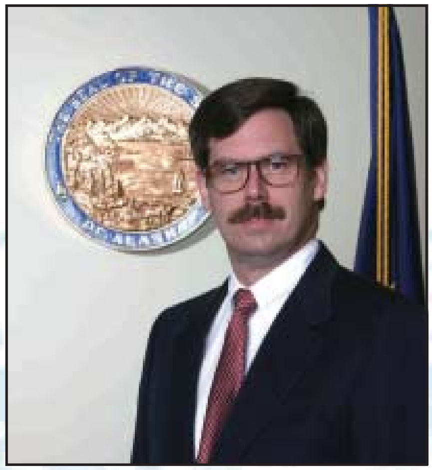
Regulatory Commission of Alaska

2003 Annual Report



Mark K. Johnson

Kate Giard

Dave Harbour

James S. Strandberg

G. Nanette Thompson

STATE OF ALASKA

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

REGULATORY COMMISSION OF ALASKA

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January 12, 2004

Honorable Pete Kott, Speaker of the House
and
Honorable Gene Therriault, President of the Senate

Dear Speaker Kott and President Therriault:

On behalf of the Regulatory Commission of Alaska we are pleased to submit to the Alaska State Legislature the Thirty-fourth Annual Report of the Regulatory Commission of Alaska, covering the fiscal year ending June 30, 2003. This is filed pursuant to AS 42.05.211 and AS 42.06.220.

Respectfully yours,

REGULATORY COMMISSION OF ALASKA

Mark K. Johnson
Chair

Kate Giard
Commissioner

Commissioner

James S. Strandberg
Commissioner

G. Nanette Thompson
Commissioner

Table of Contents

Table of Contents

Message From the Chair

Fiscal Year 2003 was a year of transition and continuing challenges for the Regulatory Commission of Alaska.

Most significantly, the Alaska Legislature extended the Commission for an additional four years. Part of this extension requires the Commission to conduct a comprehensive review of rules and regulations governing telecommunications. The relevant issues pertain to rates and competition in telecommunications.

We held hearings and issued orders on several important matters:

- A rate increase and rate redesign for Chugach Electric Association, Inc. (Chugach). This matter directly or indirectly affects the electric rates of over half of Alaska's population since Chugach also is the wholesale power supplier for other utilities in the Railbelt.
- A revenue requirement and rate case involving ENSTAR Natural Gas Company and Alaska Pipeline Company.
- Established rates for intrastate shipment of oil on the Trans Alaska Pipeline System from 1997 to 2000.
- Continued consideration and action in a complex group of dockets pertaining to the rates charged by Alaska Communications Systems in most urban areas of Alaska.
- Proposed regulations for a change in the way that small water and wastewater utilities are regulated. In response to a Legislative Audit finding, we opened this proceeding to improve the efficiency and safety of the utilities' operations.

In March, the Governor signed an Executive Order transferring responsibilities and functions performed by the Public Advocacy Section relating to advocacy on behalf of the public from the Commission to the Attorney General. Going forward, the Attorney General will determine and advocate for the public interest in regulatory matters in which the Attorney General elects to participate.

Governor Murkowski appointed Dave Harbour, myself, and Kate Giard to fill the seats previously held by Commissioner Patricia M. DeMarco, Commissioner Bernie Smith, and Commissioner Will Abbott, respectively. Commissioners DeMarco, Smith, and Abbott all served the agency and the State with distinction. We wish them well in their future endeavors.

Commissioner Nan Thompson resigned as Chair of the Commission in March 2003, and Commissioner Dave Harbour was elected to serve for the remainder of Fiscal Year 2003. I was elected by the Commission to serve as Chair for Fiscal Year 2004.

The Department of Community and Economic Development along with the Commission began administering the Rural Alaska Broadband Internet Access Grant Program, awarded by the U.S. Department of Agriculture. The $15 million grant allocation was awarded to extend Internet service to communities of high unemployment and economic depression in the state.

We continued to make significant progress in resolving dockets inherited from our predecessor agency. In Fiscal Year 2003, we issued 744 orders and closed 326 dockets. We are proud of our accomplishments and will continue our efforts to improve the regulatory climate in Alaska while also protecting the public interest.

Sincerely,

Mark K. Johnson

Mark K. Johnson
Chair

Meet the Commissioners

Chair Johnson (center) is flanked (left to right) by Commissioners Harbour, Thompson, Giard, and Strandberg.

Mark K. Johnson

Appointment: *March 12, 2003 - March 1, 2009*
Chair: *July 1, 2003 - June 30, 2004*

Prior to his appointment, Mr. Johnson worked as an attorney and analyst for United Utilities, Inc., a telecommunications provider for western Alaska. He also worked for the Municipality of Anchorage in a series of legal and administrative positions, including as executive assistant to the mayor, and for the Alaska Legislature. He served as a legislative assistant to Congressman Don Young in Washington, D.C., before attending law school.

Born in Anchorage, he earned a Bachelor of Science in Economics from Lewis and Clark College in 1975 and a law degree from the University of the Pacific, McGeorge School of Law in 1980. He has been admitted to the practice of law in Alaska since 1981. Married for over twenty years, Mr. Johnson and his wife have two children.

G. Nanette Thompson

Appointment: *July 1, 1999 - July 1, 2004*
Chair: *August 23, 1999 - March 11, 2003*

Ms. Thompson is admitted to the practice of law in Alaska (since 1983) and Washington (since 1982). She has seventeen years of experience as a lawyer in private practice representing business and individual clients and as an Assistant Attorney General for the State of Alaska. After graduating with honors in International Relations from Stanford in 1978, she earned her law degree from the University of Washington in 1982.

Ms. Thompson is an active member of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Telecommunications and was appointed to the Board of Directors in October of 2002, for a two year term. She was appointed by the Federal Communications Commission to serve on the Federal-State Joint Conference on delivery of Advanced Services in 1999, served as state chair from 1999 to 2001, appointed to the Universal Service Joint Board in 2000, and was elected state chair in 2001.

Ms. Thompson is active in community activities. She served on the Salvation Army's Booth Home Advisory Board from 1989 to 1994, acting as President in 1994, and on the Campfire Boys and Girls Board from 1995 to 2000. She and her husband have five children.

James S. Strandberg

Appointment: *July 1, 1999 - July 1, 2006*
Reappointed: *October 3, 2000*

A life-long Alaskan, Mr. Strandberg has twenty-nine years of experience as a Professional Engineer. Born in Anchorage, he attended the University of Alaska, Fairbanks and received a Bachelor of Science in Mechanical Engineering in 1970, and a Masters of Science in Arctic Engineering in 1983.

Mr. Strandberg is a registered mechanical and civil engineer in Alaska and has worked in rural and urban areas in his professional practice. Early in his career, Mr. Strandberg worked on the design team for the Trans Alaska Pipeline, and was stationed in Anchorage, Fairbanks, and Houston, Texas. As a Mechanical and Utilities Designer, he worked in private practice designing heating, ventilating and air conditioning, district heating, and power plant systems. Married for thirty years, Mr. Strandberg and his wife have two children.

Dave Harbour

Appointment: *February 1, 2003 - March 1, 2008*
Chair: *March 12, 2003 - June 30, 2003*

Mr. Harbour completed undergraduate work at Colorado State University and earned a Master of Science in Communications-Journalism from Murray State University. The former Army officer is a graduate of the Defense Information School and lifetime civilian alumnus of the Air War College. He coordinated public affairs strategy for the two dozen producer and gas pipeline members of Arctic Gas Consortium, arranging public support for passage of the Alaska Natural Gas Transportation with NARUC and other organizations (he obtained an updated resolution in 2003). He served as Alaska director of government relations for ARCO, CEO of a municipal authority and a statewide security company, and as a management consultant to businesses, government, and non-profit organizations.

Mr. Harbour is the recipient of various citations and awards for community service, having served as Chairman of the Anchorage Chamber of Commerce, Alaska Council on Economic Education, and Hugh O'Brien Youth Foundation-Alaska. He was President of the American Bald Eagle Foundation and the Alaska Press Club. He assisted in founding Anchorage's Saturday Market, the Eisenhower-Alaska Statehood Monument Foundation, Arctic Power, the Alliance, the Anchorage Downtown Partnership, and served as a commissioner of Anchorage's Heritage Land Bank and the Anchorage Organizing Committee's Television. Before his appointment, his company published a public service web page, *Northern Gas Pipelines*, which became, "the objective, one-stop-shop for Canadians and Americans requiring current news, maps, history, and technical references regarding Arctic gas pipeline projects".

Kate Giard

Appointment: *June 1, 2003 - March 1, 2007*

Ms. Giard's work experience includes ten years as a public accountant working for national CPA firms in Massachusetts, Michigan, and Alaska. As a practicing CPA, Ms. Giard's clients covered a wide spectrum of industry including manufacturing, banking, natural resources, and retail companies.

In addition to working for KPMG as a public accountant in Alaska, Ms. Giard served as the chief operating officer of Alaskan Choice Television, promoting wireless cable services over UHF frequencies in Anchorage, Fairbanks, and Wasilla and working on Federal Communications Commission regulatory issues.

Ms. Giard most recently served as chief fiscal officer for the Municipality of Anchorage from 2000 until her appointment to the Commission, where she gained a working knowledge of the Commission's regulation of Anchorage's wholly owned utilities. Ms. Giard lives in Anchorage with her two children.

Former Commissioners

Commissioner	Date of Service
Will Abbott	1999 – 2003
Bernie Smith	1999 – 2003
Patricia M. DeMarco	1999 – 2003
James M. Posey	1997 – 1999
Sam Cotten	1995 – 1999
Tim Cook	1994 – 1999
Dwight D. Ornquist	1993 – 1999
Alyce A. Hanley	1993 – 1999
Don Schröer	1991 – 1997
G. Nanette Thompson	1995 – 1996
James E. Carter, Sr.	1992 – 1995
Daniel Patrick O'Tierney	1989 – 1994
Mark A. Foster	1990 – 1993
Susan M. Knowles	1975 – 1993
Don May	1990 – 1992
Peter Sokolov	1987 – 1991
Kathleen E. Whiteaker	1985 – 1990
Louis E. Agi	1983 – 1989
Carolyn S. Guess	1975 – 1989
Marvin R. Weatherly	1975 – 1987
Diana E. Snowden	1981 – 1985
Stuart C. Hall	1976 – 1983
Gordon J. Zerbetz	1963 – 1981
B. Richard Edwards	1974 – 1976
James R. Hendershot	1971 – 1975
John M. Stern, Jr.	1971 – 1973
Loren H. Lounsbury	1967 – 1971
James R. Clouse, Jr.	1967 – 1971
T. Stanton Wilson	1966 – 1966
Harold Moats	1965 – 1966
Maurice Chertkov	1965 – 1965
Joseph Fitzgerald	1964 – 1965
Karl Walter, Jr.	1960 – 1964
Charles Herbert	1960 – 1963
Clyde Courtnage	1960 – 1963

Operating Budget

In 1992, following the mandate of the Legislature, the Commission enacted regulations to recover operating costs through an assessment on the revenues of regulated utilities and pipeline carriers. The Regulatory Cost Charge (RCC) shows up as a recurring surcharge on the monthly billing statements to consumers and shippers.

The Legislature appropriated and the Governor approved a Fiscal Year 2004 budget of $6.1 million, funded entirely from the RCC. There are no unrestricted general funds in Fiscal Year 2003 appropriation.

Costs	***2001***	***2002***	***2003***
Appropriated			
Services	$3,422,400	$3,734,500	$3,982,900
Travel	52,200	55,000	60,000
Contractual	1,808,700	2,005,500	1,920,000
Supplies	62,500	62,500	62,500
Equipment	13,800	13,800	13,800
Total	*$5,359,600*	*$5,871,300*	*$6,039,200*
Actual			
Services	$3,402,786	$3,584,182	$3,896,539
Travel	72,359	38,008	53,081
Contractual	1,583,573	1,821,477	1,756,621
Supplies	48,615	82,997	50,501
Equipment	10,589	127,401	134,579
Relocation	140,249	0	0
Total	*$5,258,171*	*$5,654,065*	*$5,891,321*
Revenue Receipts[1]	$5,258,171	$5,654,065	$5,891,321

[1] The Commission received revenues under various provisions of its statutes including copying and postage charges (AS 42.05.201) and cost allocations in proceedings (AS 42.05.651, AS 42.06.610). Revenues from the RCC user fee are recognized on the modified accrual method of accounting.

Commission Staff Roster

The Commission is divided into ten major sections and employs sixty-two people with an operating budget of $6,039,200 for Fiscal Year 2003. The Chair supervises staff and serves as a liaison between staff and Commissioners, and between the Commission and the Legislature.

Administration Staff

Anderson, Tanya ... Administrative Clerk II
Salazar, Grace ... Administrative Manager II
Tauaese-Puletapuai, Dorothy ... Administrative Assistant I

Audits and Investigation Staff

Collins, Deborah ... Law Office Assistant I
Craig, Lew ... Chief Audits & Investigation
DeVries, Steve ... Assistant Attorney General[1]
McConnell, Tim ... Utility Engineer Analyst IV
Nation, Parker ... Utility Financial Analyst III

Commission Support Staff

Beard, Brian ... Law Office Assistant I
Bingham, Mary Margaret ... Paralegal II
Bishop-Kleweno, Dawn ... Special Assistant
Chavez, Annabel ... Law Office Assistant I
Clark, Patricia ... Hearing Examiner
Hammond, Anita ... Paralegal II
Nizich, Rosalie ... Process Coordinator
Rusch, Virginia ... Assistant Attorney General[1]
Wilde, Ann ... Paralegal II
Young, Yvette ... Paralegal II

Common Carrier (CC) Staff

Boysen, Robin ... CC Specialist I
Gazaway, Rich ... CC Specialist III
Hayes, Celeste ... Administrative Clerk II
Kenyon, Lori ... Chief CC Specialist IV
Manaois, John Paul ... Utility Engineer Analyst IV
Treuer, Phil ... CC Specialist III

Consumer Protection (CP) Staff

Alexander, Tammy ... CP & Information Officer I
Pitts, Agnes ... Chief CP & Information Officer II
Sabrowski, Cathy ... Publication Specialist II
Weaver, Rose ... CP & Information Officer I

Engineering Staff

Burton, Jerry ... Utility Engineer Analyst IV
Keen, James ... Utility Engineer Analyst IV
Kleweno, Keven ... Utility Engineer Analyst IV
Persson, Brad ... Chief Utility Engineer Analyst V
Struempf, James ... Utility Engineer Analyst III

Finance Staff

Clark, Tyler ... Utility Financial Analyst III
Melendez, Felix ... Chief Utility Financial Analyst IV
Mike, Lori ... Administrative Clerk II
Russell, Buell ... Utility Financial Analyst II
Smith, Chris ... Utility Financial Analyst III
Wethington, Michelle ... Utility Financial Analyst I

Information Systems Staff

Joseph, Vince ... Microcomputer/Network Technician II
Norton, Keith ... Analyst Programmer III
Rivera, Sheri ... Analyst Programmer II
Wike, David ... Chief Analyst Programmer V

Records & Filing Staff

Brown, Natasha ... Administrative Clerk II
Desmarais, Jessica ... Administrative Clerk III
McGowan, Joyce ... Records/License Supervisor
Savage, Stanley ... Administrative Clerk III
Wright, Carolyn ... Administrative Clerk II

Tariff Staff

Angner, Matthew ... Utility Tariff Analyst I
Arnett, Wendy ... Chief Utility Tariff Analyst III
Goggins, Judy ... Administrative Clerk III
Marshall, Katie ... Utility Tariff Analyst I
Meiwes, Jennifer ... Utility Tariff Analyst II

[1] Employee of the Department of Law contracted to the Commission. Last revised December 1, 2003.

Meet Commission Staff

(back left) Tanya Anderson, Dorothy Tauaese-Puletapuai, (front) Grace Salazar

Administration staff provides administrative assistance to the Chair, Commissioners, and agency. Staff is responsible for the Commission's budget, accounting and payroll, and personnel functions. Under direction of the Administrative Manager, staff oversees reception duties and accepts filings.

The Attorney General assigns ***Audits and Investigation*** staff to participate as a third party in proceedings to advocate public interest. Staff audits records, engages in settlement discussions, participates in proceedings, and presents findings with testimony to the Commission.

(back left) Tim McConnell, Steve DeVries, (front) Lew Craig

Commission Support staff provides legal and administrative assistance to the Commissioners. The Chair directs these functions with the aid of a special assistant, assistant attorney general, hearing examiners, paralegal, and clerical support staff.

(back left) Mary Margaret Bingham, Rosalie Nizich, Ann Wilde, Anita Hammond, (front left) Brian Beard, Annabel Chavez, Yvette Young

Common Carrier staff develops and recommends policies to the Commission for adjudication concerning local and long distance telephone services, cable, radio, and satellites. They administer rates and services for certificated telecommunication utilities.

(back left) Robin Boysen, Celeste Hayes, (front left) Lori Kenyon, Rich Gazaway

(back left) Tammy Alexander, Cathy Sabrowski, Rose Weaver, (front) Agnes Pitts

Consumer Protection staff interacts with agency staff, consumers, utility personnel, and media. Staff investigates and resolves informal complaints, promotes public relations, educates consumers, and disseminates information regarding Commission proceedings.

(back left) Keven Kleweno, Jerry Burton, James Keen, Jim Struempf, (front) Brad Persson

Engineering staff develops and recommends policies to the Commission concerning certificated electric, natural gas, refuse, steam heat, water and wastewater utilities, and pipeline carriers. Staff administers rates and services, which includes review of legal descriptions for service areas, plans for plant expansion, plant-in-service schedules, and depreciation schedules.

Finance staff analyzes and evaluates financial records (i.e. cost-of-service studies, Power Cost Equalization, and revenue requirements), audits utility financial statements, examines historical operating year data, and *pro forma* financial adjustments.

(back left) Felix Melendez, Lori Mike, Michelle Wethington, Buell Russell, (front left) Tyler Clark, Chris Smith

Information Systems staff develops computer programs for the agency's operations, educates staff on software programs, and provides computer support to the Commission. Staff also maintains the Commission's web site and works to automate parts of the agency's processes.

(back left) Sheri Rivera, David Wike, (front) Vince Joseph

Records and Filing staff manages all of the Commission's public records, orders, and information requests from staff, the public, attorneys, and utilities. Staff processes new filings and documents, maintains current and archive filings, and posts public documents to the agency's web site.

(from left) Joyce McGowan, Stanley Savage, Jessica Desmarais, Carolyn Wright

(back left) Judy Goggins, Wendy Arnett, Jennifer Meiwes, (front) Matthew Angner

Tariff staff investigates and analyzes tariff filings, and presents recommendations to the Commission at tariff action meetings. Staff coordinates Tariff Action meetings, complies with all public notice requirements for tariff filings, and maintains current master tariffs.

Significant Utility Events - Pending

Wholesale Purchase Power Agreement, Electric

Aurora Energy, LLC (Aurora) petitioned for a rate increase to its wholesale power purchase agreement with Golden Valley Electric Association, Inc. (GVEA) and the Commission granted intervention to GVEA. The Commission found that it could not establish rates and ordered both parties to negotiate an amendment to the agreement. Aurora appealed to Superior Court (3AN-02-10787 CI) who ruled that the Commission has the authority to set interim and refundable rates for the agreement. Aurora was granted an interim and refundable rate increase and the Commission set a procedural schedule to determine if the agreement is just and reasonable. *Docket: U-02-060*

Rate Change, Electric

The Commission initiated its first comprehensive review of Chugach Electric Association, Inc.'s (Chugach) revenue requirement and rate design since 1989. The Commission initially granted an interim and refundable rate increase of 1.61 percent. The initial increase granted by the Commission was followed by an additional 2.37 percent interim and refundable rate increase for a total interim and refundable rate increase of 3.98 percent. The Commission found (based on the last approved permanent rates) that retail customer rates should be increased by 3.8 percent and wholesale customer rates should be decreased by 5.93 percent. Chugach has appealed the Commission's decision, with action pending in Superior Court (3AN-03-07045 CI). *Docket: U-01-108*

Rate Change, Telecommunications

Alaska Communications Systems (ACS) filed for a rate increase in its Anchorage, Fairbanks, Juneau, and Sitka service areas in 2001. The Commission bifurcated the proceeding into two phases, beginning with an investigation into ACS' revenue requirements and depreciation study. The second phase will determine ACS' rate design and cost-of-service study. *Dockets: U-01-034, U-01-083, U-01-085, U-01-087*

Disparity in Service to Customers, Telecommunications

The Commission opened a proceeding to review an increase in informal telecommunication complaints regarding delayed new local service in Anchorage and other local competitive markets. ACS of Anchorage, Inc., ACS of Alaska, Inc., and ACS of Fairbanks, Inc. (collectively ACS) were directed to take various actions to address parity of service violations. ACS was ordered to provide GCI Communication Corporation (GCI) query access to ACS' databases. The Commission also ordered GCI to pay ACS' current tariff rate for line extensions. Finally, ACS was ordered to file a monthly report comparing the processing time for both GCI's and ACS' service orders. The Commission recognized the complexity of level access to ACS' databases and later directed the carriers to engage in arbitration to resolve outstanding issues. The Commission adopted the arbitrator's recommended decision. ACS has appealed the Commission's decision, with action pending in Superior Court (3AN-02-14020 CI). *Docket: U-02-097*

Eligible Telecommunications Carrier (ETC), Telecommunications

Alaska DigiTel, LLC (AkDigiTel) requested designation as an ETC to receive federal universal service support in the area currently served by Matanuska Telephone Association, Inc. ETC status is required for a carrier to be eligible to receive various federal support payments to provide, maintain, and upgrade facilities and services for basic telecommunications service and to provide assistance to low income consumers. The Commission granted ETC status to AkDigiTel based on a variety of factors including the requirements of the Telecommunications Act of 1996 and federal regulations. This case represented the first instance where the Commission approved ETC status for a wireless carrier in a rural area of Alaska. *Docket: U-02-039*

Significant Utility Events - Closed as of 12/12/03

Rate Change, Natural Gas

As a condition of SEMCO's purchase of ENSTAR Natural Gas Company (ENSTAR), the Commission required ENSTAR to file a revenue requirement and cost-of-service studies. Based on the 2000 test year, the Commission compared ENSTAR's revenue requirement with its actual revenue for the same period and approved a 3.67 percent across-the-board rate decrease. ENSTAR stipulated with the Public Advocacy Section and the Commission agreed to a rate design resulting in a 10.98 percent decrease for residential service, a 15.02 percent increase for small commercial business, and a 21.04 percent increase for large commercial business. *Docket: U-00-088 (06/26/03)*

Federal Universal Service Funds, Telecommunications

To receive continual Federal Universal Service Funds, the Federal Communications Commission (FCC) requires the Commission to annually certify that Eligible Telecommunications Carriers (ETCs) in Alaska will appropriately use the funds only for the provision, maintenance, and upgrading of facilities and services. Failure to make such a certification could compromise continued receipt of funding. The Commission reviewed the information concerning the use of federal funds by each ETC and certified to the FCC that the funds received in 2003 would be used appropriately. *Docket: U-02-079 (11/24/03)*

Change in Service Providers, Refuse

The Commission approved the application filed by Waste Management of Alaska, Inc., to amend its certificate of public convenience and necessity to delete the Juneau, Dutch Harbor, Nome, and Ketchikan portions of its service area and approved the application filed by the Juneau, Dutch Harbor, Nome, and Ketchikan subsidiaries of Alaska Pacific Environmental Services, LLC to serve these areas. *Dockets: U-02-064, U-02-071, U-02-072, U-02-073 (11/14/03)*

Rate Change, Water & Wastewater

Golden Heart Utilities, Inc. (GHU) and College Utilities Corporation (CUC) provide water and wastewater service to the Fairbanks area. In 2001, CUC filed tariff revisions for reductions in sewage treatment charges, while GHU requested rate increases for both water and wastewater utilities. The Commission granted the rate changes, and in addition required GHU to address consolidation of all regulated GHU and CUC operations. In stipulation, GHU and CUC agreed to file a consolidated rate case no later than August 1, 2005, using 2004 as a test year. They agreed that the service territories of the two utilities would be combined with postage stamp rates throughout the service area and specified that this is not an agreement to merge the corporate structures of GHU and CUC. *Dockets: U-02-013, U-02-014, U-02-015 (05/21/03)*

Approved Tariff Filings, Water & Wastewater

The Municipality of Anchorage d/b/a Anchorage Water and Wastewater Utility (AWWU) filed proposed tariff changes to adopt an equal assessment method for water and wastewater improvement subdivisions. The Commission suspended the tariff filings to gather more information to determine if the equal assessment methodology could be available to all improvement districts. Based on proceedings in Docket U-95-013, in which the Commission encouraged the development of one tariff for all future improvement districts, the Commission approved AWWU's tariff revisions. *Docket: U-02-031 (09/03/02)*

Utility Financial Operations & Reported Customers

Calendar Year	2000	2001	2002
Net Plant			
Cable Television[2]	$6,574,000	$6,380,000	$5,694,000
Electric	1,361,572,213[1]	1,389,426,622	1,382,187,931
Natural Gas	186,650,434	180,965,146	186,793,378
Refuse	3,072,122	3,184,025	2,557,287
Steam Heat	7,991,033	8,484,229	8,132,731
Telecommunications[3]	625,546,641[1]	599,831,476	580,651,529
Wastewater	84,272,842	94,340,320	125,558,499
Water	125,579,941	141,494,274	190,422,284
Total Net Plant	*$2,401,259,226*[1]	*$2,424,106,092*	*$2,481,997,639*
Gross Revenue			
Cable Television[2]	$6,189,000	$6,563,000	$7,489,000
Electric	525,626,713[1]	557,262,581	558,263,190
Natural Gas	99,580,257	117,028,010	115,973,045
Refuse	33,077,014[1]	33,342,330	33,460,502
Steam Heat	1,540,413	1,895,793	2,016,080
Telecommunications[3]	357,197,021[1]	369,760,452	389,360,171
Wastewater	32,518,942	32,488,857	35,512,021
Water	36,029,727	36,959,311	38,382,058
Total Gross Revenue	*$1,091,759,087*[1]	*$1,155,300,334*	*$1,180,456,067*
Net Income			
Cable Television[2]	$981,000	$757,000	$1,235,000
Electric	36,904,719[1]	31,188,177	16,442,773[4]
Natural Gas	8,789,246	6,580,788	8,368,484
Refuse	2,632,125	3,497,368	4,429,161
Steam Heat	(1,492,060)	(1,057,779)	(565,272)
Telecommunications[3]	37,839,669[1]	39,501,928	30,547,538
Wastewater	4,988,554	4,058,481	6,722,305
Water	6,811,516	5,857,628	4,709,057
Total Net Income	*$97,454,769*[1]	*$90,383,591*	*$71,889,046*
Customers			
Cable Television[2]	8,130	8,130	8,076
Electric	229,306[1]	233,199	195,781
Natural Gas	103,728	108,487	112,028
Refuse	51,160	52,315	52,414
Steam Heat	135	148	149
Telecommunications[3]	592,815	570,216	524,296
Wastewater	59,219	60,057	60,911
Water	60,292	60,150	60,747
Total Customers	*104,785*[1]	*1,092,702*	*1,014,402*

[1] Figures have been restated to correct compilation errors in summarizing reported data in previous annual reports.
[2] Cable Television is not regulated by the Commission as to rates and services with the exception of GCI Cable, in Juneau, which is rate regulated for basic Tier channels.
[3] Includes local exchange carriers only.
[4] A substantial decrease in Electric Net Income was due to a change in reporting format by Municipality of Anchorage d/b/a Municipal Light & Power Department, in which the utility now includes the results of its natural gas operations consolidated with the results of its electric utility operations.

Significant Pipeline Events - Pending

Trans Alaska Pipeline System (TAPS)

In November 2002, the Commission set TAPS intrastate rates (rates paid to transport oil destined for Alaska refineries) for the years 1997 through 2000 as part of an investigation begun in 1997 when intrastate shippers complained that their rates were too high. The Commission found that rates filed by the TAPS owners for those years exceeded cost-based rates by an average of fifty-seven percent and ordered approximately $80 million in refunds paid to intrastate shippers.[1] The Commission's decision is the first time in almost twenty years that a regulatory agency has reviewed TAPS rates for consistency with statutory standards. The Commission initiated a separate proceeding to examine filed intrastate TAPS rates for 2001 and beyond and will set rates in 2004. *Dockets: P-97-004, P-03-004*

The Commission held a lengthy hearing concerning the TAPS Quality Bank (a system of payments among shippers to compensate for quality differences between the oil tendered on the North Slope and the oil received in Valdez). The hearing was held in Washington, D.C., concurrently with the Federal Energy Regulatory Commission, which has jurisdiction over interstate TAPS matters. A decision in the matter is expected in 2004. *Docket: P-89-002, et al. consolidated*

North Slope Pipelines

The Commission accepted a comprehensive settlement of transportation rates between Milne Point Pipeline Company, LLC (MPPLC) and the State of Alaska. The Commission vacated suspension of rates filed for calendar years 1995 through 2002. The Commission's decision was based on the absence of shipper protests of those rates. Under the settlement agreement, MPPLC files rates each year. In order to protect potential new intrastate shippers, the Commission suspends each year's rate but, if no shipper protests by year-end, the Commission vacates the suspension. *Dockets: P-95-003, P-96-003, P-97-003, P-98-003, P-99-003, P-00-003, P-01-003, P-02-003 (closed); P-03-003*

Cook Inlet Pipelines

The Commission granted a certificate of public convenience and necessity to Kenai Kachemak Pipeline, LLC (KKPL) a natural gas pipeline carrier on the Kenai Peninsula. The pipeline will transport gas from newly developed fields on the Kenai Peninsula to existing gas pipelines in the area for further transportation to residential and industrial customers. As the result of legislation passed in 2003, KKPL may enter into long-term contracts to transport gas, thus assuring transportation of supplies to initial users of the pipeline. *Dockets: P-02-006 (closed); P-03-006, P-03-012, P-03-013*

Pipeline Financial Operations

Calendar Year	**2000**	**2001**	**2002**
Property			
Gross Property	$11,422,190,371	$11,531,079,380	$11,611,282,824
Net Property	$4,169,113,782	$4,107,233,114	$3,898,788,885
Revenue			
Gross Revenue	$1,307,978,918	$1,531,197,148	$1,585,833,471
(per barrel)	$1.81[2]	$2.03	$2.05
Net Revenue	$306,261,965	$381,926,530	$711,631,005
(per barrel)	$0.42[2]	$0.51	$0.92
Throughput (barrels)	722,723,334[2]	754,350,768	773,783,077

[1] TAPS carriers' compliance filings with P-97-004(154); interest on refunds has yet to be determined.
[2] Figures have been restated to correct compilation errors in summarizing reported data in previous annual reports.

Significant Regulation Events - Pending

Power Cost Equalization, Electric

The Commission opened a proceeding to revise its regulations regarding the Power Cost Equalization program. The proposed revisions to regulations are intended to clarify, change requirements imposed on participating utilities that are considered impractical, and impose new requirements that will facilitate monitoring the compliance of existing regulations. The Commission extended the public notice for comments until January 2004. *Docket: R-03-002*

Access Charge Structure, Telecommunications

The Commission initiated a proceeding to institute an inquiry into the reform of the current intrastate access charge system to determine if the reform should mirror the federal access charge system. Access charges are charges assessed by local exchange carriers for use of the local network to originate and terminate interexchange calling and private line networks. A key issue under review is whether the Commission should require local customers to pay a monthly flat Subscriber Line Charge in place of the current system where long distance companies are assessed access fees, which are then passed on through long distance rates. The Commission issued an order seeking public comment on a proposed model to estimate the quantitative impacts of recovering the portion of Carrier Common Line (i.e., local loop) costs associated with intrastate interexchange access charges. *Docket: R-01-001*

Competitive Local Exchange Market Structure, Telecommunications

In response to recently enacted legislation, the Commission initiated a proceeding to review and obtain comments on modifications to Alaskan telecommunications regulations. The Commission incorporated revisions to competitive local exchange market into the proceeding due to the commonality of issues. The Commission issued a notice seeking public comments on proposed regulations governing local and long distance market policies and depreciation rates. *Dockets: R-03-003, R-02-006*

Proposed Regulations, Water & Wastewater

Alaska statutes require all public utilities to be certificated as a measure to ensure the quality and affordability of utility service for the Alaskan ratepayer (AS 42.05.221, AS 42.05.241). A number of water and wastewater utilities in operation are presently not certificated. The Commission issued a notice of inquiry into this matter and has presented proposed water and wastewater regulations for public comment. *Docket: R-02-004*

Significant Regulation Events - Closed

Long Distance Application Process, Telecommunications

The Commission recognized that application filing procedures for intrastate interexchange telecommunications market had not materially changed even though the level of competition had increased along with the advancement of electronic filing capabilities and access to the Internet. The Commission initiated this proceeding to determine whether it could relax the regulation of prepaid calling card services and the certification process as it applied to the smaller carriers in the market, while continuing to protect the public interest. The Commission adopted regulations to replace the certification process with registration under certain conditions, specifying rate caps for charges by registered entities, posting requirements for prepaid calling cards, setting policies regarding refunds and replacement of calling cards, and setting reporting requirements. *Docket: R-00-004 (10/02/03)*

Long Distance Market Structure, Telecommunications

The Commission initiated a proceeding to reform the intrastate interexchange market structure and associated policies in light of the federal Telecommunications Act of 1996, Federal Communications Commission policy changes, and changing conditions in Alaska. The Commission revised a number of its interexchange carrier policies under regulation; including the adoption of a new section 3 AAC 52.376 governing promotional offerings. *Docket: R-98-001 (01/31/03)*

Significant Consumer Protection Events - Closed

Billing Complaint, Electric

Consumer Protection (CP) Staff received a consumer complaint against Teller Power Company (Teller) regarding the customer's inability to acquire billing information. Staff found the utility to be several months behind issuing monthly invoices to customers. Teller responded by establishing a reasonable schedule to issue back bills to consumers without creating undue hardship. *Case: C-03-088 (05/14/03)*

Disparity of Service, Telecommunications

CP Staff received a high volume of complaints from Alaska Communications Systems and GCI Communication Corporation customers requesting new installations, changes to services, and transfers of service from one location to another. The Commission initiated a proceeding to address parity of service violations and held public hearings for consumers to voice concerns. *Cases: C-02-368 (07/19/02), C-02-610 (09/26/02); Docket: U-02-097 (pending)*

Damage Claim, Water and Wastewater

A consumer of Municipality of Anchorage d/b/a Anchorage Water and Wastewater Utility filed a written complaint seeking relief for a damage claim from clogged sewer lines. The utility admitted it was responsible for cleanup, but was not obligated to replace personal property. Staff informed the consumer that the Commission does not have authority to award damages for claims. *Case: C-02-630 (11/20/02)*

Contact Summary	***2001***	***2002***	***2003***
Telephone	10,366	10,350	10,869
Conferences	340	951	1,645
Total Contacts	*10,706*	*11,301*	*12,514*

Complaints Filed	***2001***	***2002***	***2003***
Pending (start of FY)	7	19	28
Opened	682	728	609
Closed	670	719	626
Pending (end of FY)	19	28	11

Complaint Types	***2001***	***2002***	***2003***
Cable Television	3	0	3
Electric	78	72	54
Natural Gas	22	19	8
Refuse	14	25	12
Steam Heat	0	0	1
Telecommunications	548	587	517
Wastewater	4	3	1
Water	13	22	13
Total Complaints	*682*	*728*	*609*

2003 Complaint Summary	***Service Availability & Line Extensions***	***Billing Practices***	***Quality of Service***	***Rates & Charges***
Cable Television	0	0	3	0
Electric	2	37	10	5
Natural Gas	0	6	0	2
Refuse	0	4	7	1
Steam Heat	0	0	0	1
Telecommunications	348	92	71	6
Wastewater	0	0	1	0
Water	1	4	7	1
Total Complaints	*351*	*143*	*99*	*16*

Court Cases - Closed as of 12/12/03

ACS of Fairbanks, Inc. et al. (ACS)
vs.
GCI Communication Corporation (GCI) &
Regulatory Commission of Alaska

These consolidated appeals arose from ACS' original action in federal court seeking injunctive and declaratory relief from the Commission's decision approving arbitration in GCI's request for interconnection under the Telecommunications Act of 1996. In Case 01-35344, the issue was whether the Commission waived the state's 11th amendment immunity from suit in federal court by conducting interconnection proceedings under the 1996 Telecommunications Act. In the cross-appeal (Case: 01-35375), ACS appealed the District Court's grant of a stay of the entire action pending the 9th Circuit Court of Appeal's decision on the 11th amendment issue. The 9th Circuit ruled that our Commissioners would be named individually as defendants in their official capacity with the Commission being dismissed from the case under the *Ex parte Young* theory. The 9th Circuit ordered the District Court review of the merits to go forward. *Cases: 01-35344, 01-35375, 9th Circuit Court of Appeals (03/12/03)*

ACS of Alaska, Inc., ACS of Fairbanks, Inc., and
ACS of the Northland Inc., (collectively ACS)
vs.
General Communication Corporation (GCI) &
Regulatory Commission of Alaska

ACS appealed decisions in Dockets U-97-082, U-97-143, U-97-144, and Dockets U-99-103 et al., that terminated its rural exemptions under the Telecommunications Act of 1996, affirmed by Superior Court. The Alaska Supreme Court reversed, holding that the issue controlled by the 8th Circuit's decision that the carrier requesting termination has the burden of proof. The Court remanded the Commission to analyze the rural exemption issue with GCI bearing the burden of proof. The Court directed the Commission to determine whether to continue the current status while carrying out its remand proceedings. *Case: S-10466, Alaska Supreme Court (12/12/03)*

ACS appealed decisions in Dockets U-01-066, U-01-083 et al., regarding ACS' local exchange rate cases. ACS withdrew appeal without briefing. *Case: 3AN-03-8337 CI, Superior Court (10/01/03)*

ACS of Fairbanks, Inc. et al. (ACS)
vs.
GCI Communication Corporation (GCI) &
Regulatory Commission of Alaska

ACS filed suit in federal court seeking injunctive and declaratory relief from U-99-141(9), U-99-142(9), and U-99-143(9), which approved the results of arbitration in GCI's request for interconnection under the Telecommunications Act of 1996. After a stay to resolve issues in 9th Circuit Court of Appeals, the case was remanded from the court and preceded on ACS' amended complaint. The Commission was dismissed as a party and our Commissioners were substituted as defendants. ACS' federal court complaint alleged both state and federal law claims. Our Commissioners answered and moved to dismiss the state law claims on the basis that the district court has no jurisdiction to address any state law claims against state officials under the *Ex parte Young* Doctrine. Under this doctrine, the federal courts only have jurisdiction to address claims alleging ongoing violations of federal law. Briefing on the motion to dismiss was stayed pending issuance of a scheduling order. ACS responded its wish to explore settlement, and the parties stipulated to dismiss the case. *Case: A00-288 CV, U.S. District Court (10/15/03)*

ACS filed an identical case pending U.S. District Court (A00-288 CV) as a state court "place-holder" to preserve its right of appeal in case the federal court declined jurisdiction. After the 9th Circuit Court of Appeals decision described above, the superior court asked if there was good cause for this appeal to proceed. ACS submitted nothing in response and the court then dismissed this case without prejudice. *Case: 3AN-00-3725 CI, Superior Court (07/24/03)*

Alaska Communications Systems (ACS)
vs.
Thompson et al.

Complaint for declaratory judgment, preliminary injunction, and permanent injunction, filed October 21, 2002. The Commission moved to dismiss because claims are state law issues or federal law and not within subject to federal court review under the Telecommunications Act of 1996. The court denied ACS' motion for preliminary injunction and granted Commission's motion to dismiss at oral argument on January 31, 2003. *Case: A02-260 CV, U.S. District Court (01/31/03)*

ACS of Alaska, Inc., ACS of Anchorage, Inc., & ACS of Fairbanks, Inc. (collectively ACS)
vs.
GCI Communication Corporation (GCI) & Regulatory Commission of Alaska

ACS appealed U-02-097(3) in which the Commission required ACS to allow GCI query access into Martens or another appropriate database. After the record was prepared, ACS asked to stay this appeal pending the Federal Communications Commission's triennial review order. When ACS filed its opening brief, the Commission asked the court to dismiss the appeal and require ACS to make its arguments to the Commission first. The Superior Court remanded the case to the commission to conduct further proceedings, and did not retain jurisdiction over the matter. *Case: 3AN-02-14020 CI, Superior Court (12/08/03)*

Matanuska Electric Association, Inc. (MEA)
vs.
Chugach Electric Association, Inc. (Chugach)

In 1997, MEA complained that Chugach used an excessive generation and transmission line-loss factor in the cost of power adjustment for wholesale power it purchased from Chugach Electric Association. The Alaska Public Utilities Commission (APUC) issued U-97-036(13), which required Chugach to recalculate the Cost of Power Adjustment (COPA) balancing account for 1995 through 1997 and refund the excessive charges to its wholesale customers. The Superior Court reversed and MEA appealed to the Alaska Supreme Court. The court held that the rule against retroactive ratemaking applies to the line-loss factor in Chugach's COPA, and affirmed the part of the Superior Court order that reversed the refunds ordered by the APUC. *Case: S-09839, Alaska Supreme (08/23/02)*

Chugach initiated a lawsuit against MEA to collect a tariffed charge for Marathon tax liability approved by the Commission. MEA moved for summary judgment, asserting that the Commission did not have jurisdiction over the issue and that the tariff was unenforceable because of provisions in the power sales agreement between Chugach and MEA. The Superior Court concluded that the Commission had jurisdiction and upheld the decision to approve the tariffs containing the tax liability. The Supreme Court affirmed. *Case: S-10080, Supreme Court (11/15/02)*

Golden Valley Electric Association, Inc. (GVEA)
vs.
Aurora Energy, LLC (Aurora)

GVEA appealed the Superior Court order directing the Commission to consider setting an interim rate for Aurora. Aurora moved to dismiss as a non-final order. Because the order was not final, the Supreme Court considered GVEA's appeal as a petition for review and denied it. *Case: S-10938, Alaska Supreme Court (02/18/03)*

Matanuska Electric Association, Inc.
vs.
Chugach Electric Association, Inc.

MEA petitioned to review U-01-108(18) striking portions of its pre-filed testimony and exhibits. Superior Court denied the petition. *Case: 3AN-02-11545 CI, Superior Court (12/04/02)*

Aurora Energy, LLC (Aurora)
vs.
Golden Valley Electric Association, Inc. (GVEA) & Regulatory Commission of Alaska

Superior Court granted review on Aurora's petition and ruled that the Commission has the authority to set interim rates for a wholesale power contract, and therefore must consider setting interim rates for Aurora. The court denied GVEA's cross-petition asking for review of footnote indicating the Commission may require GVEA to agree to dispute resolution process. *Case: 3AN-02-10787 CI, Superior Court (01/02/03)*

Golden Heart Utilities, Inc. (GHU)
vs.
Regulatory Commission of Alaska

GHU appealed from U-00-115(13), U-00-116(12), U-00-146(10) dated September 24, 2001 and related orders establishing rates for Fairbanks water and wastewater utilities. The parties in GHU's subsequent rate case stipulated to dismiss this appeal if the Commission accepted the stipulated resolution of that case. The Commission accepted the stipulation in U-02-013(7), U-02-014(7), and U-02-015(7). *Case: 4FA-02-1444 CI, Superior Court (03/25/03)*

(Court Cases - Pending)

Chugach Electric Association, Inc. vs. Regulatory Commission of Alaska
Appeal of rate decisions in Docket U-01-108. *Case: 3AN-03-07045 CI, Superior Court (Filed: 04/30/03)*

Matanuska Electric Association, Inc. vs. Chugach Electric Association, Inc.
Appeal and cross-appeal of rate decisions in Docket U-01-108. *Case: 3AN-03-07603 CI, Superior Court (Filed: 04/14/03)*

Amerada Hess Pipeline Corporation, Williams Alaska Pipeline Company, LLC, & State of Alaska vs. Regulatory Commission of Alaska
Trans Alaska Pipeline System (TAPS) appealed decisions in Dockets P-97-004 and P-97-007, affecting TAPS rates. The record on appeal was filed but will be supplemented with some omitted materials. Meanwhile, refunds of past TAPS rates have been stayed and later replaced by corporate guarantees. The court denied the State of Alaska's motion to stay the ongoing administrative proceedings in Docket P-03-004, in which the Commission will set intrastate TAPS tariffs rates for 2001-2003. *Cases: 3AN-02-13511 CI (3AN-02-13547 CI, 3AN-03-4372 CI, 3AN-03-7161 CI, 3AN-03-8205 CI, consolidated)*

Waste Management of Alaska, Inc. (WMA) vs. Regulatory Commission of Alaska
WMA appealed U-01-155(2) denying petition to intervene in Valley Refuse Inc.'s (VRI) rate design case and U-01-155(3) approving VRI's rate design and tariff sheets to implement approved rates. The court denied WMA's motion for stay and to supplement the record with the affidavit of an expert witness who never appeared before the Commission. The court allowed WMA to supplement its points on appeal to include its objections to the final order but also invited appellants to reiterate their argument that WMA has no standing to contest the final order. *Case: 3AN-02-12714 CI, Superior Court (Filed: 11/13/02)*

Economic Development

Healthy regulated utilities and pipeline carriers are a critical component in promoting economic growth for Alaska. Financially sound public utilities provide quality services while striving to implement and offer new technological advancements to Alaskans so that, in appropriate marketplaces competition can take place. Such competition will have a positive effect on the scope of products and services which are available to the public and ensure affordable prices to consumers.

The Commission supports economic development through the use of the following three tools to ensure reliable utility services at affordable rates:

- ***Comparative Information:*** Consumer Protection & Information Staff provides public information to consumers about comparative utility services and rates based on filed tariffs.
- ***Certification Proceedings:*** The Commission issues certificates of public convenience and necessity to qualified applicants that possess the financial, technical, and managerial capabilities to stimulate economic development and meet the present and future demands for services.
- ***Rate Regulation:*** The Commission regulates utilities and pipeline carriers to ensure consumers have more reasonable and just rates, with fair rates of return. The Commission considers and approves economic development incentive rates, special contracts, and promotions that are in the public interest.

Just as it acts to protect consumer interests, the Commission also has a responsibility to ensure that Alaska's regulatory climate is stable and efficient for companies that seek to do business in Alaska.

Summary of Filings

A substantial part of the Commission's mission is to handle and process tariff filings, formal proceedings, informal complaints, and certification proceedings. Each document filed with the Commission is electronically scanned, categorized, appropriately routed, and filed. All documents received are posted daily to the Mailsheet (Daily Filings) and available to the public for viewing on the Commission's web site.

Agency History & Review

The Commission has worked with the hundreds of public utilities in Alaska with the mission to ensure reliable continued service, sound utility management, and fair rates for residents in all communities of the state. In 1981, the agency's role was expanded to include oversight of pipeline carriers and pipelines when it merged with the Alaska Pipeline Commission. In 1999, the Legislature reorganized and renamed the agency to the Regulatory Commission of Alaska and established the Public Advocacy Section (PAS) to advocate public interests. By Executive Order No. 111, issued March 2003, public advocacy functions were transferred to the Attorney General who determines which cases to investigate and participate in proceedings for utilities and pipeline carriers. The Commission renamed the PAS to Audits & Investigations section and retained technical staff.

Utility commissions were originally created to protect consumers, because most utility services are provided by monopolies. Today, commissions are faced with the challenge of evaluating regulations and considering policy changes to encourage telecommunications and refuse competition, while protecting consumer interests.

The RCA regulates the rates, services, practices, or facilities of 259 utilities and 19 pipeline carriers in Alaska.

The Regulatory Commission of Alaska:

- strives to balance the utilities' and pipeline carriers' investment recovery and the public's right to receive quality service at a fair price,
- issues certificates of public convenience and necessity to qualified service providers,
- has specific jurisdiction over the operation of electric utilities, natural gas utilities, refuse collection, water and wastewater treatment, steam heat producers, telephone companies (local and instate services), as well as oil and gas pipeline carriers,
- computes the power costs and resultant state assistance amounts for customers of electric utilities participating in the Power Cost Equalization program,
- carries out its regulatory responsibilities through several means. It conducts audits, investigations, public meetings, Tariff Action meetings, informal and formal proceedings, and resolves consumer complaints, and
- functions as a quasi-judicial body when rendering decisions in formal proceedings and as a quasi-legislative body when establishing and enforcing its regulations. The statutes and regulations of the state govern the Commission's proceedings and determinations.

2004 Fiscal Year Plan

The Commission will continue to. . .

- Fulfill the directives of the Telecommunications Act of 1996 to allow competition and to provide choices to consumers.
- Review and approve electric rates charged by regulated electric utilities statewide.
- Review rates of gas utilities and applications to expand the availability of natural gas in the state.
- Resolve disputes over pipeline tariff rates and participate in the process to develop a regulatory framework to operate a natural gas pipeline from the North Slope.
- Monitor refuse services statewide and allow competition when it is in the public interest.
- Support improvements to the statewide network to allow the delivery of affordable high-speed data and voice services to all communities in Alaska.
- Coordinate with state and federal agencies to implement the Federal Clean Water Act standards. The Commission will complete its effort to design an alternative regulatory framework for small and government-owned water and wastewater systems.

Certification Proceedings

Every utility (with limited exceptions) and pipeline carrier must obtain a certificate of public convenience and necessity to provide service to the public for compensation. The Commission must approve all amendments to, or transfers of, certificates, as well as acquisitions of controlling interest in certificate holders.

The criteria for issuing certificates are prescribed by law. Under Alaska Statute 42.05.241, the Commission must find that the applicant is fit, willing, and able to provide the service and that the service is required for the convenience and necessity of the public before issuing a certificate. Alaska Statute 42.05.221 requires a public utility to obtain a certificate of public convenience and necessity from the Commission before commencing service to the public. A certificate describes the nature and extent of authority granted to the utility, including, if appropriate, a description of the authorized service area and the scope of operations of the utility. The Commission has authority to amend, modify, revoke, or suspend (AS 42.05.271); and approve the transfer of a certificate (AS 42.05.281).

Certification Proceedings	***2001***	***2002***	***2003***
Cable Television	3	3	0
Electric	7	6	8
Natural Gas	1	0	0
Pipeline	7	5	2
Refuse	3	3	6
Telecommunications	42	37	19
Wastewater	4	2	2
Water	6	7	10
Total Proceedings	*73*	*63*	*47*

Types of Certifications	***2001***	***2002***	***2003***
Acquisitions	2	4	0
Amendments	12	4	8
Certificate Transfers	13	13	5
Discontinue Service	7	5	4
Exemption from Certification	2	1	1
New Certificates	33	34	26
Other	4	2	3
Total Certificate Types	*73*	*63*	*47*

Orders & Dockets

The Commission issued 744 decisions or orders in Fiscal Year 2003. They are categorized into two groups: substantive and procedural. Substantive orders reflect findings and conclusions based on evidence included in the formal record of the Commission. Procedural orders relate to the process and schedule used to handle a case.

All formal proceedings before the Commission are identified as "dockets". Dockets are numbered functionally to denote the type of proceeding, the year of its initiation, and numerical sequence in that year. "R" represents regulatory dockets, "P" represents pipeline dockets, and "U" represents utility dockets. For example, P-01-003 is the third pipeline docket opened by the Commission in the 2001 calendar year. All materials, legal pleadings, and decisions are identified by this number and filed in this docket. After the Commission has issued a final order, the docket is closed.

Docket Summary	***2001***	***2002***	***2003***
Pending (start of FY)	531	418	376
Opened	172	152	113
Closed	285	194	326
Pending (end of FY)	418	376	163

Orders Issued	***2001***	***2002***	***2003***
Substantive	741	518	711
Procedural	33	28	33
Total Orders Issued	*774*	*546*	*744*

2003 Order Types	***Substantive***	***Procedural***
Cable Television	3	0
Cellular	1	0
Electric	116	11
Generic[1]	61	3
Natural Gas	19	1
Pipeline	92	5
Refuse	30	2
Telecommunications	353	11
Wastewater	9	0
Water	27	0
Total Order Types	*711*	*33*

[1] Generic refers to regulatory dockets involving more than one type of entity.

Tariff Filings

Tariffs are the written terms, conditions, rules, and rates governing a utility's conduct in providing public utility service. They are similar to the bylaws of a corporation. In approving a certificate of public convenience and necessity, the Commission reviews the applicant's tariff. All regulated utilities and pipeline carriers are required to maintain a tariff and to operate under its terms.

Regulated utilities and pipeline carriers must notify the Commission of any proposed changes to its tariffs. In most cases, the Commission must approve tariff revisions before they can take effect. The Commission considers most tariff filings at Tariff Action meetings, which are held in public bi-monthly. For certain kinds of utilities, the Commission allows proposed tariff revisions to take effect automatically at the end of a thirty day period. The most common occurrence of tariff revisions taking effect automatically is with respect to interexchange telecommunications utilities.

Tariff Filings	***2001***	***2002***	***2003***
Processed Routinely	475	455	430
Suspended Tariffs	63	50	36
Withdrawn Tariffs	23	9	1
Rejected Tariffs	1	0	7
Pending Tariffs	14	22	3
Total Tariff Filings	*576*	*536*	*477*

Tariff Filing Types	***2001***	***2002***	***2003***
Cable Television	1	1	1
Electric	172	154	165
Natural Gas	11	9	8
Pipeline	62	59	68
Refuse	30	13	25
Steam Heat	3	8	13
Telecommunications			
Local Exchange	133	168	134
Interexchange	132	85	38
Wastewater	11	12	7
Water	21	27	18
Total Tariff Filings	*576*	*536*	*477*

2003 Tariff Filings	***2001***	***2002***	***2003***
General Rate Change[1]	30	41	35
General Rate Restructure	5	0	0
Simplified Rate Filing	6	4	3
New Service/Equipment Offering	100	91	66
Nonrecurring Rate	7	19	7
Universal Access Surcharge	1	1	1
Regulatory Cost Charge	110	106	111
Contracts	24	25	9
Fuel, gas, and purchased power surcharges; Power Cost Equalization filings; and nonfirm power purchase rates[2]	124	117	132
Rule Change	59	40	32
Miscellaneous	110	68	73
Promotions[3]	0	24	8
Total Tariff Filings	*576*	*536*	*477*

[1] In previous annual reports, some filings now shown in this category were classified as Miscellaneous. The General Rate Change category does not include simplified rate filings.

[2] There were no Power Cost Equalization (PCE) base rate changes for 2000; one PCE funding level change in 2001, two PCE funding level changes in 2002, and three PCE funding level changes in 2003.

[3] In previous annual reports, Promotions were counted under Miscellaneous.

Formal Proceedings

In addition to tariff and certification filings, the Commission institutes formal proceedings to consider: rate changes, rule changes, special contracts, complaints against utilities and pipeline carriers, investigations of service quality or management practices, and regulations. Frequently, requests for general rate changes include or necessitate a restructuring of rates. Formal proceedings impact the Commission's workload due to considerable time and resources required to audit, investigate, prepare pre-filed testimony, conduct public hearings, determine and issue decisions, and process requests for reconsideration.

Formal Proceedings	***2001***	***2002***	***2003***
Access Charge Filing	19	3	10
Contracts	6	2	1
Generic/Regulations	5	9	13
Investigations:			
Complaints	12	9	1
Management Practices	3	2	0
Interconnection	4	7	6
Eligible Carrier Designation	1	3	1
Investigations: Other	2	10	18
Rate & Rule Changes:			
General Rate Change	1	14	5
Rate Restructure	9	1	1
Service/Equipment Offering	18	14	2
Rate Change: Other	2	0	2
Rule Change	7	0	1
Miscellaneous:			
Equal Access Ballots	0	2	0
Protected/Confidential Status	3	1	0
Miscellaneous: Other	7	12	5
Total Formal Proceedings	*99*	*89*	*66*

Legal Authority

The Alaska Legislature created the Regulatory Commission of Alaska in 1999 to replace the Alaska Public Utilities Commission as the state agency responsible for regulation of utilities and pipeline carriers. Under AS 42.04.010, the Commission exists as an independent agency within the Department of Community and Economic Development. Other provisions in the same chapter of Alaska Statutes (AS 42.04) establish the Commission's structure, provide for the appointment and terms of commissioners and the employment of staff, specify powers and duties of the chair, and describe decision-making procedures for the Commission. The Commission has authority to investigate, hold hearings, prescribe systems of accounts, require the filing of reports, adopt regulations, and take other lawful actions necessary to accomplish the stated purposes of the Alaska Public Utilities Regulatory Act, AS 42.05, and the Pipeline Act, AS 42.06. The Commission's principal regulatory functions are granting certificates of public convenience and necessity and economic regulation, defined in 3AAC 48.820(43) to include regulation of rates, quality of service, management practices, and consumers complaints.

Pipeline Carrier Regulations

The Commission also regulates the intrastate transportation services of oil and gas pipelines in Alaska. Under AS 42.06.240 - AS 42.06.305, the Commission grants certificates of public convenience and necessity for pipeline transportation service and for construction or operation of any pipeline facilities in the state. The Commission has authority (AS 42.06.340) to review terms of joint use or connection agreements; and, under AS 42.06.350 - AS 42.06.420, to review and determine intrastate service rates and charges of pipelines in the state.

The Commission is also authorized (AS 31.15.010 - AS 31.15.050) to determine if unjust and unreasonable discrimination has occurred in the sale of oil offered for purchase within Alaska.

Rate Regulations

The Commission is responsible for making or requiring just, fair, and reasonable rates, classifications, regulations, practices, services, and facilities for public utilities. The rate review process (AS 42.05.361 - AS 42.05.441) most often begins with a tariff filing by a utility. Within forty-five days, the Commission approves the filing or suspends it for further investigation. The Commission may permit an interim and refundable rate increase. If, after investigation, the Commission finds the proposed rate or term of service unjust and unreasonable, the Commission will determine a just and reasonable rate or term of service.

The Commission also works with the Alaska Energy Authority in administering the Power Cost Equalization program. The Commission determines the eligibility of electric utilities and the kilowatt-hour amount paid under AS 42.45.100 - AS 42.45.190.

Exemptions from Regulation

The Commission has jurisdiction over public utilities providing electric, telecommunications (local exchange, interexchange, and cable television), water, steam heat, wastewater, natural gas, and refuse.[1] The term "public utility" is defined in AS 42.05.990(4) to mean, in general, an entity that provides any of these utility services to ten or more customers for compensation, or that sells wholesale service to a utility serving ten or more customers.

AS 42.05.711 provides statutory exemptions from economic regulation and, in some cases, from the certification requirement for certain kinds of utilities.

- Under AS 42.05.711(b), public utilities owned and operated by a political subdivision of the state are exempt from economic regulation, unless the political subdivision elects to be regulated by the Commission. However, if any utility of a political subdivision is in competition with any other utility, then all that political subdivision's utilities are regulated.[2]
- Under AS 42.05.711(e), electric and telephone utilities with annual gross revenues less than $50,000 are exempt from both certification requirements and economic regulation, unless twenty-five percent of their customers petition for regulation.
- Under AS 42.05.711(i), refuse utilities with annual gross revenues of $300,000 or less are exempt from economic regulation, unless customers that pay twenty-five percent of the utility's gross revenues petition the Commission for regulation under AS 42.05.712(h).
- Under AS 42.05.711(k), cable television utilities are exempt from economic regulation, unless subscribers petition the Commission for regulation under the procedures in AS 42.05.712.
- Under AS 42.05.711(f), (g), and (h), customers of various kinds of utilities may vote for exemption from regulation by the Commission under the procedures in AS 42.05.712.
- The Commission also has discretion under AS 42.05.711(d) to exempt a utility from all or a portion of AS 42.05 if it determines the exemption is in the public interest. The Commission has exercised discretion under this statute to exempt some utilities; particularly small water utilities and competing refuse collection utilities from economic regulation requirements.

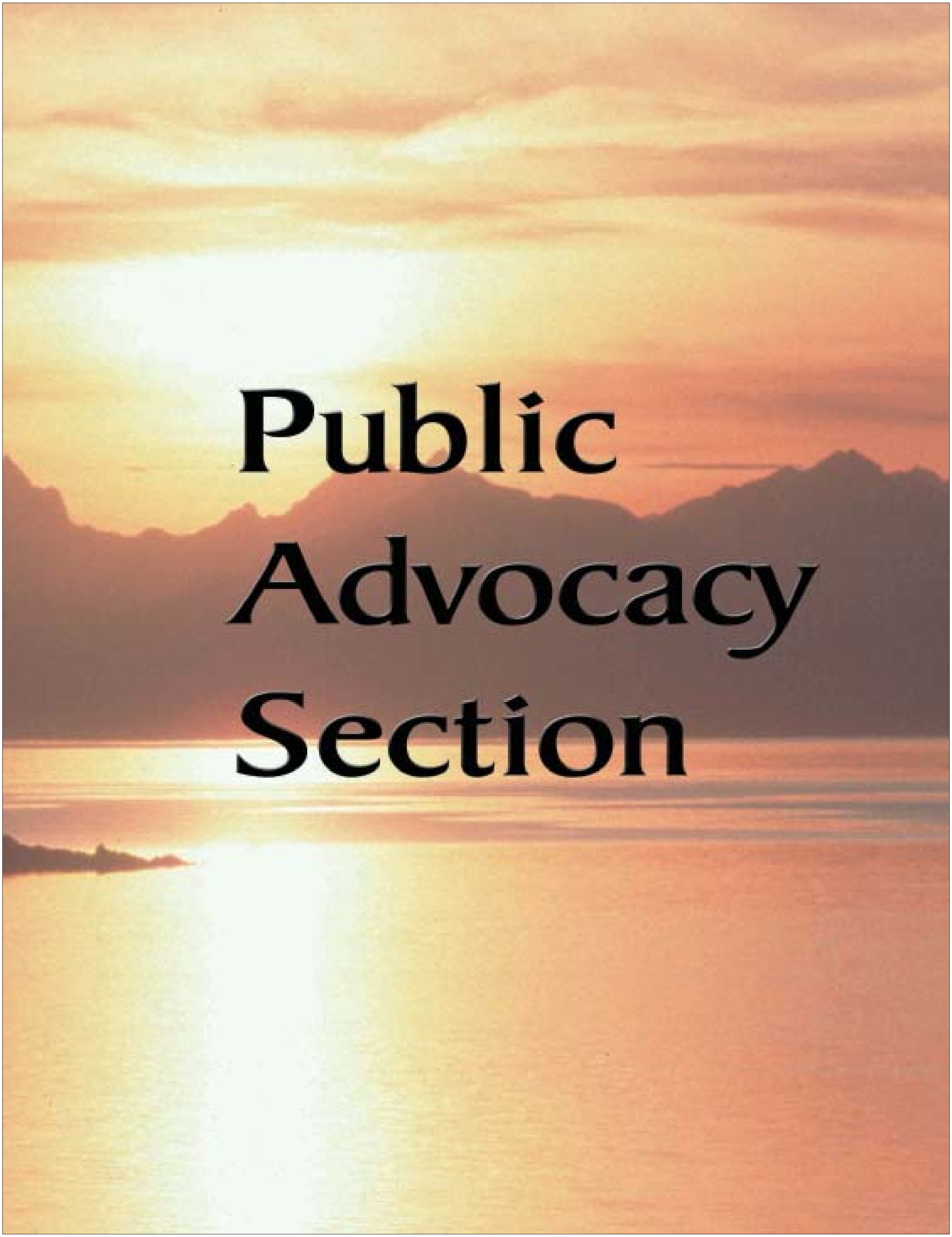
Alaska Administrative Code

AS 42.05.151 and other statutory provisions allow the Commission to adopt regulations to carry out its statutory duties. The Commission's regulations are set out in the Alaska Administrative Code at Title 3, Part 5, Chapter 47 (Regulatory Cost Charge); Chapter 48 (Practice and Procedure); Chapter 49 (Deregulation); Chapter 50 (Energy Conservation); Chapter 51 (Telecommunications Relay Service); Chapter 52 (Operation of Public Utilities); and Chapter 53 (Telecommunications).

[1] Under AS 42.05.990(4)(E), "public utility" also includes a petroleum or petroleum product distributor "when the consumer has no alternative in the choice of supplier of an alternative product or service at an equal or lesser price; . . ." No entities meeting this definition of "public utility" are currently certificated or regulated by the Commission.

[2] The utilities of the Municipality of Anchorage are the only utilities operated by a political subdivision that are currently subject to economic regulation by the Commission.

Public Advocacy Section



PAS Overview

The Public Advocacy Section (PAS) was established by the Legislature in 1999 to operate independently from the Commission and represent the public interest. Regulations adopted by the Commission in Fiscal Year 2003 define the role of the PAS and explain PAS' advocacy interest when participating in a proceeding:

- the interest of consumers in balancing the need for the lowest reasonable rates and best possible quality of service,
- the interest of the general public in obtaining information concerning the utilities and pipeline carriers that serve the general public,
- the public interest in developing appropriate market structures that are fair to competitors and protect the consumer interest in affordable, safe, and reliable service,
- enforcing statutes and regulations that are particularly designed to protect consumers, and
- representing consumer or public interests that the private parties to a case are unlikely to represent or articulate.

In addition, the new regulations describe criteria that the Commission may consider in determining whether PAS will be directed to participate as a party in a proceeding. The Commission will consider whether the matter involves:

- a rate or condition of service that will apply to the public,
- a substantial change in the market structure of an industry that is likely to affect the cost, reliability, availability, or safety of a utility service,
- a consumer or public interest that the existing parties are unlikely to represent adequately,
- a need for additional or formal investigation, if recommended by Staff after a preliminary review,
- a dispute between utilities or pipeline carriers, if participation by PAS may help to settle the dispute or narrow the issues,
- an independent investigation, if needed to develop a more complete record, or
- a significant policy issue involving the public interest.

PAS staffed two utility financial analysts, utility engineering analyst, law office assistant, and a section chief. Two Assistant Attorneys General provided a combined one hundred and fifty percent of their time on legal support and representation (with fifty percent of their time devoted to Commission appeals). Outside consultants were employed for two cases during the Fiscal Year.

Docket Summary

In addition to activities associated with ongoing investigations, PAS actively participated as a party in thirty-five dockets in Fiscal Year 2003. PAS staff filed testimony in:

- two railbelt electric rate cases,
- two wastewater utility rate cases,
- two water utility rate cases,
- six local exchange carrier rate cases, and
- a natural gas utility rate case.

PAS attended numerous prehearing scheduling and discovery conferences before Commission hearing examiners and participated in workshops. PAS was involved in settlement conferences and jointly filed stipulations in seven dockets. PAS counsel engaged in motion practice as assigned, including legal briefs when necessary.

In Fiscal Year 2003, the Commission took additional comments from PAS at a public meeting and adopted regulations to set out the powers and duties of PAS.

PAS also participated in proposed regulation proceedings that govern fuel cost adjustment clauses (R-02-003). PAS testified at a public hearing supporting regulations that would limit only costs directly associated with fuel to be flowed through to ratepayers.

Significant Events - Pending

Guaranteed Recovery Argued, Electric

Chugach Electric Association, Inc. (Chugach) filed its first complete general rate case since 1989. The filing included a revenue requirement, depreciation study, cost-of-service study, and rate design. PAS filed testimony and recommended adjustments to plant balances and operating expenses. PAS argued that Chugach's proposed treatment of depreciation rates were unacceptable retroactive ratemaking. The Commission held a two week hearing and issued an order setting the revenue requirement, rate design, and ordering refunds. *Docket: U-01-108*

Transfer Price of Gas Argued, Electric

Municipality of Anchorage d/b/a Municipal Light & Power Department (ML&P) proposed to compute the transfer price of gas (associated with ML&P's purchase of one-third interest) from Beluga River Gas Field using the rate base/rate of return methodology. PAS proposed an alternative pricing methodology using the Debt Service Coverage (DSC). The Commission heard testimony and approved an appropriate level of DSC, in which PAS argued that a 1.60 DSC provided a reasonable opportunity for ML&P to recover its equity investment and return. *Docket: U-96-036*

Electric Rates Stipulated, Electric

ML&P filed a revenue requirement and cost-of-service study to justify a proposed overall rate increase of 8.07 percent. PAS performed onsite reviews of financial records and plant accounts. PAS filed testimony and recommended adjustments to the revenue requirement including operating expenses, cost of capital and depreciation, rate base, and approval of the proposed cost-of-service study. PAS and ML&P negotiated a settlement of an overall rate increase of 7.77 percent. The Commission approved stipulated issues including an agreement to use a hypothetical capital structure in computing the cost of capital and a depreciation study to be filed by ML&P in three years. *Docket: U-99-139*

Trans Alaska Pipeline System (TAPS) Rates Argued, Pipeline

The owners of TAPS have separate transportation tariffs that have been in contention since 1986. The Commission issued an order setting TAPS transportation rates. PAS filed a memorandum, to support a petition for reconsideration and filed a brief regarding the interest payable on refunds ordered by the Commission. *Docket: P-97-004*

Revenue Requirement Studies Argued, Refuse

PAS successfully argued to the Commission that Waste Management of Alaska, Inc.'s (WMA) revenue requirement should be rejected as unreliable. It involved WMA's four service territories, and was bifurcated into two phases: revenue requirement/rate design and cost-of-service study. WMA made its preliminary filing and PAS is preparing testimony. *Docket: U-02-047*

Local Exchange Rates Argued, Telecommunications

Alaska Communications Systems (ACS) filed for a rate increase in its Anchorage, Fairbanks, Juneau, and Sitka service areas in 2001. The Commission decided on the revenue requirement phase and set a procedural schedule for the second phase of the proceeding involving rate design. The rate design issues will involve how much of the revenue requirement should be allocated to each customer class and to the provision of unbundled network elements. PAS began its review of ACS' rate design proposals to prepare testimony in the proceeding. *Dockets: U-01-034, U-01-083, U-01-085, U-01-087*

Rural Local Exchange Rates Investigated, Telecommunications

This consolidated rate case proceeding includes local exchange carrier subsidiaries of TelAlaska, Inc. providing service to rural parts of Alaska. PAS performed onsite reviews of financial records and plant accounts. PAS filed testimony and recommended adjustments to the revenue requirement including operating expenses, cost of capital and depreciation, and rate base. *Dockets: U-02-075, U-02-076*

Significant Events - Closed as of 12/12/03

Rates Determined, Electric

Chugach Electric Association, Inc. (Chugach) proposed rates for its wholesale customers Matanuska Electric Association, Inc. (MEA), Homer Electric Association, Inc. (HEA), and Alaska Electric Generation & Transmission Cooperative, Inc. (AEG&T), under the terms of a settlement. PAS argued that certain costs incurred by Chugach should not be included in rates, as well as recommending other cost reductions. The Commission agreed and ordered cost reductions. MEA and AEG&T disputed some of the cost allocations proposed by Chugach. PAS argued against changing the allocations, pointing out the settlement specified that allocations were to remain unchanged until a general rate case is filed. The Commission agreed and required compliance to the settlement terms. *Docket: U-96-037 (10/31/02)*

Line Extension Contributions Opposed, Electric

Chugach proposed to reduce contributions to the cost of primary line extensions for residential and commercial construction with the intent to eliminate its line extension credit to new homebuyers. PAS and the Anchorage Homebuilders Association opposed the change. The Commission accepted a stipulation among the parties to provide for continued line extension contributions at reduced levels. *Docket: U-01-001 (09/23/02)*

Line-Loss Factor Established, Electric

Chugach and its wholesale customers have been in a dispute about how to measure and allocate line-loss since 1997 when it was discovered that there was a discrepancy in the line-loss factor that Chugach uses to calculate its fuel surcharges. The dispute reached the Alaska Supreme Court when MEA sought and the Alaska Public Utilities Commission ordered refunds on surcharges going back to 1995. The Alaska Supreme Court reversed the Commission decision on retroactive ratemaking grounds. An independent consultant prepared a study and the parties have been negotiating how to implement the study's findings. The Commission ordered the parties to submit a stipulation of resolved and disputed issues. PAS continued to participate in technical meetings and negotiations and has largely functioned as a facilitator between the parties. *Docket: U-99-106 (11/17/03)*

Gas Sales Agreement Argued, Natural Gas

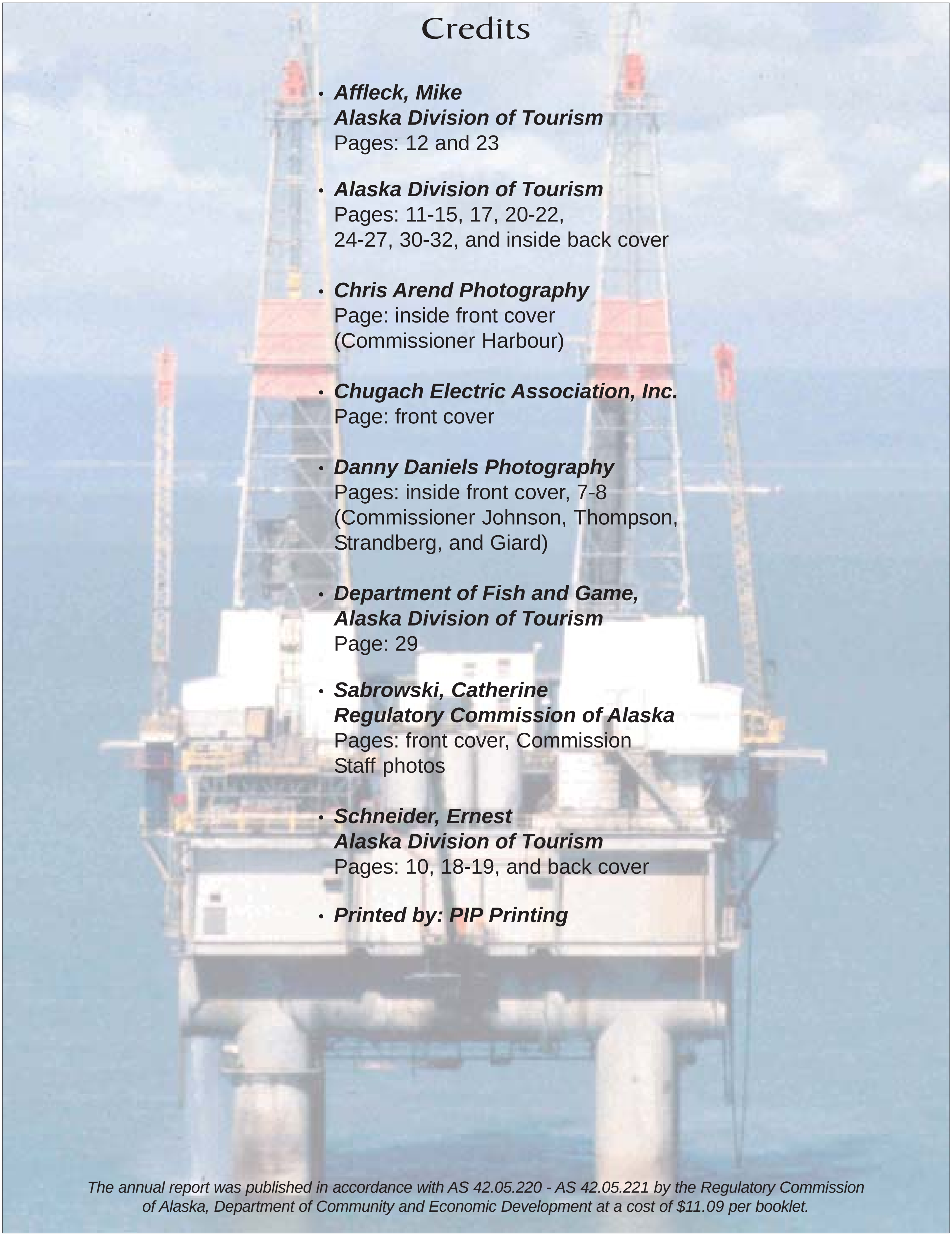
The Commission approved a 3.68 percent across-the-board rate reduction on ENSTAR Natural Gas Company's (ENSTAR) proposed new rate design based on the revenue requirement previously established. PAS filed testimony and argued that ENSTAR should not implement declining block rates and should limit its proposed fixed customer charge for small commercial and residential customers. The parties resolved all issues and stipulated to phase in a residential customer charge over two years with a corresponding decrease in volumetric gas charges. ENSTAR agreed to withdraw its proposed block rate structure and the Commission approved the stipulation filed by PAS, ENSTAR, ML&P, Marathon Oil Company, Fairbanks Natural Gas, LLC d/b/a Northern Eclipse, LLC, and Aurora Power Resources. *Docket: U-00-088 (06/26/03)*

Rural Local Exchange Rates Investigated, Telecommunications

Arctic Slope Telephone Association Cooperative, Inc. (ASTAC) filed a revenue requirement study in the first phase of the proceeding to justify an increase in rates to its Barrow exchange. PAS performed reviews of financial records, filed testimony, and recommended changes to the revenue requirement including operating expenses and a reduction in the proposed cost of equity. After consideration of filed testimonies, PAS and ASTAC reached a settlement and the Commission approved a reduction of ASTAC's cost of equity (from 13.00 to 8.58 percent), return requirement (from \$79,047 to \$58,819), and total revenue requirement (reduced by \$20,633). *Docket: U-02-077 (04/28/03)*

Rate Increases Investigated, Water & Wastewater

PAS performed onsite reviews of financial records and plant accounts associated with Crystal Cathedrals Water & Sewer System, Inc. PAS filed testimony and recommended adjustments to operating expenses, cost of capital and depreciation, and rate base. PAS found substantial amounts of excess plant that could not be considered used or useful for purposes of making rates. PAS attended consumer input hearings, settlement conferences, and testified at a public hearing. *Dockets: U-02-078, U-02-080 (09/25/03)*



Credits

- ***Affleck, Mike***
  Alaska Division of Tourism
  Pages: 12 and 23

- ***Alaska Division of Tourism***
  Pages: 11-15, 17, 20-22,
  24-27, 30-32, and inside back cover

- ***Chris Arend Photography***
  Page: inside front cover
  (Commissioner Harbour)

- ***Chugach Electric Association, Inc.***
  Page: front cover

- ***Danny Daniels Photography***
  Pages: inside front cover, 7-8
  (Commissioner Johnson, Thompson,
  Strandberg, and Giard)

- ***Department of Fish and Game,***
  Alaska Division of Tourism
  Page: 29

- ***Sabrowski, Catherine***
  Regulatory Commission of Alaska
  Pages: front cover, Commission
  Staff photos

- ***Schneider, Ernest***
  Alaska Division of Tourism
  Pages: 10, 18-19, and back cover

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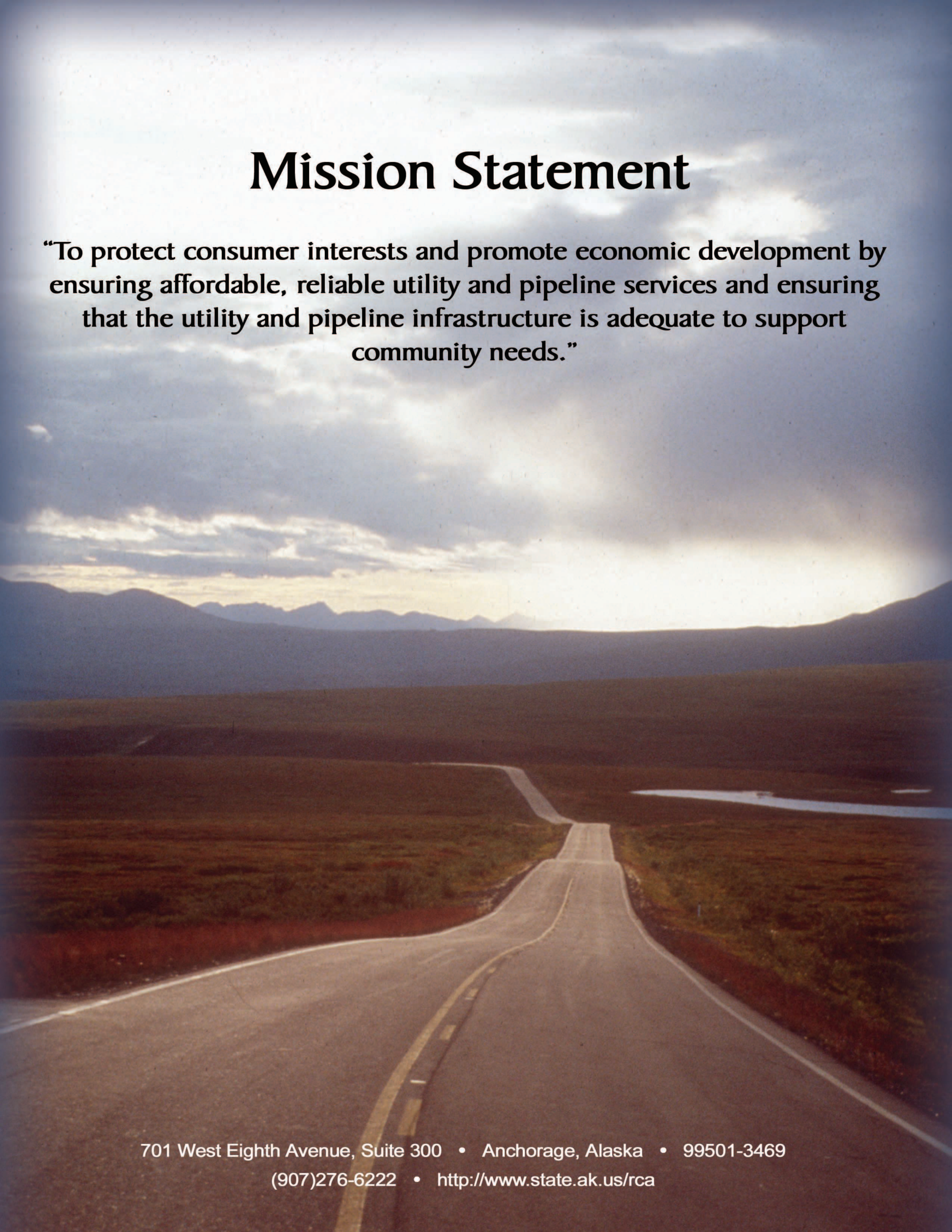

Mission Statement

"To protect consumer interests and promote economic development by ensuring affordable, reliable utility and pipeline services and ensuring that the utility and pipeline infrastructure is adequate to support community needs."

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