponsoring this legislation and work for passage during this year's Session.

Prompt enactment of this proposal -- especially the section 1 provisions on caller identification - is essential in order for you to assure that Alaskans' privacy interests are protected. Absent such a provision, the telephone companies will buy whatever equipment they want (especially now that they are aware of the restrictions we seek). Once that happens, any effort to protect us will be drowned out by cries, "we've already made a substantial investment -- it's too late to change it now."

It offends me that the industry wants to, in Mr. Roy's words, "aggressively market" my identity and address simply because I have a telephone. Mr. Roy's testimony to the effect that caller ID could never be a reality under the proposed legislation is alarmist rhetoric. Perhaps the service will not be quite as profitable, but the technology can certainly be arranged to accomplish the necessary service. Why should the phone companies be allowed to double dip by charging you for subscribing to caller identification and then charging me to keep my name out of your hands?

Those who testified yesterday concerning the safety concerns of women and domestic violence victims covered those topics quite well. AWRC also serves domestic violence victims by providing outpatient counseling. Many times victims do not want us to even try to call them at home for fear the abuser

Representative Bill Hudson, Chairman

Page 2

March 12, 1993

will simply find out that they're talking to someone at AWRC. Even in cases where we have arranged to call at a specific time, a system which allowed our business line number to be displayed (or recorded it if the phone is not answered) would create additional risk for these victims.

There is an additional category of telephone users for whom caller identification could pose serious difficulties. AWRC has a residential program for women recovering from substance abuse. We are required by federal law to maintain confidentiality concerning the identity of these clients. They don't have phones in their rooms and we don't even provide them with free local phone service. We do provide a pay phone in the residence. Without an effective system for blocking identification on that line, allowing a client to use the pay phone jeopardizes her confidentiality rights.

I think this last example is important because it highlights the fact that we aren't discussing only individual subscribers or only private (as opposed to pay) telephones.

I am grateful to you and the Committee for giving this important subject a hearing -- I urge you to move the bill promptly and will be happy to answer any questions.

Sincerely,



Theda Pittman  
Executive Director

cc: Committee Members  
Rep. Kay Brown

*It was nice to hear you again  
even if we didn't talk - it's  
been a long time!*

**Securities Industry Association**

120 Broadway • New York, NY 10271-0080 • (212) 608-1500 • Fax (212) 608-1604

March 5, 1993

Representative Mike Navarre  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

Dear Representative Navarre:

I am writing on behalf of the Securities Industry Association (SIA), to comment on House Bill No. 54, relating to eavesdropping, caller identification, and directory listings and solicitations.

SIA is opposed to sections three and four of House Bill 54, which provide for a marking in the telephone directory indicating that a person does not wish to receive telephone solicitation calls, and prohibiting telephone solicitations of any person so indicated.

New federal regulations restricting telemarketing activities have only recently gone into effect, and SIA believes the regulations should be given an opportunity to work before further restrictions are put into place.

The federal regulations were adopted after an extensive study of several options restricting telemarketing, including directory markings. The Federal Communications Commission rejected the directory marking option concluding that, "...this alternative would be too costly and burdensome for telemarketers to implement efficiently, regardless of their size, especially given the existence of an effective alternative (company-specific do-not-call lists)." The FCC further noted that, "Ultimately, this option combines the disadvantages of maximum cost to all participants with minimal potential effectiveness, and therefore is not a suitable means of accomplishing the goals of the TCFPA [Telephone Consumer Protection Act]."

Most complaints about telemarketing calls are about prerecorded voice calls, late night calls and repeated calls from the same telemarketers. The new federal regulations address all of these concerns while recognizing that legitimate telemarketing practices are a service to consumers.

Only one other state, Oregon, provides for a directory marking for consumers who do not wish to receive telemarketing calls. Not insignificantly, Oregon allowed the publishers of the directory to decide whether or not to provide this service to consumers. Until last year they chose not to provide such a service.

As members of the securities industry have become aware of the requirements of the Oregon law, most have chosen to suspend telemarketing activities in the state. Indeed, most have suspended such activities in Florida which provides a statewide do-not-call list - a method of restricting telemarketing that is easier to comply with than a directory marking, yet still considered too expensive and burdensome to comply with. Additionally, legislation has been introduced that would exempt the securities industry from the prohibition against calls to consumers participating in the directory marking program.

Finally, because of the expense involved, large entities are less likely to discontinue telemarketing in Alaska than are small entities, which are already at a competitive disadvantage. Because telemarketing is very effective and relatively inexpensive, it is a valuable tool for small businesses.

Members of the securities industry rely heavily on telemarketing to reach potential investors. Their sales practices are subject to an array of regulations and standards imposed by federal, state and self regulatory authorities. SIA believes that further restrictions on securities industry telemarketing is inadvisable, particularly at a time when the public is showing an increased interest in the the financial marketplace and participating in it as never before.

For the foregoing reasons, SIA opposes sections three and four of House Bill No. 54 and recommends that the bill be amended by deleting those sections. Alternatively, SIA would not oppose the bill if a clear exemption for the securities industry were added.

If you have any questions or comments regarding SIA's position, please call me at (212) 618-0532. Thank you.

Sincerely,

Daniel J. Barry  
Attorney

cc: Representative Bill Hudson

2946W

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: An Act relating to eavesdropping, telephone caller I.D., telephone listings and solicitations.  
 Sponsor: Brown/Navarre  
 Requestor: Labor & Commerce

Department Affected: Commerce and Economic Development  
 BRU: Alaska Public Utilities Commission  
 Component: Alaska Public Utilities Commission  
 COMPONENT SERIAL NO. \_\_\_\_\_

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE FUND SOURCE:	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Robert A. Lohr, Executive Director  
 Division: Alaska Public Utilities Commission

Phone: 276-6222  
 Date: 2/11/93

Approved by Commissioner: Paul Fuhs  
 Agency: Commerce and Economic Development

Date: 2-12-93

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HB 54: "An Act relating to eavesdropping, telephone identification, and telephone directory listings and solicitations."

Most states have required utilities to provide free blocking of caller I.D. Free blocking is consistent with the commission's proposed statement of privacy principles. The commission has scheduled a workshop on the proposed privacy principles later in February and will work with the public and the utilities to refine those principles.

Eavesdropping: This section falls outside normal commission jurisdiction.

Telephone Solicitation: The commission has reviewed the proposed changes to AS 45.50.475 regarding telephone solicitation and believes the requirements are clearly outlined in statutes and, therefore, no regulations are necessary.

The commission would like the Legislature to consider amending 475(c) to give local exchange telecommunications companies the responsibility of informing parties of the telephone solicitation provisions of this section.

Section 475(c) could be amended as follows:

[THE ALASKA PUBLIC UTILITIES COMMISSION SHALL, BY REGULATION, REQUIRE THAT] Local exchange telecommunications companies are required to inform parties of the provisions of this section. Notification may be made by

- (1) annual inserts in the billing statements mailed to parties;
- (2) conspicuous publication of the notice in the consumer information pages of local telephone directories.

This change would effectively make enforcement of these provisions a matter for the Attorney General's office under fair trade practices.

  
Paul Fuhs, Commissioner

2. 12 - 93  
Date

# Representative Kay Brown

ALASKA STATE LEGISLATURE

Legislative Information Office  
3111 C Street  
Anchorage, Alaska 99503  
(907) 561-7627

During Session  
State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-4998

## MEMORANDUM

TO: Representative Bill Hudson, Chair  
House Labor and Commerce Committee.

FROM: Representative Kay Brown,

DATE: January 30, 1993.

SUBJECT: Scheduling HB 54, Telephone Privacy.

-----

This is to request a hearing for **HB 54, Telephone Privacy**, at the earliest convenience of the House Labor and Commerce Committee.

Attached, please find:

1. Sponsor's Statement.
2. Sectional Analysis.
3. Fiscal Notes/Position Papers.
4. Backup--

*" In the Matter of the Consideration of Principles on Privacy in Telecommunications Services."*

Alaska Public Utilities Commission, January, 15, 1993.

*"Caller ID Update."*

Privacy Journal, November, 1992.

*"Memorandum from New Jersey Coalition for Battered Women."*

Barbara Price, Executive Director, March, 1991.

*"Letter to the Honorable Ted Stevens, U.S. Senate."*

Theda Pittman, Executive Director, Alaska Women's Resource Center, April, 1992.

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*"Letter to Representative Kay Brown's Office."*  
Cindy Smith, Executive Director, Alaska Network on Domestic  
Violence and Sexual Assault, August, 1992.

*"Selected Testimony Before the U.S. House of Representatives  
Committee on Interior and Insular Affairs, Alyeska Pipeline Service  
Company Covert Operation."*  
Washington, D.C., November 4, 5 and 6, 1991.

*"Telemarketing: Consumer Privacy and Commerce."*  
InfoText, August, 1992.

*"'Do-Not-Call' For Telemarketers."*  
Privacy Journal, September, 1992.

*"Summary of Oregon's Telephone Solicitation Laws."*  
Oregon Public Utilities Commission, October, 1990.

*"Sample Page from Salem, Oregon Telephone Directory."*

H B 54 Telephone Privacy  
Representative Kay Brown

Sponsor Statement

HB 54 addresses protection of Alaskan's individual privacy rights in three important areas:

- *Would provide Caller Identification "line blocking" services without charge to telephone utility customers.*
- *Would conform Alaska statutes to case law rulings on eavesdropping .*
- *Would require telephone utilities to offer customers an opportunity to avoid telemarketing solicitations.*

Additions and amendments to Alaska Statutes provided by this legislation would make it clear that a citizen's right to individual privacy includes the right to be protected from unethical, abusive or annoying misuse of telephones and monitoring and recording equipment.

# House Bill 54 Telephone Privacy

Representative Kay Brown

## Sectional Analysis

**Section 1.** Adds a new section to Alaska Statute 42.05. **AS 42.05.335 CALLER IDENTIFICATION SERVICES AND CALL BLOCKING.** (a) If a telephone utility offers caller identification service to its customers, then it must also offer to its customers, without charge, "call blocking" and "line blocking" services. This would allow a subscriber the option of keeping their phone number confidential.

(b) Defines "caller identification" as the unit that displays the telephone number of a calling party.

**Section 2.** Amends Alaska Statute 42.20.310(a) to prohibit the use of an eavesdropping device to overhear or record a conversation unless each party to the conversation consents.

**Section 3.** Requires compliance with the provisions of the new section AS 45.50.475, telephone solicitation, under 45.50.471, Unlawful acts and practices.

**Section 4.** Adds the new section **AS 45.50.475 UNLAWFUL TELEPHONE SOLICITATION IF PARTY IDENTIFIED IN TELEPHONE DIRECTORY.** Requires telecommunications companies to offer a service of identifying those parties listed in a telephone directory who do not wish to receive telephone solicitations. This section makes it a violation of law to engage in telephone solicitation of a party who is identified in the telephone directory as not wishing to receive telephone solicitations. (c) Directs the Alaska Public Utilities Commission to develop regulations governing the notification by the telecommunications company of the provisions of this section. Exempted from the provisions of this section are:

1. calls made in response to a request or inquiry,
2. calls made by volunteers or charitable organizations to persons who have made past donations or expressed an interest in making a donation,

HB 54--Rep. Kay Brown  
sectional  
page 2.

3. polling or soliciting of expression of ideas, opinions or votes;
4. business to business calls or calls to prospective purchasers who have previously purchased services or goods.

# H B 54--Telephone Privacy

## BACKUP

*"In the Matter of the Consideration of Principles on Privacy in Telecommunications Services."*

Alaska Public Utilities Commission, January, 15, 1993.

*"Caller ID Update."*

Privacy Journal, November, 1992.

*"Memorandum from New Jersey Coalition for Battered Women."*

Barbara Price, Executive Director, March, 1991.

*"Letter to the Honorable Ted Stevens, U.S. Senate."*

Theda Pittman, Executive Director, Alaska Women's Resource Center, April, 1992.

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Oregon Public Utilities Commission, October, 1990.

*"Sample Page from Salem, Oregon Telephone Directory."*

JAN 19 1993

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners:

Don Schröer, Chairman  
Susan M. Knowles  
Daniel Patrick O'Tierney  
Mark A. Foster  
James E. Carter, Sr.

In the Matter of the Consideration of Principles on Privacy in Telecommunications Services

R-93-1

ORDER NO. 1

ORDER ISSUING NOTICE OF INQUIRY AND ESTABLISHING WORKSHOP, FILING, AND HEARING SCHEDULES

BY THE COMMISSION:

The Alaska Constitution establishes an explicit standard for personal privacy for the citizens of Alaska under Article I, Section 22:

Right of Privacy. The right of the people to privacy is recognized and shall not be infringed. The legislature shall implement this section.

The Commission generally is not involved in matters that require consideration of the privacy provisions of the Alaska Constitution. However, technological developments affecting telecommunications have resulted in the introduction of a number of new services that raise issues which directly impact personal privacy.<sup>1</sup> One of the Commission's roles is to review tariff

<sup>1</sup>See Appendix A to this Order: New York State Public Service Commission's Listing of New Telecommunications Services with Privacy Implications, Notice Requesting Comments (Case 90-C-0075, (continued . . . )

Alaska Public Utilities Commission  
1016 West Sixth Avenue, Suite 400  
Anchorage, Alaska 99501  
(907) 276-6222

1 filings for telecommunications services to determine their  
2 "reasonableness and propriety." As a consequence, public interest  
3 questions regarding privacy must be addressed by the Commission  
4 in order to establish the justness and reasonableness of the  
5 rates, terms, conditions, or practices associated with these new  
6 services.

7 A number of services made possible by new technologies  
8 have attracted considerable attention and controversy nationally.  
9 Among the more prominent of these services is so-called "Caller-  
10 ID."<sup>2</sup> While a Caller-ID tariff has not been filed with the  
11 Commission to date, its introduction is likely to be imminent.

12 Rather than focusing on the narrower privacy debate that  
13 may arise within the context of case-by-case adjudications  
14 concerning Caller-ID and other services with privacy implications,  
15 the Commission proposes to establish general principles to guide  
16 the review of all new telecommunications services that may impact  
17 personal privacy. Thus, at its regularly scheduled Public Meeting  
18 of October 28, 1992, the Commission decided to issue a notice of  
19 inquiry to consider such principles and approved a draft "State-  
20 ment of Principles on Privacy in Telecommunications Services" for  
21

---

22 <sup>1</sup>(. . . continued)

23 Proceeding on Motion of the Commission To Review Issues Concerning  
24 Privacy in Telecommunications); issued January 31, 1990),  
pp. 21-30.

25 <sup>2</sup>A subscriber may use a display screen to identify the  
26 telephone number of the calling party before he or she answers the  
phone. See also Appendix B to this Order: A Glossary of New  
Telecommunications Services.

1 that purpose. A copy of the proposed principles is attached to  
2 this Order as Appendix C.<sup>3</sup>

3 These principles are intended to offer a framework,  
4 including rebuttable presumptions, for deciding privacy-related  
5 issues that arise in the context of future tariff filings. While  
6 recognizing that some parties may prefer case-by-case disposition,  
7 the Commission believes that it will be more efficient to all  
8 participants in the process to establish rebuttable presumptions  
9 to provide guidance on how the Commission will evaluate the  
10 privacy issues associated with these new services. The effect of  
11 these principles will be to suggest that tariff filings should  
12 include an analysis, consistent with the principles, of the  
13 privacy effects of a proposed service. In recognition of the  
14 importance of ultimately tying the principles to particular tariff  
15 filings, an annotated version of the principles is offered as  
16 Appendix D to this Order.<sup>4</sup>

17 The principles proposed here for comment constitute  
18 neither orders nor regulations of the Commission but, rather, are  
19 a statement of general policy regarding privacy and telecommunica-  
20 tions services. The announcement of general policy, which  
21 necessarily will be applied only in matters jurisdictional to the  
22 Commission, appears well within the Commission's authority and  
23

---

24 <sup>3</sup>Based on Revised Statement of Principles, New York Public  
25 Service Commission (Case 90-C-0075, *supra* note 1); issued Septem-  
ber 20, 1991.

26 <sup>4</sup>Based on Revised Statement of Principles, *supra* note 3.

1 expertise.<sup>5</sup> Additionally, the Commission's inquiry and ultimate  
2 expression of views on these issues may be useful to the Legisla-  
3 ture and other bodies having jurisdiction in areas which exceed  
4 the authority of the Commission.<sup>6</sup>

5 Accordingly, the Commission initiates this inquiry into  
6 the adoption of principles on privacy in telecommunications  
7 services and, by this Order, establishes schedules for interested  
8 persons to file comments and/or attend a workshop and a hearing  
9 on the principles listed in Appendix D.

10  
11 ORDER

12 THE COMMISSION FURTHER ORDERS:

13 1. By issuance of this notice of inquiry, a proceeding  
14 is opened for the purpose of considering the proposed Statement  
15 of Principles on Privacy in Telecommunications Services attached  
16 as Appendix D to this Order.

17 2. Interested persons are invited to attend a workshop  
18 to discuss the proposed Statement of Principles on Privacy in  
19 Telecommunications Services. The workshop is scheduled for  
20 9 a.m., February 25, 1993, in the Commission's hearing room at  
21 1016 West Sixth Avenue, Suite 305, Anchorage, Alaska.

22 \_\_\_\_\_  
23 <sup>5</sup>Please see R-86-2(12), where the Commission articulated the  
24 principles it believed were appropriate to consider in the context  
of intrastate toll competition.

25 <sup>6</sup>See, for example, *State v. Chryst*, 793 P.2d 538 (Alaska App.  
26 1990), where the court held that name and address information  
about electric utility customers was not, by itself, information  
about which a person can have a reasonable expectation of privacy.

1           3. Interested persons may file comments in response to  
2 this notice of inquiry with the Commission so that they are  
3 received by no later than 4 p.m., March 12, 1993.

4           4 A public hearing<sup>7</sup> is scheduled to convene at  
5 2:30 a.m., April 5, 1993, in the Commission's hearing room,  
6 1016 West Sixth Avenue, Suite 305, Anchorage, Alaska, to receive  
7 oral testimony on the proposed Statement of Principles on Privacy  
8 in Telecommunications Services.

9  
10 DATED AND EFFECTIVE at Anchorage, Alaska, this 15th day of Janu-  
ary, 1993.

11                               BY DIRECTION OF THE COMMISSION  
12                               (Commissioner James E. Carter, Sr.,  
13                               not participating.)



19  
20  
21  
22  
23

Alaska Public Utilities Commission  
1016 West Sixth Avenue, Suite 400  
Anchorage, Alaska 99501  
(907) 276-6222

24                               <sup>7</sup>If you are a person with a disability who may need a special  
25 accommodation, auxiliary aid, or service or alternative communica-  
26 tion format in order to participate in this hearing or the  
workshop scheduled in Ordering Paragraph No. 2 of this Order,  
please contact Suzan Armstrong at 907-276-6222 at least two weeks  
before the hearing date to make the necessary arrangements.

## NEW TELECOMMUNICATIONS SERVICES WITH PRIVACY IMPLICATIONS

### A. Wireless Transmission Services

1. Cellular Telephones
2. Cordless Telephones
3. CT-2 Cordless Public Telephones
4. Pagers and Beepers
5. Satellites and Microwave Transmissions

### B. Switch-based Services

6. Voice Mail Systems
7. Remote Rerouting of Calls
8. Bridge or Conference Calls
9. Information Safety Deposit Boxes

### C. Terminal Equipment

10. Facsimile Machines
11. Automatic Dialers
12. Synthetic Voice
13. Answering Machines
14. Speakerphones
15. Picturephones
16. Remote Metering and Telemetry
17. Passive Monitoring Devices

### D. Networks and Transmission

18. Broadband Networks
19. Packet Transmission
20. Interactive or Addressable Video Broadband Services
21. Integrated Services Digital Network (ISDN)
22. Intra-organizational Networks
23. Call Forwarding

NEW TELECOMMUNICATIONS SERVICES  
WITH PRIVACY IMPLICATIONS  
(cont'd)

E. Information Services

- 24. Electronic Mail / Bulletin Board
- 25. Dial-it Services (a.k.a. "Pay-' Call")
- 26. Videotex / Audiotex
- 27. Videotex Gateways
- 28. Data Banks
- 29. Personal Information Services
- 30. Remote Accessing to Directory Information

F. Signalling and Network Management Information

- 31. Common Channel Signalling System Number 7
- 32. Central-office Based Information Safe Deposits
- 33. Automatic Number Identification (ANI)
- 34. 800 and 900 numbers
- 35. Tone Dialing

G. Locational Monitoring

- 36. Navigational Systems and "Tripmaster" Systems
- 37. Passive Beeper Bracelets
- 38. Key Cards
- 39. Cam-corders

H. Transactional Information

- 40. Itemized Billing
- 41. Hotel Telephone Bills
- 42. General Telephone Service
- 43. Deregulated Billing
- 44. Customer Proprietary Network Information (CPNI)
- 45. Smart Cards

Source:

New York Public Service Commission, Notice Requesting Comments  
(Case 90-C-0075, Proceeding on Motion of the Commission To  
Review Issues Concerning Privacy in Telecommunications);  
issued January 31, 1990, pp. 21-30.

## GLOSSARY OF NEW TELEPHONE SERVICES

- Call Block** A telephone company can program a particular phone number to reject calls from several specified phone numbers, including the last call received.
- Call Blocking** A subscriber may prevent the disclosure of his or her telephone number by using an operator and paying a specified fee per call or by pressing a few digits on the phone before making a call (per-call blocking).
- With per-line blocking, a subscriber's telephone number is never divulged.
- With per-line blocking and per-call enabling (a.k.a. per-call unblocking) the subscriber's phone number is only divulged when the caller actively releases the number by pressing a few digits on the phone before making a call.
- Call Display** A subscriber may use a display screen to identify a telephone number before he or she answers the phone (same as Caller ID; Calling Number Identification).
- Call Forwarding** Subscribers may transfer their calls to another telephone number.
- Call Message** Directs the calls of a subscriber to an answering system, so that they may be screened before deciding whether to respond to them.
- Call Reject** See Call Block.
- Call Return** Provides the subscriber with the number of the last caller and allows him or her to return the call automatically. The logging capability of the display device may also retain the time and date.
- Call Screening** See Call Block.

## GLOSSARY OF NEW TELEPHONE SERVICES

(cont'd)

Call Trace	Permits subscribers to automatically trace the number of an obscene or harassing caller. Numbers are held in a database at the phone company and are provided to law enforcement authorities once a police report has been filed.
Call Waiting	A beep informs a subscriber that another caller is trying to reach him or her. The current call can be put on hold, the other call answered, and then the original conversation rejoined.
Caller Announce	Provides a subscriber with the telephone number of a caller when he or she lifts the receiver.
Caller ID	A subscriber may use a display screen to identify a telephone number before he or she answers the phone (same as Call Display, Calling Number Identification).
Calling Number Identification	Same as Caller ID, Call Display.
Find Me	A single telephone number can be used to locate a subscriber at up the three locations. Also see Follow Me.
Follow Me	Allows a subscriber to Find Me to alter the instructions about where he or she may be located by telephone.
Ident-A-Call	Subscribers may have two or three telephone numbers, each with its own distinctive ring, with an ordinary phone and a regular residential line.
Priority Ringing	Subscribers can program their phones to sound a unique ring on calls from certain numbers.

## GLOSSARY OF NEW TELEPHONE SERVICES

(cont.'d)

- Repeat Dialing**            If the number a subscriber dials is busy, this service automatically checks the called number every 45 seconds for up to 30 minutes. When the line is clear, it rings the caller and completes the call.
- Return Call**                See Call Return.
- Select Call Forwarding**    Subscribers can arrange for calls from specific numbers to be forwarded to another phone.
- Speed Calling**            A reliable memory, not linked to a particular telephone, stores up to 8 frequently-called numbers for easy access.
- 3-Way Calling**            Subscribers may add a third party to a conversation already in progress.

## SUMMARY OF PRINCIPLES ON PRIVACY IN TELECOMMUNICATIONS SERVICES

1. Privacy should be recognized explicitly as an issue to be considered in introducing new telecommunications services.

2. The interest in an open network should be recognized in evaluating alternative means for protecting privacy.

3. Companies should educate their customers as to the implications for privacy of the services they offer.

4. People should be permitted to choose among various degrees of privacy protection, with respect to both the outflow of information about themselves and the receipt of incoming intrusions.

5. A telephone company offering a new service that compromises current privacy expectations should be obligated to offer a means of restoring the lost degree of privacy unless it shows good cause for not doing so.

6. Considerations of cost, public policy, economics, and technology all bear on the pricing of privacy features, which must be determined case by case.

7. Unless a subscriber grants informed consent, subscriber-specific information generated by the subscriber's use of a telecommunications service should be used only in connection with providing or billing for that service or for other goods or services requested by the subscriber.

8. Privacy expectations may change over time, requiring, in some instances, changes in telecommunications services. At the same time, changes in telecommunications technology services and markets may lead to changes in customers' privacy expectations.

## STATEMENT OF PRINCIPLES ON PRIVACY IN TELECOMMUNICATIONS SERVICES

1. Privacy should be recognized explicitly as an issue to be considered in introducing new telecommunications services. To that end, supporting material for tariff filings related to new or substantially modified services should include, along with other pertinent information, an analysis, consistent with these principles, of the reasonably ascertainable implications for privacy, if any, of the new service or a statement, with explanation, that there are no such implications.

### Examples:

Signalling System Seven (SS7) technology enables telephone companies to offer Customer Local Area Signalling Services (CLASS), including Caller ID, Call Trace, Call Return, and Automatic Redial. The system can reduce nuisance calling and enhance call management. At the same time, introduction of these new features as they have been proposed by some telephone companies, especially Caller ID, is likely to disrupt communication patterns and cause telephone users to experience a greater loss of privacy and anonymity than is now taken for granted.

When New Jersey Bell brought forward its Caller ID market test proposal, it had not considered the effect that the service would have on the general calling public now accustomed to anonymity when placing calls. Rather, the company presented Caller ID only in terms of how it could address what it viewed as a longstanding imbalance that has kept call receivers at a disadvantage because they cannot know who is calling them until they answer the phone.

Earlier in the year, the Commission approved tariffs to make some CLASS services permanent. Companies are expected to file

tariffs for Caller ID in the near future. Under the application of a principle that requires a privacy analysis, the company would have to present a discussion of privacy issues related to Caller ID at the same time it filed its tariffs to offer the service. The discussion might include the view that Caller ID will enhance the privacy of subscribers because they will have a greater ability to screen incoming calls. The company would also have to point out that the potential exists for callers to lose a measure of privacy when they place calls because their phone numbers will be divulged to subscribers.<sup>1</sup> Thus, the implications for the privacy of subscribers as well as other users of the telephone network would be aired by the company before it sought Commission approval of a potentially disruptive service. The process of examining the service's benefits and pitfalls from a variety of view points would enable the company to determine if additional measures needed to be taken in accordance with other principles proposed here.<sup>2</sup>

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<sup>1</sup>In particular, subscribers with unlisted phone numbers may not feel they are continuing to get what they paid for when they learn their phone number is being divulged when they make a call to a number that has Caller ID.

<sup>2</sup>In particular, the Commission notes that the "per-call unblocking" option being discussed in conjunction with Caller ID appears to address a number of the privacy concerns associated with the principles articulated herein.

## STATEMENT OF PRINCIPLES ON PRIVACY IN TELECOMMUNICATIONS

(cont'd)

2. The interest in an open network should be recognized in evaluating alternative means for protecting privacy. Alternative means to consider should include customer premises equipment and offerings of non-network service providers. Thus, protective measures should be customer-specific where technically feasible and economically practical, and allowing customers to erect barriers to network access would be preferred to establishing automatic barriers that customers would have to overcome. This applies to both access to the network and access from the network.

### Examples:

When the Commission approved regulations concerning pay-per-call (900-number) services, it sought to balance the interest in fostering an open network with those of customers who need protection from aggressively advertised "900" services. In doing so, the Commission opted to place control with individual customers rather than to introduce "presubscription," a solution that could limit access indiscriminately by requiring customers to take steps to overcome a network barrier to access. The Commission gave the individual subscriber the ability to block access from his or her own line to "900" information services, thereby providing sufficient protection for the individual customer while allowing easy access for the general body of customers who may benefit from these services.

Similarly, as customers look for ways to block certain incoming calls, a solution consistent with this principle would

STATEMENT OF PRINCIPLES ON  
PRIVACY IN TELECOMMUNICATIONS

(cont'd)

likely provide the customer some means to identify and reject an undesirable call.

## STATEMENT OF PRINCIPLES ON PRIVACY IN TELECOMMUNICATIONS

(cont'd)

3. Companies should educate their customers as to the implications for privacy of the services offered. As companies comply with Principle 1, the areas of need for customer education should become clear.

### Examples:

If a customer places a call across exchange boundaries to a subscriber with Call Return, the customer placing the call risks having his or her phone number appear on the subscriber's billing statement. This may be an undesirable aspect of the feature that could dissuade customers, particularly those with unlisted numbers, from placing certain phone calls.

In some cases outside Alaska, companies have marketed Call Return features without mention of the risks to calling parties and had already designed marketing material by the time their respective commissions had approved the tariff filings. However, in some instances, commissions directed companies to submit marketing and education plans to staff for review. As part of that process, deficiencies were discovered in a company's draft of its marketing literature, and bill inserts and other advertising media were modified to inform customers of the likelihood that their phone numbers might be divulged. A principle that acknowledges the value of customer education and the need to consult with staff on these matters would improve the quality of information that is distributed to customers when a company plans to introduce new services with privacy implications.

## STATEMENT OF PRINCIPLES ON PRIVACY IN TELECOMMUNICATIONS

(cont'd)

4. People should be permitted to choose among various degrees of privacy protection, with respect to both the outflow of information about themselves and the receipt of incoming intrusions.

### Examples:

Introduction of Caller ID provides an opportunity to apply this principle. The Caller ID technology allows subscribers additional means to protect themselves from unwanted telephone calls by providing for the display of the calling party's phone number. Presumably, a subscriber would experience an enhanced measure of privacy by being able to identify an unwanted phone call and avoid responding to the ring.<sup>3</sup> At the same time, callers would lose a degree of privacy if they could not control when and under what circumstances their phone numbers and the information gleaned therefrom were divulged.<sup>4</sup> The Commission notes that a number of options have been proposed in association with the introduction of Caller ID that would allow people to choose how much information about themselves they want to divulge: line blocking, which permits customers to withhold their numbers automatically every time a call is placed; per-call blocking, which allows customers to block release of their numbers selectively on

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<sup>3</sup>How many phone numbers does an individual have memorized? More specifically, will an individual be able to identify an unwanted phone call by its number?

<sup>4</sup>One factor contributing to the rise in unwanted phone calls around dinner hours is the recent rapid growth of targeted telemarketing lists. A number of these lists are generated from capturing calling information from calls placed to "800" numbers that utilize Automatic Number Identification (ANI).

**STATEMENT OF PRINCIPLES ON  
PRIVACY IN TELECOMMUNICATIONS**

(cont'd)

a call-by-call basis; and per-call unblocking, which allows customers to release their numbers selectively on a call-by-call basis.

## STATEMENT OF PRINCIPLES ON PRIVACY IN TELECOMMUNICATIONS

(cont'd)

5. A telephone company offering a new service that compromises current privacy expectations should be obligated to offer a means of restoring the lost degree of privacy unless it shows good cause for not doing so.

### Examples:

Competing interests of individual privacy and public good, while not examined explicitly, are being resolved in favor of public good when Enhanced 911 (E911) service becomes available to government agencies. In the interest of responding to public health and safety concerns, subscriber data (i.e., the calling party's telephone number and address) are provided to the third-party municipality/customer. However, adequate protections and restrictions are in place to enable a phone company to demonstrate good cause for not restoring the lost degree of privacy that is experienced with the provision of E911 service. The relevant telephone company tariffs should provide that a subscriber to E911 must be a government agency legally authorized to subscribe to that service. Further, the tariffs should state that the 911 calling party waives the privacy afforded by nonpublished service and that the phone numbers and associated addresses, but not the names, of these customers are forwarded to the E911 Public Safety Answering Point. Finally, a municipality presumably will subscribe to E911 only after its citizens have expressed their willingness to pay for the service, with awareness of the attendant loss of privacy.

Where a compelling good cause is not demonstrable (e.g., with Caller ID, which enables distribution of calling-party information with no restrictions on how it is used and where the only requirement to subscribe is the ability to pay for the display unit), the

## STATEMENT OF PRINCIPLES ON PRIVACY IN TELECOMMUNICATIONS

(cont'd)

obligation to provide a means to restore lost privacy would be imposed on the company offering the service. The Commission may well require some form of blocking when Caller ID is introduced.

In another as yet unresolved area, customer privacy expectations are compromised by current billing practices for "800" number subscribers. The phone numbers of customers who call "800" numbers are now printed on the billing statement of the holder of the "800" number.<sup>5</sup> A customer who uses "800" number services may be unaware that the transaction is being recorded with some permanence, and no showing has yet been made that divulging the customer information is a necessary part of the billing process. The issue of whether good cause can be shown remains to be resolved.

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<sup>5</sup>The same is true of most "900" services.

## STATEMENT OF PRINCIPLES ON PRIVACY IN TELECOMMUNICATIONS

(cont'd)

6. Considerations of cost, public policy, economics, and technology all bear on the pricing of privacy features, which must be determined case by case. In general, customers choosing a feature that simply protects a pre-existing privacy level against a new service should not be charged for doing so; customers choosing a greater degree of privacy could reasonably be required to pay its costs. These presumptions could be overcome by reasonable showings in particular cases.

### Examples:

Though the Commission has not considered a distinction between residential and business customers explicitly in establishing free blocking calls from "900" services, it is conceivable that a fee could be charged for business customers based on the reasoning that cost-based rates are appropriate because those customers have other means for blocking generally available. In many instances, large business and government customers can achieve call blocking from within their own telephone systems with minimal programming effort without having to require a telephone company to provide it.

## STATEMENT OF PRINCIPLES ON PRIVACY IN TELECOMMUNICATIONS

(cont'd)

7. Unless a subscriber grants informed consent, subscriber-specific information generated by the subscriber's use of a telecommunications service should be used only in connection with providing or billing for that service or for other goods or services requested by the subscriber. Except for directory listing information not subject to copyright protection, subscriber-specific information may not otherwise be made available except as required by law. Regulated companies would be obligated to adopt technical measures, operating procedures, and tariff provisions to limit the likelihood that information would be used for unauthorized purposes, either by themselves or by their subscribers. Customers should be permitted to require compensation for the use of information about themselves, but, in providing for such compensation, consideration should be given to whether similar requirements had been imposed on nonregulated companies.

### Examples:

In the Commission's regulations governing Directory Assistance (Docket R-89-2), informed consent was specifically required to be obtained by the Statewide Directory Assistance Bureau before it could use the customer information for any purpose other than directory assistance -- the purpose for which it was originally collected.

**STATEMENT OF PRINCIPLES ON  
PRIVACY IN TELECOMMUNICATIONS**

(cont'd)

8. Privacy expectations may change over time, requiring, in some instances, changes in telecommunications services. At the same time, changes in telecommunications technology services and markets may lead to changes in customers' privacy expectations.

Examples:

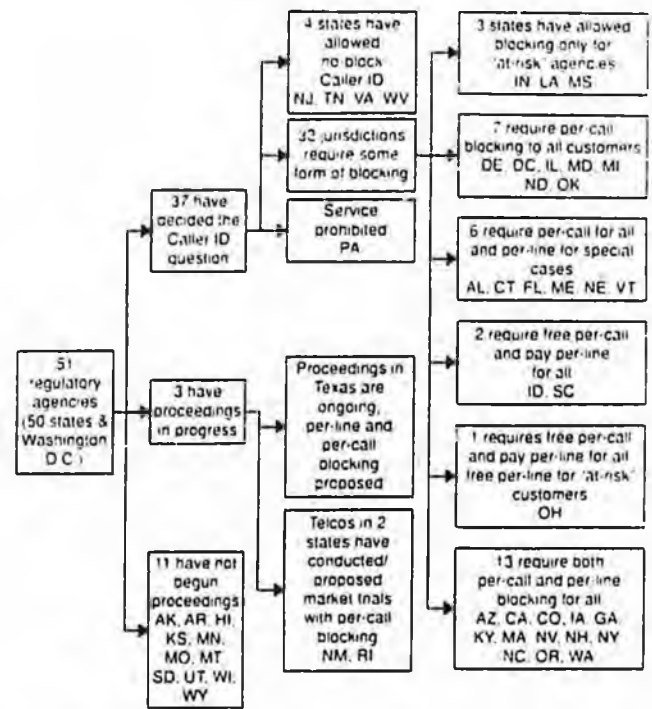
Telephone companies that are in the process of deploying Caller ID claim that the service will merely evoke the days when callers expected their names to be released before a call was accepted. The central office operator was needed to complete a call and did so by announcing the caller's name to the called party. While this may be true, the Commission does not believe that returning in this way to the privacy expectations of the 1920s is progress.

CALLER ID UPDATE

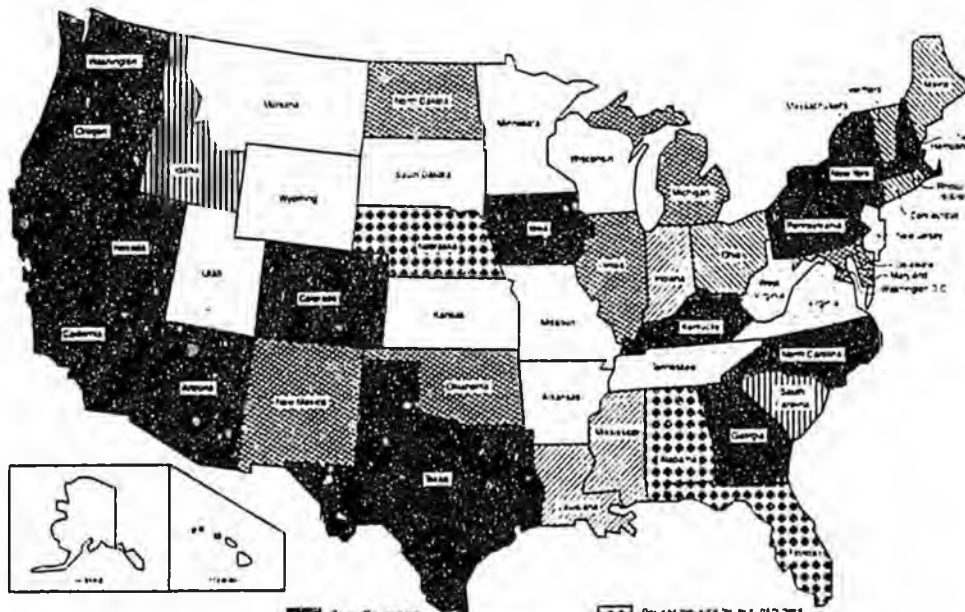
Only four states permit Caller ID without any accompanying blocking service, according to a comprehensive report by the National Regulatory Research Institute at Ohio State University. The District of Columbia and 31 states require some form of blocking, either per-call blocking (in which the caller activates a code each time he or she wishes not to have the number displayed to the recipient of the call) or per-line blocking (in which display is blocked on all calls from the line unless a non-blocking code is activated), or a combination.

The 250-page reference book provides the most complete available description of state regulatory action on Caller ID (as of August 1992). It goes far beyond Caller ID and the accompanying CLASS telephone services; it also describes public-service commissioner actions on other privacy-sensitive policies by telephone companies and other utilities.

The report concludes that Caller ID is only the tip of the iceberg, because telephone companies are handling more transaction-generated information and because "the utility culture is changing from one based on the public interest to one based on marketing."



"A utility is in the unique situation of having been granted a franchise area in which it is a monopoly....This provides the utility with a near-total population of consumers from which it can obtain information," say the authors, lawyer Robert E. Burns, communications specialist Rohan Samarajiva, and researcher Roopali Mukherjee. "An argument can be made that utilities must be held to a higher standard than that



contained in the common law of privacy." Utility Customer Information: Privacy and Competitive Implications is available for \$39.50 from NRRI Publications, 1080 Carmack Rd., Columbus, Ohio 43210-1002, 614/292-9404, fax 614/292-7196. New Jersey was the first state to approve Caller ID and gave it carte blanche -- no blocking at all. Now the ACLU has petitioned for a rehearing (No. TO 92070699). Bell Atlantic has moved to dismiss.

NEW JERSEY COALITION FOR BATTERED WOMEN  
2620 WHITEHORSE-HAMILTON SQUARE RD., TRENTON, NJ 08690  
609-584-8107

MEMORANDUM

DATE: March 13, 1991  
TO: Advocates  
FROM: Barbara Price, Executive Director  
SUBJECT: Caller ID

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By now many of you are aware that New Jersey has Caller ID. It has existed in New Jersey for over three years. As such we now have the dubious distinction of being the model for Caller ID in every other state. Bell Companies seeking to have Caller ID implemented in their states point with pride to New Jersey to prove the success of this new technology. They have documented many stories on how Caller ID has saved lives, cut down on bomb threats, saved business dollars, and reduced the complaints of harassing phone calls by fifty percent. We do not question the validity of these stories, however in all fairness, we feel we must present another view of the effects of Caller ID in New Jersey.

As I have stated in a previous memo, Caller ID is available in eighty percent of the state. Only three to four percent of New Jersey Bell's customers subscribe to the service which has risen to this level over a three year period. Many of the customers are police, fire departments and businesses. Without knowing the numbers involved, it is probably safe to assume that this group represents possibly one third to one half of the subscribers or one to two percent. This means the remaining 2 percent could be residential customers. If we assume that all of these residential customers are living with or involved with another person, and extrapolate from national domestic violence statistics, we could say that one half are possible abusers. The population in New Jersey is 7.7 million and the domestic violence programs in New Jersey responded to 53,706 hot line calls and provided shelter or outreach services to 13,589 victims in 1989. The probability that we are making contact with all Caller ID customers who are also abusers is minuscule. Given this limited statistical sample, the NJ Coalition for Battered Women feels strongly that it is impossible to accept the blanket statement by New Jersey Bell that Caller ID is a success.

Contrary to the picture painted by New Jersey Bell, there are problems with Caller ID. Some of these problems can be solved by the remedy suggested by the phone company which requires the placement of additional phones for special outgoing only lines wherever phones currently exist. Clients and staff alike would be asked to use the outgoing only phones when they do not wish to reveal their location. The phone number for this outgoing only phone would still go forward to the Caller ID phone. However anyone returning a call to that line would get a recording saying the number reached is not in service. NJ Bell offered these extra phones to all shelters, counselors in their homes, and even clients. After a test effort in one shelter, they have not continued to offer these phones to counselors or clients and have only responded to two other programs' inquiries. Both have had technicians in to look at wiring, and one received credit cards for two counselors to use. They have not contacted the Coalition about any further efforts. Since we are currently pursuing other means of resolving the Caller ID issue, we have made no further requests of NJ Bell.