

Report Highlights

Why DLA Performed This Audit

In accordance with AS 24.20.271(11), the audit evaluates the accuracy of RCA's FY 17 annual report concerning statutory timelines, timeline extensions, and performance measures. This audit does not evaluate the effectiveness of RCA's decisions.

What DLA Recommends

The audit makes no recommendations.

A Performance Audit of the Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska (RCA) FY 17 Annual Report

March 8, 2018

Audit Control Number 08-30091-18

REPORT CONCLUSIONS

RCA's FY 17 annual report data for dockets, tariff filings, and statutory extensions was materially accurate. An analysis of case management system data and hard copy files concluded that the commission accurately reported its compliance with timeline requirements for utility, pipeline, and regulatory dockets; tariff filings; and statutory extensions. The audit confirmed the performance measures relating to docket and tariff filing timelines, informal complaints, and consumer outreach were materially accurate.

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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May 29, 2018

Members of the Legislative Budget
and Audit Committee:

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

DEPARTMENT OF COMMERCE, COMMUNITY,
AND ECONOMIC DEVELOPMENT
REGULATORY COMMISSION OF ALASKA
FY 17 ANNUAL REPORT

March 8, 2018

Audit Control Number
08-30091-18

We have conducted an audit of the Regulatory Commission of Alaska's (RCA) annual report in accordance with AS 24.20.271(11). RCA is required to annually report the performance measures it has adopted as well as its compliance with statutory timelines imposed on its activities. The purpose of the audit is to report on the accuracy of RCA's FY 17 annual report.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork procedures utilized in the course of developing the conclusions presented in this report are discussed in the Objectives, Scope, and Methodology.

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Kris Curtis, CPA, CISA
Legislative Auditor

ABBREVIATIONS

ACN	Audit Control Number
AS	Alaska Statute
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
DCCED	Department of Commerce, Community, and Economic Development
DLA	Division of Legislative Audit
FY	Fiscal Year
RCA	Regulatory Commission of Alaska

CONTENTS

Report Sections	Organization and Function	1
	Background Information	3
	Report Conclusions	7
	Findings and Recommendations	9
	Objectives, Scope, and Methodology	11
Agency Responses	Office of the Governor	13
	Department of Commerce, Community, and Economic Development	15
	Regulatory Commission of Alaska	17
Exhibits	Exhibit 1: Regulatory Commission of Alaska Members as of March 1, 2018	1
	Exhibit 2: Alaska Statute 42.05.175 Timelines	4
	Exhibit 3: RCA FY 17 Performance Measures	5

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ORGANIZATION AND FUNCTION

Regulatory Commission of Alaska

The Regulatory Commission of Alaska (RCA or commission) is responsible for ensuring safe, adequate, and fair public utility and pipeline services. The commission fulfills its responsibilities by allowing regulated entities to charge user rates and provide services in a manner consistent with both the public and regulated entities' interests. RCA has the authority to adopt regulations and to hold formal, quasi-judicial hearings to ensure its responsibilities are met.

The commission regulates pipeline, telephone, electric, natural gas, water, sewer, refuse, cable television, and heat services through a certification process. A public utility or pipeline company must obtain a certificate of public convenience and necessity which describes the authorized service area and scope of operations. A certificate of public convenience and necessity is issued when RCA formally finds the applicant to be fit, willing, and able to provide the service requested.

In addition to the certificate process, the commission may also economically regulate the rates, classifications, rules, regulations, practices, services, and facilities of public utility and pipeline companies covered by Alaska statutes. The commission determines whether the rates being charged or proposed by regulated entities are fair, just, and reasonable.

All economically regulated utility and pipeline companies are required to maintain a tariff and operate under the terms of the tariff. Tariffs are the written terms, conditions, rules, and rates governing a company's conduct in providing public utility or pipeline services.

Exhibit 1

Regulatory Commission of Alaska Members as of March 1, 2018

Stephen McAlpine, Chair
Term Expires March 2021

Paul Lisankie
Term Expires March 2019

Rebecca Pauli
Term Expires March 2022

Robert Pickett
Term Expires March 2020

Janis Wilson
Term Expires March 2024

Source: Office of the Governor, Boards and Commissions website.

The commission reviews all initial tariffs and tariff revisions.

The commission records in dockets the activities relating to certifying and regulating public utility and pipeline companies, informal complaint resolutions, and regulation adoptions. These dockets are categorized into four types: utility, pipeline, complaint, and regulatory.

As shown in Exhibit 1, RCA consists of five commissioners. The commissioners are appointed by the governor, confirmed by the legislature for six-year terms, and must either be a member of the Alaska Bar Association or have a degree in engineering, finance, economics, accounting, business administration, or public administration from an accredited university. The commission's staff includes administrative law judges, engineers, financial analysts, consumer protection officers, paralegals, as well as administrative and support staff. RCA also receives legal advice from counsel assigned to it by the Department of Law.

RCA's FY 18 operating budget totaled \$9.1 million and included 54 permanent and three nonpermanent positions.

BACKGROUND INFORMATION

Regulatory Commission of Alaska (RCA or commission) is required to publish an annual report covering its activities and compliance with statutory timelines.

Alaska Statute 42.05.175(a)-(f) provides statutory timelines for tariff filings and regulatory and utility dockets. Alaska Statute 42.05.175(i) addresses timelines for adjudicated utility docket matters that are not already subject to a timeline under federal law or AS 42.05.175(a)-(e). Exhibit 2 presents AS 42.05.175 timeline requirements.

Alaska Statute 42.05.211 requires RCA to publish an annual report concerning public utility services and performance measures, specifying:

The commission shall, by November 15 of each year, publish an annual report reviewing its activities during the previous fiscal year and notify the legislature that the report is available. The report must address the regulation of public utility service in the state as of June 30 and must contain details about the commission's compliance with the requirements of AS 42.05.175(a)-(e), with the timeline extensions made by the commission under AS 42.05.175(f), and with other performance measures established by the commission.

Similarly, AS 42.06.220 mandates RCA to annually report on pipeline activities and performance measures, stating:

The commission shall, by November 15 of each year, publish an annual report reviewing its activities during the previous fiscal year and notify the legislature that the report is available. The report must address the regulation of oil and gas pipeline facilities in the state as of June 30 and must contain details about the commission's compliance with performance measures reported by the commission.

Exhibit 2

Alaska Statute 42.05.175 Timelines

- (a) The commission shall issue a final order not later than 180 days after a complete application is filed for an application
 - (1) for a certificate of public convenience and necessity;
 - (2) to amend a certificate of public convenience and necessity;
 - (3) to transfer a certificate of public convenience and necessity; and
 - (4) to acquire a controlling interest in a certificated public utility.
- (b) Notwithstanding a suspension ordered under AS 42.05.421, the commission shall issue a final order not later than 270 days after a complete tariff filing is made for a tariff filing that does not change the utility's revenue requirement or rate design.
- (c) Notwithstanding a suspension ordered under AS 42.05.421, the commission shall issue a final order not later than 450 days after a complete tariff filing is made for a tariff filing that changes the utility's revenue requirement or rate design.
- (d) The commission shall issue a final order not later than 365 days after a complete formal complaint is filed against a utility or, when the commission initiates a formal investigation of a utility without the filing of a complete formal complaint, not later than 365 days after the order initiating the formal investigation is issued.
- (e) The commission shall issue a final order in a rule-making proceeding not later than 730 days after a complete petition for adoption, amendment, or repeal of a regulation under AS 44.62.180 - 44.62.290 is filed or, when the commission initiates a rule-making docket, not later than 730 days after the order initiating the proceeding is issued.
- (f) The commission may extend a timeline required under this section if all parties of record consent to the extension or if, for one time only, before the timeline expires, the
 - (1) commission reasonably finds that good cause exists to extend the timeline;
 - (2) commission issues a written order extending the timeline and setting out its findings regarding good cause; and
 - (3) extension of time is 90 days or less.
- (i) In adjudicated docket matters that come before the commission under state law or federal law and are not subject to a timeline under federal law or (a) - (e) of this section, the commission shall issue a final order not later than 180 days after the filing of an initiating petition. If the matter is commenced on the commission's own motion, the commission shall issue a final order not later than 365 days after the issuance of an order opening the docket. This subsection does not apply to a complaint against a utility, a petition to revoke a certificate of public convenience and necessity, or a functionally equivalent filing.

To address statutory reporting requirements, the commission publishes its utility and pipeline activities in one annual report. Performance measures are established annually by the commission and included in the annual report. RCA's FY 17 performance measures are noted in Exhibit 3.

Exhibit 3

RCA FY 17 Performance Measures

Target #1: Review all utility and pipeline filings within applicable timelines.

Target #2: Review all utility and pipeline dockets within applicable timelines.

Target #3: Complete disposition of all informal complaints within established timelines.

Target #4: Participate in outreach opportunities to consumers.

Source: RCA FY 17 Annual Report.

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REPORT CONCLUSIONS

The audit evaluated the accuracy of the Regulatory Commission of Alaska's (RCA or commission) FY 17 annual report concerning statutory timelines, timeline extensions, and performance measures; it does not evaluate the effectiveness of RCA's decisions.

The audit concluded that RCA's FY 17 annual report data for dockets, tariff filings, and statutory extensions was materially accurate. An analysis of case management system data and hard copy files concluded that the commission accurately reported its compliance with timeline requirements for utility, pipeline, and regulatory dockets; tariff filings; and statutory extensions. The audit confirmed the performance measures relating to docket and tariff filing timelines, informal complaints, and consumer outreach were materially accurate.

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FINDINGS AND RECOMMENDATIONS

The audit¹ of the Regulatory Commission of Alaska's (RCA) FY 15 annual report contained no recommendations. There are no new findings or recommendations as a result of this audit.

¹Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska, FY 15 Annual Report, ACN 08-30087-16.

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes, we have reviewed the information pertaining to statutory timelines, timeline extensions, docket and tariff detail, and performance measures in the Regulatory Commission of Alaska's (RCA or commission) FY 17 annual report.

Objectives

The objective of the audit was to determine if the commission's FY 17 annual report accurately presents information regarding the timeline requirements of AS 42.05.175(a)-(e), commission timeline extensions implemented under AS 42.05.175(f), and the commission's adopted performance measures.

The commission's FY 17 annual report was examined to determine data accuracy for the reporting of:

- Utility, pipeline, complaint, and regulatory dockets;
- Tariff filings;
- Timeline extensions; and
- RCA-adopted performance measures.

Scope

We reviewed dockets that were in open status at any point during FY 17 and tariff filings that were processed during the same time period. Outreach activities conducted during FY 17 were reviewed.

Methodology

Random samples of docket and tariff filings were selected and evaluated to determine the accuracy of the docket and tariff data presented in the commission's FY 17 annual report. Sample sizes were selected based on low control risk, low inherent risk, and high audit risk. For each sample, selected case management system data used to compile the annual report was compared to the commission's supporting records. Testing results were projected to the population. The random samples included the following:

-
- Eight of 163 utility dockets;²
 - Three of 51 pipeline dockets;
 - Two of nine regulatory dockets;
 - Five of 102 complaint dockets; and
 - Twenty-two of 360 tariff filings.

Performance measures reported in the commission's FY 17 annual report were evaluated for accuracy. The evaluation included:

- Examining the testing results of the case management system's data for dockets, timeline extensions, and tariff filings.
- Recalculating all performance measures reported in the FY 17 annual report.
- Inquiring of agency management concerning outreach activities completed during the year and examining program materials.

During the course of the audit, we also:

- Examined Alaska Statutes specific to RCA to determine statutory timeline and reporting requirements.
- Conducted interviews with RCA management and responsible personnel to gain an understanding of case management system data and the information presented in the FY 17 annual report.
- Assessed control procedures over the case management system data.

²There were 25 dockets with timeline extensions during FY 17 and all 25 were utility dockets. Four of eight randomly selected utility dockets had timeline extensions during FY 17. The timeline extensions were evaluated and compared to supporting records.

Agency Response from the Office of the Governor

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Governor Bill Walker
STATE OF ALASKA

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JUN 20 2018

LEGISLATIVE AUDIT

June 15, 2018

Kris Curtis, CPA, CISA
Legislative Budget and Audit Committee
Alaska State Legislature
P.O. Box 113300
Juneau, AK 99811-3300

Dear Mr. Curtis:

Thank you for the opportunity to respond to the Legislative Budget and Audit Committee regarding the preliminary audit reports for the Regulatory Commission of Alaska under the Department of Commerce, Community and Economic Development.

As per the findings of the Committee, we agree that the Commission is functioning in the best interest of the public, ensuring safe, adequate, and fair public utility and pipeline services.

Sincerely,

A handwritten signature in cursive script, appearing to read "John Hozey".

John Hozey
Deputy Chief of Staff
Interim Director, Boards and Commissions

JH/li

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Agency Response from the Department of Commerce, Community, and Economic Development



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Commerce, Community,
and Economic Development

OFFICE OF THE COMMISSIONER

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June 26, 2018

Kris Curtis, CPA, CISA
Legislative Auditor I
Division of Legislative Audit
Legislative Budget and Audit Committee
Alaska State Legislature
PO Box 113300
Juneau, AK 99811-3300

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JUN 26 2018

LEGISLATIVE AUDIT

RE: Confidential preliminary audit report on Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska, FY 17 Annual Report Audit, March 8, 2018

Dear Ms. Curtis:

Thank you for the preliminary audit report regarding the examination of the Regulatory Commission of Alaska (RCA) FY 17 annual report. I appreciate your review and the opportunity to respond.

The department appreciates that the audit of the FY 17 annual report led to the conclusion that the RCA's annual report data for dockets, tariff filings, statutory extensions, and performance measures was materially accurate. The department also appreciates the conclusion that the RCA accurately reported its compliance with timeline requirements.

The department recognizes management's significant effort to ensure accuracy of information to achieve materially accurate data and performance measures. The department is pleased that the audit contained no new findings or recommendations as a result of the RCA Fiscal Year 2017 annual report.

Again, thank you for the opportunity to respond to the preliminary report. If you have any additional questions, please contact me at 465-2500.

Sincerely,

A handwritten signature in blue ink that reads "Mike Navarre".

Mike Navarre, Commissioner

cc: Stephen McAlpine, Chairman, Regulatory Commission of Alaska

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Agency Response from the Regulatory Commission of Alaska



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Regulatory Commission of Alaska

*Bill Walker, Governor
Mike Navarre, Commissioner
Stephen McAlpine, Chairman*

June 26, 2018

Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
Legislative Budget and Audit Committee
Alaska State Legislature
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JUN 26 2018
LEGISLATIVE AUDIT

RE: Confidential preliminary audit report on Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska, FY 17 Annual Report Audit, March 8, 2018

Dear Ms. Curtis:

On June 6, 2018, the Regulatory Commission of Alaska (RCA) received the confidential preliminary audit report on the RCA's FY 17 annual report. You requested that a response address the Report Conclusions as well as the Findings and Recommendations.

The RCA appreciates the preliminary audit's conclusions that the RCA's annual report data for dockets, tariffs, statutory extensions, and performance measures was materially accurate and that the RCA accurately reported its compliance with timeline requirements. The RCA recognizes the importance of consistent, complete, and accurate information.

The RCA also appreciates that the preliminary audit report contained no new findings or recommendations. The RCA is pleased that the preliminary audit report confirms the commission's hard work and the improvements in agency operations over the past several years.

You also requested that the RCA address any recommendations that the report contains. The preliminary audit report did not contain any new findings or recommendations, therefore, the RCA did not provide a response to this request.

The RCA thanks the Division of Legislative Audit for a fair and honest evaluation. The RCA also recognizes it must strive to continually maintain the standards that have been established.

Respectfully yours,

A handwritten signature in blue ink, appearing to read "Stephen McAlpine".

Stephen McAlpine
Chairman

cc: The Honorable Mike Navarre
Commissioner
Department of Commerce, Community, & Economic Development

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