

State of Alaska FY2002 Governor's Operating Budget

Department of Community & Economic Development
Regulatory Commission of Alaska
Component

Component: Regulatory Commission of Alaska

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Component Mission

The mission of the Regulatory Commission of Alaska (RCA) is to regulate public utilities and pipelines in Alaska.

Component Services Provided

The RCA regulates public utilities and pipeline carriers. The Commission has been assigned regulatory responsibility for gas, electric, telephone, oil and gas pipelines, water and sewer, steam, refuse collection and disposal and cable television.

The Commission issues certificates of public convenience and necessity to qualified service providers. The Commission establishes the rates, terms, and conditions under which economically regulated utilities and pipeline carriers serve the public. The Commission supervises markets that are transitioning to economic deregulation to protect consumer interests. Under the Power Cost Equalization program, the Commission computes the power cost and amount of assistance for eligible utilities.

Component Goals and Strategies

1. Analyze and act upon all utility and pipeline carrier proposals within statutory deadlines.
2. Receive, analyze, and process cases pursuant to the timeliness regulations implemented in December 1999, under AS 42.04.080(b).
3. Issue public notices, provide initial analysis, and render initial Commission determination concerning utility and pipeline tariff filings within 45 days. (Anticipated total cases July 1, 2001 to June 30, 2002: 554 tariff filings.)
4. Within 30 days, issue public notices, provide initial analysis, and render initial Commission determination concerning competitive offerings. (Anticipated total cases July 1, 2001 to June 30, 2002: 163 tariff filings.)
5. Issue 600 substantive orders in disputed cases pending before the Commission.
6. Formulate, issue public notice, evaluate comments received, and revise proposed regulations as needed.
7. Receive, analyze, and process an expected 613 consumer complaints concerning utility service.
8. Participate in national-level organizations regarding policy issues that significantly impact Alaska.
9. Continue to refine our management information system to make agency processes more efficient and accessible to the general public through the Internet (Section 26, HCS CSSB 133(FIN)).
10. Provide analytical support to legislative committees considering utility and pipeline issues.
11. Process Power Cost Equalization filings. (Anticipated filings July 1, 2001 to June 30, 2002, 310 nonregulated and 50 regulated.)

Key Component Issues for FY2001 – 2002

1. Electricity

We will address current issues facing the Alaskan electric industry.

Rural Alaska: We will focus on the high cost of power and difficult operating environment for small rural power companies, and seek, through cooperation with other agencies, to lessen regulatory burdens and provide incentives for improvement of reliability and affordability in our rural communities power supplies. We will seek to improve cooperation between rural power and rural communications systems, to optimize delivery of utility services to the rural rate payer. We will continue our program to timely and efficiently process Power Cost Equalization (PCE) filings that rural utilities file with us for financial review. We will continue to develop a database of utility operational histories. We will consider potential regulatory incentives that could promote cost control and reliability improvement, while maintaining the equalization benefits of the Power Cost Equalization program.

Urban Alaska: We will work to complete rate hearings for major power utilities. We will also respond to electric market structure issues that arise, and provide input as requested by the legislature on matters of electric infrastructure development. We will continue to look at methods to provide incentives for coordination among utilities. We will also promote practices that will assure utilities are providing reliable and low-cost services to all customers.

2. Telecommunications

We will monitor and regulate to ensure the availability of affordable, high quality, local and long distance telephone service throughout Alaska. We will continue our oversight of the competitive in-state long distance market and local markets, and will work towards developing competition throughout the state to the extent reasonable, feasible, and consistent with the public interest and the goal of universal service.

We will modify our existing local market structure rules and regulations as necessary and develop interconnection and network arrangements and policies as new areas of the state are opened to local competition. To further accomplish its responsibilities under the Telecommunications Act of 1996, we will also continue to review our rules covering access charge reform, competitive local exchange carriers, market dominance, local exchange carrier provision of long distance service, and pricing standards for interconnection between incumbent and entrant local exchange carriers.

We also plan to continue evaluating our existing policies for the long distance carrier market regarding facility restrictions, facility modernization, wholesale rates, preservation of quality service, competitive neutrality, and interconnection to long distance networks.

As competition develops in Alaska, we will have increased responsibility to maintain universal service. We will review improvements to our Alaska Universal Service support mechanism and will participate in the Federal Communication Commission CC Docket 96-45 proceedings on universal service to promote universal service in Alaska.

3. Pipeline

We expect to hold hearings and determine intrastate rates for the Cook Inlet Pipeline, Endicott Pipeline, and Milne Point Pipeline. Hearings may also be held on the amounts collected for dismantlement, removal and restoration of TAPS. These issues are significant and will use considerable amounts of our resources.

We will adopt regulations to implement the directives of HB 290 (changes to the Pipeline Act, AS 42.06.240) to establish rules for intrastate access to newly constructed natural gas pipelines.

4. Water and Sewer

We expect a dramatic increase in certification applications, customer complaints, and rate proceedings as water and sewer facilities are built in villages that do not currently have services and as utilities seek to be in compliance with new Federal safe drinking water regulations.

5. Natural Gas

New exploration, the construction of new gas distribution systems and new gas transportation technologies will expand the areas where natural gas will be available. As a result, we expect to handle additional applications for certificates of public convenience and necessity and related rate proceedings.

6. Refuse

Mergers and acquisitions have consolidated the ownership of many of Alaska's refuse utilities. The rate case filings ordered in connection with recent acquisitions and transfers will be adjudicated during FY02.

7. Public Advocacy

We will continue to assign the Public Advocacy Section (PAS) to participate as a party in matters before the Commission. The PAS was created in 1999 by AS 42.04.150 to operate separately from us and represent the public interest. The PAS will participate in utility and pipeline proceedings.

Major Component Accomplishments for FY2000

Issued 566 substantive orders in FY2000, an increase of 11% over FY99.

Processed 544 utility and pipeline tariff filings.

Handled 590 informal customer complaints, a 26% decrease over FY99.

Handled 205 new cases including certification dockets (84) and complaint proceedings (121), a 20% increase over FY99.

Began implementing a management information system.

Processed 306 nonregulated and 49 regulated Power Cost Equalization filings.

Statutory and Regulatory Authority

AS 42.04 Regulatory Commission of Alaska
42.05 Public Utilities
42.06 Pipeline Carrier
42.45 Power Cost Equalization

3 AAC 47 Regulatory Cost Charges for Public Utilities and Pipeline Carriers
48 Practice and Procedure
49 Deregulation
50 Energy Conservation
51 Telecommunications Relay Services
52 Operation of Public Utilities
53 Telecommunications

Key Performance Measures for FY2002

Measure: Consider the time required to issue public notice, provide an initial analysis, and render the initial commission determination concerning

(1) utility and pipeline filings; (2) competitive offering.
(Added by Legislature in FY2001 version.)

Current Status:

During FY00, to the best of our knowledge, we complied with the timeliness standards of 3 AAC 48.200 through .440 adopted in December 1999.

Benchmark:

Not applicable.

Background and Strategies:

The Legislature created the RCA and tasked us with developing and adhering to timeliness standards because of public complaints about the predecessor agency's processes. We have adopted standards and are incorporating processes to measure our progress as part of developing and implementing our management information system.

By the end of FY2002 we should have actual data from our management information system to report on this measure.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> Consider the time required to issue public notice, provide an initial analysis, and render the initial commission determination concerning (1) utility and pipeline filings; (2) competitive offering. 			X		

Regulatory Commission of Alaska
Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,990.2	3,422.4	3,810.2
72000 Travel	60.2	35.0	55.0
73000 Contractual	1,159.2	1,681.1	2,002.7
74000 Supplies	77.6	62.5	62.5
75000 Equipment	19.7	13.8	13.8
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.2	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,307.1	5,214.8	5,944.2
Funding Sources:			
1007 Inter-Agency Receipts	11.9	0.0	0.0
1108 Statutory Designated Program Receipts	0.0	4.7	0.0
1141 RCA Receipts	4,295.2	5,210.1	5,944.2
Funding Totals	4,307.1	5,214.8	5,944.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	11.9	0.0	0.0	0.0	0.0
Statutory Designated Program Receipts	51063	0.0	4.7	4.7	0.0	0.0
Alaska Public Utilities Comm. Receipts	51066	4,295.2	5,210.1	5,210.1	5,944.2	5,944.2
Restricted Total		4,307.1	5,214.8	5,214.8	5,944.2	5,944.2
Total Estimated Revenues		4,307.1	5,214.8	5,214.8	5,944.2	5,944.2

Regulatory Commission of Alaska

Proposed Changes in Levels of Service for FY2002

The RCA has successfully completed its first year of business. Many changes were implemented to fulfill the legislature's mandate for a more productive and responsive agency. Filings have also increased and our work continues at a fast pace. Based on our experience, the RCA wishes to request the following three increments to its FY02 budget:

- Lease --The RCA does not now have enough space to accommodate all of the current staff. The current lease expires March 31, 2001. The current lease had a ten-year term and very favorable lease rates. RCA was not able to acquire additional space within the existing building and an RFP for new office space was issued. The new lease will have a 15-year term.
- New Positions -- The RCA continues to maintain a high current caseload in an extremely dynamic utility and telecommunications environment while addressing the large backlog of cases left from the previous Commission. Seven new positions are needed to reduce the backlog and maintain current levels of service in the face of an increasing workload.
- Travel -- The travel budget has not allowed RCA to conduct hearings in locations other than Anchorage. This limits the opportunity for public participation. In order to make the agency and its processes more accessible to the public, the RCA needs to be able to conduct hearings in the affected communities.

An additional clerk position is needed in the Records and Filings Section. From 7/16/99 through 8/31/00, the RCA used DCED floaters (temporary employees) for 2,176 hours. A full-time 37.5-hour work week employee would have worked approximately 2,025 hours during the same period. This section will be heavily affected by the implementation of the new MIS system requiring significant backfile conversions.

Admin. Clerk II, Range 8, Step A/B, GGU, annual salary + benefits, \$23,340.36 + \$11,599.07 = \$34,939.43.

An additional technician position is needed in the Information Systems Section. To successfully implement the agency's new MIS system, five new servers have been installed. If the new servers are not properly maintained, the resulting low level of reliability will affect all facets of agency operation. The new imaging system, a greater reliance on technology, as well as the agency's plan to move to electronic filing places a heavy demand on the information systems staff.

Microcomputer Network Technician I/II flex, Range 14/16, Step A, GGU, annual salary + benefits, \$33,184.56 + \$13,553.14 = \$46,737.70.

An additional telecommunications specialist is needed in the Common Carrier Section. Significant telecommunications issues affecting Alaska are currently being addressed at the national level. The RCA must protect the state's interests at the federal level while maintaining appropriate oversight of the introduction of competition within the state. An equally important goal is to ensure that rural Alaskans in high-cost remote areas have access to affordable essential and advanced services, such as the Internet. This section's caseload has continued to increase since the Telecommunications Act of 1996 and is not expected to decrease.

Communications Common Carrier Specialist, Range 22, Step A, GGU, annual salary + benefits \$57,436.68 + \$18,367.18 = \$75,803.86.

An additional information officer is needed in the Consumer Protection and Information Section. With the advent of competition within the state, the emphasis of this section has shifted from resolving individual customer complaints to providing information to customers so that they can make good choices. This position would function as a field position, educating consumers via on-site presentations and the Web.

Consumer Protection and Information Officer I, Range 14, Step A, GGU, annual salary + benefits, \$33,184.56 + \$13,553.14 = \$46,737.70.

An additional paralegal position is needed in the Commission Support Section. Currently, one paralegal position supports two Commissioners and another has significant supervisory responsibilities within the section. The Commissioners rely heavily on their assigned paralegals to prepare draft orders, review staff's proposed orders, and

monitor deadlines. We need additional staff to support the Commissioners' analysis of the increased number of substantive case filings.

Paralegal Assistant I/II flex, Range 13/16, Step A, GGU, annual salary + benefits, \$31,589.52 + \$13,236.52 = \$44,826.04.

An additional secretary is needed in the Commission Support Section to finalize orders, prepare hearing binders, and provide secretarial support to the Commissioners. Increased order production has resulted in delays that negatively affect legislatively-mandated deadlines. Hearing binders need to be prepared sufficiently in advance to allow thorough Commission review and analysis. With these two priorities and the RCA's current workload, the two existing secretaries do not have sufficient time to provide the necessary secretarial support for five Commissioners.

Secretary, Range 11, Step A/B, GGU, annual salary + benefits \$27,958.56 + \$12,515.77 = \$40,474.33.

An additional position is needed in the Engineering Section to replace the engineer reassigned to the newly formed RCA Public Advocacy Section. The PAS was created by legislation to represent the public interest in the many rate cases and other pressing matters pending before the RCA. With the number of new certification applications, the Engineering Section's workload has not diminished. In order to meet legislatively mandated deadlines, this position must be replaced.

Utility Engineering Analyst III, Range 19, Step A, GGU, annual salary + benefits, \$47,025.60 + \$16,300.59 = \$63,326.19.

Total Requested Increment to Personal Services: \$352,900

The above are GGU positions. Salaries for the first year were computed according to the standard probationary periods including the negotiated 2% general salary increase effective 1/1/02 and the lowest range for flexibly staffed positions. Benefits were computed with annual flat rate benefits of \$6,966 including the negotiated employer health insurance premium of \$575 per month effective 7/1/01, the current employer legal trust obligation of \$4 per month and the current employer life insurance premium of \$1.50 per month. Additionally, benefits were computed with current annual employer percentage based benefits of 19.85% (8.09% PERS, .42% UI, 1.88% terminal leave, 6.13% SBS mandatory, 1.45% Medicare tax, 1.03% workers' compensation and .85 leave cash in).

3) Increased travel budget:

The RCA's travel budget has not allowed us to conduct hearings in locations other than Anchorage. This limits the opportunity for public participation. In order to make the agency and its processes more accessible to the public, we need to be able to conduct hearings in the affected communities. The legislature asked us on several occasions last year to testify on utility industry issues, but we were unable to travel to Juneau because of budget restrictions.

Total requested increment to Travel: \$20,000

**Summary of Component Budget Changes
From FY2001 Authorized to FY2002 Governor**

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	5,214.8	5,214.8
Adjustments which get you to start of year:				
-Update Executive Administration and Support Cost Allocation Plan	0.0	0.0	31.0	31.0

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
Adjustments which will continue current level of service:				
-Year 2 Labor Costs - Net Change from FY 2001	0.0	0.0	24.5	24.5
Proposed budget increases:				
-Increased building lease/rental costs	0.0	0.0	201.0	201.0
-New Positions for Increased Workload	0.0	0.0	352.9	352.9
-Additional travel budget for Hearing Expenses	0.0	0.0	20.0	20.0
-Elimination of Carry Forward Appropriation in Language Section	0.0	0.0	100.0	100.0
FY2002 Governor	0.0	0.0	5,944.2	5,944.2

Regulatory Commission of Alaska

Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	56	63	Annual Salaries	2,978,025
Part-time	0	0	COLA	48,191
Nonpermanent	0	0	Premium Pay	54,139
			Annual Benefits	1,016,483
			<i>Less 7.00% Vacancy Factor</i>	<i>(286,638)</i>
			Lump Sum Premium Pay	0
Totals	56	63	Total Personal Services	3,810,200

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	1	0	0	0	1
Administrative Clerk I	2	0	0	0	2
Administrative Clerk II	8	0	0	0	8
Administrative Clerk III	2	0	0	0	2
Administrative Manager II	1	0	0	0	1
Administrative Supervisor	1	0	0	0	1
Analyst/Programmer I	1	0	0	0	1
Analyst/Programmer IV	1	0	0	0	1
Chief Utility Engineer	1	0	0	0	1
Chief, RCA Advocacy	1	0	0	0	1
Commissioner, RCA	5	0	0	0	5
Communications Com Car Sp	4	0	0	0	4
Consmr Prot-Info Off I	3	0	0	0	3
Consmr Prot-Info Off II	1	0	0	0	1
Economist II	1	0	0	0	1
Hearing Examiner	2	0	0	0	2
Micro/Network Tech I	1	0	0	0	1
Micro/Network Tech II	1	0	0	0	1
Paralegal Asst I	2	0	0	0	2
Paralegal Asst II	3	0	0	0	3
Prog Coordinator	1	0	0	0	1
Secretary	3	0	0	0	3
Special Staff Assistant	1	0	0	0	1
Utility Eng Analyst II	1	0	0	0	1
Utility Eng Analyst III	2	0	0	0	2
Utility Eng Analyst IV	2	0	0	0	2
Utility Fin Analyst I	1	0	0	0	1
Utility Fin Analyst II	1	0	0	0	1
Utility Fin Analyst III	4	0	0	0	4
Utility Fin Analyst IV	1	0	0	0	1
Utility Tariff Anlyst I	1	0	0	0	1
Utility Tariff Anlyst II	2	0	0	0	2
Utility Tariff Anlyst III	1	0	0	0	1
Totals	63	0	0	0	63