

**DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT
ALASKA PUBLIC UTILITIES COMMISSION**

January 26, 1993

08-1404-93

January 26, 1993

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Titles 24 and 44 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT
ALASKA PUBLIC UTILITIES COMMISSION

January 26, 1993

Audit Control Number

08-1404-93

As discussed in the Objectives, Scope, and Methodology section of this report, this review examines the activities of the Alaska Public Utilities Commission to determine if there is a demonstrated public need for its continued existence and if the commission has been operating in an efficient and effective manner.

The audit was conducted in accordance with generally accepted government auditing standards. Fieldwork procedures utilized in the course of developing the findings and discussions presented in this report are discussed in the Objectives, Scope, and Methodology section of this report. Audit results may be found in the Report Conclusions, Findings and Recommendations, and in the Analysis of Public Need sections of this report.

Randy S. Welker, CPA
Legislative Auditor

TABLE OF CONTENTS

	<u>Page</u>
Report Objectives, Scope, and Methodology	1
Organization and Function	3
Report Conclusions.....	5
Findings and Recommendations	7
Analysis of Public Need	13
Appendices:	
A. Summary of Appropriations and Expenditures	19
B. Expenditure and Workload Analyses.....	21
Agency Response:	
Alaska Public Utilities Commission	25

OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Titles 24 and 44 of the Alaska Statutes, we have examined the activities of the Alaska Public Utilities Commission (hereinafter referred to as APUC or the commission) to determine if there is a demonstrated public need for its continued existence and if the commission has operated in an efficient and effective manner.

Legislative intent requires consideration of this report during the legislative oversight hearings to determine whether APUC should be reestablished. The law now specifies that the commission will terminate June 30, 1993 and have one year from that date to conclude its affairs.

The policy and audit approach utilized by the Division of Legislative Audit for performance reports can best be described as “audit by exception.” This methodology focuses audit effort on areas of an auditee's operations that have been identified by a preliminary survey as having a high degree of probability for needing improvements.

Therefore, by design, finite audit resources are used to identify where and how improvement can be made, and little time is devoted to reviewing well-run operations or programs. Consequently, this report highlights those areas needing improvement and does not emphasize those operations and programs that are properly functioning.

Discussion of the objectives, scope, and methodology of our review follows.

Objectives

APUC was created to regulate public utilities so that citizens could enjoy adequate service at the lowest reasonable rates. The primary objective of this audit, therefore, was to determine whether the public need for the commission continues to exist.

The secondary objective was to review the commission's major functions, namely certification of utilities, tariff actions, investigations, and complaint follow-up for effectiveness in meeting the public need. The tertiary objective was to evaluate these functions in particular, and APUC's operations in general, for economy and efficiency of operation.

Our analysis of public need, findings and recommendations, and our conclusions have been summarized in the appropriate sections of this report.

Scope and Methodology

The primary emphasis of our audit was on the factors outlined in the Analysis of Public Need section of this report. Alaska Statute 44.66.050 requires these factors be considered in the determination of the commission's continued existence. To address these areas, we analyzed the need for regulation of the various industries; reviewed pertinent academic literature; considered the regulatory status and trends nationwide; interviewed commissioners and staff; reviewed APUC's statutes and regulations; contacted the State Ombudsman, Attorney General, Human

Rights Commission, and the Equal Employment Opportunity offices; analyzed consumer complaints against utilities filed with the commission; and reviewed decisions made by the commission.

The effectiveness and efficiency of the commission was addressed through the above procedures, by contacting and requesting assistance from all regulated utilities, and by reviewing individual files.

Our review of decisions, complaints, tariff actions, hearings, investigations, and certifications was performed primarily on a sample of FY 92 items. These were selected on a judgmental basis to allow us to focus on certain activities and industries.

ORGANIZATION AND FUNCTION

Public utility regulation in Alaska has evolved substantially since the creation of the Public Services Commission (PSC) in 1959. That three-member body had jurisdiction over electric power, heat, water, gas, oil or other petroleum products (except by pipeline), telephone or telegraph communications, and community sewer services. In 1960 PSC gained responsibility for transportation utilities which it regulated until the creation of the Alaska Transportation Commission in 1966.

PSC was replaced by a three-member Alaska Public Utilities Commission in 1970. Regulated industries then included electric, telecommunication, water, steam, sewer, gas, and petroleum when no competition existed. A 1973 amendment added garbage, refuse, trash, or other waste to the list. Amendments passed in 1980 provided exemptions from economic regulation for cable television services and other utilities with low annual gross revenues as well as establishing a provision allowing economic deregulation by consumer vote for certain utility groups. With abolition of the Alaska Pipeline Commission in 1981, jurisdiction over pipelines passed to APUC.

In addition to jurisdictional changes, composition of APUC also changed. Alaska Statute 42.05.040 originally required one member to be a law school graduate, one to be a university graduate with a major in engineering, and one to be a university graduate with a major in finance, accounting, or business administration. Two additional positions were added to the commission in 1975 for which no special qualifications were established. All members are appointed by the governor and confirmed by the legislature in joint session for six-year terms.

Under AS 42.05 and AS 42.06, APUC is charged with the responsibility to ensure the furnishing of adequate service to all public utility patrons, without discrimination, and at the lowest reasonable rates consistent with the interests of both the public and the utility. Statutory provisions direct the commission, after determining an applicant is fit, willing, and able to provide utility service, to issue that applicant a Certificate of Public Convenience and Necessity. After issuance of this certificate, the commission then regulates the rates, classifications, rules, regulations, practices, services, and facilities of a public utility, unless it is exempted or deregulated. The commission has the authority to adopt regulations and to hold formal, quasi-judicial hearings, to accomplish these purposes.

The staff of APUC is divided into six major functions: administration, engineering, communication carriers, consumer protection, finance, and tariffs. In total, APUC employs 40

Alaska Public Utilities Commission Members

Don Schröer, Chairman
Consumer Seat
Term expires October 31, 1996

Susan M. Knowles
Consumer Seat
Term expires October 31, 1993

Daniel Patrick O'Tierney
Legal Seat
Term expires October 31, 1994

Mark A. Foster
Engineering Seat
Term expires October 31, 1993

James E. Carter
Finance Seat
Term expires October 31, 1998

people with an operating budget for FY 93 of \$3,740,800. A brief description of the services provided by these functions follows:

Administration. An executive director, hired by the commission, is responsible for directing all staff functions and acts as a liaison between staff and commissioners and between the commission and legislature. He/she is responsible for records and document management, fiscal and personnel administration, and budget preparation and is assisted in these duties by an administrative assistant, document processing personnel, and other clerical support staff.

Engineering. This section is responsible for the investigation of utility procedures and practices affecting quality of service, review of legal descriptions for service areas, plans for plant expansion, and plant-in-service and depreciation schedules. Their evaluations are presented in proceedings before the commission.

Communication Carriers. This section was established by 1976 legislation to develop, recommend, and administer policies and programs with respect to the regulation of rates, services, accounting, and facilities of communication carriers within the State involving the use of wire, cables, radio and space satellites.

Consumer Protection and Information. Major responsibilities for this section include investigation and resolution of consumer complaints, public relations, and information dissemination.

Finance. Activities carried out by this section include the examination, analysis, and evaluation of financial statements submitted for rate cases, audits of financial records of utilities, examination of financial information comprising historical operating year and pro forma adjustments, and the presentation of these analyses at proceedings before the commission.

Tariff. This section examines, analyzes, and investigates tariff filings and presents recommendations to the commission at biweekly tariff action meetings. Administrative functions include organizing those meetings, as well as meeting all public notice requirements on tariff filings and maintenance of current master tariffs for all utilities.

REPORT CONCLUSIONS

Policy Issues

This review contains policy issues raised as a result of our evaluation of various commission practices. The final policy decisions affecting those practices require legislative consideration. In debating these decisions the legislative oversight committees should take into consideration the findings and recommendations presented in this report to assist them in evaluating the potential impact of any policy changes.

Report Conclusions

In our opinion, the Alaska Public Utilities Commission is operating in an efficient and effective manner and should continue to regulate public utilities and pipelines. We believe that the public interest is being served by requiring public utilities and pipelines to be certificated by APUC. This process stabilizes demand for the utility service by eliminating competition and thereby allowing economies of scale to operate. Economic regulation by the commission, in place of that competition, ensures that the utilities provide adequate service at the lowest reasonable rates.

We recommend that AS 44.66.010(a)(4) be amended to extend the life of APUC to June 30, 2003. APUC has consistently demonstrated public need; we believe it is in the public's best interest to extend the life of this commission for ten years. However, we recognize that performance issues periodically arise. The Division of Legislative Audit can address these interim issues, if any, through a special audit at the request of the Legislative Budget and Audit Committee.

(Intentionally left blank)

FINDINGS AND RECOMMENDATIONS

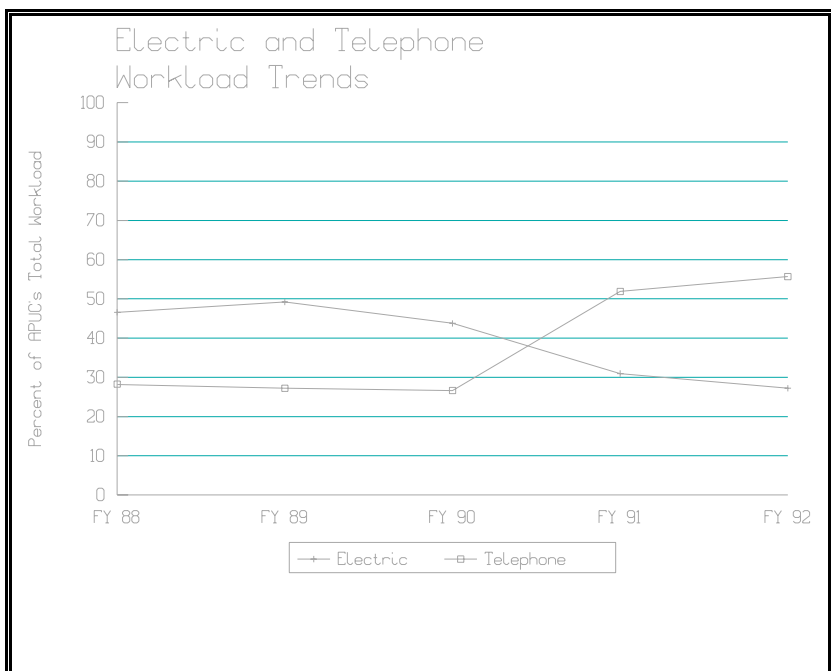
Recommendation No. 1

Alaska Statute 42.05.253 should be amended to require APUC to periodically adjust the regulatory cost charge (RCC) on an industry by industry basis. Further, the automatic repeal date of this statute should be deleted.

In our 1989 sunset audit report we recommended a program receipts budget for APUC, not because it was an alternative funding source but because of the potential benefits that this mechanism could provide. A user fee design can establish a basic fairness in that only those who benefit from the regulatory process bear its cost; it can also encourage consumers to recognize and eliminate unwarranted regulation through deregulation elections. However, these benefits will only be realized to the extent that the RCC program reasonably links the cost-causers with the cost-payers.

For FY 93, the legislature authorized a new RCC program which passes APUC's costs on to the consumers of regulated utilities. This program allocates costs based upon gross revenues. A single charge factor is used across-the-board for all utilities and all industries. Although we believe that a direct workload-based allocation program is preferable, as outlined in our 1989 report, we also continue to believe that a gross revenue based system could realize these benefits if the rates reflect the workload. However, the single RCC factor used in the current plan sacrifices some of program's potential benefit, in that the cost-payers are not necessarily the cost-causers.

We analyzed APUC's workload to evaluate the alignment of cost-causer to cost-payer. In the absence of verifiable data such as utility or industry codings on payroll time sheets, we were forced to approximate the workload by using rough estimates, which were provided on an unofficial basis by commission staff. They provided estimates of the average relative effort required to perform the ongoing APUC functions such as tariff filings, formal proceedings, certification proceedings, and formal and informal complaints. While we acknowledge that the weighting in these analyses is imperfect, we believe it provides an adequate indication of the commission's



workload. We found that the electric and telephone industries, on a combined basis, have represented approximately 79 percent of APUC's workload. The graph of these two industries illustrates the significance, variation, and trend that complicates setting of an RCC rate. The following table compares the commission's estimated FY 93 RCC receipts with the amount calculated based upon the workload over the past three years.

Industry	Flat Rate Allocation			Workload Allocation		Over (Under) Allocation
	Estimated Gross Revenues	RCC Percent	Estimated FY 93 RCC	Percent of Workload	Allocation	
Electric	\$260,673,485	.577%	\$1,504,086	34%	\$1,311,670	\$192,416
Telephone	153,306,332	.577%	884,577	45%	1,736,033	(851,456)
Pipeline	99,532,100	.577%	574,300	4%	154,314	419,986
Gas	99,152,056	.577%	572,107	3%	115,736	456,371
Water	22,955,320	.577%	132,452	4%	154,314	(21,862)
Sewer	17,129,576	.577%	98,838	2%	77,157	21,681
Refuse	15,856,758	.577%	91,493	4%	154,314	(62,821)
Cable	0	.577%	0	3%	115,736	(115,736)
Other	0	.577%	0	1%	38,579	(38,579)
Total	\$668,605,627		\$3,857,853	100%	\$3,857,853	\$ 0

This table demonstrates that, based upon the workload over the past three years, the flat across-the-board rate significantly undercharges telephone and overcharges electric, pipeline, and gas utilities. Of course, the over or under allocation amount by industry varies depending on how many years of workload are considered. The use of an across-the-board rate incorrectly assumes that an industry's gross revenues are closely correlated to the workload that it creates. Given the significance of the electric and telephone workload, variation, and trend, we do not believe that the allocation methodology should assume that all workload cycles reverse themselves and that all industries create the same amount of workload in the long run. Therefore, we recommend that the legislature amend AS 42.05.253 to require APUC to periodically adjust the RCC factors to reflect workload on an industry by industry basis.

Notwithstanding the above, we support the current RCC program; we believe that it provides a measure of equity and responsiveness to unwarranted regulation that was lacking prior to the program. Our recommendation is intended to further the equity and regulatory responsiveness objective of this program.

The RCC program was established as a trial program utilizing an automatic repeal of December 31, 1994. As we consider this program to be effective, we recommend that this repeal provision be deleted.

Recommendation No. 2

Alaska Statute 42.05.711 should be amended to make it easier for utility consumers to opt in or opt out of economic regulation.

In the 1989 sunset audit report, we recommended the deregulation of several industries as well as the smaller utilities in each industry. We continue to believe that not all industries need to be regulated and that the cost of regulation may exceed its benefits, particularly for the smaller utilities. With the recent adoption of a user fee approach under the RCC program, the impetus exists to make state government more responsive; what is lacking is a reasonable mechanism to allow consumers to select whether or not they want their utility to be regulated.

Alaska Statute 42.05.711 exempts electric and telephone utilities with revenues less than \$50,000 and refuse utilities with revenues under \$200,000. However, customers can obtain economic regulation by petitioning APUC. Alaska Statute 42.05.711 presently requires 25% of an exempted utility's subscribers to sign the petition. We believe that this is too great an obstacle to overcome and recommend that an election be called if APUC receives a petition demonstrating significant consumer interest. We recommend that the petition and election requirements be modeled after the deregulation election procedures in AS 42.05.712. These procedures call for an election if the petition is signed by 10% of the first 5,000 subscribers and 3% of the subscribers in excess of 5,000. These elections may only be held once every two years for a given utility.

Alaska Statute 42.05.711 also allows deregulation elections to be held for electric and telephone utilities with revenues of less than \$325,000 and other utilities with revenues under \$100,000. We believe that more consumers should be given the option to deregulate by substantially raising the cut-off amount.

In combination, these two changes would allow APUC and the user fee approach of the new RCC program to be more responsive to the regulatory needs of the utility consumer. The regulatory cost/benefit decision should be made by the consumer.

Recommendation No. 3

APUC should establish a timekeeping system.

We initially recommended, in 1979, that the commission implement the time system they had purchased. As part of a 1978 management audit of APUC, Arthur Young & Co. developed a time management system to assist the commission in prioritizing, planning, scheduling, and monitoring the workflow. In response to our recommendation, the commission concurred that a time management system is a useful administrative tool. They indicated that the time system would be implemented.

In our 1989 sunset audit report we recommended that APUC establish a timekeeping system as an integral part of a direct-allocation RCC program. As the legislature selected an RCC program that was not time based, APUC was not required to implement this recommendation. However, as costs to establish and operate a time system are minimal and the benefits are substantial, we continue to recommend it.

The costs of a timekeeping system are minimal.

- The commission should determine what management reports are needed. While we acknowledge that the 1978 time management system is likely outdated, we recommend that the commission review it to assist them in developing this needs definition.
- Purchase and install “canned” software. There is very inexpensive software on the market that should meet the commission's needs. APUC already has a programmer on staff that could handle the installation.
- The ongoing cost to record time would be insignificant. An employee would need only a few minutes a day to electronically enter their time.
- The time system would also require a small amount of computer and personnel time to accumulate the data and generate periodic management reports.

The benefits of a timekeeping system are substantial.

- A time system would give APUC management a greater ability to prioritize, plan, schedule, and monitor their workload. We believe this information would be invaluable to the commission.
- The legislature is often involved in regulatory matters. Using these management reports, APUC would be better able to estimate the full effect of any regulatory changes.
- There is a potential for increased staff efficiency as a result of time sheet accountability.
- Time sheets would provide a defensible basis for the RCC allocation discussed in Recommendation No. 1. However, regardless of the action taken on Recommendation No. 1, the benefits of implementing a timekeeping system far outweigh the costs.

The nature of the commission's business is very different from most state agencies; they deal with a relatively small number of companies and work on discrete projects. APUC's workload is similar to that in the Attorney General's Office and the Department of Transportation and Public Facilities' maintenance and construction divisions, all of which maintain project time systems.

Recommendation No. 4

APUC should consider how to best ensure commission member access to adequate staff support and advice.

The commission members are inundated with technical information and complex issues. These issues must be thoroughly explored and the commission's decisions must be fully documented. The legislature recognized this difficult task and appropriately established full-time commission members with six-year terms. Nevertheless, there remains a substantial need for staff support and professional advice.

We are concerned that in the instances when commission staff are named as a party in an adjudicatory proceeding, the commission members do not have full access to support staff, professional staff, or legal counsel. The judicial model requires adversarial parties to present the case. APUC staff is frequently designated as a party to a case to provide this necessary balance. The assistant attorney generals advise APUC staff and effectively become a party to the case. Under this judicial model, ex parte communication rules prevent the commission members from directly obtaining assistance or advice from their staff or attorneys; this can only be accomplished if the utility is also present. This may often be impractical.

We believe that the commission would benefit from greater access to their staff and attorneys. The commission should consider how to best ensure full access. We offer the following alternatives:

- A group could be assigned, on a rotational basis, to each case. These individuals would be the party to the case; all others would be available to the commission members.
- Several staff could be assigned, on a rotational basis, directly to the commission. The criteria for selection may vary. The team could include all the professional disciplines, it could target the disciplines currently needed, or it could be a team of executive assistants. The remaining staff would be the party of record.

Although the above approaches have certain drawbacks, we believe that some separation would be achieved thus diminishing the ex parte communication problem. We believe this will enhance the commission's overall efficiency and effectiveness.

Recommendation No. 5

The APUC member's terms of office should be staggered.

The Alaska Public Utilities Commission has five members who are appointed by the governor and confirmed by the legislature in joint session to serve six-year terms. On October 31, 1993 two commission seats become available. Because the potential for disruption of commission activity would be high with two new members coming in at the same time, we recommend the terms be staggered.

Currently, the terms are scheduled to end as follows:

Consumer seat (1).....	October 31, 1993
Engineering seat	October 31, 1993

Legal seat.....	October 31, 1994
Consumer seat (2).....	October 31, 1996
Finance seat	October 31, 1998

We propose this staggering be implemented by modifying the upcoming term of the engineering seat. We propose the following language be added to a temporary or special act:

The term of the Alaska Public Utilities Commission Engineering seat, which is scheduled to begin on November 1, 1993, shall end on October 31, 1995. This adjustment to the normal six-year term, as established under AS 42.05.030(a), is necessary to appropriately stagger commission membership.

ANALYSIS OF PUBLIC NEED

Limited Analysis

The following analyses of commission activities indicate both positive and negative factors as they relate to the public need factors as defined in AS 44.66.050. These analyses were not intended to be all-inclusive, but address those areas we were able to cover within the scope of our review.

The extent to which the board, commission, or program has operated in the public interest.

The commission has conscientiously attempted to allow only qualified applicants to provide utility services and to regulate them in such a manner as to ensure adequate service at the lowest reasonable rates. In finding that no public interest would be served through regulation, APUC administratively exempted some utilities through the discretionary power granted at AS 42.05.711(d).

The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.

The potential effectiveness of the commission was greatly enhanced by the passage of the 1992 RCC legislation; we believe that it provides a measure of equity and responsiveness to unwarranted regulation that was lacking prior to this program. We recommend that the RCC program's automatic repeal date of December 31, 1994 be repealed. However, we also believe that this equity and regulatory responsiveness could be further enhanced by periodic realignment of the charges on an industry by industry basis (see Recommendation No. 1).

Alaska Statute 42.05.711 should be amended to make it easier for utility consumers to opt in or opt out of economic regulation. The regulatory cost/benefit decision should be made by the consumer (see Recommendation No. 2).

APUC should establish a timekeeping system to prioritize, plan, schedule, and monitor the workflow. The costs to establish and operate a time system are minimal and the benefits would be substantial (see Recommendation No. 3).

APUC should consider how to best ensure commission member access to adequate staff support and advice. When staff is named as a party to a case, the commission members do not always have full access to support staff, professional staff, or legal counsel (see Recommendation No. 4).

The APUC member's terms of office should be staggered. On October 31, 1993 two commission seats become available. The potential for disruption of commission activity would be high with two new members coming in at the same time (see Recommendation No. 5).

APUC has recently completed the development of a topical reference system for commission orders and court decisions. This had been a long-standing recommendation of the Division of Legislative Audit as well as being specified by legislative intent.

The extent to which the board, commission, or agency has recommended statutory changes that are generally of benefit to the public interest.

In their FY 92 Annual Report, APUC highlighted certain problems they perceive with the current statutes and also outlined options and recommended solutions.

The commission requested that the legislature clarify or delete two factors from AS 44.83.162(d)(2) which are to be used to adjust the power cost limitation under the Power Cost Equalization Program. The commission believes these two factors, the rate of change in fuel cost and the power demand, are not logically related. In a January 1987 report on the Power Cost Equalization Program, the Division of Legislative Audit recommended that these two factors be clarified.

The commission requested that the legislature clarify AS 42.05.253(a) and (d). The commission finds that subsection (a) limits the annual amount paid by a utility to .61 percent of annual gross revenues and subsection (d) requires each electric utility to pay an equal per kilowatt-hour charge. This could allow a single utility with very low rates to force the RCC rates down for the entire electric utility industry. As we do not believe that this was what the legislature intended, we recommend clarification.

The commission requested that the legislature substitute “may” for “shall” in AS 42.06.400(b) and (c) to allow the commission the discretion to determine whether monies received on suspended and temporary tariffs should be held in escrow. We concur with this request.

The extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided.

Formal proceedings are properly and timely noticed and are open to the public. The commission has made public hearings and formal proceedings within the service areas of the utilities before them to facilitate the public attendance and participation. APUC also staffs a Consumer Protection and Information Section to resolve complaints and disseminate information.

The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

All formal proceedings, including hearings on proposed regulations, are noticed and open to the public. Any interested person or party may intervene in a formal proceeding if that intervention will benefit, but not unduly delay the proceeding. The commission has also held informal workshops with attorneys and utility representatives in an attempt to be more responsive to the needs and concerns of these groups.

The efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.

The commission has adopted regulations for informal and formal complaint procedures. Procedures include a requirement that the complaint be made first with the utility before being filed with the commission. If the complaint cannot be resolved informally, formal procedures, including an investigation, may be initiated. The Office of the Ombudsman also occasionally handles utility or APUC-related complaints. We found the complaint resolution process to be operating satisfactorily.

The extent to which the board or commission which regulated entry into an occupation or profession has presented qualified applicants to serve the public.

The commission, prior to granting a Certificate of Public Convenience and Necessity to a public utility, is required to determine that the applicant is fit, willing, and able to provide the service. APUC employs utility financial analysts and utility engineers to perform the necessary analyses to make this determination.

The extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

We found no evidence of hiring practices or commission appointments that are contrary to state personnel practices. No complaints have been filed with the Human Rights Commission or the Division of Equal Employment Opportunity.

The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board, or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

Please refer to the previous section, Findings and Recommendations.

In addition, a statute change may become necessary in response to the federal Cable Television Consumer Protection and Competition Act of 1992. Whether this act will lead to active economic regulation of cable systems in Alaska is uncertain. The regulations to implement this new program are scheduled to be adopted in April 1993.

APPENDICES

(Intentionally left blank)

APPENDIX A

Department of Commerce and Economic Development
Alaska Public Utilities Commission
Summary of Appropriations and Expenditures
For Fiscal Years 1992 and 1993
(Unaudited)

<i>Funding Sources</i>	<i>FY 92</i>	<i>FY 93</i>
<i>General Fund</i>	\$3,627,000	\$ -0-
<i>Program Receipts</i>	-0-	3,740,800
<i>Total</i>	\$3,627,000	\$3,740,800

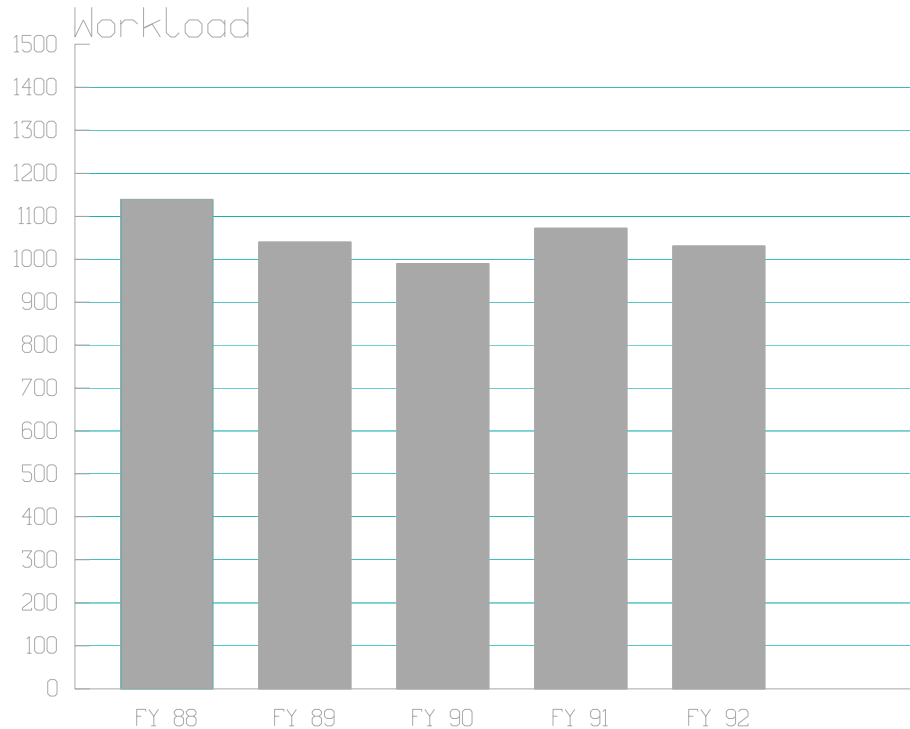
<i>Expenditures and Encumbrances</i>	<i>FY 92</i>		<i>FY 93 Authorized</i>
	<i>Authorized</i>	<i>Actual</i>	
<i>Personal Services</i>	\$2,430,300	\$2,431,602	\$2,541,500
<i>Travel</i>	51,400	40,383	57,800
<i>Other Services & Charges</i>	1,114,800	1,021,645	1,077,400
<i>Supplies</i>	27,600	79,583	43,700
<i>Machinery and Equipment</i>	2,900	52,556	20,400
<i>Total</i>	\$3,627,000	\$3,625,769	\$3,740,800

Note: The information included in this summary was obtained from the state accounting system. This information has not been audited by us and, accordingly, we express no opinion on it.

(Intentionally left blank)

APPENDIX B

Department of Commerce and Economic Development
Alaska Public Utilities Commission
Expenditure and Workload Analyses
For Fiscal Years 1988 through 1993



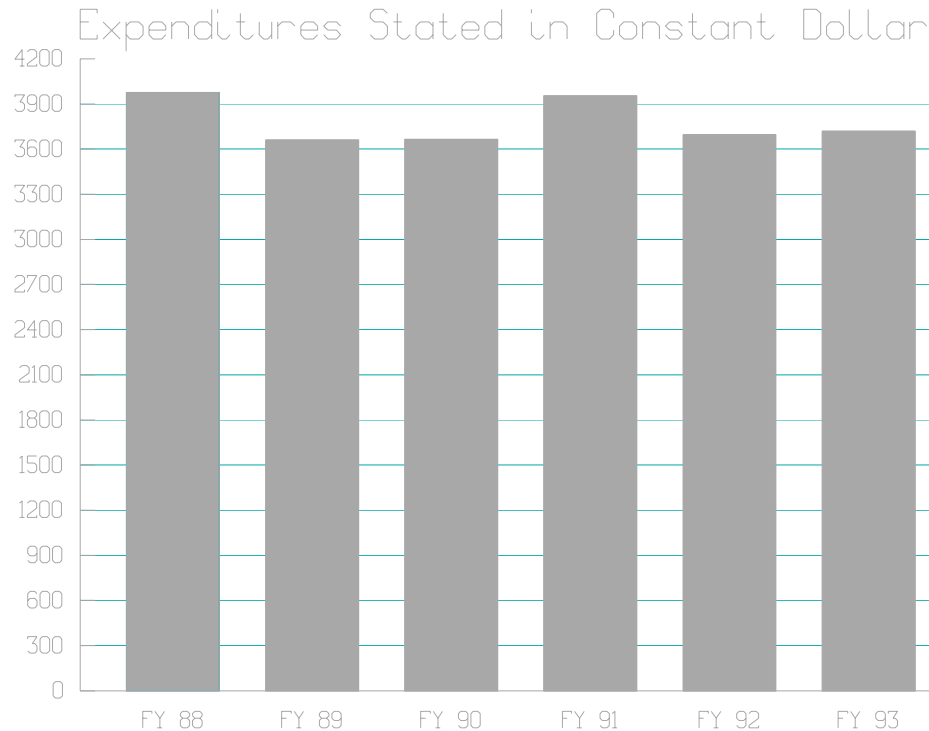
Workload: Each bar in the graph represents a consolidated measurement of the commission's workload for each fiscal year. Each unit of activity is a function performed by APUC such as a tariff filing, formal proceeding, certification proceeding, or formal and informal complaints. Each activity was weighted using an estimate of the relative effort generally required to accomplish each task.

The weighting was accomplished using rough estimates provided on an unofficial basis by commission staff. While we acknowledge the weighting in this analysis is imperfect, we believe it provides an adequate indication of the commission's workload.

This analysis indicates that the commission's workload fluctuated moderately from year to year; yet no clear trend is evident.

APPENDIX B (cont.)

Department of Commerce and Economic Development
Alaska Public Utilities Commission
Expenditure and Workload Analyses
For Fiscal Years 1988 through 1993



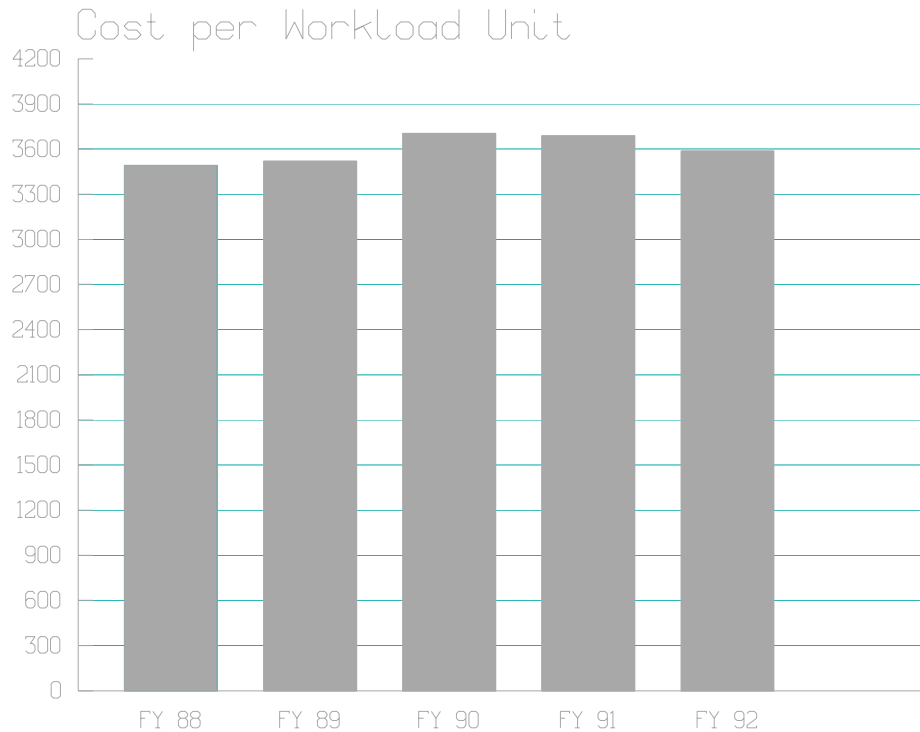
Expenditures Stated in Constant Dollars: The FY 88 through FY 92 actual expenditures and the FY 93 authorizations are stated in constant dollars. A constant dollar reflects the purchasing power of a dollar by adjusting it using a price-level index. We used the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for all urban consumers in Anchorage to adjust the amounts to FY 93 dollars. This analysis includes amounts for personal services, travel, contractual, and supply; equipment purchases were excluded because they are less directly related to the workload of each individual year.

The dollar amounts used in this analysis were taken directly from APUC Annual Reports. The amounts have not been audited by us and, accordingly, we express no opinion on them.

This analysis is generally consistent with the workload graph. The fluctuations were moderate and without a clear trend.

APPENDIX B (cont.)

Department of Commerce and Economic Development
Alaska Public Utilities Commission
Expenditure and Workload Analyses
For Fiscal Years 1988 through 1993



Cost per Workload Unit: Each workload unit cost was calculated by dividing fiscal year expenditures stated in constant dollars by the weighted workload units. This calculated cost per workload unit is a measure of the commission's efficiency.

This analysis which indicates that the commission's efficiency decreased from FY 88 through FY 90. However, in FY 91 through FY 92 the commission's efficiency improved somewhat. Over the five year period, there is no clear trend.

(Intentionally left blank)