

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 17, 2004

3:20 p.m.

MEMBERS PRESENT

Representative Tom Anderson, Chair
Representative Carl Gatto, Vice Chair
Representative Nancy Dahlstrom
Representative Bob Lynn
Representative Norman Rokeberg
Representative Harry Crawford

MEMBERS ABSENT

Representative David Guttenberg

COMMITTEE CALENDAR

HOUSE BILL NO. 489

"An Act relating to the administration of the Alaska Vocational Technical Center; and providing for an effective date."

- MOVED HB 489 OUT OF COMMITTEE

HOUSE BILL NO. 515

"An Act relating to the regulation of municipal water and sewer utilities not in competition with other water and sewer utilities."

- MOVED HB 515 OUT OF COMMITTEE

HOUSE BILL NO. 402

"An Act relating to fees for the inspection of recreational devices, for certificates of fitness for electrical wiring and plumbing, for filing voluntary flexible work hour plans, and for licenses for boiler operators; and providing for an effective date."

- MOVED CSHB 402(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 452

"An Act relating to licensing and regulation of sport fishing services operators and fishing guides; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 489

SHORT TITLE: AVTEC ADMINISTRATION

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/16/04 (H) READ THE FIRST TIME - REFERRALS
02/16/04 (H) L&C, FIN
03/17/04 (H) L&C AT 3:15 PM CAPITOL 17

BILL: HB 515

SHORT TITLE: MUNICIPAL WATER AND SEWER UTILITIES

SPONSOR(S): LABOR & COMMERCE

02/18/04 (H) READ THE FIRST TIME - REFERRALS
02/18/04 (H) CRA, L&C
03/04/04 (H) CRA RPT 1DP 4NR
03/04/04 (H) DP: ANDERSON; NR: KOTT, SAMUELS,
03/04/04 (H) WOLF, MORGAN
03/04/04 (H) CRA AT 8:00 AM CAPITOL 124
03/04/04 (H) Moved Out of Committee
03/04/04 (H) MINUTE(CRA)
03/17/04 (H) L&C AT 3:15 PM CAPITOL 17

BILL: HB 402

SHORT TITLE: LABOR & WORKFORCE DEVELOPMENT FEES

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/28/04 (H) READ THE FIRST TIME - REFERRALS
01/28/04 (H) L&C, FIN
02/25/04 (H) L&C AT 3:15 PM CAPITOL 17
02/25/04 (H) Heard & Held
02/25/04 (H) MINUTE(L&C)
03/17/04 (H) L&C AT 3:15 PM CAPITOL 17

BILL: HB 452

SHORT TITLE: GUIDED SPORT FISHING

SPONSOR(S): REPRESENTATIVE(S) HEINZE

02/16/04 (H) READ THE FIRST TIME - REFERRALS
02/16/04 (H) L&C, JUD, FIN
03/17/04 (H) L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

GREG O'CLARAY, Commissioner
Department of Labor & Workforce Development
Juneau, Alaska
POSITION STATEMENT: Presented HB 489.

MARK PREMO, General Manager
Anchorage Water and Wastewater Utility (AWWU)
Municipality of Anchorage
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 515.

MARK K. JOHNSON, Commissioner, Chair
Regulatory Commission of Alaska (RCA)
Department of Community & Economic Development
Anchorage, Alaska
POSITION STATEMENT: Provided information on regulation,
answered questions, and said he sees HB 515 as a fundamental
policy change.

ROBERT LOHR
Office of Management and Budget
Municipality of Anchorage
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 515.

GREY MITCHELL, Director
Division of Labor Standards & Safety
Department of Labor & Workforce Development
Juneau, Alaska
POSITION STATEMENT: Presented an informational chart and
answered questions about HB 402.

MIKE NOTAR, Assistant Business Manager
Local 1547
International Brotherhood of Electrical Workers (IBEW)
Juneau, Alaska
POSITION STATEMENT: Testified in support of HB 402 with the
proviso that the resulting fees be deposited into the Building
Safety Account.

CLAIRE MORTON, Owner
Golden Wheel Amusements
Chugiak, Alaska
POSITION STATEMENT: Expressed concerns about HB 402.

STEVE BOYD, Manager
National Electrical Contractors Association

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 402.

REPRESENTATIVE CHERYLL HEINZE

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of HB 452.

JON BITTNER, Staff

to Representative Cheryll Heinze

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented a short statement on the fiscal note for HB 452 and answered questions on behalf of the sponsor.

KELLY HEPLER, Director

Division of Sport Fish

Alaska Department of Fish & Game

Juneau, Alaska

POSITION STATEMENT: Testified that his department strongly supports HB 452.

GEORGE PATTERSON, Owner

"Catchalot" Charters

Ninilchik, Alaska

POSITION STATEMENT: Testified on HB 452.

DALE BONDURANT

Soldotna, Alaska

POSITION STATEMENT: Testified on HB 452.

JOEL HANSON

The Boat Company

Sitka, Alaska

POSITION STATEMENT: Requested that the committee hold HB 452 until substantial revisions occur; cited areas of concern.

ROBERT WARD

Homer Charter Association

Anchor Point/Homer, Alaska

POSITION STATEMENT: Testified in support of HB 452, except that the \$500 fee for a first-time penalty is too large.

TIM EVERS

Deep Creek Charter Boat Association

Ninilchik, Alaska

POSITION STATEMENT: Testified in support of HB 452, but expressed concerns.

MARK HEM, Owner
Hem Charters
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 452.

ALAN LeMASTER, Owner
Copper River Salmon Charters;
Secretary, Klutina River Association
Gakona, Alaska

POSITION STATEMENT: Testified that the Klutina River Association doesn't support HB 452 in its present form.

ACTION NARRATIVE

TAPE 04-27, SIDE A

Number 0001

CHAIR TOM ANDERSON called the House Labor and Commerce Standing Committee meeting to order at 3:20 p.m. Representatives Anderson, Gatto, Dahlstrom, and Lynn were present at the call to order. Representatives Rokeberg and Crawford arrived as the meeting was in progress.

HB 489-AVTEC ADMINISTRATION

CHAIR ANDERSON announced that the first order of business would be HOUSE BILL NO. 489, "An Act relating to the administration of the Alaska Vocational Technical Center; and providing for an effective date."

Number 0114

GREG O'CLARAY, Commissioner, Department of Labor & Workforce Development (DLWD), explained that last year's SB 192 transferred the Alaska Vocational Technical Education Center (AVTEC) in Seward from the Department of Education and Early Development to DLWD. It was recently discovered, however, that the legislation didn't incorporate statutory authority for DLWD to set student tuition and fees. Thus HB 489 corrects that oversight.

Number 0191

REPRESENTATIVE DAHLSTROM moved to report HB 489 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 489 was reported from the House Labor and Commerce Standing Committee.

HB 515-MUNICIPAL WATER AND SEWER UTILITIES

CHAIR ANDERSON announced that the next order of business would be HOUSE BILL NO. 515, "An Act relating to the regulation of municipal water and sewer utilities not in competition with other water and sewer utilities."

Number 0268

CHAIR ANDERSON introduced HB 515 on behalf of the House Labor and Commerce Standing Committee, sponsor. He said it's fairly straightforward as it exempts the Anchorage Water and Wastewater Utility (AWWU) from regulation by the Regulatory Commission of Alaska (RCA). He explained that no other municipally owned water or wastewater utility is regulated by the RCA, save the City of Pelican, which requested regulation of its water utility. He said the Municipality of Anchorage (MOA) believes current RCA regulation processes are cumbersome, slow, expensive, and unresponsive to local needs. Therefore, he said, Mayor Begich and the MOA assembly believe the proposal encompassed in HB 515 would be more efficient and positive for the ratepayers. Chair Anderson explained:

Ratepayers in Anchorage are required to pay for the expense of RCA regulatory process as a surcharge on every bill. That means our constituents are paying this every month, and that's whether or not the utility has a case pending. ... A good example is from 1993 until 2003, AWWU never had a rate increase from the RCA or the APUC, the former Alaska Public Utilities Commission. ... The ratepayers still had to pay the regulatory assessment on every bill. ...

In 2004, AWWU ratepayers are projected to pay about \$500,000 ... to the RCA to cover the costs of this regulation. The greatest costs appear to be in the form of regulatory delay in obtaining approval of a requested change. The [MOA] is directly accountable to ratepayers served by the utilities, and they are the voters, obviously. The municipality has experienced successfully regulating enterprise activities; that's the reason they want it under their

purview. Examples of this are the Port of Anchorage, solid waste services, and, of course, Merrill Field. All of those are financially sound and, I think, they provide first-class consumer and customer service.

The municipal public hearings are held on any proposed rate increase, and the public is really involved with the hearing process. Under this format, rather than RCA, it's amenable to easier access, going to the [municipality] versus going to the RCA and those fairly complicated meetings.

Number 0493

CHAIR ANDERSON read from page 2, lines 5-8, which states:

(B) a water utility owned by a political subdivision that does not directly compete with another water utility; or

(C) a sewer utility owned by a political subdivision that does not directly compete with another sewer utility.

He noted that subparagraphs (B) and (C) would be exempt from RCA regulation under this proposed bill.

Number 0533

MARK PREMO, General Manager, Anchorage Water and Wastewater Utility, testified in support of HB 515, which would exempt AWWU from economic regulation by the RCA and place it in the same status as every other municipally owned water and wastewater utility in Alaska except one. Providing background, he said AWWU consists of two separate utilities, both subject to economic and service area regulations by the RCA. The water utility, a former municipal utility, has been under RCA regulation since inception of the [former] APUC in 1970. The Anchorage sewer utility was formerly owned by the Greater Anchorage Area Borough, and was voluntarily submitted to the APUC for regulation in 1971. He continued:

An umbrella organization, AWWU was formed in 1975 following the unification of the Municipality of Anchorage. The Municipality of Anchorage in 1991 petitioned the then-APUC to exempt AWWU and its electrical utility from regulation. The decision

split evenly by a vote of 2-2 on the question of exempting the electric utility and AWWU.

The opinion by the commissioners opposing self-regulation cited competition by the municipality's electric utility/cell phone utility with other utilities as the primary reason why AWWU should remain regulated by the state. No commissioner suggested then, or has since suggested, that competition between water and wastewater utilities was present, nor is there any competition there today.

There are a number of small, private, class D (indisc. - coughing) water systems in Anchorage that are not publicly owned and which do not receive regular water service from AWWU. Ten are certificated by the RCA. Seven of those are also economically regulated by the RCA, and the other three appear to be community systems run as cooperatives, therefore exempt from economic regulation. House Bill 515 does not apply to any of these small systems, since none is publicly owned with public oversight.

Number 0691

MR. PREMO continued:

Why does the Municipality of Anchorage desire exemption from RCA regulation? The current RCA regulations and procedures are slow and expensive. From 1993 to 2003, AWWU never requested a rate increase, yet AWWU ratepayers have paid approximately 2.8 million [dollars in] regulatory assessments to the RCA during this period as part of every monthly bill, and are projected to pay just short of \$500,000 in 2004 to cover the cost of regulation.

One of the two supporting documents I sent to Juneau two weeks ago, at the time of local regulation of municipal water and wastewater utilities, [has] dates listed incorrectly with regards to the timeframe in which AWWU had no rate increases. It has 1993 to 2004. It should be corrected to be 1993 to 2003, as the chair correctly stated.

Number 0755

MR. PREMO continued:

During the last decade there were a number of minor, relatively simple procedural tariff filings during this period of time for action, such as minor service-area adjustments and tariff-rule changes. However, the greater cost to AWWU and its customers is in the form of the cost of preparing filings and regulatory lag. History shows that local regulation is faster, less structured, and more economical.

Current RCA regulations and procedures are nonresponsive to local need, which is our second point. The RCA process was designed for private utilities and is not entirely appropriate for municipal utilities. The RCA process is very structured. The municipality is more responsive to local needs and is directly accountable to the ratepayers who are served by these utilities. These customers are also municipal voters. Hearings are held by the municipality in all rate matters.

I ask for the committee's support on House Bill 515. Self-regulation has worked effectively across the nation and in other Alaskan communities and in Anchorage. Actually, Anchorage has regulated some of its own public utilities for many years, many more years, in fact, than the state regulators. Anchorage has a proven record and has effectively regulated the Port of Anchorage, Merrill Field, Solid Waste Services; all are financially strong, high reputable enterprises that provide excellent customer service.

Number 0834

MR. PREMO continued:

AWWU has provided its customers with excellent service, low, stable rates, and sound finances. For more than a decade, ratepayers have benefited from no rate increases as AWWU has reduced positions and expenses by leveraging technology, improving business processes, while at the same time increasing spending on system repairs and rehabilitation, all without the direction and assistance from RCA.

Over the years, the mayor and the assembly made sound decisions in their oversight of AWWU and other municipally owned utilities. Most recently, in January of 2004, AWWU filed for water and wastewater increases to be effective in 2004 and 2005. These rate increases are for increased payments in lieu of taxes, operating expenses, and debt-service costs of facilities constructed in prior years. Effective February 23, 2004, the RCA granted AWWU interim refundable rate increases. I expect the RCA approval to make these rates permanent in the fourth quarter of 2004.

The Municipality of Anchorage and the administration support the establishment of a strong, independent board to oversee and regulate AWWU in lieu of the RCA. In conclusion, with the passage of House Bill 515, municipal regulation of AWWU will balance consumer protection with ... financial soundness, and AWWU will continue to operate on a sound business basis. The RCA would still continue to regulate AWWU water and wastewater certificated service areas.

Number 0940

REPRESENTATIVE GATTO asked for clarification about MOA and Pelican as the only two entities currently under RCA regulation.

MR. PREMO replied that this was correct with regard to publicly owned water and wastewater utilities.

REPRESENTATIVE GATTO wondered if Pelican would have to pay a higher cost because of an exemption to the MOA.

MR. PREMO deferred to Mark Johnson, commissioner and chair of RCA.

REPRESENTATIVE ROKEBERG asked Mr. Premo to explain the AWWU billing process.

MR. PREMO replied that it's done on an independent line item so the customer can identify the charge. The present rate is 0.867 percent for both the water and the wastewater, since they are billed separately. He said the interim increases granted on February 23, 2004, were 13.61 percent for water and 8.06 percent for wastewater. He explained that AWWU pays \$500,000 a year for regulatory compliance to file tariff charges; this increase was

the first granted since 1992 and, in fact, in 2001 there was a lowering of the rate for wastewater of 2.75 percent. Emphasizing that the \$500,000 passed on to the RCA was for the RCA to conduct its work, he noted that AWWU must also prepare cases that go to the RCA commission; these costs are in addition to the \$500,000 and are incorporated into the RCA charge.

Number 1221

REPRESENTATIVE ROKEBERG asked what effect HB 515 would have on the recently granted interim rate increases, and if AWWU would have to conduct hearings to establish permanent rate increases.

MR. PREMO responded that the rate increases before the RCA have undergone the public process and been passed by local ordinance. He recommended keeping these increases in place because the long-range financial plan had included this income.

REPRESENTATIVE ROKEBERG asked for the anticipated amount of the net revenue increase resulting from the February 2004 increases for water and wastewater.

MR. PREMO replied that in 2004 the interim refundable increase would result in \$5.9 million and, when the rates become permanently established, the AWWU has projected a collection of \$6.1 million over a 12-month period.

Number 1382

CHAIR ANDERSON suggested this has nothing to do with the current rate increase.

MR. PREMO agreed and noted that this bill has to do with the internal financial workings of the utility and keeping them economically healthy.

REPRESENTATIVE GATTO asked Mr. Premo to think of it from the point of view of a ratepayer in Anchorage. He said:

There is an interim rate increase for about \$6 million; it's before the RCA. Before the RCA can determine, you come to the legislature and get the RCA out of the process, and the rate increase becomes permanent because there is no other entity to control it. Therefore, the ratepayer looks at us and says, "Well, you couldn't do it through the RCA, so you got legislation to do it." Am I correct?

MR. PREMO replied:

I don't think you're totally correct, Representative Gatto, in the fact that, when we file a rate increase the process is a two-step process. I'm sure Chairman Johnson [of the RCA] can speak to it. We filed the rate increase in January. There's a permanent part of the rate increase they'll make permanently effective based on RCA's ruling, but in addition, at that point in time, we asked for what we call interim rates. Those interim rates are established approximately 45 days on with the commission. Those interim rates have been granted; we're collecting those interim rates today, already.

When the commission finally rules, I expect, the fourth quarter of this year, ... those interim rates will be made permanent. There may be some adjustments in what the actual rate structure is, within a point and a half, a point, would be my expectations at the most. Should we have been overcollecting, in the RCA's viewpoint, in this point in time, we'd actually have refundable. That's why we say they're interim, refundable rates. So, in essence, the RCA has already approved the interim request, sir.

Number 1438

CHAIR ANDERSON commented that RCA is cumbersome and expensive, that AWWU wants to join the large majority of entities not regulated by RCA, and, while he appreciated Mark Johnson's chairmanship of RCA, AWWU wanted to make it easier and less expensive for its customers through local control of water and wastewater utilities. He said, "It's more of a payment that isn't necessary, because you're not using them as a regulatory body, because there hasn't been the need."

MR. PREMO agreed and stated:

We believe we'd be much speedier with respect to our own regulatory process that we would set up here in Anchorage to overview the utility, which would be a very strong board-type of overview. We think depoliticizing any decisions is important. We need to make sure there's long-term health stability of the utility, and, obviously, we need to be customer-

responsive in the fact that we'd be over the purview of the local assembly, with the local assembly being - they're voters - also being ratepayers, much more responsive, nominally in the decrease of the RCA surcharge, but, more importantly, in the interaction and the cost of interaction with the RCA ... and, ultimately, the speed with which we could conduct our business internally.

Number 1588

REPRESENTATIVE LYNN asked what difference HB 515 would make to a homeowner's pocketbook.

MR. PREMO said he couldn't answer directly, but AWWU had a long-range financial plan and he anticipated a decrease in the cost of regulation to the overall utility; this decrease would affect the cost to the ratepayer. He said local control creates a higher level of accountability because the voters can make their wishes known. He said:

Right now, quite candidly, I see it as just the opposite. What you have ... is a situation where you have local control in the fact that any rate increase goes through the assembly through an ordinance and public hearing process. However, how many times have I seen a local assembly member stand up and say, "Well, you know, this is going to be looked at and approved by the RCA before it becomes implemented." So they, in essence, are saying, "Yes, we've done our job, but really the RCA is accountable." Well, now, what we're doing is we're transferring that back around and making those local officials really accountable for their actions.

REPRESENTATIVE LYNN said, "I guess that answers my question. The potential for the future is, there's going to be less money out of pocket for the individual user of these utilities. That's what I wanted to hear. That's the odds are."

Number 1711

MARK K. JOHNSON, Commissioner, Chair, Regulatory Commission of Alaska (RCA), Department of Community & Economic Development, testified that a fundamental policy call is before the legislature as whether municipal self-regulation of a water or sewer utility is the appropriate way to proceed. He said:

In general, we believe that the regulatory cost charges that have been paid to RCA by the municipality, by AWWU, have been overstated in their decisional document. That was the document that was placed in front of the assembly. ... Fundamentally, from the RCA's perspective, ... we believe that AWWU is a pretty well-run utility. Nonetheless, we believe there are some inherent problems in the local self-regulation. ...

MR. JOHNSON pointed out the significant benefits to consumers from RCA jurisdiction over the years. The primary benefit has been relative rate stability over an extended period of time. Although it is likely attributable in part to wise management, he said certainly declining interest rates had a lot to do with it, in addition to significant consumer benefits when a utility that sets rates knows it is subject to RCA jurisdiction and review. He continued:

We suggest that what you have before you is a fundamental alteration of that framework. We don't believe that the benefits are as clear as maybe stated. For example, it should not be overlooked that the municipality, ... if they intend to stand for self-regulation through a board, ... will have significant expenses in setting up that board and staffing it. ...

What is clear is that if this legislation passes today, rates could be set by the Anchorage Assembly with the adoption of a municipal ordinance. As noted, that is not a difficult process. There's no question, at least in my view, that without the RCA in the picture, the degree of scrutiny that those rate decisions might be exposed to might be substantially reduced. I say it's a municipal ordinance process; it could be introduced and heard before the assembly in a very, very short period of time. And we believe that it would probably usher in an era of rate instability that would not at all be beneficial to the consumer.

Number 1891

MR. JOHNSON continued:

The additional thing that I would call to your attention is the history of self-regulation is really not all that clear. ... In Fairbanks, the water and sewer utility used to be owned and run by the municipality. The experience in Fairbanks was not a positive one. ... Staff informs me that, in fact, the public was very much urging that the municipality no longer run that utility and turn it over to private hands. And that utility today rests in private hands.

I suggest that the transitional process ... may not be quite as clear as some would suggest to you. We have a process that's very well established; we adjudicate these matters, usage of a written record; when ... commissioners we hear a variety of matters from multiple utility groups. The process is very familiar to those that participate in it. ... The municipality would have to establish something comparable and, as I suggested, nothing of that nature has been established by the municipality so far.

We believe that the RCA is particularly well suited to deal with the problems which are inherent in self-regulation by a municipality. One of those issues relates to the reasonableness and the collection of payments in lieu of taxes. In the case of AWWU, that takes the form of the MUSA [Municipal Utility Service Assessment] and other payments. Of course, you have self-regulation, as you have a municipal assembly that on the one hand has an appetite for spending money, and yet they would also be placed into the category of setting the rates. I suggest that there's an inherent conflict in that approach. ... We view this as a fundamental policy call in front of the legislature.

Number 2024

REPRESENTATIVE GATTO observed that the fiscal note indicated RCA staff would be reduced by two positions, saving \$258,000. He asked if this was accurate.

MR. JOHNSON replied that a full year's reduction would actually be \$345,000; there wasn't a direct match between two positions and the \$345,000. He said he hadn't yet broken out the proposed reductions among the various operating-expenditure categories listed on the fiscal note.

REPRESENTATIVE GATTO asked if Pelican would be forced to assume a higher RCA cost as a result of RCA's losing the revenue from AWWU.

MR. JOHNSON replied that the impact on Pelican would be quite small.

Number 2099

REPRESENTATIVE ROKEBERG asked if the refundable interim rate increase would not apply if AWWU assumed authority.

MR. JOHNSON replied that it would depend on the effective date of the legislation and on whether the Anchorage assembly wanted to make the rate increase permanent.

REPRESENTATIVE ROKEBERG offered his belief that the attorney general's office staffs an office in the RCA that represents the public's concerns about rate matters. He asked, if there were going to be a hearing on rates, whether this office would take up the case, as a rule.

Number 2167

MR. JOHNSON replied that the attorney general or his/her designee would make that decision. He mentioned audits and investigations and that the attorney general participates in this kind of a case, but said there was no scheduled hearing at this time.

REPRESENTATIVE ROKEBERG asked if there is a six-month timeframe in which RCA has to take up this matter or it would become a permanent rate increase.

MR. JOHNSON affirmed that, saying he preferred to comment no further on this current rate case.

Number 2234

REPRESENTATIVE ROKEBERG noted that RCA is supposed to be an independent body acting outside the purview of politics so it can give fair, reasonable, and just hearings on tariffs and dockets. He also noted that an office of public advocacy exists within RCA, and said the purpose is to have a regulatory authority rather than self-regulation on the part of politicians.

MR. JOHNSON replied that he thought, in every state, that publicly elected officials determined the extent to which they wanted self-regulation by entities that have other due process procedures in place. He noted that the Anchorage assembly acts pursuant to public notice and provides opportunities for the public to participate in its process; he reiterated that this issue is a fundamental policy call of the legislature. He said regulation could come from RCA or the legislature could choose to establish a different process to permit municipal self-regulation.

CHAIR ANDERSON suggested losing \$500,000 from AWWU could result in RCA's losing positions.

MR. JOHNSON replied that RCA could increase cost charges on the remaining utilities it regulates or could reduce its budget. He said he believes the responsible thing to do would be to reduce RCA's budget.

CHAIR ANDERSON asked if he agreed that Mr. Premo could reduce or stabilize rates as a result of not having to pay \$500,000 to RCA.

MR. JOHNSON acknowledged that as a possibility, but said he didn't believe the committee could predict with any certainty whether the reductions would be passed on to ratepayers, since the outcome would be out of the hands of RCA and the legislature, and into the hands of the Municipality of Anchorage.

Number 2341

ROBERT LOHR, Office of Management and Budget, Municipality of Anchorage, stated support for HB 515 and said:

I do have three comments. First, as the chairman of the RCA has indicated, this is a fundamental policy call for the legislature. But actually the legislature has made the policy call, and that is that municipally owned utilities are exempt from regulation by the RCA, with very limited exceptions. Currently, as has been indicated by Mr. Premo and other testimony, the only publicly owned water-sewer utilities that are currently regulated by the RCA with respect to rates, services, and practices are AWWU and the City of Pelican. In the latter case, Pelican has asked to be economically regulated by the commission.

So this policy call's been made, and this bill is a small adjustment to that policy to make it clear that AWWU can qualify for the same treatment as other publicly owned water and sewer utilities have.

TAPE 04-27, SIDE B

Number 2397

MR. LOHR continued:

I worked with the regulatory commission or its predecessor, the APUC, for nine or ten years, and I was there when the regulatory cost charge was created ... in 1992. So I'm very familiar with that mechanism. But with respect to ratemaking, the process that will be followed in the future by AWWU is extremely similar to that that is followed in preparing a rate case for the RCA; namely, the revenue requirement is established, and that's based on the cost of operating the utility. It is a rate-based, rate-of-return model that is very familiar to all of those involved with public utilities.

That process would not change. The cost-of-service study to allocate those costs among the customer classes properly would not change. And, third, nor would the rate redesign phase, where the costs are adjusted to match those costs of providing service such that the cost causer becomes the cost payer. Those techniques are well known. They are industry standards, and they would be followed under AWWU, as a self-regulated utility. I am sure that the board of directors of AWWU will insist on it.

Number 2329

MR. LOHR continued:

As Mr. Premo's already indicated, there is accountability in the fact that the voters and the ratepayers are one and the same. And the mayor and the assembly would continue to be fully accountable. I would make just one note: the assembly has not, in fact, approved the rates. What they have done is approved the filing of the rate case with the RCA. The permanent rate decision would remain.

The third comment I'd like to make is that recent legislative audits have asked the commission, the RCA, to focus on small ... water and sewer utilities, because there are 65 utilities out there that are not certified, which the commission is aware of. I would respectfully suggest that this would be a good area of attention. I know that the commission has, in response to the legislative audit, adopted some regulations to relax the certification process for those utilities. But, to date, I believe many of them remain uncertified.

Number 2271

REPRESENTATIVE ROKEBERG asked about the status of the small water utilities. He said in his area of Anchorage, for example, there are a number of class "a," "b," and "c" designations by the Department of Environmental Conservation (DEC). He asked, "Those small co-op or neighborhood-type water utilities that are privately owned in the main, are they regulated by the RCA now?"

MR. JOHNSON replied that, in fairness, he is still new at his job and learning a lot. He said in general, as it relates to the small water and sewage utilities, there are a larger number than 65, and the RCA has made efforts to provide some rudimentary form of regulation to them. He said the primary regulatory framework at this time is through DEC, which has various classes, although he didn't know how those classes would relate to RCA's proposed limited certification. He said although RCA is moving into that area of regulation, it remains to be seen how it intends to pay for those efforts.

Number 2206

REPRESENTATIVE ROKEBERG said in Anchorage there are several hundreds of these type of water systems. He asked if the municipal water service competes with these small private water systems.

MR. PREMO responded:

We need to kind of differentiate the classes of utilities. ... Regarding how the RCA classifies utilities, which is on a very class description, a class "a" would be one like the [AWWU]. We have \$1 million or greater [of] revenue, all the way down to a class "d," which is less than \$250,000 of revenue.

There are 11 of those utilities within Anchorage. All but AWWU are rated as a class "d" system, less than \$250,000 in revenue annually. Of those, all but three are economically regulated, and they are privately owned.

There are three that are not economically regulated, but they are run, in essence, as a cooperative. They are outside of regulation. The other thing that I think you are speaking to is that there are also an additional 90 water systems within the Municipality of Anchorage that report to the DEC as a small water utility. I think that's what you were referring to. So, that might give you a basis for the number.

Number 2107

REPRESENTATIVE DAHLSTROM noted that she was from Eagle River and that her community had been discussing secession from the MOA. She asked Mr. Johnson what the changes being discussed in HB 515 would be if Eagle River did secede.

MR. JOHNSON replied that he thought parts of Eagle River were served by AWWU. He noted a broader question: What is the ownership interest in the utility? He said people who live in the Chugiak area, for example, live in the MOA, but aren't served by AWWU; they still have an ownership interest in the utility. He said it's an extremely complex question, and it would depend on the terms of the separation of Chugiak/Eagle River from the MOA.

Number 2011

MR. LOHR added, "I believe that the RCA would retain full authority over certificates. That is, service territories and their boundaries would continue to be regulated by the RCA, even if this bill was adopted and enacted."

REPRESENTATIVE GATTO asked Mr. Johnson if the RCA was likely to approve the two increases requested by AWWU.

MR. JOHNSON declined to comment.

CHAIR ANDERSON said he thought this bill was for the consumer; that rates would be lowered or stabilized; and that, from the perspective of the Anchorage legislators, the consumers would save money and still get efficient service.

Number 1930

CHAIR ANDERSON moved to report HB 515 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 515 was reported from the House Labor and Commerce Standing Committee.

HB 402-LABOR & WORKFORCE DEVELOPMENT FEES

CHAIR ANDERSON announced that the next order of business would be HOUSE BILL NO. 402, "An Act relating to fees for the inspection of recreational devices, for certificates of fitness for electrical wiring and plumbing, for filing voluntary flexible work hour plans, and for licenses for boiler operators; and providing for an effective date." [HB 402 was sponsored by the House Rules Standing Committee by request of the governor.]

Number 1853

GREY MITCHELL, Director, Division of Labor Standards & Safety, Department of Labor & Workforce Development, presented an informational flowchart that detailed the collection and expenditure of state fees for recreational device inspections, boiler operator licensing fees, electrician and plumber certificate of fitness fees, and flex-plan filing fees. He testified:

The recreational device inspection fees are paid by the operators of these recreational devices. People who are operating ski lifts or a go-cart ride ... would be required to pay a fee for the inspector to check that ride out. Those fees would then be deposited into the building safety account [BSA], which is a subaccount in the general fund ... legislatively earmarked to fund the mechanical inspection program. ... The legislature then gives a certain amount of authority to the Mechanical Inspection Program to spend the money that's collected. ... The funding would be used for inspector certification and the cost of travel associated with getting these certifications. ...

The second section deals with boiler operator licenses. And we are proposing a fee for the licensing of boiler operators. At the time of their application they would pay a \$200 fee, which would be

good for three years. The funds for those license fees would, again, be deposited into this building safety account, which is used to fund the Mechanical Inspection Program, subject to the legislative authority that is established by you. That funding amount would be used for the program costs, which are involved with reviewing the credentials of the applicants, testing the applicants when they apply for a license, issuing the licenses, and maintaining the records on those license holders.

Number 1722

MR. MITCHELL continued:

Section 3 deals with certificate-of-fitness fees that are paid by plumbers and electricians who hold certificate of fitness cards or licenses. At the time of their application for that license, they would pay a fee for the license. Currently, they do pay a fee, and our proposal is simply to increase that fee to cover our existing costs and increase one electrical inspector position. The funds that are collected for those certificate-of-fitness fees, again, go into the building safety account, which is then used to fund the Mechanical Inspection Program. ...

The last one: ... flex-plan filing fees would be charged to an employer at the time that they apply for flexible work hour plan, which is an exemption from overtime that basically allows employees to work a four 10-hour day schedule instead of the normal 8-hour standard that applies for overtime in Alaska. Then again, these funds would just be deposited into the general fund, so they aren't program specific funds. This is more of a revenue-generating proposal.

Number 1648

REPRESENTATIVE GATTO asked if the BSA is the same account for all four of the sections on the flowchart or whether each section is a subaccount of the BSA.

MR. MITCHELL replied that the first three sections are all in the BSA, and the last section's fees go into the general fund.

REPRESENTATIVE GATTO asked if this bill requires that each recreational-device inspector travel to California or Florida for training or if one individual could get the necessary training, return to Alaska, and train other inspectors.

MR. MITCHELL replied, "The cost would really only be for our inspectors to go to certification training in those locations. Then they would come back and, with their knowledge, inspect the devices for these operators."

Number 1584

REPRESENTATIVE CRAWFORD asked how long it would take to add an additional electrical inspector after the fees were raised.

MR. MITCHELL said there are two positions being held: one is a new position, not in the governor's budget, and would only be created when HB 402 passes; the other is being held because of current insufficient funding in the BSA. He hoped to fill the second position first and believed there would be enough funds at the beginning of the fiscal year if HB 402 passed.

REPRESENTATIVE CRAWFORD stated his intent to increase the number of electrical inspectors and wondered how the legislature could accomplish this goal.

MR. MITCHELL said he couldn't commit to filling the new position immediately because the program is funded from collected fees and the distribution process for these fees is complex.

REPRESENTATIVE CRAWFORD reiterated that electricians agree to pay extra fees so there are adequate inspections; he sought assurance that these fees would go for the inspector positions.

MR. MITCHELL replied:

The plan is to increase by two positions. So we're going to fill a vacancy and then we're adding a position with this legislation, and we would fill it if we had the revenue available to do it. Our projections show that we will. So if everything aligns, then we're going to fill this position shortly after the start of the fiscal year.

REPRESENTATIVE GATTO called attention to page 2, lines 19-20, "Nothing in this section creates a dedicated fund or dedicates

the money in the account for a specific purpose." He expressed concern that the fees could be used for some other purpose.

REPRESENTATIVE ROKEBERG clarified that this language exists to avoid constitutional conflicts because of the [state] constitutional prohibition on dedicated funding. He said, "You want to try and direct it here, but you have got to express in the statute that it is not dedicated."

MR. MITCHELL said the BSA statute, AS 44.31.025, contains the authority to deposit in and charge against the BSA.

Number 1307

MIKE NOTAR, Assistant Business Manager, Local 1547, International Brotherhood of Electrical Workers (IBEW), testified:

I'm here to speak to the proposed increasing of the fees charged for electrician certificates of fitness. Journeymen electricians and apprentices, in order to perform electrical work in the state of Alaska, must qualify for, test for, obtain, and possess an electrical certificate of fitness or license. Also, electrical contractors performing work in our state are required to test for and obtain an electrical administrator's license. For the committee's information, certificate-of-fitness holders cannot perform electrical work unless they are employed by a licensed electrical contractor.

We are here to speak in support of the proposed statute change if the revenues collected are placed into the building safety account and will allow the Department of Labor & Workforce Development to enforce certificate-of-fitness requirements and perform inspections. At the present time, there is but one electrical inspector statewide to enforce these requirements and do inspections. As a result, these things are not being done to the extent that we believe they should be.

We believe that a certificate of fitness for electricians has societal value, both in protection of life and property, when the integrity of electrical installations is inspected and required to conform to the minimum standards allowed by law in our state. We

also believe that, from an enforcement standpoint, the public interest is well served by requiring electricians and apprentices to be qualified, licensed, adequately trained, and continually educated in the national electrical code, which is adopted in statute, which further protects life and property.

The Department of Labor & Workforce [Development] also through these inspections and enforcement, has the ability to enforce the electrical administrator requirements, thus assuring the public that both qualified contractors and electrical workers are responsible for the work being performed and that standards that assure public safety are being met.

Number 1212

MR. NOTAR continued:

Another point that I don't believe has been mentioned is that other states - specifically Oregon, South Dakota, North Dakota, Utah, Nebraska, Wyoming, Washington, Idaho, Montana, Minnesota, Colorado, and, most recently, California - have licensing requirements for electricians. The State of Alaska reciprocates licensing with each of these states except for California at present, to the best of my knowledge. What this means is that if work becomes slow in certain areas or states, or if work becomes overly plentiful in another area or state that lacks an adequate electrical workforce, this reciprocation of licensing allows portability, both for the areas and the electrical workers that may need it. Although the fee increase does not affect these relationships, I felt it was good information for the committee.

Number 1129

CHAIR ANDERSON asked for clarification on Mr. Notar's position on HB 402.

MR. NOTAR replied: "We are supportive of the increase to our licensing fees if it, in fact, will go into the building safety account. And I understand that there is not a dedication."

REPRESENTATIVE ROKEBERG asked whether it was Mr. Notar's testimony that the certified electricians should be paying for

building inspectors, rather than having real estate developers or building owners pay for them.

MR. NOTAR replied no. He said these inspectors have the ability to inspect for the integrity of the work, but also have the ability to enforce licensure of contractors.

REPRESENTATIVE ROKEBERG characterized the certificate of fitness as a "tax on workers" and asked Mr. Notar if there was any controversy among the membership of the IBEW with regard to paying a fee for this certificate.

MR. NOTAR replied:

I don't believe I could represent to this committee or anyone else that all my members are always happy at any one time regarding any issue. I would have to say that, yes, they are generally supportive of this. There is some controversy regarding the certificate of fitness. Probably the major controversy is what is spurring me to provide this testimony today, that is, why would we pay the fee if there is not enforcement or inspection being done.

Number 0950

REPRESENTATIVE ROKEBERG expressed concern that the Department of Labor & Workforce Development planned to hire building inspectors with funds from the BSA. He said he felt these costs should be borne by the developers, the building owners, or the state agencies that hire inspectors, rather than the workers.

MR. NOTAR stated:

To be very candid, we have been paying these fees for 30 years. We feel they are beneficial not only to our members. We feel they are beneficial to the public safety, the public good. Our members and others are generally comfortable in the licensing fees, and they don't feel that they are exorbitant.

Number 0796

CLAIRE MORTON, Owner, Golden Wheel Amusements, testified that her company annually hires nationally certified, professional inspectors from outside to inspect her recreational equipment and provide safety training to her employees. She questioned

the prudence of the \$200-per-ride inspection fee when she already pays for an outside firm to do the inspections. She questioned the liability of the state and suggested third-party inspection might be more prudent.

Number 0550

STEVE BOYD, Manager, National Electrical Contractors Association, noting that he is a licensed electrician, testified:

On behalf of myself as a certificate-of-fitness holder and on behalf of the National Electrical Contractors Association, I'd like to go on record as supporting this fee increase. Recognizing the challenges that we all face, we feel that the increase is reasonable, given the length of time since the last increase and the necessary work that has to be done.

The building safety account would ensure funding certificates of fitness and inspections of the covered work. These programs are beneficial to the industry and the general public. They help ensure an adequate level of compliance of public safety. For these reasons, we support the program and the necessary increase in fees.

Number 0446

REPRESENTATIVE ROKEBERG asked Mr. Mitchell if the current system of inspections allows for third-party certified, outside inspectors.

MR. MITCHELL replied that the Division of Labor Standards and Safety has worked with third-party inspectors at Golden Wheel Amusements for a number of years. He stated, "The amusement-ride inspections that are done by out of state inspectors that would come in, or certified inspectors, which are done with our people, could be exempt from the fee. After all, our inspectors would not do the inspection."

REPRESENTATIVE ROKEBERG noted that a company with 10 machines would pay \$2,000 to the state in addition to the outside inspector.

MR. MITCHELL responded that if the inspector doing the inspection was from his division, that would be true.

REPRESENTATIVE ROKEBERG asked whether Mr. Mitchell would accept a certified outside inspector approved by the Department of Labor & Workforce Development doing the inspection and waiving the fee.

MR. MITCHELL said that's what the department is currently doing; however, it is not in regulation.

REPRESENTATIVE ROKEBERG asked if the statute could be amended to include the approved use of certified, outside inspectors. He also asked how much it costs to process a one-page request for voluntary flextime work plan at this time.

MR. MITCHELL replied that there is no fee at this time, but acknowledged that some flex plans are complicated and require more time to process than others.

REPRESENTATIVE CRAWFORD asked for the primary reason underlying the \$100 fee for a flex plan in the proposed legislation.

MR. MITCHELL said it generates fee revenue.

TAPE 04-28, SIDE A

Number 0008

REPRESENTATIVE ROKEBERG moved to adopt Conceptual Amendment 1, to add a subsection (d) to Section 1 that says the department will waive any fees for approved and nationally certified inspections for the devices under this section. There being no objection, it was so ordered.

Number 0079

REPRESENTATIVE ROKEBERG moved to adopt Amendment 2, labeled 23-GH2111\A.1, Bannister, 2/27/04, which read:

Page 1, line 2:

Delete "**for filing voluntary flexible work hour plans,**"

Page 2, lines 6 - 9:

Delete all material.

Renumber the following bill sections accordingly.

CHAIR ANDERSON objected for purposes of discussion.

REPRESENTATIVE ROKEBERG explained that for the title for filing voluntary flexible work hours, page 2, lines 6-9, Section 4, this just deletes the \$100 fee for filing for a flexible work hour plan.

CHAIR ANDERSON asked for a "thumbs up" if the department agreed. He then remarked, "OK, there's a thumbs up for the record."

Number 0165

CHAIR ANDERSON removed his objection. He announced that there being no other objection, Amendment 2 was adopted.

Number 0178

REPRESENTATIVE GATTO moved to report HB 402, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 402(L&C) was reported from the House Labor and Commerce Standing Committee.

HB 452-GUIDED SPORT FISHING

CHAIR ANDERSON announced that the final order of business would be HOUSE BILL NO. 452, "An Act relating to licensing and regulation of sport fishing services operators and fishing guides; and providing for an effective date." [In packets was a proposed committee substitute, Version D.]

Number 0250

REPRESENTATIVE CHERYLL HEINZE, Alaska State Legislature, sponsor of HB 452, began by crediting the Alaska Department of Fish & Game (ADF&G) with helping to craft a good bill. She explained that previously she'd owned a fishing and guiding lodge near Lake Creek that employed five guides. Currently, the only information provided to ADF&G is garnered from sport fishing registrations, which have no information regarding catch. She said fishing guides increased from 3,800 in 1998 up to 4,559 in 2003. The percentage of nonresident fishing guides has been increasing as well, and the average percentage of resident guides from 1998 to 2003 was 72 percent. She told members:

This bill established mandatory reporting requirements for all sport fishing businesses and sets license fees that cover the cost of the licensing program. House Bill 452 deals with two major needs in the sport

fishing guide industry: first is the need for increased information gathering. This bill would provide the Department of Fish and Game comprehensive information on the number of fish caught, the location of the catch, and number of boats used.

This information tool helps the department make informed decisions that will help protect fish stocks and their habitats, and to maximize their current and future yields. This benefits not just the sport fishing industry, but also ensures that we fulfill our constitutional mandate to manage Alaska's resources to their maximum sustained yield.

Number 0404

REPRESENTATIVE HEINZE continued:

The second part of the bill is the need for standardized consumer safety. By mandating minimum requirements for sport fishing guides and operators, such as Red Cross first-aid training and liability insurance, we can be sure that guides are trained in the event of an emergency and that consumers are covered under their insurance.

Thirdly, consumer confidence is improved by the guarantee of certain standards, protections, and training that their guides and operators will have. The sport fishing industry is an important and driving factor in Alaska's economy. No one believes that more than I do. Such a vital industry needs to be protected and supported in order to ensure that it remains that way.

Number 0463

JON BITTNER, Staff to Representative Cheryll Heinze, Alaska State Legislature, addressed the fees, noting that there are two separate categories of license proposed. One is for a sport guide operator, a \$100 fee, and one is an actual sport guide. If someone wants both the guide and the operator licenses, it's still a flat \$100 fee; they aren't "stackable." Discussing the fiscal note from the Division of Sport Fish, he said:

The total operating expenditures for fiscal year 2005 that would be incurred by the increase of work brought

on by the extra reporting that the division would have to do is roughly \$345,000. The revenue brought in by the fees from the two separate categories of licensing would be \$355,000. So this is not an unfunded mandate.

MR. BITTNER concluded there'll be adequate funding for the increase in jobs, four full-time employees and one part-time, as well as the increase in equipment needed to handle the increased work.

Number 0638

JIM PRESTON, Owner, Big Jim's Charters, a fishing and sight-seeing operation that operates out of Auke Bay, began by saying he wasn't certain Representative Heinze had offered the proposed CS.

Number 0700

REPRESENTATIVE GATTO moved to adopt the proposed committee substitute (CS), Version 23-LS1619\D, Utermohle, 2/27/04, as a work draft. There being no objection, Version D was before the committee.

MR. PRESTON continued:

That version came as a result of many operators throughout the state making comments. ... They responded ... favorably. This legislation is very similar to legislation that was here in the 1990s; [then-Representative Alan Austerman] had presented this. It actually passed the House; it had gone to the Senate and, unfortunately, it died in the Senate. As a result of that, ... regulations were implemented, which basically are what we're living under now.

For saltwater guides, the regulations that we live under is basically what this committee substitute bill is about, that is, that we have to register as an operator, we have to register as a guide, we have to make reports through the logbooks. ... The difference is that we are not required by the regulations to have an insurance policy, nor are we required to have a first-aid card by the state. Of course, anyone who does operate knows that the Coast Guard does require that we have the first-aid certification.

For many years, many of us have tried to professionalize our industry. It is an industry that is one of the bright spots, I believe, in the Alaskan economy, and it brings an awful lot of money in here. When we go to the Board of [Fisheries] and argue our case ... in terms of allocation issues, we keep being told the same thing over and over: Go back and regulate yourselves. Some of you have sat and listened to some of us talk about moratoriums; some of you have sat and listened to us talk about other kinds of issues.

Number 0831

MR. PRESTON continued:

Not all, but many, many operators are very supportive of the committee substitute for this as a definite step in the right direction for being self-regulated. It would do many things. It would, for once and for all, list us formally as a sport fishing entity. The issue of commercial fishing versus sport fishing will go away with this. We'll be licensed as a sport fishing entity, as charter operators, as a service provider to sport fishermen. To me, that in and of itself is worth the \$100 fee that I would have to pay as a combined operator and provider.

REPRESENTATIVE GATTO asked why Mr. Preston wasn't in favor of the original bill.

MR. PRESTON said the number-one objection was to divulging the confidential lists of clients and their license numbers. He said there were inconsistencies with sport fishing clubs, and subsistence and personal use fishing versus sport fishing, and that these ambiguities were removed from [Version D].

Number 1084

KELLY HEPLER, Director, Division of Sport Fish, Alaska Department of Fish & Game, introduced deputy director Rob Bentz and said they'd listen and be available for questions. He informed members that his department strongly supports this bill.

Number 1150

GEORGE PATTERSON, Owner, "Catchalot" Charters, testified as follows:

I completely agree with the bill that Representative Heinze has here. I do have one concern on the fee of \$100. I believe that you need a nonresident fee such as the commercial fishing crew have. In Alaska the fee is \$60 for resident and \$180 for nonresident, and I do believe that the nonresident should pay more for their fishing fee.

Another ... item I have is: How are you going to enforce this? The public safety, the park rangers, the troopers, [and the Alaska Department of] Fish & Game are stretched to the limit right now. ...

I would address this to Representative Rokeberg there. I do believe that the sport fishing license should have some real meaning to it. ... It should be set up like our real estate license here in the state of Alaska where new folks going into the sports fishery need to pass a test [at] a certain level and some sort of a continued education where they ... get their Coast Guard safety, [and the Alaska Department of] Fish & Game can give regulation courses.

Number 1320

DALE BONDURANT, Soldotna, said it appears HB 452 is an attempt to place the commercial fishing industry within the same constitutional protection as the sports fish guiding industry. However, he finds that the two industries have been proven by the Alaska Supreme Court to have nothing in common. He indicated a court opinion said the following:

Admittedly, there is a difference between the commercial fisherman and the professional guide. A commercial fisherman takes his catch before selling it to others for consumption while a guide does not actually take game or fish, a privilege reserved for the client. We view this as an insignificant distinction that does not remove the (indisc.) guides from the protection under the common use clause. The work of a guide is so closely tied to the initial taker that there is no meaningful basis distinguishing

between the rights of the taker under the common use clause.

MR. BONDURANT said this clause is contained in Article VIII, Section 3 [of the state constitution], Common Use, which says, "Wherever occurring in their natural state, fish, wildlife, and waters are reserved to the people for common use." Mr. Bondurant concluded:

I've seen all this argument about "the commercial fishing commission would submit their problems and the guides would submit theirs." I figured then that they were in the wrong field to that system. I also oppose any additional fee for nonresident fishermen. They had this problem with commercial fishing and I understand that Alaska's going to have to eventually pay \$3 million because they were charging the commercial fishing people nonresident license. So I'm against that. This is a common property and resource, and I think it's open for everybody.

Number 1562

JOEL HANSON, The Boat Company, noted that this company is a 25-year-old Alaska corporation that operates educational charters, sightseeing and shore excursions, and sport fishing. He pointed out that four categories of concern with this bill had been outlined in written testimony he'd provided. [Those concerns related to new licenses and fees without new privileges and benefits; the "chain of guilt" that creates liability for fishing violations committed by a client; the unreasonable burden to "physically possess" paperwork; and the unreasonable burden to uphold unreasonable recording requirements.]

Number 1687

ROBERT WARD, Homer Charter Association, concurred with the testimony of Mr. Preston and said:

There are two of us here representing 80 people in total. ... We would like to see some adjustment on the first fine, the first-offense penalty. At \$500 it seems like it's a little bit too (indisc.). We're not dealing with a resource here; we're dealing with paperwork, strictly administration. Other than that, we feel that we can support the bill as it's substituted.

Number 1725

TIM EVERS, Deep Creek Charter Boat Association, testified that he was in accord with the previous testimony of Mr. Preston and Mr. Ward. He said he felt the \$500 fine was excessive and should be reduced to \$200. He also said many of his membership want the fees for nonresidents in the industry raised over and above those of the resident guides.

Number 1785

MARK HEM, Owner, Hem Charters, informed members that he didn't support HB 452 because he felt the added burden of fees and paperwork was excessive to operators. He said he didn't believe the information contained in the required paperwork would necessarily aid in management or protection of the fishery, and he expressed concern about this bill's giving the Board of Fisheries additional authority.

CHAIR ANDERSON asked whether Mr. Hem had Version D.

MR. HEM replied that he'd just received a copy and hadn't had time to look at it closely.

CHAIR ANDERSON asked whether Mr. Hem could hold off and testify at the next hearing.

MR. HEM agreed to testify again.

Number 1905

ALAN LeMASTER, Owner, Copper River Salmon Charters; Secretary, Klutina River Association in the Copper Valley, testified:

Last Monday the Klutina River Association had a lengthy discussion on HB 452 at our regular membership meeting. As you might imagine, the concern was significant. The objections were many and the fear by some is that it will only foster more state control, higher costs, greater workload, with little or no return to those of us that are required to apply.

Many of our members expressed an understanding for the reasons of the ADF&G and have little objection to the support of the spirit of the bill. Most, however, expressed a fear that it opens the door to the state's

ability to scrutinize our books, thus leaving us open to criticism, regulation, penalties, fines, fees, burdensome control by the state.

Most of the objections expressed by the membership concern an inordinate amount of record keeping required and fears that the persons outside the ADF&G's "need to know" would pirate much of that information, placing our businesses in jeopardy.

CHAIR ANDERSON asked if Mr. LeMaster was referring to Version D.

MR. LeMASTER affirmed that and continued:

Additionally, the fees suggested are only a beginning point. Our fear is that all too often we see fees like these escalate to much higher numbers in only a few short years as the costs to maintain the program increases. A case in point: the DEC [Department of Environmental Conservation] passed regulations a few years ago that required user fees of \$50 for inspections of food establishments. Now that fee has expanded to \$150 and, in my case, they are assessing two or three different fees for the same business because we have little differences within our business. So, over the years the inspections have been reduced and, in some cases, discontinued altogether, and yet the fees go up. We call that double taxation. In principle [that] will, without a doubt, happen with the sports fishing industry as the agencies learn that the maintenance costs of the program are significant, rather than [those] being suggested in your fiscal notes.

Number 2032

MR. LeMASTER continued:

Right now, in order for me to put my people on the rivers up here in the Copper Valley, I have to buy a business license, a Coast Guard license; I have to have fishing permits; I have to have a driver's license; I have to have insurance; I have to have a fishing license and a king stamp; I have to have a permit at the local store down here; and the guides have to have a letter that shows that they work for me.

There's about 10 or 12 things they have to have. And after you compile all of this information, ... what do you do about the people that aren't being guided - which in our case in this valley are at least as many, if not twice as many, people as are being guided on our rivers. You're getting no information from them, so how valid can all of this information be that you compile, when it's only a significantly small portion of the total amount that you need in order to make good decisions? So with that, we as an association took a vote, and it did not pass to support this bill at this time.

CHAIR ANDERSON announced that HB 452 would be held over, allowing for additional testimony.

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:35 p.m.