

Regulatory Commission of Alaska
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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

G. Nanette Thompson, Chair
Bernie Smith
Patricia M. DeMarco
Will Abbott
James S. Strandberg

In the Matter of In the Matter of the Revenue Requirement Study Filed by ALASKA POWER COMPANY as Required by Docket U-96-3 and the Tariff Filing, Designated as TA669-2, for Interim, Refundable Rate Increases and Economic Incentive Rates and the Tariff Filings Designated as TA672-2, TA673-2, TA674-2, TA675-2, TA676-2, and TA678-2

U-99-116
ORDER NO. 25

In the Matter of In the Matter of the Application by NORTH COUNTRY TELEPHONE, INC., For an Amendment to Its Telecommunications (Local Exchange) Certificate of Public Convenience and Necessity No. 292 To Extend Its Service Area, To Keep Its Books and Records Out of the State of Alaska, and To Change Its Name To Recognize Its Corporate Status

U-93-81
ORDER NO. 7

In the Matter of In the Tariff Revision, Designated as TA49-31, Filed by ALASKA TELEPHONE COMPANY, for an Interim Rate Increase and Partial Rate Design

U-00-34
ORDER NO. 7

In the Matter of the Tariff Revision, Designated as TA21-260, Filed by BETTLES TELEPHONE, INC., For a Rate Decrease and Partial Rate Design

U-00-96
ORDER NO. 7

ORDER ACCEPTING FILINGS; APPROVING REVISED

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**REVENUE-REQUIREMENT CALCULATIONS;
APPROVING PERMANENT RATES; APPROVING
INTERIM AND REFUNDABLE RATES FOR ALASKA POWER
COMPANY HAINES/SKAGWAY SERVICE AREA;
APPROVING PCE LEVELS; AND APPROVING TARIFF SHEETS**

BY THE COMMISSION:

Date Filed: March 22, 2001

End of 45-Day Period:

TA684-2: May 4, 2001

Staff Recommends the Commission :

1. Approve the revised revenue-requirement calculation filed by Alaska Power Company on March 22, 2001, and resulting revised customer charge rates as permanent, other than for the Haines/Skagway service area.

2. Suspend and approve the revised Alaska Power Company Haines/Skagway service area rates on an interim and refundable basis, pending adjudication of the Goat Lake Hydro, Inc. cost-of-service study in docket U-99-2.

3. Make Alaska Power Company's previously suspended rates for service areas other than Haines/Skagway permanent, for the period January 8, 2000 through April 25, 2001, as described in the body of this Order.

4. Approve Alaska Power Company's Tariff Sheet No.'s 105, 106, 107, and 108, as filed March 22, 2001, with an effective date of April 25, 2001.

5. Approve Alaska Power Company's Power Cost Equalization non-fuel cost calculation, as filed in TA669-2 on November 24, 1999, and make PCE levels permanent for all currently suspended Power Cost Equalization adjustment filings approved with effective dates between January 8, 2000 and March 24, 2000.

6. Approve Alaska Power Company's revised Power Cost Equalization non-fuel cost calculation, filed on March 22, 2001, as amended by Staff, effective for

1 all currently interim and refundable Power Cost Equalization levels approved between
2 March 24, 2000 and April 25, 2001.

3 7. Approve Alaska Power Company's revised Power Cost Equalization
4 levels and Tariff Sheet No. 121, filed on March 22, 2001, with Staff proposed
5 amendments discussed in the body of this Order.

6 8. Require Alaska Power Company to contact the Alaska Energy
7 Authority for disposition of any Power Cost Equalization refund liability resulting from
8 interim levels greater than the final approved levels.

9 9. Approve the revised local service and local special-access revenue-
10 requirement calculation filed by Alaska Telephone Company, on March 22, 2001, and
11 the resulting revised rates as permanent, effective April 25, 2001.

12 10. Make Alaska Telephone Company's rates previously suspended as
13 interim and refundable by Order U-00-34(1) permanent for the period March 10, 2000
14 through April 25, 2001.

15 11. Approve Alaska Telephone Company's revised Tariff Sheets No.'s
16 52.00, 53.00, 64.00, and 67.00 as filed on March 22, 2001, with an effective date of
17 April 25, 2001.

18 12. Approve the revised local service and local special-access revenue-
19 requirement calculations filed by Bettles Telephone, Inc., on March 22, 2001, and
20 supplemented on April 17, 2001, and the resulting revised rates as permanent,
21 effective April 25, 2001.

22 13. Make Bettles Telephone, Inc., rates previously suspended as interim
23 and refundable by Order U-00-96(1) permanent for the period May 25, 2000 through
24 April 25, 2001.

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14. Approve Bettles Telephone, Inc.'s, revised Tariff Sheets No. 83, Sixth Revision canceling Fifth, and No. 90.1, Third Revision canceling Second, filed on April 17, 2001, with an effective date of April 25, 2001.

15. Approve North Country Telephone, Inc.'s local exchange revenue-requirement filed on March 22, 2001, with an effective date of April 25, 2001.

Reasons for the above indicated recommendation: **Memo Attached**

Order

THE COMMISSION FURTHER ORDERS:

For good cause shown in the attached staff memorandum, the Commission accepts the recommendations set out above and directs the utility to comply.

Commission decision re this order:

	DATE ISSUED <u>4/25/01</u>		<u>I CONCUR</u>		I DO NOT CONCUR		I WILL WRITE A DISSENTING STATEMENT *
Thompson			/S/				
Smith			/S/				
DeMarco			/S/				
Abbott			/S/				
Strandberg			/S/				

(SEAL)

To Commissioners:
G. Nanette Thompson, Chair
Bernie Smith
Patricia M. DeMarco
Will Abbott
James S. Strandberg

Date: April 25, 2001
File: TA684-2, U-99-116, U-93-81, U-00-34, and U-00-96 compliance filings.
Re: Revised Revenue-Requirement Calculations and Tariff Sheets compliance filings.

From: Keith Day, Utility Financial Analyst

Staff Adjudicatory Memo

Staff recommends that:

1. Approve the revised revenue-requirement calculation filed by Alaska Power Company on March 22, 2001, and resulting revised customer charge rates as permanent, other than for the Haines/Skagway service area.
2. Suspend and approve the revised Alaska Power Company Haines/Skagway service area rates on an interim and refundable basis, pending adjudication of the Goat Lake Hydro, Inc. cost-of-service study in docket U-99-2.
3. Make Alaska Power Company's previously suspended rates for service areas other than Haines/Skagway permanent, for the period January 8, 2000 through April 25, 2001, as described in the body of this Order.
4. Approve Alaska Power Company's Tariff Sheet No.'s 105, 106, 107, and 108, as filed March 22, 2001, with an effective date of April 25, 2001.
5. Approve Alaska Power Company's Power Cost Equalization non-fuel cost calculation, as filed in TA669-2 on November 24, 1999, and make PCE levels permanent for all currently suspended Power Cost Equalization adjustment filings approved with effective dates between January 8, 2000 and March 24, 2000.

1 6. Approve Alaska Power Company's revised Power Cost Equalization
2 non-fuel cost calculation, filed on March 22, 2001, as amended by Staff, effective for
3 all currently interim and refundable Power Cost Equalization levels approved between
4 March 24, 2000 and April 25, 2001.

5 7. Approve Alaska Power Company's revised Power Cost Equalization
6 levels and Tariff Sheet No. 121, filed on March 22, 2001, with Staff proposed
7 amendments discussed in the body of this Order.

8 8. Require Alaska Power Company to contact the Alaska Energy
9 Authority for disposition of any Power Cost Equalization refund liability resulting from
10 interim levels greater than the final approved levels.

11 9. Approve the revised local service and local special-access revenue-
12 requirement calculation filed by Alaska Telephone Company, on March 22, 2001, and
13 the resulting revised rates as permanent, effective April 25, 2001.

14 10. Make Alaska Telephone Company's rates previously suspended as
15 interim and refundable by Order U-00-34(1) permanent for the period March 10, 2000
16 through April 25, 2001.

17 11. Approve Alaska Telephone Company's revised Tariff Sheets No.'s
18 52.00, 53.00, 64.00, and 67.00 as filed on March 22, 2001, with an effective date of
19 April 25, 2001.

20 12. Approve the revised local service and local special-access revenue-
21 requirement calculations filed by Bettles Telephone, Inc., on March 22, 2001, and
22 supplemented on April 17, 2001, and the resulting revised rates as permanent,
23 effective April 25, 2001.

1 *Docket U-99-116 Alaska Power Company* – On November 24, 1999, APC filed TA669-
2 2, in which it requested the Commission grant interim and refundable rate relief in
3 order for APC to collect approximately 75 percent (%) of its calculated \$1,247,846
4 revenue deficiency. APC requested that, on an interim and refundable basis, it be
5 allowed to collect 100% of its new proposed energy, demand, and miscellaneous
6 charge rates, while collecting 60% of its new proposed customer charge rates in order
7 to minimize the potential for refunds after final adjudication of its studies. In support of
8 its request, APC referred to its previously filed revenue-requirement study⁴ and the
9 combined cost-of-service and rate design study filed with TA669-2. APC's proposed
10 rate revisions filed as TA669-2 were approved on an interim and refundable basis by
11 Order U-99-116(3), dated December 20, 1999.

12 On March 22, 2001, APC filed TA684-2, containing revised revenue-
13 requirement calculations and tariff sheets in compliance with Order U-99-116(24),
14 Ordering Paragraph 8, as well as updated Power Cost Equalization (PCE)
15 calculations. Pursuant to that order, APC was required to adjust its revenue-
16 requirement to reflect a 14.14% cost-of-equity and a 10.75% overall rate-of-return, per
17 the terms of the approved Stipulation. APC's revised revenue-requirement is shown at
18 Schedule 7 of the TA684-2 filing, and reflects a \$105,003 reduction due to
19 implementation of the stipulated rates-of-return.

20 APC proposes increasing its current monthly Customer Charge rate from \$7.16
21 to \$10.32 for Rate Group A-1, \$48.60 to \$70.04 for Rate Group A-2, \$81.00 to \$116.73
22 for Rate Group A-3, and \$60.00 to \$86.47 for Rate Group A-4, in order to collect its

23 ⁴ Docket U-99-116 was initially opened to investigate APC's revenue-
24 requirement study filed August 23, 1999, and amended August 31, 1999. In those
25 filings, APC indicated it would not request revisions to its rates until it had filed its cost-
26 of-service study.

1 authorized revenue requirement. APC also filed Schedule NF-1 to reflect the allocation
2 of its final approved equity return to the non-fuel cost portion of its current PCE
3 calculation for Rate Groups 1 through 4.

4 Subsequent to its filing of TA669-2, APC filed several tariff advice letters
5 requesting cost of power adjustments (COPA) to reflect changes in fuel costs. APC's
6 Cost of Power Surcharge, Non-Firm Purchase Power rate, and PCE levels associated
7 with those filings have been suspended by the Commission pending the final
8 adjudication of the non-fuel cost component of the PCE levels.

9
10 *Docket U-00-34 Alaska Telephone Company* – ATC filed TA49-31 on February 2,
11 2000. In TA49-31, ATC proposed increasing local service business and residential
12 rates, as well as local special access rates, to reflect its calculated revenue-
13 requirement.⁵ The Commission suspended TA49-31 by Order U-00-34(1), dated
14 March 10, 2000, and approved ATC's proposed rate revision allowing it to collect
15 approximately 81% of its calculated revenue-requirement, on an interim and
16 refundable basis.⁶ Order U-00-34(6), dated February 20, 2001, approved the
17 Stipulation between the Commission's Public Advocacy (PAS) section and ATC
18 regarding adjustments to the revenue-requirement. That order also required ATC to
19 file, by March 22, 2001, a revised revenue-requirement reflecting the stipulated
20 adjustments and revised tariff sheets in order to implement the recalculated rates.

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23 ⁵ A copy of ATC's revenue-requirement was included in TA21-260 as support
for the proposed rate revisions.

24 ⁶ In its February 2, 2000, filing, ATC explained that it intended to request its
25 rates be further revised to recover the remainder of its calculated revenue-deficiency,
subsequent to final adjudication of TA49-31.

1 On March 22, 2001, ATC filed its revised revenue-requirement and tariff sheets.
2 In its filing, ATC proposes increasing its Schedule A-1 monthly Residential Exchange
3 Access Service rates from \$11.75 to \$13.80 and Schedule A-2 monthly Business
4 Exchange Access Service rates from \$16.00 to \$18.90. ATC also proposes increasing
5 its Schedule G monthly Private Line Service rate from \$17.50 to \$36.40, Schedule I
6 Private Payphone Service from \$16.00 to \$18.90, and Coin Line Service from \$19.29
7 to \$22.19.

8
9 *Docket U-00-96 Bettles Telephone, Inc.* – BTI filed TA21-260 on April 21, 2000. In
10 TA21-260, BTI proposed reducing local service business and residential rates, as well
11 as local special access rates, to reflect its calculated revenue-requirement.⁷ The
12 Commission suspended TA21-260 by Order U-00-96(1), dated May 25, 2000, and
13 approved BTI's proposed rate revision on an interim and refundable basis. Order U-
14 00-96(6), dated February 20, 2001, approved the Stipulation between the
15 Commission's Public Advocacy (PAS) section and BTI regarding adjustments to the
16 revenue-requirement. That order also required BTI to file, by March 22, 2001, a
17 revised revenue-requirement reflecting the stipulated adjustments and revised tariff
18 sheets in order to implement the recalculated rates.

19 On March 22, 2001, BTI filed its revised revenue-requirement and tariff sheets.
20 In its filing, BTI proposes decreasing its Bettles and Allakaket exchange monthly
21 Residential Service from \$15.60 to \$14.90 and monthly Business Service from \$26.05
22 to \$23.25. BTI also proposes to decrease Private Pay Telephone Service from \$26.05
23 to \$23.25 and decrease Coin Line Service from \$31.73 to \$28.93.

24 _____
25 ⁷ A copy of BTI's revenue-requirement was included in TA21-260 as support for
26 the proposed rate revisions.

1
2 *Docket U-93-81 North Country Telephone, Inc.* – On March 22, 2001, NCTI filed its
3 revised local exchange revenue-requirement study in compliance with Order U-93-
4 81(6). NCTI asserts that its revised revenue-requirement, after stipulated adjustments,
5 reflects a net revenue deficiency \$11,327. NCTI does not propose adjustment to its
6 rates to recover this deficiency.

7
8 **Notice**

9 Public notice of the AP&T affiliate company revenue-requirements and tariff rate
10 revisions were issued at the time of the initial filings. As the filings described below
11 have all been made in compliance with the Commission’s adjudication of previously
12 noticed filings, further public notice of these compliance filings was not made.

13 **Discussion**

14 *Docket U-99-116 Alaska Power Company* –

15 In TA684-2 filed March 22, 2001, APC explained that its filing of its revised
16 revenue-requirement was in compliance with Order U-99-116(24), Ordering Paragraph
17 8, and represented implementation of the provisions of the Stipulation approved by
18 that order. ATC further explained that its filing also consisted of the appropriately
19 revised tariff sheets and PCE calculations. Order U-99-116(24) provided for APC to
20 calculate its revenue-requirement for the stipulated adjustments in order to implement
21 permanent rates for all of APC’s service area, other than Haines/Skagway, which will
22 be further adjudicated pending the filing and adjudication of the Goat Lake Hydro, Inc.
23 cost-of-service study in Docket U-99-2.

24 The Stipulation required APC to reduce its cost-of-equity to 14.14% from its
25 requested 14.75% and utilize an overall 10.75% weighted cost-of-capital, instead of
26

1 the 11.048% originally requested by APC. Staff reviewed APC's revised Schedules 4
2 through 7 filed with TA684-2, and determined that APC properly revised its revenue-
3 requirement by reducing return-on-rate base \$62,526 to reflect the stipulated overall
4 10.75% rate-of-return at Schedule 7. APC also properly reduced its income tax
5 computation by using the revised 6.859% weighted cost-of-equity, in place of its
6 original 7.155%, to result in an additional \$42,039 reduction to the revenue
7 requirement at Schedule 6.

8 The total reduction to APC's revenue-requirement from the stipulated
9 adjustments is approximately \$105,000. (Staff noted an immaterial decrease in
10 depreciation expense of \$436 at revised Schedule 7, but passes further adjustment).
11 APC proposes that it recover its authorized revenue-requirement through adjustment
12 to its customer charge rates. In its TA669-2 filing requesting interim and refundable
13 rate increases, APC requested that it be granted revised rates designed to collect 60%
14 of its calculated \$776,025 revenue required from customer charges, in order to
15 minimize any potential for refunds resulting from final adjudication of its cost studies.
16 APC now requests that it be allowed to increase customer charge rates 13.531%
17 above current rates, to fully recover its approved revenue-requirement. Staff reviewed
18 APC's recalculated customer charge rates at the TA684-2 schedule titled "Interim
19 Rates Used By APC" and agreed those rates to its revised tariff sheets for Rate
20 Groups A-1 through A-4⁸ without exception.

21 Staff concludes APC properly implemented its rate revision to reflect its
22 revenue-requirement approved by U-99-116(24). Staff recommends the Commission
23

24 ⁸ Rate Group A-1 is Residential and Small Commercial Customers, Rate Group
25 A-2 is Bulk Power customers, Rate Group A-3 is Bulk Power for Large Customers, and
26 Rate Group A-4 is Bulk Power for Industrial Customers

1 approve Tariff Sheets No. 105, Fourth Revision canceling Third, No. 106, Second
2 Revision canceling First, No. 107, Third Revision canceling Second, and No. 108,
3 Fourth Revision canceling Third, as filed March 22, 2001, with an effective date of
4 March 19, 2001.

5 Staff recommends that APC's TA684-2 revised rates for all customers be made
6 permanent, other than for the Haines/Skagway service area pending adjudication of
7 the Goat Lake Hydro, Inc. cost-of-service study filed in U-99-2. The final adjudication
8 of APC's revenue-requirement resulted in rates equal to or greater than those APC
9 rates filed under previous Tariff Advice letters⁹ that were suspended and approved on
10 an interim and refundable basis, pending final adjudication of APC cost studies in
11 docket U-99-116. Staff recommends that, except for Haines/Skagway rates, those
12 interim and refundable rates should also be made permanent. Staff recommends Tariff
13 Sheets No. 105, Fourth Revision canceling Third, No. 106, Second Revision canceling
14 First, and No. 107, Third Revision canceling Second, should be approved as filed
15 March 22, 2001, with an effective date of April 25, 2001.

16 APC's Schedule A-4 Bulk Power Rate for Industrial Customers, initially
17 proposed under Tariff Sheet No. 108, Third Revision canceling Second, in TA669-2,
18 was suspended by Order U-99-116(3). This proposed schedule was designed to
19 replace an existing special contract filed by APC on August 24, 1995. The special

20 _____
21 ⁹ See TA672-2 suspended by Order U-99-116(5), dated March 24, 2000,
22 TA673-2 suspended by Order U-99-116(9) dated April 27, 2001, TA675-2 suspended
23 by Order U-99-116(11) dated May 25, 2000, TA674-2 suspended by Order U-99-
24 116(10) dated May 11, 2000, TA676-2 suspended by Order U-99-116(12) dated May
25 25, 2000, TA678-2 suspended by Order U-99-116(17) dated October 12, 2000,
26 TA679-2, TA680-2, and TA681-2 suspended respectively by Orders U-99-116(19),
(20), and (21) dated October 26, 2000, TA682-2 suspended by Order U-99-116(22)
dated January 4, 2001, and TA683-2 suspended by Order U-99-116(23) dated
January 18, 2001.

1 contract APC and Viking Lumber Company that was suspended for investigation of
2 issues related to overlapping service areas by Order U-95-83(1), dated November 29,
3 1995. Docket U-95-83 has remained open and the special contract suspension has
4 been continued in docket U-95-83, pending adjudication of the service area issues.
5 The service area issue between APC and Thlingit-Haida Regional Electric Authority
6 (THREA) was resolved by the Alaska Supreme Court Opinion No. 5357, dated
7 January 12, 2001.¹⁰

8 As the service area dispute has been resolved and final Commission
9 determination of APC's revenue-requirement and cost-of-service studies has been
10 made, the Commission should approve on a permanent basis Rate Schedule A-4 and
11 Tariff Sheet No. 108, Fourth Revision canceling Third, as filed March 22, 2001, with an
12 effective date of April, 24, 2001. Because Tariff Sheet No. 108, Third revision
13 canceling Second, did not go into effect pursuant to Order U-99-116(3), the Fourth
14 Revision of Tariff Sheet No. 108, filed on March 22, 2001, will be renumbered as the
15 Third Revision, canceling Second, with an effective date of April 25, 2001. In tariff
16 advice letter TA669-2, dated November 24, 1999, APC asserted that upon
17 Commission approval of its proposed customer class A-4, APC would terminate the
18 special contract¹¹ and begin providing service under Rate Schedule A-4. Pursuant to
19
20

21 ¹⁰ Commission Engineering Staff is currently drafting a recommendation
22 regarding disposition of docket U-95-83, which will be presented separately to the
23 Commission.

24 ¹¹ See TA699-2, dated November 24, 1999, page 8 of 10. See Order U-95-
25 83(10), dated October 26, 2000, in which a proposed extension of the special contract
26 through August 9, 2001, filed as TA677-2, was suspended and allowed to go into
effect on an interim basis.

1 regulations at 3 AAC 48.220(g),¹² APC should notify the Commission upon
2 cancellation of the special contract.

3 APC also filed revised PCE non-fuel costs and revised PCE levels with TA684-
4 2. Staff reviewed APC's PCE calculations, and determined that APC proposed an
5 adjustment to reduce total non-fuel costs reported in TA672-2 by the revised amount
6 of equity return on rate base, adjusted for the effect of U-99-116(24). Staff notes
7 however that APC subtracted the equity component of return from the unadjusted total
8 non-fuel costs, rather from non-fuel costs adjusted for the effect of stipulated
9 adjustments approved by U-99-116(24). Order U-99-116(24) required APC to reduce
10 its rate of return to the stipulated amount, which in turn results in a reduction in
11 proforma income tax expense.

12 Staff adjusted APC's PCE non-fuel cost originally filed in TA672-2, to reduce
13 total non-fuel costs for the reduction in income tax expense and revised return on
14 equity, in addition to APC's revised equity return adjustment. Staff discussed its
15 proposed adjustment with APC, who concurred. Staff's recalculation of non-fuel costs
16 is attached to this memo as Schedule KFD-1. After consultation with APC, Staff
17 revised APC's Tariff Sheet No. 121 to reflect the PCE levels recalculated at Schedule
18 KFD-1, page 1 of 7. Staff recommends the Commission approve APC's Tariff Sheet
19 No. 121, Thirty-fourth Revision canceling Thirty-third, as amended by Staff, with an
20 effective date of April 25, 2001. A side-by-side copy of the Staff revised Tariff Sheet
21 No. 121 is attached to this memo as Schedule KFD-2.

22 _____
23 ¹² 3 AAC 48.220(g) states "If the parties to a special contract filed with and
24 approved by the commission cancel that contract, the utility shall notify the
25 commission that the special contract has been cancelled. The notice to the
26 commission will be by tariff advice letter and must include a copy of the instrument
cancelling the special contract and the effective date of the cancellation".

1 As the total non-fuel costs resulting from final approval of APC's revenue
2 requirement for Coffman Cove, Whale Pass, Naukati, and Tok/Dot Lake are slightly
3 less than the non-fuel costs approved on an interim and refundable basis since March
4 24, 2000,¹³ a potential refund liability exists. APC should contact Alaska Energy
5 Authority (AEA) to determine any refund required for the period March 24, 2000
6 through April 25, 2001.

7
8 *Docket U-00-34 Alaska Telephone Company –*

9 In its revised revenue-requirement filed March 22, 2001, ATC explained that the
10 filing was in compliance with Order U-00-34(6), Ordering Paragraph 6. ATC also
11 explained that the revised rates were applicable to all ATC exchanges, other than
12 those recently acquired from GTE Alaska, Inc.¹⁴

13 Staff reviewed ATC's revised revenue-requirement¹⁵ to determine that ATC had
14 properly adjusted its revenue-requirement calculation in accordance with the
15 Stipulation. Staff compared the revised schedules filed on March 22, 2001 to the
16 original TA49-31 schedules filed February 2, 2000. In its revised Schedule 15, ATC
17 shows its pro forma adjustments to remove \$28,641 of promotional expense from
18 account 6620. Revised Schedule 15 also shows the removal of \$28,334 of rate case
19 expense originally included in the pro forma account 6720 balance, pursuant to the

20 _____
21 ¹³ APC current non-fuel cost calculation was filed as TA672-2, and approved on
an interim and refundable basis by U-99-116(5), dated March 24, 2000.

22 ¹⁴ See Docket U-99-119.

23 ¹⁵ ATCs revised local exchange and local special access revenue-requirement
24 consists of \$1,886,284 rate base, \$202,776 return using a 10.75% overall rate-of-
return, \$1,058,054 of operating expense, and \$93,148 of income tax expense, for a
25 combined local/special access revenue-requirement of \$1,353,978. See Schedule 6 of
APC's TA49-31 March 22, 2001, filing made in compliance with Order U-00-34(6).

1 Stipulation. The adjustment results in a \$30,000 provision for rate case expense,
2 amortized over 3 years in compliance with the Stipulation.

3 Staff reviewed the allocation of adjusted total company corporate operations
4 and customer operations expense at revised Schedule 8, noting the total company
5 balances were allocated materially consistent with ATC's original filing. Consistent with
6 the Stipulation, ATC also used an overall rate-of-return of 10.75% in its revised
7 calculation.

8 Staff concludes ATC properly adjusted its revenue-requirement in accordance
9 with the Stipulation, and that the rates shown on revised Tariff Sheets No. 52.00,
10 53.00, 64.00, and 67.00 properly reflect the revised revenue-requirement. Staff
11 recommends the Commission approve Tariff Sheets No. 52.00, Second Revision
12 canceling First, No. 53.00, Second Revision canceling First, No. 64.00, First Revision
13 canceling Original, and No. 67.00, Sixth Revision canceling Fifth, as filed March 22,
14 2001, as implementing permanent rates with an effect date of April 19, 2001.

15
16 *Docket U-00-96 Bettles Telephone, Inc. –*

17 Staff reviewed BTI's revised revenue-requirement¹⁶ to determine that BTI had
18 properly adjusted its calculation in accordance with the Stipulation. Staff compared the
19 revised schedules filed on March 22, 2001 to the original TA21-260 schedules filed
20 April 21, 2000. In its revised Schedule 17, BTI made a pro forma adjustment to remove
21 \$12,333 of rate case expense originally included in the pro forma account 6720

22
23 ¹⁶ BTI's revised local exchange and local special access revenue-requirement
24 consisted of \$92,861 rate base, \$9,982 return using a 10.75% overall rate-of-return,
25 \$86,983 of operating expense, and \$4,392 of income tax expense, for a combined
26 local/special access revenue-requirement of \$101,356. See Schedule 9 of BTI's March
22, 2001, TA21-260 filing made in compliance with Order U-00-96(6).

1 revenue-requirement calculation, pursuant to the Stipulation. Staff reviewed the
2 allocation of adjusted total company corporate operations expense at revised
3 Schedule 11, noting the total company balance was allocated consistent with BTI's
4 original filing. Consistent with the Stipulation, BTI also used a revised overall rate-of-
5 return of 10.75%.

6 Staff reviewed and recalculated BTI's revised recurring local access rate
7 development calculation at revised Schedule 8, and agreed the rates developed at
8 Schedule 8 to Tariff Sheet No. 83, Sixth Revision canceling Fifth. In its review, Staff
9 noted that BTI's revenue-requirement included a change in the amount of non-
10 recurring revenue at Schedule 8. Staff discussed this with BTI, who agreed that
11 nonrecurring revenue should not change. At Staff's request, BTI filed revised Schedule
12 8 and Tariff Sheets No. 83 and 90.1 to reflect the correction. This revision results in
13 proposed residential rates decreasing to \$14.45 and business rates to \$22.75. Private
14 payphone rates are also further reduced to \$22.75.

15 Staff recommends the Commission approve BTI's revised revenue-requirement
16 filed March 22, 2001 and amended April 17, 2001. Staff also recommends the
17 Commission approve revised Tariff Sheets No. 83 and 90.1, filed April 17, 2001, with
18 an effective date of April 25, 2001. A copy of revised Schedule 8 and side-by-side
19 revised Tariff Sheets No. 83 and 90.1 are attached to this memo as Schedule KFD-3.

20
21 *Docket U-93-81 North Country Telephone, Inc. –*

22 Staff reviewed NCTI's local exchange revenue-requirement filed on March 22,
23 2001. NCTI's revenue-requirement utilized a 1998 test year, and consisted of rate
24 base of \$176,630, return on rate base of \$18,988, and operating expenses, including
25 taxes of \$218,264. NCTI's revenue requirement was calculated using a 6.86% return
26

1 on equity and a 10.75% overall rate of return. Staff's review indicates that NCTI
2 properly recalculated its revenue requirement consistent with the Stipulation approved
3 by Order U-93-81(6), and as such recommends the Commission approve NCTI's
4 revenue requirement, as filed March 22, 2001. As the revenue-requirement indicates a
5 revenue deficiency for which NCTI has request that its rates not be increased,
6 approval of the revenue-requirement results in no change to NCTI's rates.

7
8 **Conclusion**

9 Staff's review of the above described filings made by APC, ATC, BTI, and
10 NCTI, indicates the utilities have complied with the Commission orders approving the
11 Stipulation filed by the parties to these proceedings. Staff recommends the
12 Commission accept the filings, with Staff recommended corrections discussed above.
13 Commission approval of the filings will result in permanent rates for ATC, BTI, NCTI,
14 and APC, other than Haines/Skagway. The APC rates for Haines/Skagway should be
15 approved on an interim and refundable basis, pending adjudication of the Goat Lake
16 Hydro, Inc., cost-of-service study.

THE APPENDIX A (11 PAGES) REFERRED TO IN THIS
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