

State of Alaska
FY2007 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 & 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 & 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) provides for a funding mechanism directly from the regulatory cost charge that is administered by the RCA.

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$1,425,000	Personnel:	
	Full time	9
	Part time	0
	Total	9

Key Component Challenges

In its second year of operation as a new section in the Department of Law, the budgetary and personnel changes continue to require ongoing integration and implementation in the near term. Also, the creation of RAPA impacts the development of standards and procedures to enhance the effectiveness of our public advocacy efforts. Longer term challenges will include maintaining adequate funding for public advocacy, successful recruitment to attract additional, necessary resources in the areas of accounting and finance, and continuing professional training for existent staff.

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. In Superior Court, RAPA on behalf of the Attorney General will defend its position on an appeal brought by the Municipality of Anchorage regarding the Anchorage Water and Wastewater utility attempt to include in rates a payment in lieu of taxes assessed on contributed plant.

Significant Changes in Results to be Delivered in FY2007

No service changes are anticipated.

Major Component Accomplishments in 2005

In FY2005 RAPA introduced a "Public Advocate Advisory" to inform Alaskan ratepayers about RAPA's efforts in significant proceedings before the RCA. The periodic advisory explains 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 FY2005, the section, on behalf of the Attorney General filed comments or briefs in three dockets and prefiled direct testimony in sixteen dockets: seven electric utility rate cases, a statewide refuse utility rate case, a statewide natural gas utility case, a statewide natural gas pipeline utility rate case seven local exchange carrier telecommunications rate cases, including depreciation study testimony, and one each water and sewer utility rate cases. In addition the section provided written comments in a regulations docket concerning the rates long distance telephone companies pay local telephone companies for access to the local network.

The section participated in two adjudicatory hearings before the RCA and was involved in numerous settlement conferences resulting in stipulations to settle issues in fourteen dockets. Highlights of some of the cases are listed below.

Successfully argued at hearing that rates charged by a gas pipeline utility to its shipper should be determined based on standard ratemaking procedures. The RCA found the utility's rates excessive and ordered a rate case to be filed based on generally accepted ratemaking procedures.

Filed expert testimony with the RCA analyzing a proposal by an electric utility to change rates. Ultimately a settlement was reached with the electric utility resolving all outstanding issues and resulting in a reduction in revenue deficiency from 17.53% to 4.88% and reduction to rate of return from 11.17% to 10.75 %.

Filed expert testimony with the RCA analyzing a proposal by four subsidiaries of a statewide refuse utility to change rates. The section reached a settlement with the utility resulting in reduced rate increases for Juneau, Ketchikan, Dutch Harbor and Nome.

Successfully argued at hearing before the RCA that a municipal payment in lieu of taxes assessed on plant contributed to the municipal water and wastewater utilities could not be recovered from ratepayers. This resulted in a reduction to the overall rate increase requested by the utility. The utility has appealed the decision to the Superior Court.

Filed expert testimony with the RCA analyzing the revenue requirement and rates of a rural electric utility. Prior to hearing the section entered into a settlement with the utility that resulted in an overall 5% decrease to rates.

Filed testimony in an electric utility rate case recommending that the Commission disallow a \$2.2 million pro forma adjustment to depreciation expense. After a hearing the Commission issued an order adopting the section's analysis, disallowing the utility's \$2.2 million adjustment for depreciation expense.

Filed expert testimony with the RCA analyzing the revenue requirement and rates of a rural electric utility. After recommending various disallowances and adjustments, the section ultimately concluded that the utility had shown it was still reasonably entitled to receive a 2.6% rate increase. The case was settled without a hearing.

Filed expert testimony with the RCA analyzing a proposal by two affiliated rural local telephone companies to redesign their rates. A settlement between the section and the utility resulted in rate design that minimized the impact of a necessary rate increase on residential ratepayers.

Filed comments regarding the rates long distance carriers pay local telephone utilities for the use of the local telecommunications network. The section argued in written comments and at the public meeting that any reduction in costs to long distance carriers should be passed on to consumers. The RCA did not adopt the section's position.

Statutory and Regulatory Authority

Executive Order 111 and SB 392

Contact Information

Contact: Daniel Patrick O'Tierney, Chief Assistant Attorney General
Phone: (907) 269-5100
Fax: (907) 278-4683
E-mail: daniel_patrick_o'tierney@law.state.ak.us

**Regulatory Affairs Public Advocacy
Component Financial Summary**

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	680.9	802.6	869.1
72000 Travel	16.2	6.0	6.0
73000 Services	245.9	557.0	537.1
74000 Commodities	20.1	11.6	11.6
75000 Capital Outlay	4.0	1.2	1.2
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	967.1	1,378.4	1,425.0
Funding Sources:			
1141 RCA Receipts	967.1	1,378.4	1,425.0
Funding Totals	967.1	1,378.4	1,425.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 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	967.1	1,378.4	1,425.0
Restricted Total		967.1	1,378.4	1,425.0
Total Estimated Revenues		967.1	1,378.4	1,425.0

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	0.0	0.0	1,378.4	1,378.4
Adjustments which will continue current level of service:				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	14.9	14.9
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	1.4	1.4
-FY 07 Retirement Systems Cost Increase	0.0	0.0	28.8	28.8
Proposed budget increases:				
-Risk Management Self-Insurance Funding Increase	0.0	0.0	1.5	1.5
FY2007 Governor	0.0	0.0	1,425.0	1,425.0

**Regulatory Affairs Public Advocacy
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	8	9	Annual Salaries	594,027
Part-time	0	0	COLA	15,664
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	283,603
			<i>Less 2.71% Vacancy Factor</i>	<i>(24,194)</i>
			Lump Sum Premium Pay	0
Totals	8	9	Total Personal Services	869,100

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Attorney IV	1	0	1	0	2
Attorney VI	1	0	0	0	1
Chief, RCA Advocacy	1	0	0	0	1
Economist III	1	0	0	0	1
Law Office Assistant I	1	0	0	0	1
Utility Eng Analyst IV	1	0	0	0	1
Utility Fin Analyst III	2	0	0	0	2
Totals	8	0	1	0	9