# Regulatory Commission of Alaska

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## Message from the Chairman

*The Commission is charged with regulating telephone, electric, oil and natural gas pipelines, and water and wastewater industries to ensure that the public interest is well served. We face complex issues, and must appropriately respond to new technology and competition in the market. Our responsibility is to make certain that Alaska's consumers pay fair and reasonable rates for safe and reliable utility services and that pipelines and utilities have an opportunity to receive a fair return on their investments. We continue striving to improve our services for the industries we regulate and the consumers we serve.*

Kate Giard

## Who We Are

The Alaska Legislature created the Regulatory Commission of Alaska in 1999, giving it broad authority to regulate 198 utilities and 21 pipeline carriers throughout the State. In Fiscal Year 2004, these industries generated 6.1 billion in revenues.

The Commission includes five commissioners and 55 staff. The Fiscal Year 2004 operating budget was $6.3 million.

## How We Operate

The five full-time Commissioners are appointed by the Governor and confirmed by the Legislature for six-year terms. Each year, the Commission elects a Chairman for a one-year term. Upon election, the Chairman assumes responsibility for all administrative functions of the Commission, becomes the policy spokesperson, assigns dockets and other work to the Commissioners and coordinates all public meeting activities, in addition to regular commissioner docket work. The Chairman is ultimately responsible for the timeliness of the Commission's adjudication process, meeting statutory timelines, and acting as the liaison between the Legislature and the Commission.

The Commission's staff includes hearing examiners, engineers, financial analysts, telecommunications specialists, consumer protection officers, paralegals, administrative and support staff.

### Core Services

Our core services are Certification, Economic Regulation, Power Cost Equalization Program, Tariff Review, Resolution Industry Disputes, Consumer Protection, Regulatory Framework and Legislative Resource.

Kate Giard,
Chairman
2003 - 2007

James
Strandberg
1999 - 2006

Dave
Harbour
2003 - 2008

Mark
Johnson
2003 - 2009

Anthony
Price
2004 - 2010

# What We Do

## Utility and Pipeline Certification

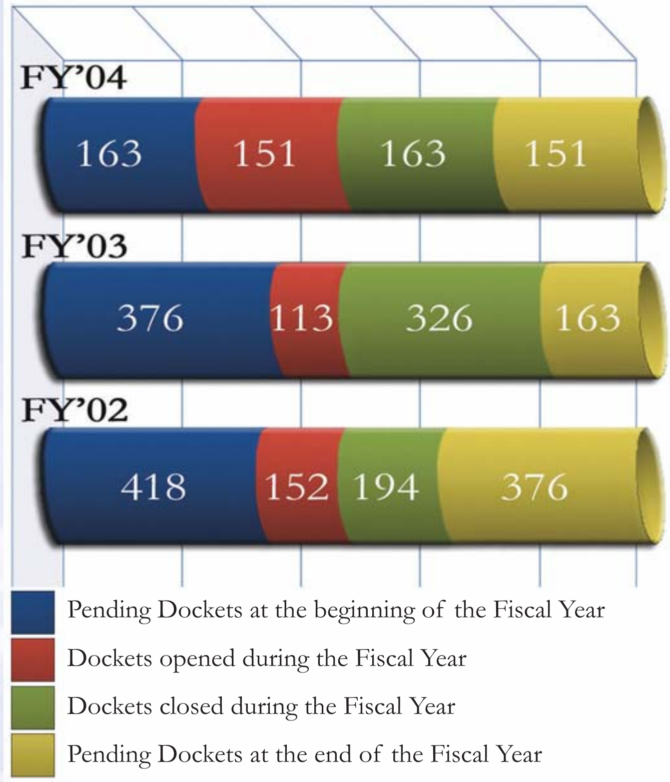
Utilities with ten or more customers and pipelines providing intrastate service are required to apply for a certificate of public convenience and necessity from the Commission. The Commission issues certificates when it finds the service is in the public interest and the applicant is fit, willing, and able to provide that service.

## Economic Regulation

The Commission determines whether the rates charged or proposed rates by regulated entities are fair, just, and reasonable. Telecommunication providers, electric utilities and pipeline carriers propose rate changes that may be contested by customers or other parties, including the Attorney General, whose office represents the public interest. When a rate is contested, the Commission functions like a court. We assign a panel of three commissioners to hold an evidentiary hearing, take testimony from witnesses and experts, adjudicate results and issue orders. Before a hearing is ever held, the Commission spends hours researching the issues and adjudicating pleadings filed by parties.

In Fiscal Year 2004, the Commission held 98 hearings on 314 proceedings, spending a total of 379 hours in hearings. Formal Commission proceedings, known as dockets, are shown in the table.

**Docket Summary**




## Power Cost Equalization Program

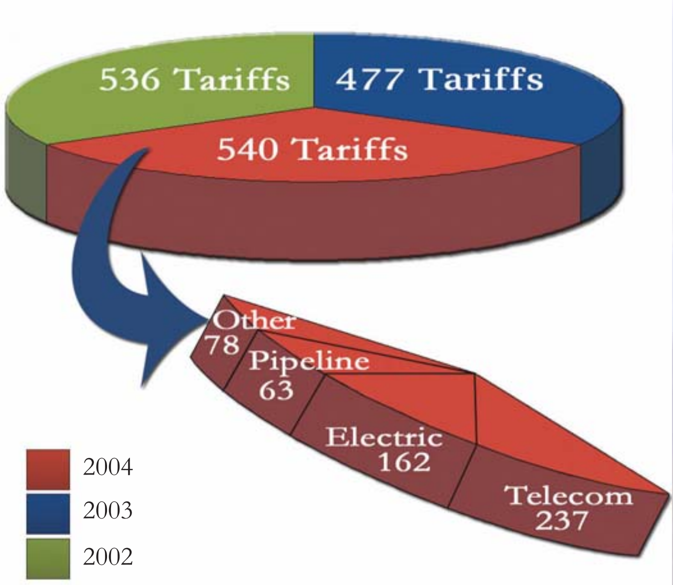
The Commission works with the Alaska Energy Authority in administering the Power Cost Equalization program. The Commission determines the eligibility of rural electric utilities and calculates the kilowatt-hour subsidy paid for each utility participating in the program (AS 42.45.100 - 42.45.190). Over 100 small rural utilities submit annual cost information and fuel cost changes for Commission consideration under this program.

## Tariff Review

Each regulated utility and pipeline carrier is required to operate under the terms of its Commission-approved tariff. The Commission is responsible for ensuring that a tariff contains fair and reasonable rates and practices that protect consumers while providing utilities and pipelines the opportunity to make fair returns on their investments. Revisions to a tariff are made through a Tariff Advice filing with the

Commission. The review process for the filing, prescribed by AS 42.05.361-AS 42.05.441, includes a period for public comment and allows the Commission to approve, reject, or suspend the tariff filing for further investigation. For most utilities, this review process takes 45 days; certain competitive utilities are allowed to file revisions that go into effect automatically after 30-days' public notice.

**Tariff Summary**

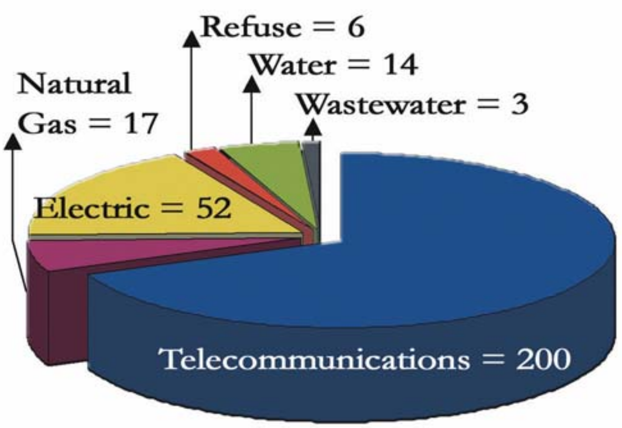



## Consumer Protection & Information

Consumer Protection Staff provides information and assistance to help utility customers resolve disputes with utilities. Staff processes complaints and suggests utility practices that might be corrected. Consumer Protection Staff educates the public and utilities about consumer rights and responsibilities and other utility-related consumer issues. Staff reviews utility compliance with State statutes and Commission regulations.

In Fiscal Year 2004, Consumer Protection opened 292 informal consumer complaints and documented over 8,200 interactions with consumers, media and utilities. As a result of consumer complaints, the Commission may initiate an investigation into the activities of utilities or pipelines and require them to modify their practices.

**Consumer Complaint Summary for Fiscal Year 2004**




## Regulatory Framework

The Commission creates regulations, defining the regulatory framework for utilities and pipeline carriers in transacting their day-to-day business. All five commissioners, representing a broad public spectrum, hold public meetings and hearings to discuss proposed regulations and solicit comment on the regulations from industry and the public. Final promulgation of regulations are part of the public record. Regulation projects affecting rates and utility obligations are frequently contested with multiple parties having numerous recommendations. In Fiscal Year 2004, the Commission worked on 22 regulations projects and held 27 public meetings.

## Legislative Resource

The Commission acts as a technical resource for the Governor and the Legislature providing expert help on utility and pipeline matters of national and statewide importance, such as telecommunications and pipeline open season regulations.

## Significant Events

*Implementing Lifeline and Link Up Eligibility Policies, Docket No. R-03-6*

The Commission initiated a proceeding to review its Lifeline and Link Up policies, including whether to adopt an income-based standard for eligibility in the Lifeline and Link Up programs. Lifeline and Link Up are programs funded by federal and state funds to make local telephone service more affordable to low income households. Under the Lifeline program, local telephone recurring charges are often reduced to $1.00 per month rates for qualifying customers. Comments on proposed changes to the Commission's Lifeline regulations were received in October and November of 2003.

*Regulations for Water-Power Development Projects, Docket No. R-03-5*

The Legislature enacted legislation amending Alaska Statute 42.45 by adding a new section (AS 42.45.350) entitled: "Licensing of water-power development projects," following Congressional authorization. Until this legislation was enacted, only the Federal Energy Regulatory Commission could issue licenses for water-power development projects. The Legislature tasked the Commission with establishing a state regulatory program to license certain small water-power development projects. The Commission issued a notice of inquiry into this matter and formed an advisory committee to assist in the development of the regulations.

*Rules and Regulations Governing Rates, Charges Between Competing Companies and Competition in Telecommunications, Docket No. R-03-3*

In response to enacted legislation, the Commission released proposed changes to Alaska telecommunications regulations by the November 15, 2003, deadline set by the Legislature. These regulations would affect both local and long distance services and cover a wide scope of issues including competitive policies and depreciation practices. Interested individuals provided comments in January and February of 2004. The Commission held a three-day hearing in June 2004 to further investigate issues.

*Regulations for Public Water and Sewer Systems and Application Forms for a Certificate for Small Public Water or Sewer Systems, Docket No. R-02-4*

On December 3, 2003, the Commission adopted regulations creating a new level of certification for rural water and sewer utilities. The new level of certification, called provisional certification, is designed to provide a reasonable level of regulation for smaller systems and collect important information on an ongoing basis that will reveal the long-term financial viability of the utilities. The regulations took effect June of 2004 in an effort to certificate all eligible Alaska water and sewer utilities.

*Should Interexchange Carriers Operating in the Anchorage Market be Allowed to Sell Bundled Interexchange and Local Services, Docket No. R-01-2*

The Commission issued proposed regulations governing a telecommunications carrier's ability to sell local services as a bundle with non-local services in competitive markets. Regulations were adopted in June of 2004 requiring carriers offering a service bundle that includes intrastate interexchange service to specify the applicable intrastate interexchange rate and make the rate available statewide. The Commission required local exchange carriers offering bundled services to identify the rates for local exchange service and to provide the local exchange service on a stand-alone basis at the rate identified in the carrier's tariff.

*Reform of Intrastate Interexchange Access Charge Rules, Docket No. R-01-1*

The Commission continued its review of key policies related to access charges. 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. On March 1, 2004, the Commission issued regulations that local customers would pay a monthly flat Network Access Fee in place of the current system where long distance companies are assessed access fees, which are then passed on through long distance rates. With the Network Access Fee, long distance carrier costs would be reduced, leading to anticipated reductions in long distance rates and increased investment in Alaska telecommunications infrastructure.

*Joint Petition by ACS of Fairbanks, Inc. and GCI Communication Corporation Pursuant to 3 AAC 53.220, to Designate Various ACS Companies Non-Dominant, Docket No. U-04-43, U-04-44 and U-04-45*

In response to a petition, the Commission allowed ACS of Fairbanks, Inc. and ACS of Alaska, Inc. to file tariffs in their respective local markets as nondominant carriers. Similar flexibility had previously been granted to ACS of Anchorage, Inc. Such status would allow these carriers to implement rate increases without cost support after 30-days' public notice. The nondominant status was granted on a trial basis while the Commission determined its overall local market policies in Docket R-03-3.

*Formal Complaint filed by the Alaska Exchange Carriers Association, Inc. Concerning AT&T Alascom's Failure to Properly Record and Report Alaska-to-Alaska Calling Card Traffic and its Failure to Pay Access Charges in Accordance with Existing Law and RCA Tariff No. 999, Docket No. U-04-5*

As part of the Commission's review of state access charge rates, an issue arose over whether Alascom, Inc. (AT&T Alascom) should pay intrastate access charges on approximately 88 million minutes of calls associated with "enhanced" prepaid calling card services. AT&T Alascom contended that the calling card service was exempt from payment of state access charges, in part by virtue of an advertisement that occurred when the customer placed a call. The Commission concluded that the minutes associated with the "enhanced" calling cards were intrastate minutes subject to payment of access charges. The Commission lifted a stay that had previously allowed AT&T Alascom to effectively defer payment of past access fees it might owe pending resolution of related issues before the Federal Communications Commission. The Commission required AT&T Alascom to report and pay access charges on the "enhanced" calling card minutes on a going forward basis. A docket was opened to review the extent which back state access charges were owed by AT&T Alascom.

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