

State of Alaska FY2009 Governor's Operating Budget

Department of Law Regulatory Affairs Public Advocacy Component Budget Summary

Component: Regulatory Affairs Public Advocacy

Contribution to Department's Mission

The Regulatory Affairs and Public Advocacy Section exercises the Attorney General's responsibility to represent the public interest in regulatory affairs by performing the public advocacy function in utility and pipeline carrier matters before the Regulatory Commission of Alaska and providing policy analysis on related matters.

Core Services

Effective July 1st, 2004, the Regulatory Affairs and Public Advocacy Section (RAPA) was established within the Department of Law to advocate for the public in utility and pipeline matters that come before the Regulatory Commission of Alaska (RCA). The Attorney General, as the Public Advocate, determines and advocates for the public interest with particular attention to the interests of consumers who would not otherwise have an effective voice regarding the rates and services of regulated utilities operating in the state.

RAPA represents the public interest in rate cases and other proceedings before the RCA, in court appeals, before the Legislature and other policymakers. In doing so, the Attorney General utilizes the expert technical support of RAPA non-attorney professionals who provide accounting, engineering, economic and policy analysis for all types of regulated utilities and who prepare written testimony for hearing. Alaska's public advocate is a full member of the National Association of State Utility Consumer Advocates (NASUCA).

AS 42.05.254(e) and AS 42.06.286(a) provide for a funding mechanism directly from the regulatory cost charge that is administered by the RCA.

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$1,462,100	Personnel:	
	Full time	9
	Part time	1
	Total	10

Key Component Challenges

Into its third year of operation as a new section in the Department of Law, RAPA's budgetary and personnel changes require less ongoing integration and implementation in the near term. But the creation of RAPA impacts the development of standards and procedures to enhance the effectiveness of our public advocacy efforts. Ongoing challenges include successful recruitment to attract additional, necessary staff resources in the areas of economics and engineering, since a recent reclassification effort did not garner adequate salary range increases to attract and retain qualified personnel for the long term. In addition, continuing professional training for existent staff is an ongoing and long term priority.

During the upcoming fiscal year RAPA will continue to represent the public interest on behalf of the Attorney General in proceedings before the Regulatory Commission of Alaska. RAPA will investigate public utility proposals that come before the Regulatory Commission of Alaska, file testimony and litigate the cases, and defend RAPA positions on appeal as appropriate. RAPA is currently defending two administrative appeals. In Superior Court, RAPA on behalf of the Attorney General is defending its administrative success in an appeal brought by the Municipality of Anchorage regarding the Anchorage Water and Wastewater utility's attempt to include in rates a payment in lieu of taxes assessed on contributed plant. Also in Superior court, RAPA is defending its success in an appeal brought by Fairbanks Sewer and Water d/b/a Golden Heart Utilities and College Utilities Corporation regarding implementation of various ratemaking

adjustments that resulted in refunds to Fairbanks water and sewer ratepayers.

Significant Changes in Results to be Delivered in FY2009

No service changes are anticipated.

Major Component Accomplishments in 2007

In FY2007 the Attorney General (AG) issued two "Public Advocate Advisories" to inform Alaskan ratepayers about RAPA's efforts in significant proceedings before the RCA. The periodic advisories explain in summary form the ultimate outcome of an individual case in terms of rate increases or decreases that may be of particular interest to the public.

During FY2007, the section, on behalf of the Attorney General filed comments or briefs in six dockets and prefiled fifteen sets of direct testimony in ten dockets: two electric utility rate cases, a statewide refuse utility rate case, two statewide natural gas utility cases, and one local exchange carrier telecommunications rate case. RAPA also participated in six evidentiary hearings, one public workshop, and one regulations hearing.

Highlights of some of the cases *that went to hearing* are listed below:

Enstar GSA. Last fiscal year, RAPA filed expert testimony with the RCA arguing that a gas supply contract between a gas utility and a supplier should not be based upon an Outside commodities price index. This fiscal year after a two week hearing, the RCA rejected the proposed contract, essentially accepting RAPA's argument.

Enstar/Fairbanks Natural Gas (FNG) contract. This case involved FNG's emergency shortage of natural gas to supply customers and a proposal for FNG to purchase substitute gas from Enstar. After a public hearing, the RCA ultimately approved a special contract for gas supply to FNG by Enstar but declined to investigate whether FNG should be economically regulated. However, the RCA did impose certain filing, notice and audit conditions on FNG. On reconsideration, the Commission reduced the transportation charge FNG pays to Enstar.

Golden Heart Utilities (GHU). RAPA filed expert testimony arguing for reductions to GHU's requested increases of 13.3% for water and 12.29% for sewer service. RAPA testimony focused on rate of return and expense items inappropriately included for ratemaking purposes. After a week hearing, the RCA set a new revenue requirement and ordered refunds to consumers. The decision was appealed by GHU to the Superior court. The AG/RAPA has filed a cross-appeal.

The section was also involved in numerous settlement conferences resulting in *stipulations to settle* issues in six dockets. Highlights of some of those cases are listed below:

Anchorage Municipal Light and Power (ML&P). RAPA filed expert testimony analyzing a depreciation study filed by ML&P and negotiated a settlement that resolved all issues in the case. As part of the agreement, ML&P will file a new cost of service and rate design study by June 30, 2008, based on a 2007 test year and using the depreciation rates agreed to in this proceeding.

Anchorage Water and Wastewater (AWWU). RAPA filed expert testimony with the RCA analyzing the revenue requirement and rates of the Anchorage municipally-owned sewer utility. The case was settled without a hearing providing for AWWU to implement a 10.6% increase.

Enstar. RAPA filed testimony regarding the reasonableness of Enstar's proposed changes to its line installation charges. Prior to hearing, RAPA negotiated a settlement that allowed Enstar to recover its actual cost of installation on a going forward basis but grandfathered all pending applications at the old rate. In addition, Enstar agreed to refund money collected under the new rates for customers who had previously applied for service.

Interior Telephone Company (ITC). Based on its prefiled direct testimony, RAPA negotiated a settlement with ITC to preserve current postage stamp rates, pending actual local exchange telephone competitive entry into its service area. Upon competitive entry into a community, ITC will file recalculated rates with the RCA.

Statutory and Regulatory Authority

Executive Order 111 and SB 392

Contact Information
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**Regulatory Affairs Public Advocacy
Component Financial Summary**

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	909.6	961.5	951.4
72000 Travel	15.8	6.0	6.0
73000 Services	276.8	446.9	491.9
74000 Commodities	29.1	11.6	11.6
75000 Capital Outlay	2.5	1.2	1.2
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,233.8	1,427.2	1,462.1
Funding Sources:			
1141 RCA Receipts	1,233.8	1,427.2	1,462.1
Funding Totals	1,233.8	1,427.2	1,462.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Alaska Public Utilities Comm. Receipts	51066	1,233.8	1,427.2	1,462.1
Restricted Total		1,233.8	1,427.2	1,462.1
Total Estimated Revenues		1,233.8	1,427.2	1,462.1

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	0.0	0.0	1,427.2	1,427.2
Adjustments which will continue current level of service:				
-FY 09 Health Insurance Increases for Exempt Employees	0.0	0.0	0.4	0.4
-FY 09 Bargaining Unit Contract Terms: General Government Unit	0.0	0.0	34.5	34.5
FY2009 Governor	0.0	0.0	1,462.1	1,462.1

**Regulatory Affairs Public Advocacy
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2008</u> <u>Management</u> <u>Plan</u>	<u>FY2009</u> <u>Governor</u>		
Full-time	9	9	Annual Salaries	625,428
Part-time	1	1	COLA	29,229
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	300,371
			<i>Less 0.38% Vacancy Factor</i>	<i>(3,628)</i>
			Lump Sum Premium Pay	0
Totals	10	10	Total Personal Services	951,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Attorney IV	2	0	0	0	2
Attorney VI	1	0	0	0	1
Economist III	1	0	0	0	1
Law Office Assistant I	2	0	0	0	2
Pub Advocate Util Analyst I	1	0	0	0	1
Pub Advocate Util Analyst II	1	0	0	0	1
Utility Eng Analyst IV	1	0	0	0	1
Utility Fin Analyst III	1	0	0	0	1
Totals	10	0	0	0	10