

APUC

(SEN. BRADLEY)



Official Business

# Alaska State Legislature

## Senate

### Committee on Commerce

March 13, 1980

Pouch V  
State Capitol  
Juneau, Alaska 99811

The Honorable Clem Tillion  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Mr. President:

Your Senate Commerce Committee has had under consideration for "Sunset" review the Alaska Public Utilities Commission, pursuant to your referral under AS 44.66.010 and AS 44.66.050.

In accordance with the statutory requirements, a public hearing was held on the review of this commission. An additional hearing was held on March 13, 1980, as the Committee Chairman had been notified that additional witnesses wished to testify regarding the Alaska Public Utilities Commission.

Guided in part by the report prepared by the Legislative Audit Division, the Committee took into consideration the factors required under AS 44.66.050(c).

Your Commerce Committee thereby makes the following findings:

The Committee finds some merit in recommendation number one which recommends that the Alaska Public Utilities Commission, the Alaska Transportation Commission and the Alaska Pipeline Commission should be combined into a single regulatory commission. However, this will require considerable further study. The Committee finds it is not in the public's interest to do so at this time.

In recommendation number two, the Legislative Audit Division recommends that AS 42.05 should be amended to allow the Alaska Public Utilities Commission to cease all certification and regulation of cable television. The Committee does not concur. Cable systems in Alaska, particularly in the remote areas, do not serve a mere entertainment function. Cable television in some areas of Alaska is the only source of information and entertainment. It is felt that regulation

should continue in these areas. In urban areas, where alternative forms of entertainment and information are available, the Committee agrees that certification and regulation may not be necessary. Recent legislation passed in the state of California provides a formula that the Committee believes will, with modification, provide for deregulation of the cable systems in major urban areas of Alaska while providing regulatory protection for Alaska's rural population.

Recommendation number three asks that AS 42.05 should be amended to allow the Alaska Public Utilities Commission to cease certification and regulation of those utilities furnishing collection and disposal service of garbage, refuse, trash and other waste materials. In both the Legislative Audit Report and the public hearing, the reason most often heard for this deregulation was that "We don't have the staff to do this." An assertion is made in the Performance Review that the refuse industry is not capital intensive and that competition in this industry would not be as detrimental to the public's interest as competition among more capital intensive industries.

However, it has also been argued to the Committee that there should be some limited activity by the Alaska Public Utilities Commission in this area. Contentions have been made in favor of the Commission having appellate authority over local government units which may assume the regulatory function; and it has also been argued that the APUC be allowed to have jurisdiction "by consent," when a municipality and a utility have both agreed to that jurisdiction. While the Committee tends to agree with the recommendations of the Legislative Auditor about deregulation in this area it will consider these arguments about very limited jurisdiction during the preparation of the Committee's legislation.

Recommendation number four asks that AS 42.05 be amended to allow nonprofit telephone and electric cooperatives to petition for withdrawal from APUC economic regulation. It further recommends that the membership of the cooperatives, by a vote of a majority of the members, be given an opportunity on a utility by utility basis to determine whether their cooperative should remain under APUC regulation. The Committee finds several problems in considering deregulation of the

cooperatives. One, as pointed out by the Performance Review, is the large number of consumer complaints received by the APUC against cooperatives. The second, which was brought out in public hearing, is that the annual meetings of the cooperative associations have a less than representative number of members present. Before the Committee can consider deregulation of the utilities by vote of the membership, the Committee would have to be assured that the vote in fact represented a majority of the actual members as opposed to a majority of the members present at any given annual meeting, or that similar safeguards are provided.

With this modification, the Committee's legislation will reflect this recommendation.

The Committee in general concurs with recommendation number five that asks that AS 42.05 be amended to exempt from economic regulation all utilities with annual gross revenues not exceeding \$100,000. We agree with the Legislative Audit Division that the cost of regulation "on a percentage basis" to a small utility may outweigh the potential benefits. However, when considering regulation of a utility we must look not only to the cost factor but also to the factors of public safety that are involved. Many of these small utilities provide vital needs to communities, for instance, water utilities. The Committee while including deregulation for these utilities in its legislation, will attempt to include some triggering device that would submit the utility to regulation if serious consideration of public health and safety should warrant such action.

The Committee concurs with recommendation number six that the statutes and regulations governing the Alaska Public Utilities Commission should be revised, and will work with the Commission to accomplish this.

The Committee concurs with recommendation number seven that salary levels for the professional and technical support staff should be upgraded. If salaries are not competitive with private industry in Alaska, we cannot expect qualified personnel to work for the APUC on an extended basis: The Commission will only become a training ground for industry.

The Committee concurs with recommendation number eight that the APUC should implement a time management system. We

The Honorable Clem Tillion  
March 13, 1980  
Page 4

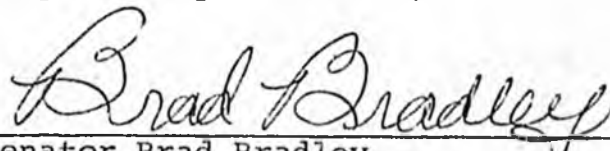
were informed during the public hearing that new concepts are being implemented by the Executive Director and the situation is improving. If this is accomplished within a reasonable length of time, no legislative action will be necessary.

Recommendations number nine, ten, and eleven address "housekeeping" functions of the APUC. It is our understanding, as a result of testimony by the Alaska Public Utilities Commission, that action is being taken on these recommendations. If this action proceeds in a timely manner, it is felt that no legislative action will be necessary in this area.

Recommendation number twelve urges that the Office of the Governor keep the appointment of the Chairman of the Alaska Public Utilities Commission current. Complaints that the Office of the Governor has been slow in making appointments to boards and commissions have appeared often in the Performance Reviews. It is hoped that the Governor's Office will make timely appointments to boards and commissions in the future.

Corresponding legislation will be introduced soon to accomplish the goals of this report.

Respectfully submitted,



Senator Brad Bradley  
Chairman  
Senate Commerce Committee

BB:jss



1 for authority to acquire a controlling interest in RCA Alaska  
2 Communications, Inc., is changed from the hearing room in  
3 the Commission's Office, 1100 MacKay Building, 338 Denali  
4 Street, Anchorage, to Courtroom "K" (Room 201), George Boney  
5 Memorial Building, 303 "K" Street, Anchorage, Alaska. The  
6 time and date of the hearing are not changed by this Order.  
7 DATED AND EFFECTIVE at Anchorage, Alaska, this 7th day of  
8 March, 1979.

9 BY DIRECTION OF THE COMMISSION  
(Commissioner Carolyn S. Guess not participating)

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U-78-11(2)  
Page 2  
(S E A L)



ALASKA PUBLIC UTILITIES COMMISSION  
1100 MACKAY BUILDING  
338 DENALI STREET  
ANCHORAGE, ALASKA 99501  
PHONE 276-0222

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners:      Gordon J. Zerbetz, Chairman  
                                 Marvin R. Weatherly  
                                 Carolyn S. Guess  
                                 Susan M. Knowles  
                                 Stuart C. Hall

In the Matter of the Application      )  
of PACOM, INC., a Wholly Owned      )      U-79-11  
Subsidiary of PACIFIC POWER &      )  
LIGHT COMPANY for Authority to      )  
Acquire a Controlling Interest      )  
in RCA ALASKA COMMUNICATIONS, INC. )  
\_\_\_\_\_ )

CERTIFICATION OF MAILING

Sandra S. Thomas certifies as follows:

That I am Clerk Typist III in the offices of the Alaska Public Utilities Commission, 1100 MacKay Building, 338 Denali Street, Anchorage, Alaska 99501.

That on the 8th day of March, 1979, I mailed true and accurate copies with postage thereon to the parties indicated on the attached service list of

ORDER NO. 2

ORDER CHANGING HEARING LOCATION

in the above entitled cause.

DATED at Anchorage, Alaska, this 8th day of March, 1979.

Sandra S. Thomas

Service List

U-79-11

Robert E. Stoller, Esq.  
1100 MacKay building  
338 Denali Street  
Anchorage, Alaska 99501

Richard O. Gantz, Esq.  
RCA Alaska Communications, Inc.  
509 West Third Avenue  
Anchorage, Alaska 99501

COURTESY LIST

B. Richard Edwards, Esq.  
310 K Street, Suite 511  
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Roger R. Kemppe, Esq.  
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Defense Communications Agency  
Office of the counsel  
Code 105  
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Arlington, Virginia 22204

PACOM, Inc.  
920 S.W. Sixth Avenue  
Portland, Oregon 97204

The Honorable Jim Duncan  
Pouch V  
Juneau, Alaska 99811

The Honorable Mike Miller  
Pouch V  
Juneau, Alaska 99811

The Honorable Margaret Branson  
Pouch V  
Juneau, Alaska 99811

Rural Cap.  
327 Eagle Street  
Anchorage, Alaska 99501

The Honorable Pat Carney  
Pouch V  
Juneau, Alaska 99811

AFN Telecommunications Committee  
c/o Paul Sherry  
Tanana Chiefs Conference  
Doyon Bldg.  
First & Hall  
Fairbanks, Alaska 99701

The Honorable Mike Beirne  
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The Honorable Oral Freeman  
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The Honorable Russ Meekins, Jr.  
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The Honorable Terry Gardiner  
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The Honorable Bill Miles  
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The Honorable Ernie Hargen  
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The Honorable Bill Parker  
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The Honorable Richard Eliason  
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The Honorable Sam Cotten  
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The Honorable Randy Phillips  
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Courtesy List (Cont.)

The Honorable Rich Halford  
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the Honorable Terry Martin  
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the Honorable Thelma Burchholdt  
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The Honorable Joe McKinnon  
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The Honorable C.V. Chatterton  
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The Honorable Ramano Barnes  
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The Honorable Ray Metcalf  
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The Honorable Joyce Munson  
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the Honorable Joe Hayes  
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The Honorable Joe Montgomery  
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The Honorable Hugh Malone  
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The Honorable Pat O'Connell  
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The Honorable Fred Zharoff  
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The Honorable Alvin Osterback  
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The Honorable Nels Anderson, Jr.  
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The Honorable Phillip Guy  
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The Honorable Vernon Hurlbert  
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The Honorable Hoyt Moss  
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The Honorable Robert Bettisworth  
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The Honorable Fred Brown  
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The Honorable Charlie Parr  
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The Honorable Richard Randolph  
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The Honorable Brian Rogers  
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The Honorable Sarah Smith  
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The Honorable Leo Schaeffer, Jr.  
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The Honorable Jack Fuller  
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The Honorable Robert Ziegler  
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The Honorable Pet Meland  
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The Honorable Bill Ray  
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The Honorable Jalmar Kerttula  
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The Honorable Bill Sumner  
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The Honorable W.E. Bradley  
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The Honorable Tim Kelley  
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The Honorable Arlis Sturgulewski  
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The Honorable Patrick Rodey  
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The Honorable Mike Colletta  
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The Honorable Ed. Dankworth  
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The Honorable Clem Tillion  
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The Honorable Bob Mulcahy  
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The Honorable George Hohman  
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The Honorable John Sackett  
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The Honorable Don Bennett  
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The Honorable Bettyr Farhenkamp  
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The Honorable Frank Ferguson  
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Sitka Telephone Company  
P.O. Box 257  
Sitka, Alaska 99835

United Utilities, Inc.  
P.O. Box 4-2730  
Anchorage, Ak. 99509

Whittier Telephone Co.  
3025 E. Tudor Road  
Anchorage, Alaska 99507

James Clifton Eller d/b/a  
Yukon Telephone Co.  
P. O. Box 96  
Tanana, Alaska 99777

Alaska Power & Telephone Co.  
P. O. Box 222  
Port Townsend, WA 98368

Interior Telephone Co.  
508 W. 6th Avenue  
Anchorage, Alaska 99501

Bristol Bay Telephone Communications  
Cooperative, Inc.  
P.O. Box 36  
Naknek, Alaska 99633

Bush-Tell, Incorporated  
P. O. Box 508  
Aniak, Alaska 99557

Capitol Communications, Inc.  
139 W. Second Street  
Juneau, Alaska 99801

Communications Engineering, Inc.  
P. O. Box 89190  
Anchorage, Alaska 99508

Communication Equipment & Svc. Corp.  
1010 College Road  
Fairbanks, Ak. 99701

Continental Telephone Svc. Corp.  
P. O. Box 5246  
Bakersfield, CA 93308

Continental Telephone Corp.  
1621 114th Ave., S.E., Suite 210  
Bellevue, WA 98004

Copper Valley Telephone Cooperative, Inc.  
P. O. Box 337  
Valdez, Alaska 99686

Fairbanks Municipal Utilities System  
P.O. Box 2215  
Fairbanks, Alaska 99707

General Telephone Company of Alaska  
8625 Evergreen Way, Suite 102  
Everett, WA 98206

Girl Friday, Inc. d/b/a/  
Girl Friday Communications  
600 Hughes Street  
Fairbanks, Alaska 99701

Glacier State Telephone Co.  
909 West 9th Avenue, Suite 340  
Anchorage, Alaska 99501

Wire Communications, Inc. d/b/a/  
Greatland Telephone  
4134 Ingra Street  
Anchorage, Alaska 99504

Greater Anchorage Borough  
Telecommunications Company  
308 G Street - Central Building  
Anchorage, Alaska 99501

Interior Telephone Co.  
508 W. 6th Avenue  
Anchorage, Alaska 99501

Juneau & Douglas Telephone Co.  
909 West 9th Avenue, Suite 340  
Anchorage, Alaska 99501

Ketchikan Public Utilities, City of  
Ketchikan  
P. O. Box 7300  
Ketchikan, Alaska 99901

Matanuska Telephone Association, Inc.  
P.O. Box 1388  
Palmer, Alaska 99645

Mukluk Telephone Co., Inc.  
No. 2, Front Avenue  
Teller, Alaska 99778

National Utilities, Inc.  
P. O. Box 222  
Port Townsend, WA 98368

Nushagak Telephone Coop., Inc.  
P.O. Box 197  
Dillingham, Alaska 99576

OTZ Telephone Coop., Inc.  
P. O. Box 324  
Kotzebue, Alaska 99752

HOUSE RESEARCH AGENCY  
Pouch Y - State Capitol  
Juneau, Alaska 99811  
465-3991

MEMORANDUM

March 5, 1980

TO: Representative Fred Brown  
FROM: Elaine Mitchell, Research Analyst *Em*  
RE: California Deregulation of Cable TV  
Research Request No. 83

Background

California Assembly Bill 699 was signed into law September 28, 1979, deregulating cable TV rates under specified conditions. The bill was introduced by Assemblyman Bruce Young at the request of the industry. In its original form, the bill would have prohibited a city, county, or city and county from regulating the rates imposed by a franchise or licensee on individual subscribers, but would have allowed proposed subscriber rates to be made a condition to the granting of a franchise or license. It was expected that Governor Brown would veto the bill.

Legislative Action:

During the course of legislative consideration, the California Department of Consumer Affairs proposed amendments which would have given the Public Broadcasting Commission an intensive regulatory overview role. This was unacceptable to the California Community TV Association.

The bill progressed to a conference committee where negotiations between the industry and the Administration resulted in a compromise bill which passed the legislature and was signed into law.

Negotiations:

Monroe Price, a lawyer representing the cable industry, worked out the compromise bill. He told us that the basic points in the negotiations were:

1. to avoid intensive regulations by the Public Broadcasting Commission, and
2. to avoid monopolistic situations which might arise for any cable TV operation.

Representative Fred Brown  
March 5, 1980  
Page 2

Under provisions of the law, before deregulation may occur, the cable companies must show that they have met the following criteria:

1. deliver 20 or more channels;
2. have a satellite earth station to receive satellite signals;
3. are located in an area with three significantly viewed stations (viewable by a certain percentage of homes) or two significantly viewed stations and an education station; and,
4. provide a community services channel program.

Rates are completely deregulated for systems which are subscribed to by less than 70 percent of homes passed by the cable meeting these requirements. For systems with more than 70 percent subscribers, certain restrictions are placed on increasing rates. This is the key provisions designed to avoid monopolies.

According to Mr. Price, the cable TV industry wished to modernize, but needed added assurances of returns on investments that they felt deregulation would bring. Under the new law, deregulation has not been fully realized, because the possibility offered by deregulation has given the industry added leverage in negotiations with local governments on regulated rate increases.

Attached are the bills as originally introduced and the bill as passed. If you desire more information, please let us know.

EM/dp

Attachment

ASSEMBLY BILL

No. 699

Introduced by Assemblyman Young

March 1, 1979

REFERRED TO COMMITTEE ON FINANCE, INSURANCE, AND COMMERCE

An act to amend Section 53066 of the Government Code, relating to community antenna television.

LEGISLATIVE COUNSEL'S DIGEST

AB 699, as introduced, Young (Fin., Ins., & Com.). Community antenna television: subscriber rates.

Under existing law, the governing body of a city or county or city and county may authorize by franchise or license the construction of a community antenna television system. The law presently imposes maximum limitations on the amounts of fees for the granting of such a franchise or license and permits the award of a franchise to be made on the basis of, among other things, the rates to the subscriber.

This bill would prohibit a city, county, or city and county from regulating the rates imposed by a franchisee or licensee on individual subscribers but would allow proposed subscriber rates to be made a condition to the granting of a franchise or license.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 53066 of the Government Code  
2 is amended to read:

1 53066. (a) Any city or county or city and county in  
2 the State of California may, pursuant to such provisions  
3 as may be prescribed by its governing body, authorize by  
4 franchise or license the construction of a community  
5 antenna television system. In connection therewith, the  
6 governing body may prescribe such rules and regulations  
7 as it deems advisable to protect the individual subscribers  
8 to the services of such community antenna television  
9 system. The award of the franchise or license may be  
10 made on the basis of quality of service, rates to the  
11 subscriber, income to the city, county or city and county,  
12 experience and financial responsibility of the applicant  
13 plus any other consideration that will safeguard the local  
14 public interest, rather than a cash auction bid. The  
15 maximum franchise fee for any franchise or license  
16 hereafter awarded pursuant to this section or pursuant to  
17 any ordinance adopted under authority of this section by  
18 any city or county or city and county shall be 5 percent  
19 of the grantee's gross receipts from its operations within  
20 such city or county or city and county. Any cable  
21 television franchise or license awarded by a city or county  
22 or city and county pursuant to this section may authorize  
23 the grantee thereof to place wires, conduits and  
24 appurtenances for the community antenna television  
25 system along or across such public streets, highways,  
26 alleys, public properties, or public easements of said city  
27 or county or city and county. Public easements, as used  
28 in this section, shall include but shall not be limited to any  
29 easement created by dedication to the city or county or  
30 city and county for public utility purposes or any other  
31 purpose whatsoever.

32 (b) *The rates imposed by a franchisee or licensee on*  
33 *individual subscribers shall not be subject to regulation*  
34 *by a city, county, or city and county; provided, however,*  
35 *that proposed subscriber rates may be made a condition*  
36 *to the award of a franchise or license.*

## CHAPTER 1086

(Assembly Bill No. 699)

An act to add Section 53066.1 to the Government Code, relating to community antenna television.

[Approved by Governor September 27, 1979. Filed with Secretary of State September 28, 1979.]

## LEGISLATIVE COUNSEL'S DIGEST

AB 699, Young. Community antenna television: subscriber rates.

Under existing law, the governing body of a city or county or city and county may authorize by franchise or license the construction of a community antenna television system. The law presently imposes maximum limitations on the amount of fees for the granting of such a franchise or license and permits the award of a franchise to be made on the basis of, among other things, the rates to the subscriber.

This bill would, upon request of the franchisee or licensee, modify local regulation by the franchisor, under specified conditions, of the rates, charges, and rate structures of a franchisee or licensee if such franchisee or licensee provides a community antenna television system, as defined, which provides a community service channel program, as specified.

It would permit the franchisor to act as a public trustee of such community service channel or channels, as specified. It would exempt a franchisee or licensee from liability for acts arising from the use of the community service channel by others.

It would prescribe a complaint system with respect to such a franchisee's or licensee's services and provide for the levying of certain penalties for failure to remedy a complaint, as specified.

The bill would cease to be operative on January 1, 1984, except a provision would remain in effect beyond that date requiring that rates then in effect shall not be subject to reduction by local authorities below the average rate in the state for the class of service provided.

Finally, the bill would require the California Public Broadcasting Commission to make a specified report by April 15, 1982, regarding the effect of the bill, and would impose specified filing requirements upon cable television systems.

*The people of the State of California do enact as follows:*

SECTION 1. Section 53066.1 is added to the Government Code, to read:

§ 53066.1. (a) Notwithstanding the provisions of Section 53066, any cable television system which:

- (1) Provides 20 or more channels to the cable television subscriber,
- (2) Receives or has contracted to receive television signals by satellite earth receiving station,
- (3) Has a subscriber penetration ratio of less than 70 percent certified by the cable television system, subject to review by the franchisor or licensor,
- (4) Is located in a county or portion of a county which has available three significantly viewed television stations, as defined by the Federal Communications

Commission, or two significantly viewed television stations and an educational television station, and

(5) Is providing or has agreed promptly to provide a community services channel program as defined in subdivision (d),

shall, upon election by the cable television system and upon the filing of a declaration to that effect with the franchisor, be exempt from regulation or control by a city, county, city and county, or other authority as to rates, charges and rate structures, except for the first year following the date of delivery of service pursuant to the initial grant of a franchise.

(b) Notwithstanding the provisions of Section 53066, any cable television system which:

(1) Otherwise meets the requirements of subdivision (a) except for the requirement of paragraph (3) of subdivision (a), or

(2) Provides between 12 and 20 channels of television service in a franchise area with fewer than 3,500 subscribers in a community of less than 20,000 in population, and otherwise meets the requirements of paragraphs (4) and (5) of subdivision (a),

may, upon election by the cable television system and declaration filed with the franchisor, adjust its rate by an amount not to exceed 75 percent of the percentage increase in the Consumer Price Index for the period since the date of the last previous rate increase, or December 31, 1975, if there have been no increases since December 31, 1975. A system may make a rate adjustment under the preceding sentence only for the period occurring within three years from the date a system would be entitled under such sentence to make an adjustment. A cable television system which, prior to January 1, 1980, had 12 or fewer channels, and subsequently rebuilds its system to 20 or more channels, may raise its rates to a level, within three years of completion of the rebuild, not to exceed the statewide average rate for those cable television systems having 20 or more channels.

(c) (1) Prior to April 15, 1982, the California Public Broadcasting Commission shall report to the Legislature concerning the effect upon subscribers and upon the telecommunications policy of the state of the rate adjustments by cable television systems as a consequence of this section, including such recommendations for legislative modification as may appear desirable. Each cable television system adjusting its rates pursuant to this section shall file with the California Public Broadcasting Commission prior to September 15, 1981, the rates of the system on January 1, 1980, and all subsequent adjustments, and information concerning number of subscribers and services provided. After the required filing on September 15, 1981, all systems shall promptly file any subsequent rate adjustments with the California Public Broadcasting Commission.

(2) This section shall cease to be operative on January 1, 1984, unless on or before such date its operative date is extended by the Legislature, except that rates in effect on January 1, 1984, shall not be subject to reduction by local authorities having rate reduction authority in their franchise below the average rate in the state at that date for the class of service provided.

(d) A cable television system shall be deemed to be offering a community service channel program if the system does all of the following:

(1) (A) Provides for those systems which furnish between 12 and 20 channels, a dedicated channel for local community, public access, educational and government access purposes, except that the one channel may be a composite containing functional equivalent of a single community service channel; or (B) provides for the systems which furnish more than 20 channels, in addition to the first dedicated channel, a second such channel if the first channel is in use during 80 percent of the weekdays for 80 percent of the time during any consecutive 13-hour period for 10 consecutive weeks, except that for systems with 24 or fewer channels

the second channel, if required, may be a composite containing the functional equivalent of a single community service channel; or (C) provides, if such system furnishes more than 30 channels, a third channel if the second channel is in use during 80 percent of the weekdays for 80 percent of the time during any consecutive 13-hour period for 10 consecutive weeks.

(2) Participates in a statewide cooperative program, administered by an association of cable operators, with the advice of potential users, that: (A) provides instruction and training for individuals, groups, entities and agencies interested in using community services channels, (B) furnishes guidelines for the use and allocation of such channels, and (C) creates a foundation for community service channels, with an independent board of directors, including representatives of local nongovernmental user groups and public agencies. Such foundation shall have grant-making authority to users and shall have, as its primary purpose, the promotion and encouragement of use of community service channels.

(3) Provides fifty cents (\$0.50) per subscriber per year to the foundation established pursuant to paragraph (2) of subdivision (d).

(4) Provides to individuals, groups, and entities using community service channels technical advice by local program staff and reasonable access to local studio facilities, if such facilities and staff are part of the local system.

(5) Cooperates with courses and programs in secondary schools, community colleges and elsewhere which furnish training in the uses of community service channels.

(6) Has available for use without charge tape playback facilities for entrance into the system.

(7) Provides through display information on community service channels, and by other means, including written notice to subscribers, information to potential user of the opportunity to have access to community service channels.

(8) Unless the franchisor elects to act as trustee for the community channel or channels, consults with the franchisor in establishing policies for the use of community service channel or channels.

(9) Provides to government and educational agencies reasonable access to earth station facilities for the receipt of programming for the community service channel.

(10) Regularly provides to the foundation for community service channels and to the public and public agencies information containing the name, address and telephone number of the system, the name of the system manager, and the status and utilization of the community access channels.

(e) The franchisee or licensee may utilize any community service channel which is not used for community service programming so long as community service programming is given scheduling priority.

(f) The franchisor may elect to act as public trustee or appoint a delegate reporting to the franchisor, to act as public trustee of the community service channel, to ensure the use of such channel or channels for public access, state or local government or education access purposes.

(g) The franchisee or licensee, or such delegate as is appointed a trustee of such community service channels, shall not be liable for acts arising from the use of such channel or channels by persons other than the franchisee or licensees. The franchisee or licensee shall establish regulations governing the use of such channels which provide uniform and nondiscriminatory standards, ensure adequate opportunity for participation by local nongovernmental users and incorporate restrictions on libelous or slanderous or illegal programs.

(h) The California Public Broadcasting Commission, in cooperation with the California Arts Council, the Office of Appropriate Technology, the State Department of Education, and the State Department of Public Health, shall

ment of Education and the State Department of Consumer Affairs, and such other agencies as requested by the commission, shall undertake efforts to encourage state and local government and educational use of the community service channel or channels and shall prepare a report by January 1, 1983, indicating the uses that government and educational agencies and community organizations have made of such channel or channels.

(i) The Regents of the University of California, if it so elects, the Trustees of the California State University and Colleges, the Board of Governors of the California Community Colleges and the State Department of Education shall negotiate with representatives of cable television systems providing community service channels concerning appropriate provision for access to the community services channel or channels for educational agencies using such channels and shall implement by segment, or collectively, a program for the use of such community service channel or channels for educational purposes. Each of the agencies named in the preceding sentence shall report to the Legislature on or before June 15, 1981, concerning the extent to which there has been use of television, including satellite interconnection, to fulfill the mission of each agency and actual use of community service channel and other cable and broadcast facilities. Such report shall also indicate the prospect for additional uses of such interconnected facilities and shall make recommendations for such legislation as may be needed to assure appropriate use of such channels.

(j) For purposes of this section, the following definitions shall apply:

(1) "Cable television system" means a community antenna television system serving a franchise area or two or more contiguous franchise areas.

(2) "Class of service" means a category as described in subdivision (a), or in paragraphs (1) or (2) of subdivision (b).

(3) "Consumer Price Index" means the consumer price index published at the end of the month following the rate adjustment by the United States Bureau of Labor Statistics for the area in which the cable television system is located or the nearest area for which such index is published.

(4) "Satellite earth receiving station" means any structure or device utilized to receive signals from a satellite.

(5) "Subscriber penetration ratio" means the number of subscribing residences divided by the total number of residences having cable available.

(k) In addition to any other penalty provisions in the franchise or license, if a franchisee or licensee files a declaration pursuant to subdivision (a) or (b) the franchisor or licensor may unilaterally amend the franchise or license to provide that if a subscriber files in writing with the franchisor a complaint for a service problem which is preventable and reasonably within the franchisee's or licensee's control, and if such franchisee or licensee fails within a reasonable period following receipt of written notice by the franchisor to remedy the problem, the franchisor may levy a penalty of up to five hundred dollars (\$500) for any occurrence or series of related occurrences, unless the franchisee or licensee has fewer than 5,000 subscribers, in which case the penalty shall not exceed two hundred dollars (\$200). If the franchisee or licensee objects to the penalty in writing to the franchisor, the franchisee or licensee and franchisor shall conduct arbitration in accordance with the rules of the American Arbitration Association. The decision of the arbitrator shall be final.

Such amendment to the franchise or license shall provide that the franchisee or licensee shall provide written notice to each subscriber at intervals of not more than one year, of the sanctions provided in this section, and of the procedure for reporting and resolving subscriber complaints, including the subscriber's right to complain in writing to the franchisor of the franchisee's failure to resolve a service complaint which is preventable and reasonably within the franchisee's or licensee's

control. The proper address of the franchisor or licensor to which complaints may be directed shall be included in such notice.

SEC. 2. If any provision of this act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

HISTORY: A.B. 699, approved September 27, 1979, filed September 28, 1979.

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**MCCAW  
COMMUNICATIONS  
COMPANIES**

February 28, 1980

The Honorable W.E. Bradley  
Chairman, Senate Committee on Commerce  
The Legislature of the State of Alaska  
Pouch V  
Juneau, Alaska 98111

Dear Senator Bradley:

I am vice president and one of the principal stockholders of Frontier ColorCable, Inc., which operates a cable television system in Fairbanks. Frontier began construction in June 1979 and now has approximately 3,200 customers. We expect to complete the 1980 phase of construction by October and to have 5,000 customers by the end of 1980. Frontier received its certificate from the Commission late last year after lengthy hearings, and competition from four other applicants. During and since the hearings, I have had extensive contact with the Commission and its staff and therefore believe that I am qualified to comment on the recommendations contained in the legislative audit of the Commission.

I am also the vice president and a major shareholder of Radio Communications Engineering, Inc., which has reached an agreement with Communications Engineering, Inc., to purchase all of its assets. Communications Engineering, Inc., is a public utility which offers radio-telephone and paging service in the Mat Valley-Anchorage-Kenai area.

I have more than ten years of experience in the cable television and telecommunications business. My comments, based on that experience and my contact with the APUC are:

Recommendation No. 1 - Combine the APUC with the Transportation Commission and the Pipeline Commission.

I feel that there are no "economies of scale" and the expertise required of the staff and commissioners is substantially different for each of the three commissions. It has been recommended that fewer commissioners preside at hearings. The effect of this

Page 2  
The Honorable W.E. Bradley  
Chairman, Senate Committee on Commerce  
February 28, 1980

situation seems detrimental for two reasons: While I can only speak of matters pertaining to the APUC, the commissioners are much overworked as it is, making attending additional hearings an impossibility; and fewer commissioners at each hearing would greatly reduce the scope and depth of expertise at each hearing. As it is at present, each commissioner, while being well rounded, is a specialist in one aspect of the jurisdiction.

I do not believe, as suggested by the review, that one staff is capable of staying abreast of all of the issues of several industries which differ greatly. I think a survey would indicate that most individuals have enough trouble keeping up with changing regulations and complexities of one industry let alone three. Please note that it was the Commissioners in "one commission" states that responded that Commissioners could develop enough expertise to serve all three functions. It would be interesting to hear how the regulated utilities in those states would have responded to the same question.

Recommendation No. 2 - Stop all regulation of cable television.

Certification of Cable Television Companies in Alaska is a necessary and important function of the APUC. In the lower 48 and Hawaii, franchising or certification is under the jurisdiction of state, city or county in 99.9% of all cases. This aspect of regulation is vital to consumers and cable companies alike.

If the APUC were removed from the jurisdiction of cable television companies, the consumer would have no recourse if dissatisfied with its service. At present if a company ceases to be fit, willing and able to provide quality service, the APUC has the power to reprimand and if necessary, to remove the Certificate of Public Convenience and Necessity from the existing operator and grant it to an operator who is fit, willing and able to provide quality service. The overview of the APUC covers many areas including consumer protection, reliability of service, quality and diversification of programming and consumer complaints.

APUC jurisdiction of certification also provides an important service to cable operators. Without APUC involvement, there would be no protection from exorbitant pole attachment rates. If these rates are arbitrarily raised to unreasonable levels, the cable operator has no choice but to pass on the costs to the subscriber in the form of rate increases. Arbitrary pole attachment rate increases are not an unfounded fear since it has been a severe problem in many communities in the lower 48. In addition, the APUC provides protection against duplication of services of high fixed-cost

Page 3  
The Honorable W.E. Bradley  
Chairman, Senate Committee on Commerce  
February 28, 1980

utilities, which would result in artificially high prices for the consumer.

It is important that the certification of cable utilities remain under the jurisdiction of qualified and impartial professionals. If the APUC is deprived of its regulatory power, cities and boroughs will regulate unless specifically prohibited from doing so. Therefore, if it is determined that deregulation is good, alternative regulation by others must be precluded by legislation.

Rate regulation of cable television utilities by the APUC is not necessary and in some cases detrimental to subscribers. Effective in 1976 the FCC removed the obligation of state and local franchising authorities to regulate rates for basic cable service. Furthermore, it actually prohibited rate regulation of "pay television" i.e., services such as HBO, Showtime, Star Channel, etc. Even though I believe rate control is advisable in some small communities where there are not alternate entertainment sources and there is a captive audience; the subscriber in larger communities has many forms of entertainment available such as free network and public television, movie theatres and radio, which compete with cable television. In communities which fit the latter description, the free market influences rates and forces the operator to provide quality service at a reasonable price.

Deregulation of rates would encourage and facilitate the introduction of new services and development of cable television in Alaska. The high cost of rate studies and paperwork involved in changes of any kind place a burden on the cable operators and the resources of the APUC.

The marketplace can and will regulate rates effectively in those markets which have a variety of entertainment sources. Deregulation of the larger cities can only speed the advancement of cable innovation in Alaska.

Recommendation No. 7 - Upgrade salary levels for staff.

I strongly support a well educated, motivated and adequately compensated professional support staff. The APUC should have the resources to pay whatever salaries are necessary to attract and retain such a staff. In addition, it has been my observation that the APUC does not have sufficient staff to process its present workload on a timely basis.

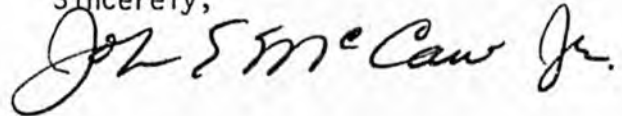
Page 4  
The Honorable W.E. Bradley  
Chairman, Senate Committee on Commerce  
February 28, 1980

Recommendation No. 9 - APUC should develop an index and cross-reference to its orders and decisions.

The introduction of a professionally designed and implemented index and cross-reference system would greatly benefit both the APUC and the utilities. At present it is very time consuming and expensive to track down relevant court decisions and precedents set by Commission decisions.

I would like to thank the Committee on Commerce for giving me this opportunity to voice my opinions. I would be happy to come to Juneau to give additional testimony or answer questions on this written testimony, if the committee so wishes.

Sincerely,



John E. McCaw, Jr.  
Vice President

JEM/wlb

John E. McGill  
Director, Regulatory Affairs



Alascom, Inc.  
949 East 36th Avenue  
Pouch 6607  
Anchorage, Alaska 99502  
907 / 264-7922

Senator Brad Bradley  
Chairman Senate Commerce Committee  
Pouch 5, P.O. Box 3100  
Juneau, Alaska 99811

Dear Senator Bradley:

March 05, 1980

This is written with regard to the proposed hearing to be held on March 11, 1980 for the purpose of reviewing the activities of the Alaska Public Utilities Commission. On December 17, 1979 I made a statement on behalf of Alascom, Inc. before a Performance Review Hearing co-chaired by Senator Sturgulewski and Representative Fred Brown.

Rather than burden the Senate Commerce Committee with further duplicative testimony, there is attached a copy of the outline used in the presentation of the Company's testimony at that earlier hearing as well as a letter containing further clarification in response to specific questions of the Committee members. This material is being provided to each of the members of the Senate Commerce Committee as well as to Mr. Jon Mathison.

If you or any members of the Committee have any questions regarding this material please feel free to contact me.

Very truly yours,

ALASCOM, INC.



John E. McGill

cc: Senate Commerce Committee Members: W. Bradley  
A. Sturgulewski  
T. Kelly  
F. Ferguson  
T. Stimson

Mr. Jon Mathison



The House Commerce Committee  
Box 1370  
Fairbanks, Alaska 99707

Attention: Mr. Allen Blume

Dear Mr. Blume:

December 21, 1979

In accordance with the expressed wishes of the Co-Chairpersons at the Performance Review of the Alaska Public Utilities Commission Hearing held on December 17, 1979, there is attached a copy of the outline which I utilized in presenting my testimony to the Commerce Committee. I would be most grateful if you would see that all members of both the Senate and the House Committees were provided with a copy of this material.

In addition to the points set out in the outline of my presentation, there were certain additional points made during subsequent questioning which I believe might provide clarification on certain portions of my testimony. They are:

1. In response to an inquiry of Senator Sturgulewski, I indicated it was my belief that the distinction made between economic regulation and regulation for the purpose of certification might be an improper distinction. It was suggested that perhaps the regulation associated with certification should be ongoing in the area of quality of service provided by the certificated utility. This would result in economic regulation looking only at the level of rates and rate design. It would appear that such clarification could be provided through concise definitions in any legislation which might result from the performance review.

December 21, 1979

2. In response to Representative Brown's questions concerning the use of hearing officers, it was suggested that hearing officers could be reasonably expected to utilize their expertise in the regulation of divergent utilities. The basic underlying principles of utility regulation should be readily applicable by a hearing officer for regulation not only of telecommunications but also electric, pipeline, transportation utilities, etc. I was in agreement with the Chairman of the committee that in certain highly technical areas a specific hearing officer might be required to preside because of his expertise in the area of telecommunication separations, peak load pricing for electric utilities, etc. Additionally, it is possible that staff support for one area of regulation could provide needed assistance in another area of regulation.

I wish to express my gratitude to the Chairpersons and each of the members of the committee for allowing me the opportunity to testify before them and for their sincere expression of interest and concern in this area.

Very truly yours,

ALASCOM, INC.



John E. McGill, Director  
Regulatory Affairs

JEM:b1

Attachment: Testimony Outline

12-19-79

(f) (f)

TESTIMONY OF ALASCOM, INC. REGARDING THE PERFORMANCE REVIEW

OF THE PUBLIC UTILITIES COMMISSION. DECEMBER 17, 1979

- I. Alascom is a regulated utility providing long lines communications within the state and between Alaska and other points in the world.
- A. Regulation of utilities is designed to protect the public interest; an elusive and sometimes difficult goal which by its very nature must consider conflicting claims.
  - B. Alascom has willingly submitted to regulation and recognizes the need for such submission.
  - C. Alascom supports continued regulation by the APUC in those activities subject to its jurisdiction.
- II. Alascom shares the concerns of the APUC regarding the merger of the three regulatory bodies with one Commission.
- A. Unclear that work load can be accommodated with one Commission.
  - B. Other states, having one Commission, are functioning in a mature circumstance while Alaska continues to be in its adolescence from a utility development point of view.
  - C. We do not oppose the consolidation of three Commissions into one, provided that it results in more efficient and effective regulation.
- III. Alascom does not oppose the recommendations of the report to de-regulate CATV; refuse collection; telephone and electric cooperatives or small utilities with less than \$100 K gross

revenues. There are, however, a few considerations we would offer:

- A. Some regulation should be retained concerning pole attachment agreements between CATV operators and other utilities.
- B. As a partner with telephone cooperatives and small telephone companies in the provision of communications, it is important for Alascom to be able to approach the Commission with matters disputed between Alascom and the operating telephone company. Such matters could include:
  - 1. Level and quality of service.
  - 2. Settlements between the companies.
  - 3. Charges for through private line services.

The removal of such companies from economic regulation appears to indicate that they would be relieved of regulation as to rates, rate design and quality of service.

- C. Although the de-regulated telecommunications company may be small or controlled by its own members, it can have a substantial impact on state-wide service if the quality and level of service is substandard.

IV. Alascom supports the need to clarify the statute and administrative code presently used by the APUC.

- A. Although we recognize the validity of the particular recommendation in the legislative audit, we believe there are other areas requiring review.
- B. We recommend that the Commission, through its staff, conduct a thorough review of AS 42.05 and 3AAC48 to further the benefits of this recommendation. We would

hope that members of the regulated industries would have an opportunity to participate in this review and recommend up front various amendments. An Industry Task Force with the APUC staff would be effective.

V. Alascom supports the recommendation that professional salaries be reviewed to determine whether they are adequate to attract and retain professional staff.

A. We would urge a comparable review of Commissioner's salary levels.

1. Alascom as a responsible public utility, constantly reviews its salary grades for various professional and/or exempt employees in order to assure itself that it offers compensation competitive in the labor market. These reviews lead us to believe that the Commissioner's salaries, in the present labor market may not be competitive enough both to attract and retain qualified personnel.

VI. Alascom does not believe it is proper for it to comment on the internal administration of the APUC. However, we do believe it is necessary to clearly delineate the statutory role of the Commission staff. On page 24 of the Audit Report there is mention of ex parte communications between the staff and the Commission when the staff assumes the role of a party to Commission proceedings.

A. When the staff is indeed a party to a proceeding (e.g. a rate case) the Commission does not have available to it

EE EE

the necessary support and assistance the Commission would normally expect from its staff.

b. Solution

Alascom would support limiting the role of the staff to one of support for the Commission without designation as a party to proceedings. The staff would prepare material for the Commission to be used in conducting proceedings. The Commission would be expected, through this collective expertise to represent the public interest. Alascom would favor this solution.

VII. Alascom offers no opinion as to implementation of a time management system or collocation codes.

VIII. General Observations

- A. The Performance Review does not comment on the level of staffing at the APUC. It is Alascom's opinion that the Commission is understaffed and unable to deal with the many questions brought before it in a timely manner. Nor does the Commission staff possess expertise in all areas adequate to evaluate major policy questions in all of their facets. Too often telecommunications policy is formulated by default rather than by design. The public interest is not best served by this circumstance.
- B. Alascom believes that it is necessary to limit regulatory lag statutorily. Such a limitation would be beneficial not only to the utility but also the ratepayer. Additionally, Alascom would suggest that consideration be given to utilization of hearing officers under the guidance of the Administrative Procedures Act.

## APUC SUNSET REVIEW

### CERTIFICATION:

Before a utility may operate in the State of Alaska application for a Certificate of Public Convenience and Necessity must be made to the APUC as prescribed in AS 42.05.221 - 281. The Commission reviews the application and may reject, modify, or award a Certificate to the applicant. The Certificate may be as broad or as specific as the Commission chooses to issue and this is stated on the face of the Certificate.

AS 42.05 is quite specific as to the types of endeavors that are classified as utilities. Although, CATV is not mentioned in the statute the definition of telecommunications (AS 42.05.701 (2A and 8) states; "the transmission and reception of messages, impressions, pictures and signals by means of electricity." This clearly indicates that CATV meets the criteria of an utility and is subject to the provisions of AS 42.05.221 (Certification) to protect the public interest.

Therefore, the APUC may judge the qualifications of an operator on criteria established by the Commission. Due to the fact that the language used on the face of the Certificate, is prescribed by the Commission, an operator is subject to that criteria. Since no utility may operate without a Certificate the APUC has ultimate control as to the qualifications of an operator.

In other language contained in AS 42.05.221 - 281 no Certificate may be transferred without making application to the Commission. Once again, the APUC has complete control over new or existing services.

Since such a structure is in place to protect the public interest it does not make sense to remove the Certification of CATV from the APUC who is best equipped to handle it.

### RATE REGULATION:

It is interesting to note that the language contained in AS 42.05 (Ch 113 SLA 1970) is permissive vs. mandatory regarding the regulation of utilities. The rate regulation and proceedings have evolved through regulations adopted and decrees of the Commission. Since the rate proceedings have become more complicated, during this evolution, they have also become longer and more costly. After the passage of ten (10) years, since the enabling legislation (SCSCS HB 202 am (S); CSHB 202 am, passed the House 30-7-3, April 9, 1969; SCSCSHB 202 am (S), passed the Senate 16-4, April 22, 1970; the House concurred in the Senate amendment) it is appropriate that the Legislative Audit and the Legislature's Sunset Review of the APUC is under consideration.

Rate deregulation of the Cable TV industry is an interesting concept due to the fact that an operators revenues are divided

between regulated rates and non-regulated rates and that may vary from a 20% - 80% split to a 50% - 50% split. Thus, two systems with gross receipts annually of \$1,000,000 may be broken down as follows:

System J	
Gross Receipts	\$1,000,000
80% non-regulated	\$800,000
20% regulated	\$200,000

System K	
Gross Receipts	\$1,000,000
50% non-regulated	\$500,000
50% regulated	\$500,000

This indicates a disparity of \$300,000 of revenue on regulated rates when the actual reason for the difference is purely economics based on aggressive marketing and the variety in programming offered to the public and to the public's taste in viewing matter.

Another factor of economics that applies, is that the cost of a rate proceeding is passed through to the consumer. This is by decree of the APUC. An example would be that the operator of system "K" feels that due to economic conditions (i.e. renegotiated labor contracts, increase in energy costs, inflation, etc.) a rate increase of \$1.00 per month per subscriber is in order. He makes application to the Commission for this increase and the proceedings go forth. With the time involved and the special consultants, auditors and legal counsel the pass through, varies but, could make the increase granted \$1.50 per month or a 50% increase over the original request and/or higher. This 50% is not reflective of expanded or improved service but just the cost of the rate proceeding that the consumer must pay.

Rate deregulation would save the consumer the cost of the proceeding and would let the economic conditions and consumer demand establish the rate charged for service provided. In most cases this would mean no increase or an increase that would be less than in the regulated circumstance. Under the regulated rate structure there is not a difference in proceedings according to the size of the operator's system. Thus, the system in a small community is subject to the same proceeding as a system in a large metropolitan area. And the small system may be less able to afford the cost as would the larger operator.

#### CONCLUSIONS:

It could be concluded that the public interest is best served by the APUC retaining the function of Certification and evaluating the operators and systems qualifications and rate deregulation to eliminate the disparity of controlled vs. noncontrolled revenues and the added expense to the consumer of the rate proceeding. It should be noted that the controlled and noncontrolled rates are first subject to the approval of the

FCC and this circumstance exists because of an order by the FCC.

Applying this set of criteria to the Cable TV industry would allow the APUC full control over the operation of a system, through its authority under AS 42.05, and allow the market place, through economic conditions, to establish the rate. Provision should be made that after a period of time (3 to 5 years) the Legislature (perhaps through Legislative Audit) have an overview of the Commission and the industry to evaluate the workings of these circumstances and offer a further check and balance.

Another benefit would be the cost saving to the Commission. Those public funds (now used for rate regulation) could be applied to other functions, that APUC is charged with, and staff time would be available for other purposes.

In conclusion it is noted that AS 42.05 is specific in definition and procedure for Certification of a cable system where as the rate regulation provisions are not as specific and the public would be best served by rate deregulation of Cable TV by the Legislature.

APUC: Alaska Public Utilities Commission

Commission: APUC

CATV: Community Antenna Television

FCC: Federal Communications Commission

# STATE OF ALASKA

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

JAY S. HAMMOND, Governor

1100 MacKay Building  
338 Denali Street  
Anchorage, Alaska 99501

Phone (907) 276-6222

March 24, 1980

Senator W. E. "Brad" Bradley  
Chairman, Senate Commerce Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator Bradley:

As a follow-up to the Sunset Review of the Alaska Public Utilities Commission I am enclosing supporting documentation for additional Commission staff in order to carry out our existing responsibilities in a timely manner.

As the audit verified, the present level of staffing is inadequate to meet the responsibilities mandated to the Commission under AS 42.05. Testimony from utilities and ARECA during the public hearings of both the Senate and House Commerce Committees support this fact.

To summarize the contents of the enclosed package, 15 additional personnel would be needed if the APUC is to continue its ongoing responsibilities in a more responsive and efficient manner, i.e., the way "we would like to do the state's business". These personnel would be assigned to the following sections:

### Engineering - (4)

- Engineer II - cable television
- Engineer II - energy
- Engineer I - energy
- Engineer I - telecommunications

### Utility Financial Analysts - (3)

- UFA III
- UFA I
- UFA I

## Tariff Analyst - (1)

TA III - (new classification)

## Communications Carrier Section - (3)

Economist II

Research Analyst II

Clerk Typist III

## Administrative Support for above personnel - (4)

Word Processing Supervisor

Word Processing Operator

Clerk Typist III

Clerk Typist I

The approximate salaries of these individuals is \$603,000. Our current budget which is before the Finance Committees is approximately \$1.6 million. This does not include an increase to raise the professional staff salaries to a comparable level; if that occurs, and the Commission is optimistic that it will, an additional \$60,000 would be added to our current budget.

In order to give your committee an idea of the impact of the deregulation recommendations, the Commission provides the following observations: (all elimination of positions refer to the 15 additional positions and not existing positions)

Sunset Recommendation 2 - total deregulation of cable-television utilities: - eliminate one engineering position.

Sunset Recommendation 3 - total deregulation of garbage and refuse utilities: eliminate one financial analyst.

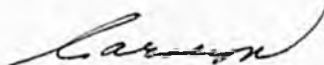
Sunset Recommendation 4 - deregulation of telephone and electric cooperatives: if the 12 electric cooperatives and 7 telephone cooperatives elected deregulation by September 1, 1980, eliminate 1 financial analyst and 1 Engineer II.

Sunset Recommendation 5 - economic deregulation of all small utilities grossing less than \$100,000: This would not materially affect personnel requirements.

Whether or not which, if any, administrative support positions could be eliminated would depend on the implementation of Sunset Recommendations #2 - #5.

In summary, 4 of the 15 additional professional personnel would not be required if the legislature deregulated cable-television, and garbage, and if all REA co-ops elected deregulation by September 1, 1980.

Sincerely,



Carolyn S. Guess  
Commissioner

Enclosure  
CSG/rt

## TABLE OF CONTENTS

- A. Administrative Section
  - FY 81 Budget Allocations
  - APUC Staff Organization Chart
  - Administrative Support Organization Chart
  - Adjusted FY 81 Budget
  
- B. Engineering Section
  - Organization Chart
  - Principal Programs
  - Adjusted FY 81 Budget
  
- C. Communication Carrier Section
  - Organization Chart
  - Principal Programs
  - Adjusted FY 81 Budget
  
- D. Finance Section
  - Organization Chart
  - Principal Programs
  - Adjusted FY 81 Budget
  
- E. Tariff Section
  - Organization Chart
  - Principal Programs
  - Adjusted FY 81 Budget
  
- F. Consumer Protection
  - Organization Chart
  - Principal Programs
  - Adjusted FY 81 Budget

A. Administrative Section

- FY 81 Budget Allocations
- APUC Staff Organization Chart
- Administrative Support Organization Chart
- Adjusted FY 81 Budget

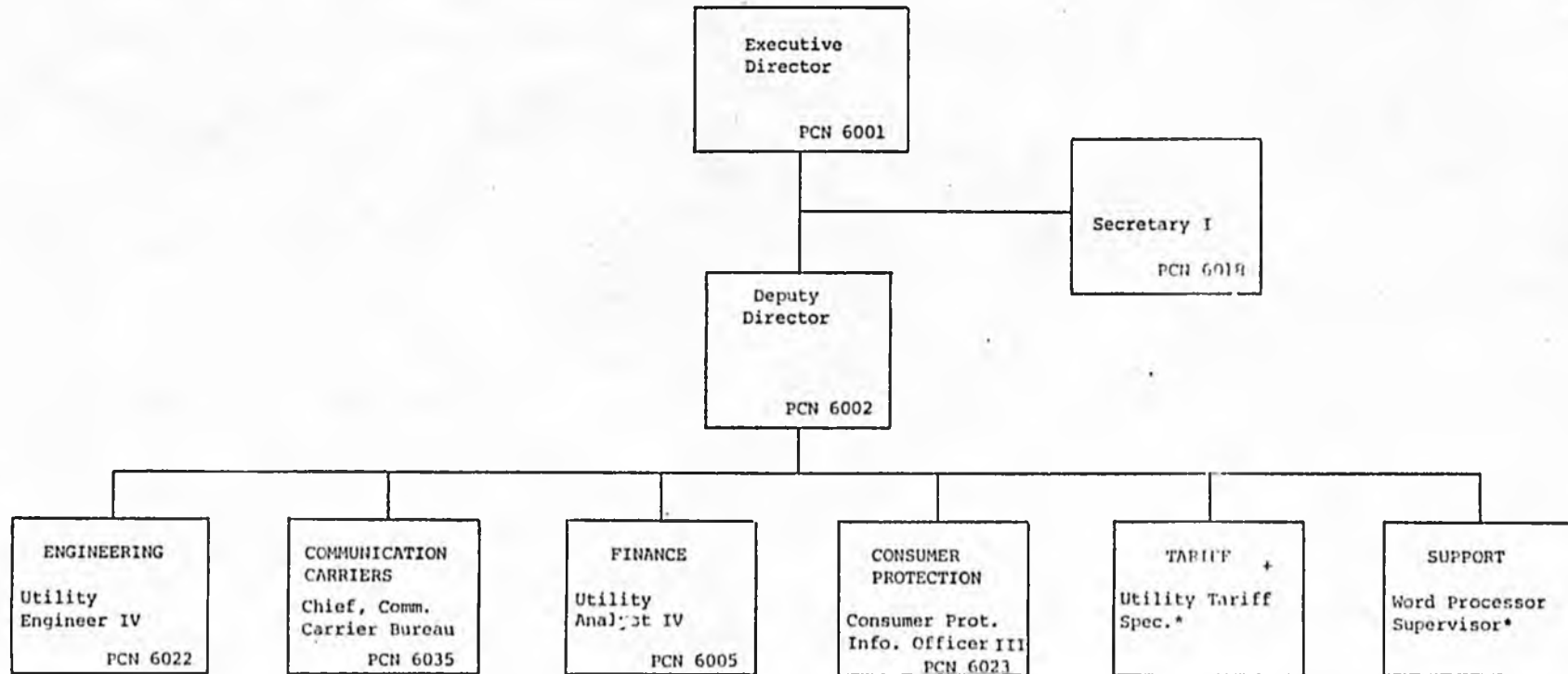
ALASKA PUBLIC UTILITIES COMMISSION

ALLOCATION OF GOVERNORS BUDGET  
 FY 81  
 (In Thousands)

	<u>Commissioners</u>	<u>Administration</u>	<u>Engineering</u>	<u>Communications Carriers</u>	<u>Finance</u>	<u>Tariff</u>	<u>Consumer Protection</u>	<u>Total</u>
100 Personal Services	\$352.9	\$232.7	\$300.3	\$46.6	\$255.5	\$76.7	\$122.1	\$1,386.8
200 Travel	15.0	2.8	16.3	6.4	16.1		1.5	58.1
300 Contractual Services	49.2	112.9	7.8	3.3	9.9	4.5	17.1	204.7
400 Commodities	2.5	3.7	1.7	1.0	1.7	1.0	3.0	14.6
500 Equipment		5.4	1.0		1.6		2.0	10.0
Total	<u>\$419.6</u>	<u>\$357.5</u>	<u>\$327.1</u>	<u>\$57.3</u>	<u>\$284.8</u>	<u>\$82.2</u>	<u>\$145.7</u>	<u>\$1,674.2</u>

ALASKA PUBLIC UTILITIES COMMISSION

STAFF ORGANIZATION CHART

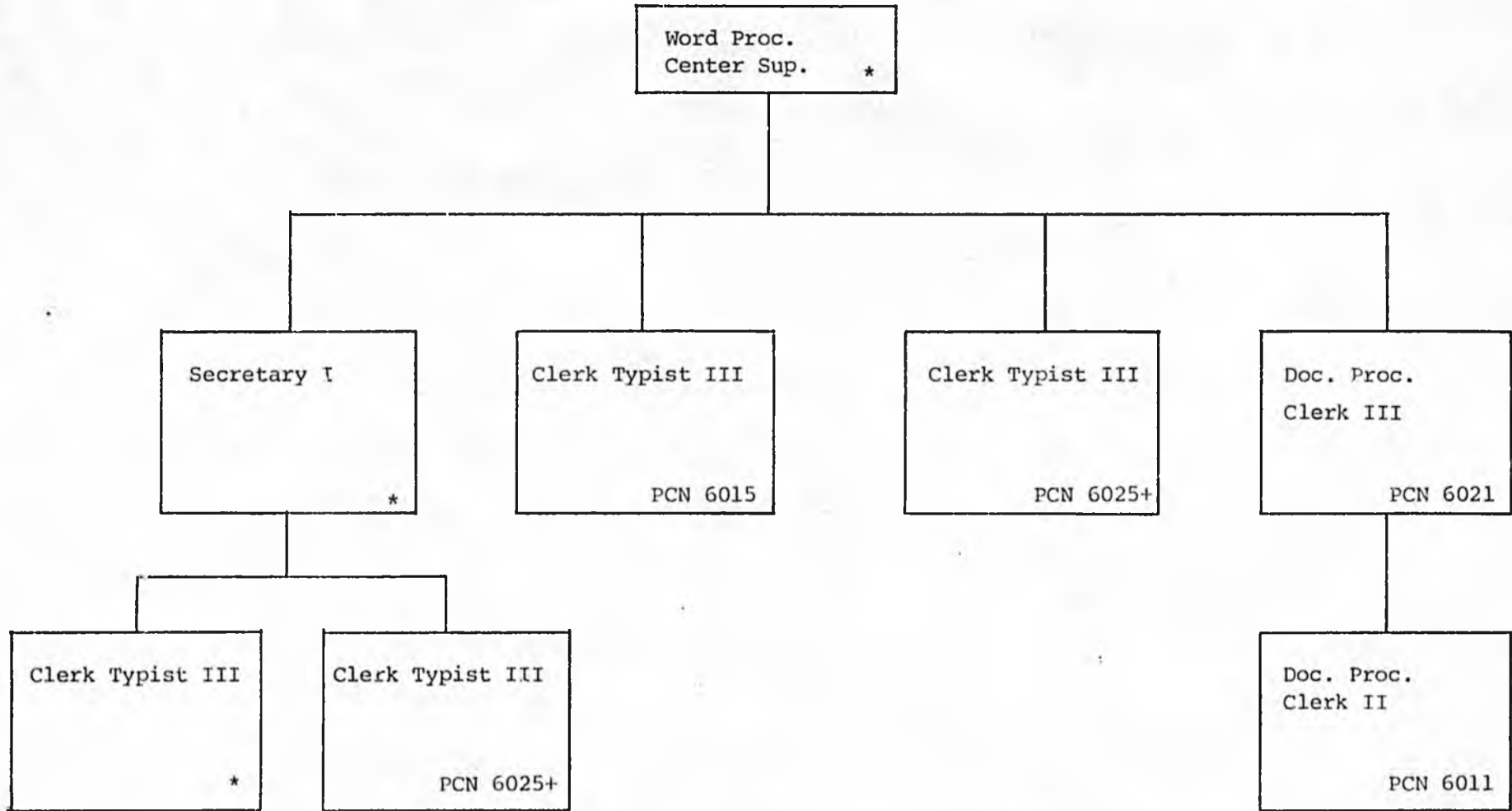


\*New position

+New classification requested

ALASKA PUBLIC UTILITIES COMMISSION

SUPPORT ORGANIZATION CHART



\*New position requested

+Permanent 1/2 time position

EXECUTIVE DIRECTOR  
ADMINISTRATION  
FY 81 BUDGET  
(In Thousands)

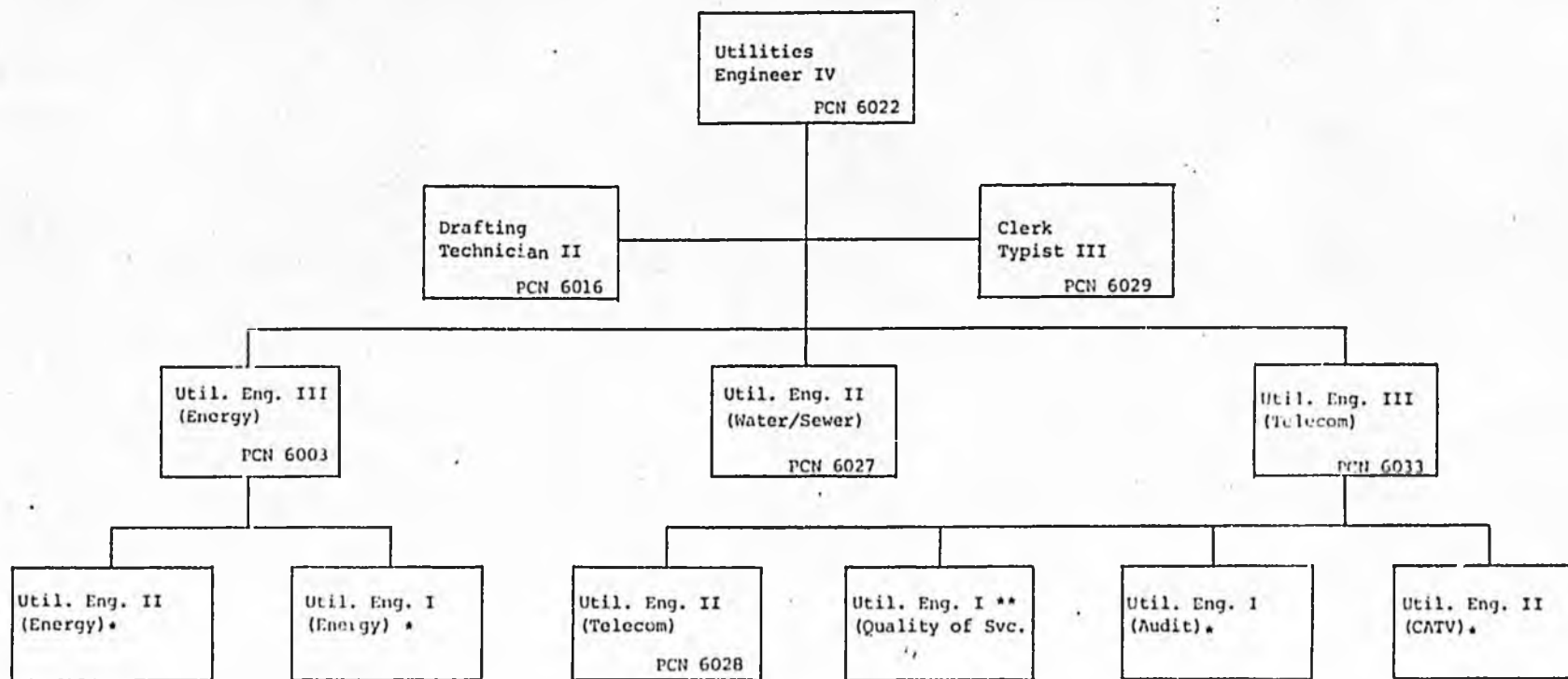
	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>	<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$232.7	\$	(1) \$79.4	\$312.1
200 Travel	2.8			2.8
300 Contractual Services	112.9		(2) 1.5	114.4
400 Commodities	3.7		(3) 1.5	5.2
500 Equipment	<u>5.4</u>	_____	(4) <u>2.0</u>	<u>7.4</u>
Total	<u>\$357.5</u>	=====	<u>\$84.4</u>	<u>\$441.9</u>

(1) Word Processing Supervisor	\$25,373
Word Processing Operator	19,883
Clerk Typist III	18,243
Clerk I	15,944
	<u>\$79,443</u>
(2) Maintenance of Equipment	\$ 1,000
Training Fees	500
	<u>500</u>
(3) Office Supplies	<u>\$ 1,500</u>
(4) Office Equipment	<u>\$ 2,000</u>

B. Engineering Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

## ENGINEERING ORGANIZATION CHART



\*New position requested

\*\*New position requested in Governor's FY81 Budget Request

## Principal Programs in Engineering

### Rate Base

1. Audit Continuing Property Records and determine whether plant is used and useful.

This involves auditing on a sampling basis and requires the use of layout drawings and staking sheets to determine the actual location of the equipment. Physical testing of telephone equipment (amplifiers, etc.) may be required to assure that particular equipment is actually in use.

2. Determine if rate base is reasonable or unduly inflated due to poor decisions.

Work done on occasional basis at the Commission has revealed that some utilities do not have sufficient control over the rate base. Examples include: 1) Plans based on outdated forecasts done in the lower 48 which also ignored higher Alaskan labor rates have resulted in uneconomical additions to plant and 2) projects placed in limbo before they materialize accumulate excessive engineering labor hours before they became active.

3. Audit of Work Orders and associated accounting.

This is necessary to establish the reasonableness of material, engineering, labor, supply and overhead charges to determine the proper allocation between capital and expense costs, and to insure prompt capitalization and retirement of property.

4. Review depreciation rates and studies.

In many locations of Alaska, depreciation rates may differ from industry norm due to the unique conditions encountered.

### Rate Design/Tariffs

1. Review allocation studies.

This involves detailed studies of equipment and of the effort involved to put it into service which will determine a fair and reasonable allocation of charges to the various types of services offered by utilities. In telecommunications utilities tend to assign excessive costs to noncompetitive services.

2. Review reasonableness of material, engineering and labor rates used to develop individual tariffs. Work is similar to that described in 1 above and may include the witnessing of actual installations.

3. Approve portions of tariff text that is related to equipment and engineering.

### Quality of Service

1. Develop and update service standards.

To date, only telecommunications service standards have been promulgated (3 AAC 52.200-3 AAC 52.340). Standards should be developed for electric, water/sewer, and other utilities. Once developed, standards must be updated to keep current with changing conditions.

2. Field Testing

Only actual on site testing can determine the quality of service provided. It is planned to have an Engineer I "on the road" about 40% of the time who will use specialized test equipment and will audit outage logs to determine the level of service provided by utilities. The engineer will also analyze service problems and determine whether they are caused by faulty or insufficient equipment or poor management control. Emphasis will be placed in telecommunications which is particularly sensitive to service problems where localized minor problems often affect the entire network. For example, poor operator answer time, aside from irritating customers, causes needless use of long distance circuits for the sole purpose of ringing the operator. This in turn distorts usage data and leads to major expenditures for unnecessary equipment additions. Another example is the underprovision of low cost terminal equipment which causes backups in the satellite network.

3. Review of service reliability and contingency plans. Age and reliability of primary and backup equipment will be considered to determine their adequacy. It is planned to study the economic feasibility of providing equipment diversity. Commission involvement seems also necessary to encourage utilities to develop and maintain contingency plans for emergency situations.

4. Review adequacy of system design.

On site review of existing and planned additions to facilities frequently reveal bottlenecks and weak spots which require urgent correction. Beside on site review, it is planned to maintain usage trend data of principal equipment and facilities to pinpoint potential deficiencies.

5. Test accuracy of long distance billing.

Long distance billing is performed by equipment that is integral with central office switching machines. For this reason, the testing of the accuracy of this billing lies with the APUC rather than the Weights & Measures Section.

6. Investigation of Quality of Service Complaints.

This work consists in conducting special investigations related to specific customer complaints.

Management Review

1. Evaluation of Utility Construction Programs.

Construction programs will be reviewed to determine whether they are adequate to meet current and future service needs. Work will consist in ferreting out weak points and in determining whether plans are compatible between utilities. Included will be discussion with utilities whether corrective action is practical and a review regarding practical implementations of new or alternate technologies (e.g., energy sources). It is expected that economic studies will be made or reviewed where alternate courses of actions are possible. It is believed that Commission review of construction programs is especially necessary when such programs are dictated by parent companies in the lower 48 without much regard or appreciation of Alaskan needs.

2. Productivity Studies.

Labor costs and productivity will be examined for reasonableness. This will include a comparison of productivity rates between companies and include a careful review of cases where productivity rates in Alaska deviate from those in the lower 48.

3. Maintenance Programs.

Utility maintenance programs will be evaluated through examination of records and routine maintenance procedures.

4. Investigation of Management Troublespots.

Programming is now underway to establish computer auditing of utility annual reports. It is planned to have computerized ratio and trend analysis pinpoint possible management trouble spots which subsequently will be investigated (e.g., strong deviations from the mean of General & Administrative expenses per customer; excessive uncollectibles per customer, etc.).

### Certification/Transfers

Applications for, or transfers of a certificate of public convenience and necessity require an investigation in the applicant's fitness, willingness and ability to operate the contemplated utility service. Engineering applies this criterion to the review of the applicant's plans, of his management, engineering and operational strengths, and coordinates with the finance section in determining financial fitness.

### Special Projects

These will primarily consist in the establishment of new methods and procedures for the engineering section.

ENGINEERING, ENVIRONMENTAL PROTECTION  
AND PLANNING SECTION  
FY 81 BUDGET  
(In Thousands)

	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>		<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$300.3	\$16.2	(1)	\$139.7	\$456.2
200 Travel	16.3		(2)	8.3	24.6
300 Contractual Services	7.8		(3)	20.8	28.6
400 Commodities	1.7		(4)	.2	1.9
500 Equipment	<u>1.0</u>		(5)	<u>3.8</u>	<u>4.8</u>
Total	<u>\$327.1</u>	<u>\$16.2</u>		<u>\$172.8</u>	<u>\$516.1</u>

(1) Engineer II - CATV	\$ 38,592
Engineer II - Energy	38,592
Engineer I - Energy	31,258
Engineer I - Telcom	31,258
	<u>\$139,700</u>

(2) Staff Audits	\$ 2,500
NARUC School	1,200
NARUC Meetings	1,400
Industry Schools	1,200
Compliance Investigation	2,000
	<u>\$ 8,300</u>

(3) Postage and Telephone	\$ 2,400
Office Space	16,500
Maintenance of Equipment	1,000
Training Fees	900
	<u>\$ 20,800</u>

(4) Office Supplies	<u>\$ 200</u>
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(5) Office Equipment	<u>\$ 3,800</u>
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C. Communication Carrier Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

COMMUNICATIONS CARRIERS SECTION  
 FY 81 BUDGET  
 (In Thousands)

	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>		<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$ 46.6	\$ 3.3	(1)	\$ 86.0	\$135.9
200 Travel	6.4		(2)	3.5	9.9
300 Contractual Services	3.3		(3)	8.8	12.1
400 Commodities	1.0		(4)	.4	1.4
500 Equipment	<u>        </u>	<u>        </u>	(5)	<u>2.1</u>	<u>2.1</u>
Total	<u>\$ 57.3</u>	<u>\$ 3.3</u>		<u>\$100.8</u>	<u>\$161.4</u>

(1) Utility Economist                   \$38,592  
 Research Analyst II                 29,164  
 Clerk Typist III                    18,243  
\$85,999

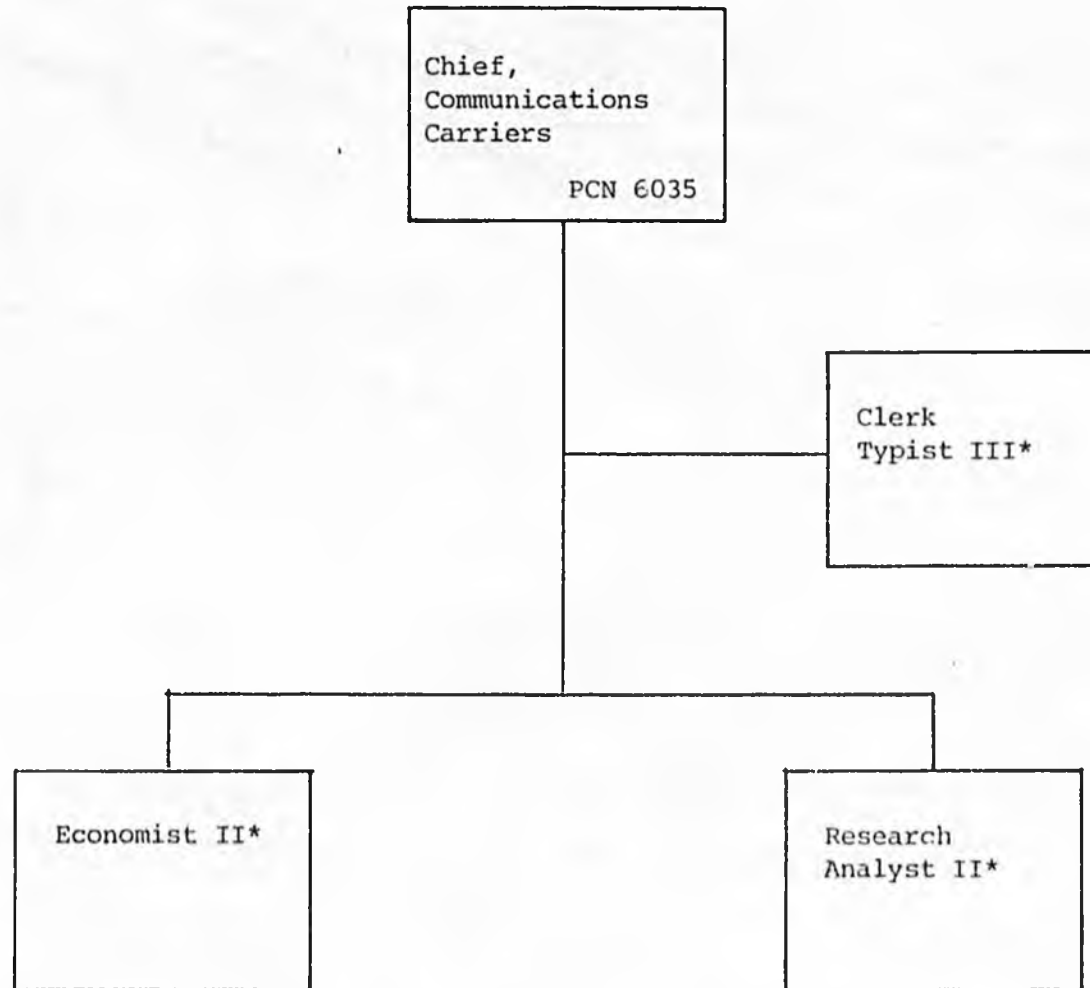
(2) Administrative                   \$ 900  
 NARUC School                       1,200  
 NARUC Meetings                    1,400  
\$ 3,500

(3) Printing                         \$ 1,000  
 Office Space                        7,800  
\$ 8,800

(4) Office Supplies                 \$ 400

(5) Office Equipment               \$ 2,100

ALASKA PUBLIC UTILITIES COMMISSION  
COMMUNICATIONS CARRIERS ORGANIZATION CHART



\*New position requested.

## PRINCIPAL PROGRAMS IN COMMUNICATION CARRIERS

### COMMUNICATIONS ACT REWRITE

Congress and the Administration are currently considering amending the Communications Act of 1934, the legislation that created the Federal Communications Commission. Four bills have been introduced, two in the Senate and two in the House, and the Administration is aggressively promoting its own proposal through the National Telecommunications and Information Agency.

Some of the proposals would drastically alter the arrangements under which telephone companies are interconnected. Specifically at issue is the division of toll revenue between long distance companies and local companies. One proposal is that the present system of toll settlements be replaced by a system of "access charges".

Just as the viability of telephone service in Alaska is sensitive to specific toll settlement arrangements, it would be similarly sensitive to specific access charge or other arrangements. It is essential that the APUC monitor rewrite progress and provide input as appropriate.

### TOLL RATE DESIGN

In considering Alascom's request for a permanent general rate increase (Docket U-78-4) the APUC has elected to separate the issue of toll rate design and first consider the

question of an "across the board" rate increase. The first phase of the proceeding is expected to reach a conclusion in the near future and the Commission will soon begin consideration of rate design.

Rate design is the process whereby, having determined the utility's overall revenue requirement, the Commission determines specific rates for specific services. Toll rate design answers such questions as whether a call from Anchorage to Iliamna should cost more than a call from Anchorage to Juneau, considering that the distance is smaller but the cost of completing the call may be greater.

Toll rate design is a very complex matter and will require a great deal of attention by the Section as well as the services of one or more consultants.

#### RURAL TELEPHONE DEVELOPMENT

Although telephone service is generally available to all Alaskans, many villages are served by only a single telephone. In the past few years, few companies have applied to the APUC for certification to provide local exchange service in villages, and a small number of villages are presently receiving such service.

Local exchange operation in a village is, unfortunately, an economically marginal operation. The viability of a local exchange company is very sensitive to the toll settlements arrangements (or access charge arrangements that may be instituted by a

Communications Act rewrite) in effect. To insure continued rural telephone development, it is essential that the Commission, through this Section, monitor the progress of rural telephone developments and the economic health of the small local exchange companies.

#### STATE NETWORK DEVELOPMENT

As the State's telecommunications needs grow, so its telecommunications network must grow to meet those needs. The network must provide a sufficient number of circuits of adequate quality, and in addition, the circuits must be reliable.

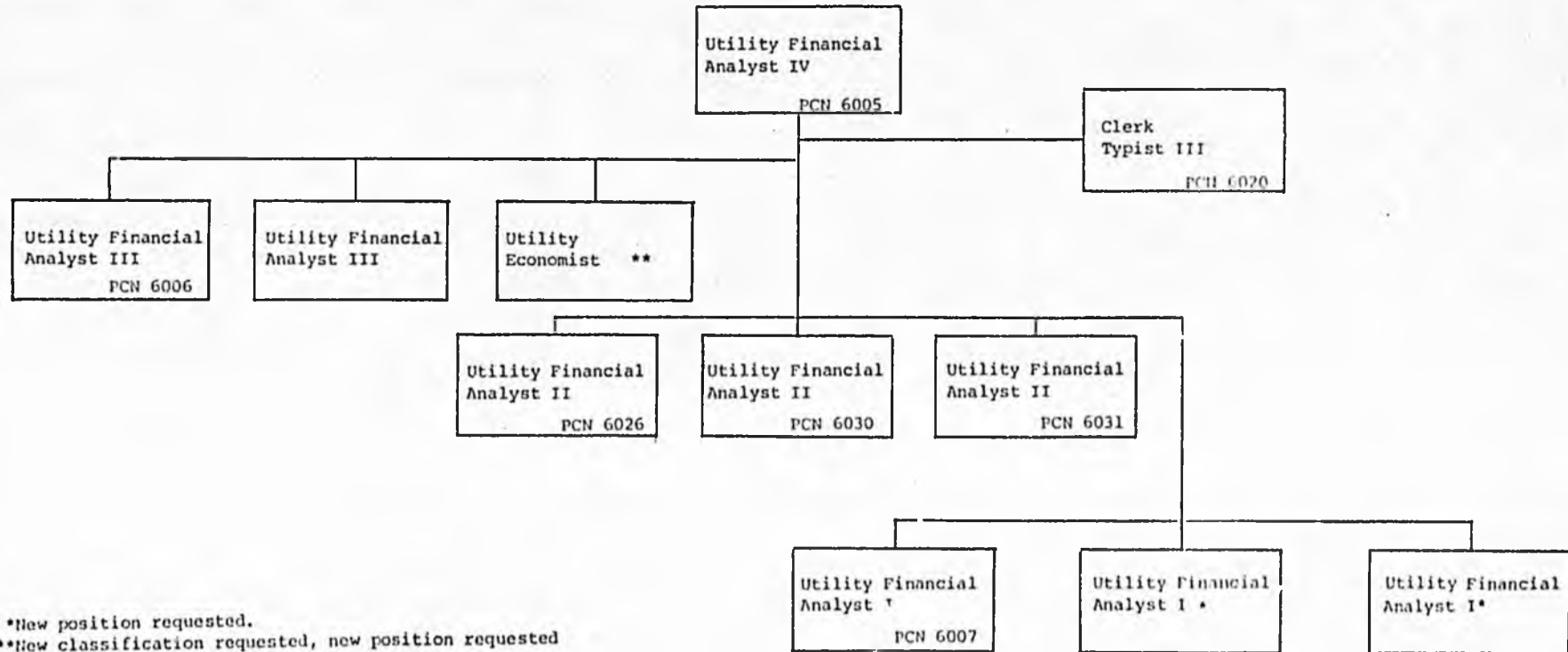
The network will meet needs only if it is developed in accordance with good engineering practice. To insure proper network development, the Section must, with the support of the Engineering Section, monitor the process.

D. Finance Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

ALASKA PUBLIC UTILITIES COMMISSION

FINANCE ORGANIZATION CHART



\*New position requested.

\*\*New classification requested, new position requested in Governor's FY81 Budget Request.

## PRINCIPAL PROGRAMS IN FINANCE

### Interim Rate Requests

1. Review filing for compliance with 3 AAC 48.275.
2. Review comparative balance sheets and income statements, tracing amounts shown to annual report filings.
3. Review filing for mathematical accuracy and consistency of figures used in all schedules.
4. Review previous rate request filing granted by the Commission for the same utility and review available history of the utility.
5. Review utility surcharge history, if any, and effect of its incorporation in present filing.
6. Note any discrepancies found in performing steps 1 through 4 and investigate to the extent possible without on-site audit.
7. Review utility determined revenue requirement and remove items traditionally disallowed by this Commission.
8. Compute revenue requirements; compute revenue deficiency; and determine whether there is a prima facie showing by the utility that its present rates are confiscatory.
9. Write tariff action memorandum on utility request, explaining results of steps 1 through 8.
10. Write interim order expressing Commission action on filing.

### Permanent Rate Requests

1. Follow steps 1 through 6 as shown under "Interim Rate Requests".
2. Write tariff action memorandum on utility request, explaining results of step 1.
3. Write order suspending permanent rates or expressing other Commission action on filing.
4. Based on steps 1 through 3, determine scope of on-site audit necessary.

5. Perform on-site audit.
  - a. Follow-up on discrepancies found in step 1.
  - b. Follow-up on particular Commission concerns.
  - c. On a sample basis, verify balance sheet (except plant), income statement and revenue requirement figures shown in filing by tracing final figures to source documents.
  - d. Verify that proforma adjustments are known and measurable.
  - e. Verify compliance of accounting records with Uniform System of Accounts prescribed for the utility.
  - f. Note general condition and operating environment of the utility.
  - g. Investigate elements of revenue requirement traditionally disallowed by the Commission. Revenue requirement analysis includes operating expenses, taxes, depreciation, rate base, cost of debt, and return on equity or TIER. Rate base includes net plant and a working capital component.
6. Compute revenue requirement, revenue deficiency, and percentage across-the-board increase required by the utility, based upon the results of steps 1 through 5.
7. Write Staff pre-filed testimony, presenting Staff position on the case and explaining the results of steps 1 through 6.

#### Rate Design

1. Review cost-of-service study prepared by utility in support of its proposed rate design.
2. Audit, as necessary, to verify cost allocations.
3. Research, as necessary, to determine validity and appropriateness of utility cost-of-service and rate design methodology.
4. Perform cost-of-service study when necessary.
5. Write Staff pre-filed testimony, presenting Staff position on the case and explaining the results of steps 1 through 4.

#### Rate Development - Telephone

1. Review rate development worksheets for conformance with acceptable Commission methods; and analyze appropriateness of any new method.

5. Perform on-site audit.
  - a. Follow-up on discrepancies found in step 1.
  - b. Follow-up on particular Commission concerns.
  - c. On a sample basis, verify balance sheet (except plant), income statement and revenue requirement figures shown in filing by tracing final figures to source documents.
  - d. Verify that proforma adjustments are known and measurable.
  - e. Verify compliance of accounting records with Uniform System of Accounts prescribed for the utility.
  - f. Note general condition and operating environment of the utility.
  - g. Investigate elements of revenue requirement traditionally disallowed by the Commission. Revenue requirement analysis includes operating expenses, taxes, depreciation, rate base, cost of debt, and return on equity or TIER. Rate base includes net plant and a working capital component.
6. Compute revenue requirement, revenue deficiency, and percentage across-the-board increase required by the utility, based upon the results of steps 1 through 5.
7. Write Staff pre-filed testimony, presenting Staff position on the case and explaining the results of steps 1 through 6.

#### Rate Design

1. Review cost-of-service study prepared by utility in support of its proposed rate design.
2. Audit, as necessary, to verify cost allocations.
3. Research, as necessary, to determine validity and appropriateness of utility cost-of-service and rate design methodology.
4. Perform cost-of-service study when necessary.
5. Write Staff pre-filed testimony, presenting Staff position on the case and explaining the results of steps 1 through 4.

#### Rate Development - Telephone

1. Review rate development worksheets for conformance with acceptable Commission methods; and analyze appropriateness of any new method.

2. Review rate development factor methodology for conformance with acceptable Commission methods; and analyze appropriateness of any new method.
3. Trace components of rate development factor computations to utility's most current operating results; investigate any discrepancies.
4. Review application of elements in steps 1 through 3 in deriving rates for service and equipment; reconcile differences between Staff and utility rates derived.
5. Write tariff action memorandum or pre-filed testimony, presenting Staff position on the case and explaining the results of steps 1 through 4.

#### Certifications

1. Review applicants for financial fitness by reference to source and cost of financing, equity structure, form of organization, and financial history of prospective owners.
2. Review pro forma rates for reasonableness based on knowledge of utility type (and inherent costs) weighted cost of capital, and elements allowed by this Commission in setting rates.
3. Write memorandum or pre-filed testimony, presenting Staff position on financial fitness of applicant.

#### Certificate Transfers

1. Review applicants for financial fitness by reference to form of organization and financial history of prospective owners.
2. Write memorandum or pre-filed testimony presenting Staff position on financial fitness of applicant.

#### Other

1. Perform financial and statistical analyses, accounting and regulatory research, and investigations as necessary.
2. Review utility annual report filings for unusual items and to determine the return on rate base earned from operations.
3. Compile information from utility annual reports and rate increases granted for incorporation into the APUC annual report of operations.

FINANCE AND ACCOUNTING SECTION  
 FY 81 BUDGET  
 (In Thousands)

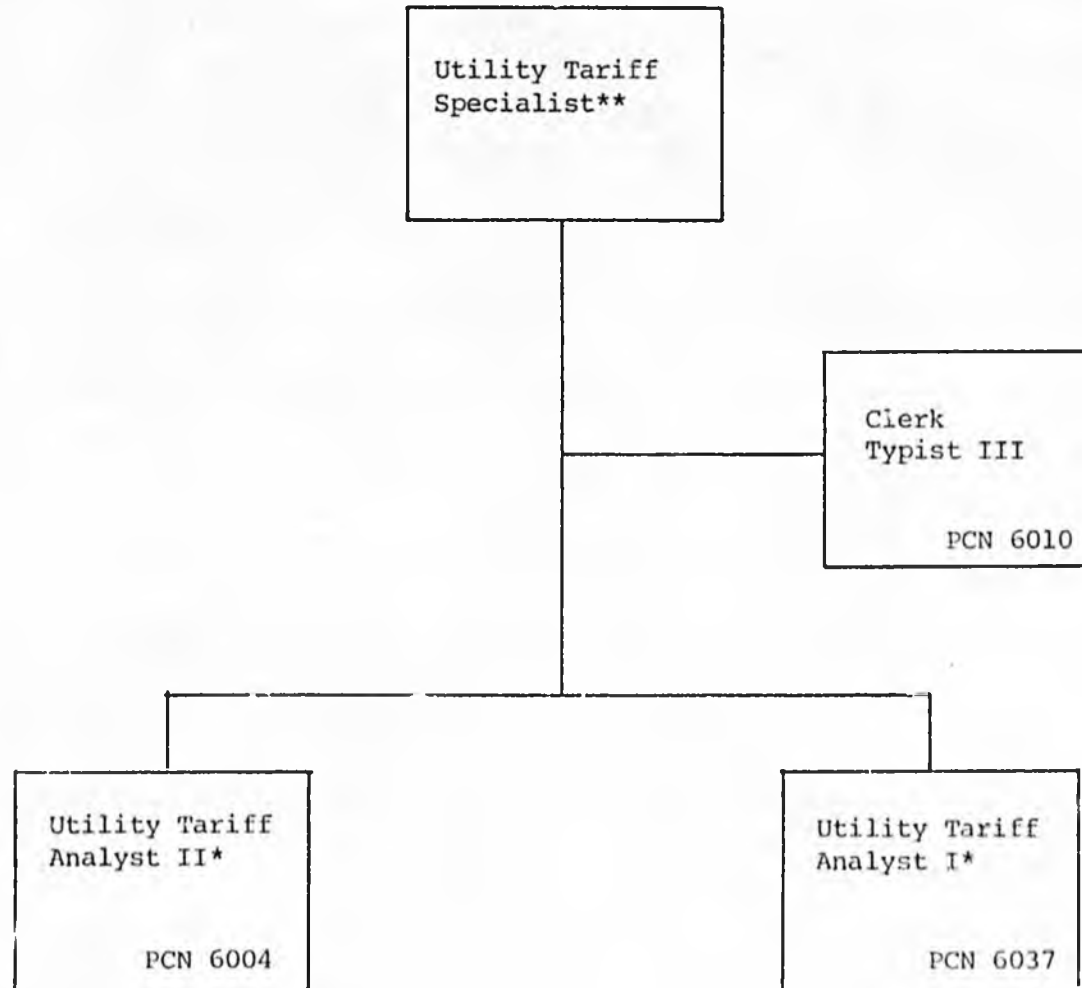
	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>		<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$255.5	\$29.2	(1)	\$ 95.8	\$380.5
200 Travel	16.1		(2)	14.0	30.1
300 Contractual Services	9.9		(3)	13.5	23.4
400 Commodities	1.7		(4)	1.2	2.9
500 Equipment	<u>1.6</u>	_____	(5)	<u>2.8</u>	<u>4.4</u>
Total	<u>\$284.8</u>	<u>\$29.2</u>		<u>\$127.3</u>	<u>\$441.3</u>
(1) UFA III	\$41,462				
UFA I	27,159				
UFA I	<u>27,159</u>				
	<u>\$95,780</u>				
(2) Staff Audits	\$ 8,200				
NARUC School	3,900				
NARUC Meetings	700				
Rate Design Education	<u>1,200</u>				
	<u>\$14,000</u>				
(3) Office Space	\$13,000				
Training Fees	500				
	<u>\$13,500</u>				
(4) Books & Reasearch Material	\$ 1,000				
Office Supplies	200				
	<u>\$ 1,200</u>				
(5) Office Equipment	<u>\$ 2,800</u>				

E. Tariff Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

ALASKA PUBLIC UTILITIES COMMISSION

TARIFF ORGANIZATION CHART



\* New classification and reclassification of existing position requested.

\*\* New classification and new position requested.

## PRINCIPAL PROGRAMS IN TARIFF SECTION

### Tariff Filings

1. Preliminary review.
  - A. Type of filing.
  - B. Compliance with regulations and adequacy of information.
  - C. Applicable time constraints.
2. Noticing procedures.
  - A. When to notice.
  - B. Where to notice.
  - C. Notice format.
3. Review of filings.
  - A. Service rate change request.
    1. Interim.
    2. Permanent.
  - B. Fuel cost rate adjustments.
  - C. Equipment offerings.
  - D. Textual changes.
  - E. Billing procedure and deposit changes.
  - F. New total tariff filings.
  - G. Special charges.
  - H. Contracts.
  - I. Other.
4. Tariff action meeting.
  - A. Preparation of memos expressing Staff position.
  - B. Distribution of memos.
  - C. Explanation of recommendations and filings in tariff action meetings before the Commission.
5. Notification to utility of Commission decisions.
  - A. Letters.
  - B. Letter orders.
  - C. Orders.

### Other

1. Perform statistical analyses and research as necessary.
2. Compile information from utility tariffs for incorporation into the APUC annual report of operations and for quarterly sample electric bill summaries.
3. Upon request, provide public information concerning approved and pending tariffs.

TARIFF SECTION  
 FY 81 BUDGET  
 (In Thousands)

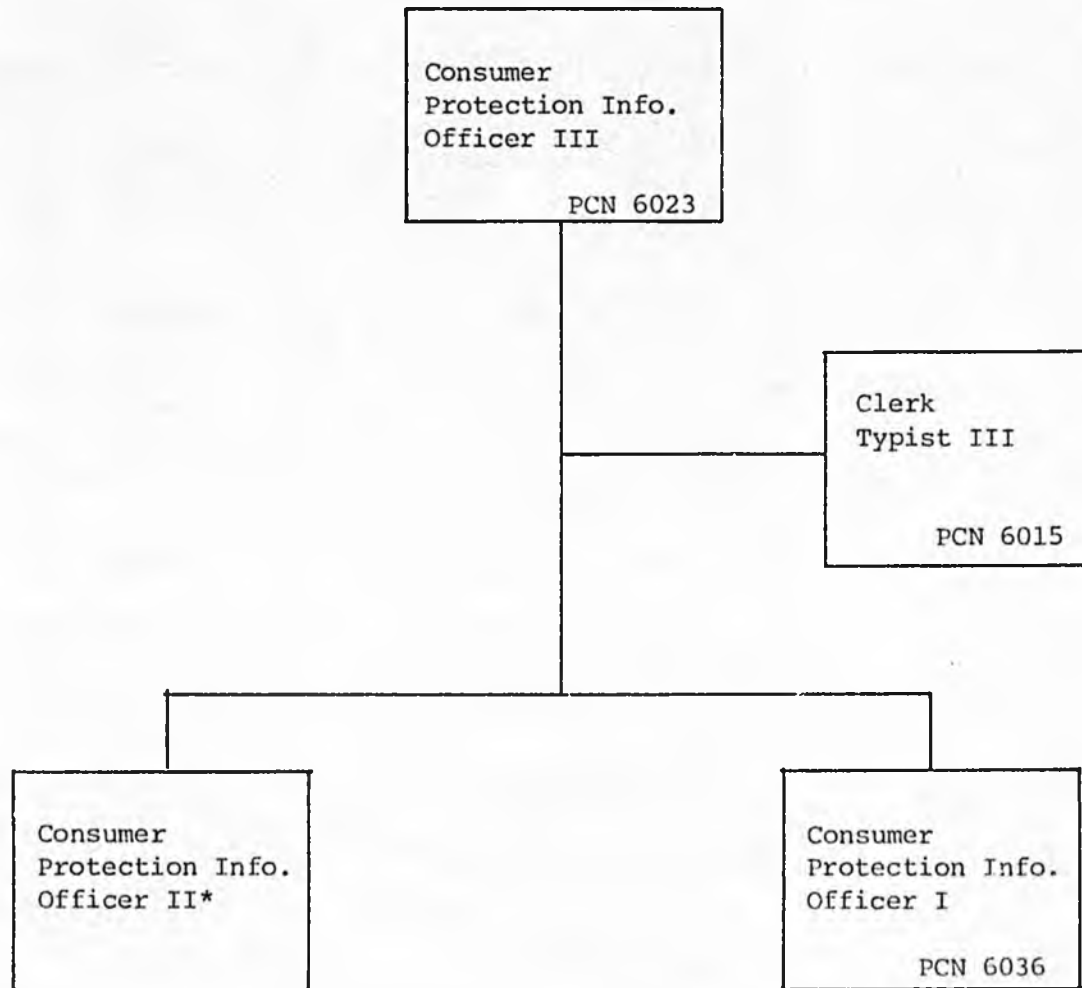
	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>		<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$ 76.7	\$ 5.1	(1)	\$41.5	\$123.3
200 Travel			(2)	1.3	1.3
300 Contractual Services	4.5		(3)	2.6	7.1
400 Commodities	1.0		(4)	.5	1.5
500 Equipment	<u>          </u>	<u>          </u>	(5)	<u>.8</u>	<u>.8</u>
Total	<u>\$ 82,2</u>	<u>\$ 5.1</u>		<u>\$46.7</u>	<u>\$134.0</u>

(1) Utility Tariff Specialist	<u>\$41,462</u>
(2) NARUC School	<u>\$ 1,300</u>
(3) Office Space Training Fees	\$ 2,400 200 <u>\$ 2,600</u>
(4) Subscriptions Books & Research Material	\$ 300 200 <u>\$ 500</u>
(5) Office Equipment	<u>\$ 800</u>

F. Consumer Protection

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

ALASKA PUBLIC UTILITIES COMMISSION  
CONSUMER PROTECTION ORGANIZATION CHART



\*New position in FY81 Governor's Budget Request.

PRINCIPAL PROGRAMS  
FOR  
CONSUMER PROTECTION SECTION

Informal Complaints

It is a primary function of this section to provide a forum for utility customers to air their grievances. Also, it must resolve or attempt to resolve these complaints informally rather than bringing matters formally before the Commission unnecessarily.

Through the implementation of toll-free calling and the strengthening of this section, customers of the regulated utilities throughout the State will have increased access to the Commission. While the number of complaints received will increase, the overall length of time required to respond and resolve customer complaints will be compressed. Thus, those customers with complaints which require timely action will be accommodated. Also, the development of a broader information base regarding consumer issues will occur from which the Commission may make decisions.

Under this program, the Commission will receive complaints from a broader base of utility customers. As a result, the insight which the Commission has into utility customer problems will be expanded and its knowledge base supplemented. From this additional information, the section will be better able to define problems and develop recommendations to meet immediate and future needs. In other words, Staff's diagnostic and prescriptive capabilities will be enhanced.

This program will take into account the increased number of substantive informal complaints being received. Many of the consumer issues which are evolving are not necessarily resolved by either current or historic standards. More time will be allocated to the investigative process which will result in the proposal or negotiation of equitable solutions based on current conditions.

Formal Proceedings

This section must from time to time recommend to the Commission that formal action be instituted when warranted by the circumstances. Under this program, additional time will be allocated to prepare for participation in proceedings which are instituted as a result of the section's recommendation. Also, time will be available for review of utility tariff filings which seek to change or implement the rules and regulations under which utility services are offered to the public. Additional time will be used to meet with the utilities and applicants to provide assistance in the evaluation of their tariffs and to propose both formally and informally those revisions or rules reflective of both utility and customer requirements.

This section's participation in the rule-making process will increase. This activity will include researching and drafting of proposed rules as well as the other phases of their promulgation, including hearings.

### Education and Information

Consumer reaction to the ever increasing financial impact that utility services have on their daily lives has created a need for a clearer understanding by the public of utility operation and regulatory matters. By increasing its informational programs and implementing educational projects, the public will be better able to wisely use those services offered by the utilities.

The first year of the educational program will consist primarily of identifying target areas and the means by which they may effectively be approached.

Although the Commission has an on-going public information program, its regularity must be reinstated and its substance revitalized. This will be accomplished at the time the section is strengthened.

CONSUMER PROTECTION  
AND INFORMATION SECTION  
FY 81 BUDGET  
(In Thousands)

	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>	<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$122.1	\$ 6.2	\$	\$128.3
200 Travel	1.5			1.5
300 Contractual Services	17.1		(1) 5.6	22.7
400 Commodities	3.0			3.0
500 Equipment	<u>2.0</u>	_____	_____	<u>2.0</u>
Total	<u>\$145.7</u>	<u>\$ 6.2</u>	<u>\$ 5.6</u>	<u>\$157.5</u>

(1) Office Space \$ 5,600

# STATE OF ALASKA

ALASKA PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

JAY S. HAMMOND, Governor

1100 MacKay Building  
338 Denali Street  
Anchorage, Alaska 99501

Phone (907) 276-6222

October 5, 1979

RECEIVED

OCT 5 1979

LEGISLATIVE  
AUDIT

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Couch W  
Juneau, Alaska 99811

Dear Mr. Wilkerson:

The following is the response of the Alaska Public Utilities Commission to the Performance Review of the Alaska Public Utilities Commission by the Division of Legislative Audit.

## Recommendation No. 1

The Alaska Public Utilities Commission, the Alaska Transportation Commission and the Alaska Pipeline Commission should be combined into a single regulatory commission.

The Alaska Public Utilities Commission (referred to hereinafter as APUC or Commission) believes it is appropriate to re-evaluate the merits of a single commission mode of regulating utilities. At this time, however, the APUC cannot unequivocally state that the three regulatory commissions should be combined into a single agency because no documentation that would support that conclusion has been made available to the Commission. The Commission believes it is misleading to make a recommendation of this significance solely on the basis of a comparison of "schemes" used by other states. Certainly the dominant regulatory framework in other states lends credence to the proposition that it is timely to reassess the value to the Alaska public to continue three separate regulatory agencies.

A tabular comparison of various regulatory frameworks is presented to support this recommendation. While informative, the Commission does not believe this analysis is sufficient

documentation on which to base this substantive recommendation. As the analysis indicates, the number of Commissioners has a direct relationship to the number and type of professional Staff. This, in turn, is influenced by its methods of operation, the scope of a Commission's statutory responsibilities, and the number of utilities subject to regulation.

The Commission offers the following comments regarding the advantages postulated by the auditors of a single regulatory agency.

(1) The Commission concurs that a single regulatory agency could result in a reduction in the number of regulatory Commissioners. However, someone must preside at hearings; and, therefore, the establishment of hearing officer positions would be required to offset the diminution in Commissioners. There are jurisdictions that utilize hearing officers to conduct public hearings and to draft proposed decisions for Commissioners' review and determination. The APUC Commissioners hear cases and write substantive orders without the benefit of such Staff\* assistance.

(2) Because of the specialization required of the Commission's professional Staff, i.e., expertise in telecommunications, electric, gas, sewer and water utilities, the Commission questions the degree of flexibility that would exist with a combined Staff. The Commission believes that the interchangeability of staff could be limited in practice to emergency-type situations. An analysis of the regulatory responsibilities of the Alaska Pipeline Commission and the Alaska Transportation Commission should provide more factual information in this regard. The Commission does agree that a combined clerical support Staff could provide more flexibility and create a more efficient flow of paperwork.

(3)(4)(5) The Commission believes that joint hearing and reproduction facilities and a shared publications library would provide for more efficient services, not only for a consolidated regulatory body but also for the existing regulatory Commissions. To this end, the Commission has recommended in its last two budgets that the three Commissions be physically co-relocated to a facility that would permit realization of these economies.

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\*The average regulatory commission in the United States has approximately 200 Staff members as contrasted with 32 Staff assigned to the APUC.

(6) The Commission does not have enough firsthand experience with sophisticated word-processing equipment to comment on this possible reduction.

The APUC strongly supports the concept that adequate human resources, whether in the form of commissioners, hearing officers or other staff, must be provided if the regulatory duties and responsibilities delegated by the Legislature are to be performed in an efficient and effective manner. Moreover, sufficient resources to perform the job are as important under the existing regulatory configuration as they would be in a prospective consolidation into one agency.

Reliance on outside regulatory formulae to support a merger should also be tempered by recognition of circumstances which make regulation unique in Alaska. For example, the APUC is still actively involved in the certification of utilities, in marked contrast to most jurisdictions in the "Lower 48" which have been fully carved up into utility service areas. This is especially pertinent not only to rural Alaska which is in a developmental stage in the utility arena but also extends to the State's largest metropolitan areas where telecommunications utilities have been the subject of recent certification proceedings. While not commanding the newspaper headlines generated by rate increases, the certification process is critical to the public protection function of regulation because it establishes the foundation for a utility's future service and rates.

The APUC believes that concurrent with the sunset review of the Alaska Pipeline Commission, the Division of Legislative Audit or an independent consulting firm should perform a cost-benefit analysis of combining the three regulatory commissions into one. The study should examine both the existing and alternative regulatory frameworks to identify the potential operational and financial gains and losses to be realized under a single consolidated agency.

If the desirability of implementing this recommendation is affirmed by such an in-depth analysis, the Commission strongly believes that the Legislature should assess the scope of the existing responsibilities of the three regulatory commissions before the decision to merge is made. Should the Alaska Transportation Commission continue to regulate dumptrucks and helicopters? Should the APUC continue to regulate

garbage and cable television utilities? What will be the magnitude of the workload of the Pipeline Commission after the TAPS case is completed? Resolution of these and other policy issues would facilitate the Legislature's efforts to define the appropriate regulatory framework for Alaska inasmuch as a determination of whether one commission would better serve the public interest than the existing three do is, in part, dependent on what responsibilities would reside with the single successor agency.

It may be difficult to divorce the mechanics of a merger from any assessment of its practicality and desirability. In this regard affirmative action to consolidate the existing regulatory agencies should include a detailed implementation plan with a realistic timetable which acknowledges that preservation of pending, current, and past decisions of each Commission is critical to the successful transition to one regulatory agency.

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The fundamental purpose of the Alaska Public Utilities Commission is to protect the public by awarding certificates of public convenience and necessity to qualified providers of utility services and to ensure that certificated utilities, except where exempted by statute, provide adequate, efficient, and safe services and facilities to the public at just and reasonable rates, terms, and conditions. These two major functions are broadly defined as certification and economic regulation. It should be noted that the consumer protection function of the Commission falls within the broad definition of economic regulation.

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The following four recommendations have a common theme. They propose to reduce the scope of the Commission's duties and responsibilities under AS 42.05 by deregulating certain types and sizes of public utilities. These recommendations reflect the audit team's awareness of the acute strains that the APUC's current workload places on its limited resources and ability to competently perform the responsibilities delegated by the Legislature. Additionally, it represents some of the current thinking regarding the necessity and desirability of regulation. After consideration of these

factors, the auditors identified those utilities where they perceived deregulation would have the least detrimental impact on the Alaskan public.

The Legislature faces the choice, implicit in the audit, of prioritizing the responsibilities of the APUC by deregulation of certain utilities or the allocation of adequate resources to the agency to fulfill its statutory assignments. The ultimate policy determination of which, if any, utilities should be exempt from regulation resides exclusively within the purview of the Legislature as the sole source of the Commission's authority. If the deregulation course is elected, it is the Commission's position that the audit team's priorities are generally acceptable with some specific exceptions. These exceptions and the Commission's view of the potential impact of deregulation in the recommended areas are provided to ensure that the ultimate decision is made with the experience and information of the APUC in concert with input from the private sector and the consuming public.

#### Recommendation No. 2

AS 42.05 should be amended to allow the Alaska Public Utilities Commission to cease all certification and regulation of cable television.

The Commission believes that the definition of telecommunications as found in AS 42.05.701(8) mandates the certification and regulation of cable television (CATV).

The Commission believes that certification should be required for CATV utilities providing service to 10 or more customers. This provides certain minimal protection to the public with respect to the fitness and ability of the serving utilities as more fully discussed in the response to Recommendation #5. More importantly, certification is necessary to assure the orderly development of basic telecommunications services throughout Alaska in light of nationwide technological developments and regulatory trends.

Current legislation before Congress and a more liberal regulation policy by the Federal Communications Commission indicate that telephone companies will shortly be in the position to offer broadband communications\* which could

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\*Broadband communication includes the full range of communication information including, but not limited to, basic telephone, data, and television.

include facilities for television distribution. Ultimately, basic telephone and television service could become so commingled that the economic viability of regulated communication services could be affected.

In some jurisdictions, municipalities award a franchise to a CATV utility. While on the surface this appears to be an attractive alternative to state regulation, the record in recent CATV certification proceedings involving Anchorage and Fairbanks indicates that in the "Lower 48" there has been political abuse of this process and that municipalities which do not have technical and rate-making expertise are unduly burdened by the responsibility to assess which applicant best serves the public interest. In place of economic regulation, municipal bodies have in some instances substituted a shortening of the franchise period, hoping to influence the franchise holder to charge reasonable rates and provide adequate service -- a practice that could backfire and leave the consumer without any service.

The APUC has determined that the public interest is not necessarily served by economic regulation of small cable television utilities and has exempted small CATV's from regulation in a number of instances. These are Eielson Air Force Base, Metlakatla, Craig, Klawock and Thorne Bay. While independently assessing the "nonessential" quality of cable television services, the Legislature should be aware that the APUC files are replete with complaints against CATV utilities, particularly from rural parts of Alaska where there is a captive audience with no alternative form of entertainment and where the entities providing the service have their base of operations outside the State of Alaska.

#### Recommendation No. 3

AS 42.05 should be amended to allow the Public Utilities Commission to cease certification and regulation of those utilities furnishing collection and disposal service of garbage, refuse, trash, and other waste material.

The Commission supports the elimination of regulation of garbage utilities from its responsibilities and agrees with the economic justification articulated by the sunset auditors.

The Commission would be remiss, however, if it failed to apprise the Legislature of its concerns regarding deregulation

of this public utility service. Based on Commission experience there is a need for some governmental entity to oversee garbage, refuse and disposal operations. Garbage and refuse disposal has long been considered an essential public health and sanitation service, more frequently than not owned, operated or contracted for by municipal governments. The impact of deregulation in this area would be felt primarily by a small percentage of consumers residing outside municipal boundaries. The Commission believes it would be in the public interest to ensure that the municipalities have sufficient extraterritorial jurisdiction under AS 29.48.037 and AS 29.48.040 to oversee the entirety of these operations.

The Commission would also point out to the Legislature that the Department of Environmental Conservation (DEC) currently issues permits for sanitary landfill use and promulgates regulations governing solid waste management. In this regard, the Legislature may wish to consider the DEC as an alternative to municipal regulation of garbage and refuse. The adequacy and availability of a sanitary landfill to a garbage utility is frequently a significant problem which has been brought to the Commission's attention. Because of DEC's current responsibilities in this area, it is appropriate to consider this alternative which would provide end-to-end regulation of garbage utility services.

If a legislative determination is made that garbage utilities should come under the jurisdiction of a state regulatory commission, it may be more in keeping with transportation regulatory practices for the Transportation Commission to resume this function.

Recommendation No. 4

AS 42.05 should be amended to allow non-profit telephone and electric cooperatives to petition for withdrawal from APUC economic regulation.

The Alaska Public Utilities Commission will concur with this recommendation. However, it is the Commission's experience that consumers of electric and telephone cooperatives frequently perceive little difference between co-ops and other public utilities, even though the members own the business and elect the board of directors. The Commission believes that if AS 42.05 is amended to incorporate this recommendation, it would be desirable to promulgate regulations establishing

an orderly procedure for withdrawal from economic regulation by cooperatives.

To further expand AS 42.05.711(b) to allow cooperatives that have withdrawn from economic regulation to subsequently return to the full regulatory jurisdiction of the Commission, while a desirable safeguard of the public interest, could have a detrimental effect on the ability of the APUC to administer and finance its on-going functions. For example, relevant Commission experience is the refusal of the Rural Electrification Administration to provide additional loan monies to the Tlingit-Haida Regional Electric Authority (THREA) until it submitted to APUC jurisdiction. THREA acceded to the jurisdiction of the APUC in December, 1978, because of its financial crises. Significant concerns of the THREA ratepayers and the mayors of the respective villages in which the utility is located has required the Commission to expend dollars for consultant services that would otherwise have been available to fund other existing responsibilities of the agency. Realizing that the decision to return to economic regulation will likely occur only when the cooperative is experiencing significant difficulty, the Commission believes it would be necessary and appropriate to minimize any impact on its existing workload by promulgating regulations governing reinstatement of full regulation after such an election.

It should also be noted that an unregulated telephone cooperative could cause unnecessary expansion of toll facilities of the long lines carrier. A local telephone cooperative not only has an impact on its primary customers but on those who utilize one or two communication networks desiring access to the local exchange. For example, a small deficiency in an unregulated telephone central office switch can deny access to 10 percent of incoming toll calls. It is uneconomical to have a telephone call cross the lower 48 states and be transmitted to the satellite and an Alaska terrestrial facility only to be denied at the terminating central office.

Recommendation No. 5

AS 42.05 should be amended to exempt from economic regulation all utilities with annual gross revenues not exceeding \$100,000.

The Commission concurs with this recommendation.

However, the Commission believes it is in the public interest to continue to require certification of all utilities providing service to 10 or more customers, irrespective of annual gross revenues.

A certificate of public convenience and necessity from a qualified independent agency assures the consuming public that a utility is fit, willing and able to provide service. In addition, a certificate provides economic protection to the small business from unauthorized or potentially ruinous competition. The Commission believes that certification is particularly important to protect the public interest when a small utility will be physically tied to a larger utility network, such as the case of a local exchange telephone company interconnected to the long lines telecommunications carrier or an electric grid system connecting more than one power utility.

Based on the APUC's 1978 Annual Report, 13 utilities currently subject to economic regulation would become exempt if this amendment were approved with the \$100,000 cutoff level. The majority of the 13 utilities are small water companies which historically have generated numerous consumer complaints. These complaints have required a significant commitment of time by the APUC Consumer Protection Section for its investigation and possible resolution and by Commissioners and Staff in public hearings. The Commission would be remiss if it did not point out to the Legislature that the volume of complaints received from the consumers of these relatively small utilities indicates reliance on the public protection provided by regulation for adequate service. Because water service is a necessity, some entity, be it legislative or administrative, will inherit the consumer protection function that the APUC has provided.

The comments of the APUC's Chief of Finance are germane and the Commission believes they should be drawn to the attention of the legislature:

"Water bills have a tendency to be lower than electric or telephone. Therefore, I question whether a gross revenue standard is a fair reflection of the number of people involved. I do not believe the same gross revenue cutoff should be applied to all types of utilities. I think the deregulation of electric and telephone under \$100,000 gross revenues is a good recommendation. Water and sewer should have a different standard.

Some of our most difficult and demanding cases are water utilities. The filings are often poor and inaccurate and accounting records are often nonexistent or in 'shoe-boxes.' We truly protect the public in our review of these utilities. Any given case may require a great deal of time on our part, but I feel it is time well spent. Unlike garbage collection, water service is definitely a necessity."

Recommendation No. 6

The statutes and regulations governing the Alaska Public Utilities Commission should be revised.

The Commission agrees that its statutes and regulations should be revised. The following comments are offered in response to the specific examples delineated by the auditors.

(1) The two cases cited by the auditors "mix apples and oranges." In one, Docket U-75-95 a Commission decision has been upheld in Superior Court that disallowed unamortized rate case expense in a utility's rate base. At issue in the other, Docket U-76-66, was the protection of the public from duplicative utility expenses. Both of these issues are matters of regulatory policy over which the APUC needs discretion and flexibility to respond to current theories and to individual cases.

The Commission believes, however, that regulations establishing guidance for supporting documentation required to justify both internal and external rate case expense are necessary and desirable. The Commission's posture for four years has been reactive. Unfortunately, its workload, mandated by other statutory requirements, has preempted the time necessary to notice, consider and adopt regulations that would allow the regulatory process to function more efficiently.

(2) The Commission concurs that the promulgation of industry performance standards for all regulated utilities is necessary and desirable, but it is also a function of available resources to establish the standards and to enforce them. At the present time the APUC has no operational budget to enforce the existing telephone service standards.

(3) The Commission has requested clarification of its

statute regarding the transfer of certificates of public convenience and necessity. (HB675, 1978 Session.) More interest was generated in the existing statutory ambiguity as a result of PACOM's announced intentions to acquire a controlling interest in RCA ALASCOM. However, the statute remains; and, to date, affected utilities have acceded to Commission jurisdiction in this matter in accordance with the Commission's interpretation of its statute and regulations. Nonetheless, the Commission continues to support clarifying legislation.

(4) The Commission plans to eliminate the discrepancies between its statute and regulations by January 1, 1980.

Recommendation No. 7

The APUC should seek upgrading of salary levels for professional support staff.

There is no question that the most frustrating, expensive and time-consuming problem in the Commission's operation has been the vacancy factor and turnover of its professional Staff as a result of the compensation level.

A salary survey performed by the Division of Personnel in 1977 compared salaries of the Commission's professional Staff to salaries paid by regulatory commissions in other states with a cost-of-living additive. This did not and does not consider reality. The Commission loses its professional people to consulting firms and utilities operating in Alaska, not outside of Alaska. In addition, the Commission has experienced turnover because other State agencies offer a higher salary for the same qualifications and experience. Effective protection of the public interest and efficient utilization of its financial resources dictate that the APUC compensate its professional Staff at a level which attracts and retains qualified and experienced personnel.

Recommendation No. 8

The APUC should implement a time management system.

The Commission concurs that a time management system is a useful administrative tool. The Commission's experience in filling successive vacancies in the Executive Director position has not allowed institution of such a system to date. However, the Commission anticipates that the new

administrative Staff will implement such a system as rapidly as time, knowledge, and experience permit.

Recommendation No. 9

The APUC should develop a cross-reference system for Commission orders and decisions by the courts.

The cross-reference system suggested by this recommendation is desirable and necessary. With adequate funding the computer capability of the Commission could provide the foundation of a cross-reference system for current Commission actions. To recover the decisions of the first eight years of the Commission requires time and budget that is non-existent at present. The Commission plans to dedicate a portion of the time of its newly classified paralegal position to this assignment.

Recommendation No. 10

The Commissioners of the APUC should restrict their involvement in the administrative function of the agency.

The theory behind this recommendation is sound but its strict application must be tempered by reality. As one Staff section head stated in response to this recommendation, "Until we have written policies, a topical reference system and a knowledgeable, interested, hard-working executive director, I don't see how the Commissioners can be expected to restrict their involvement in the administrative function of this agency."

It is the goal of the Commissioners to be relieved of their direct involvement in the administration of the APUC. History dictates this is an evolutionary process. Reality dictates that the Commissioners are ultimately responsible for the public perception of the APUC. Their oversight responsibilities and input in administrative matters will continue as an informative tool for the Staff's managers.

It should be noted that the Commissioners have no independent professional staff and must rely on existing staff personnel for technical expertise and advice only when it does not compromise the independence of the parties in proceedings.

Recommendation No. 11

The APUC should seek to establish separate collocation codes for each section of the Commission.

It may be that the implementation of this recommendation is desirable.

The Commission does have some reservations in this regard due to the small size of its sections, ranging from one to six people. In the past the budget has been earmarked to the workload confronting the Commission. In most proceedings at least two staff sections, the Commission's legal personnel and the Commissioners are involved. Budgeting has been a matter of compromise, cooperation, and re-prioritizing to address the situation at hand.

The Commission will explore with the auditors the perceived benefits to be gained through section collocation codes.

COMMENTS ON ANALYSIS OF PUBLIC NEED

II. "There is also a need for statutory and regulatory amendments to allow for more effective case management and to avoid court appeals of Commission decisions (see Recommendation No. 2 through No. 6)."

It is overly simplistic to assume that statutory and regulatory amendments will eliminate court appeals of APUC decisions. Regulatory and administrative law are evolutionary elements in the system of common law applicable to Commission proceedings. Also, the volatility of regulatory theory and policy combined with the likelihood of a dissatisfied party is conducive to litigation in some instances. Given the nature and scope of APUC activity during recent years, there has been a relatively small number of Commission orders that have been appealed to the Superior Court.

An appeal of a Commission decision, per se, is not an undesirable result of Commission action. In certain instances it is in the public interest to have the case law and statutes clarified and amplified through the appeal process.

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

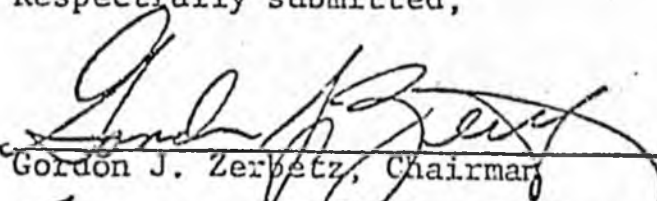
The APUC has been actively involved in reacting to substantive

Oct. 5, 1979

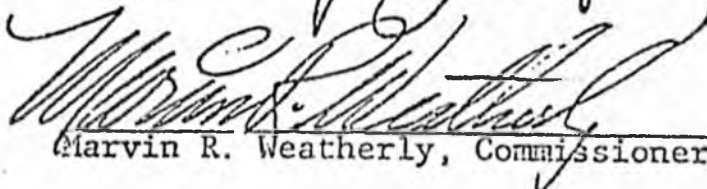
pieces of legislation proposed by others in the past few years. In addition, the Commission has served as a resource to both the Governor's office and the legislative branch of government in the energy and telecommunications fields. And, it well may be more fruitful for deregulation recommendations to come from without rather than from within the Commission.

The Alaska Public Utilities Commission believes that the audit conducted by the Division of Legislative Audit was a constructive exercise for the Commission and commends the auditors for the performance of their responsibilities in a thoughtful and unobtrusive manner.

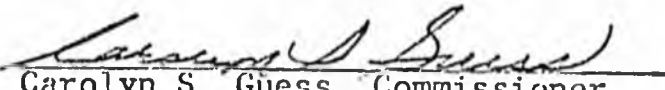
Respectfully submitted,



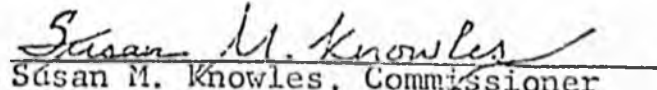
Gordon J. Zerbetz, Chairman



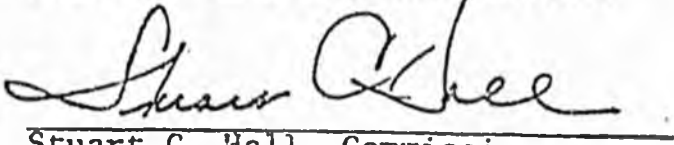
Marvin R. Weatherly, Commissioner



Carolyn S. Guess, Commissioner



Susan M. Knowles, Commissioner



Stuart C. Hall, Commissioner

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

360 K STREET — SUITE 105  
ANCHORAGE 99501

File 8  
Sen Commerce 79-80

John M. Stern, Chairman  
Alaska Public Utilities Commission

January 22, 1973

Thru: Kenneth W. Kadow, Commissioner  
Department of Commerce

FROM: B. Richard Edwards  
Assistant Attorney General  
Attorney General's Office  
Anchorage Civil Section

RE: Jurisdiction of APUC over  
rates of municipally owned  
utilities

Please refer to your memorandum of October 1972 wherein you request an Attorney General's opinion on two questions. The first question deals with the general application of AS 42.05.711 (b) and is based on the facts set forth in your memorandum. The Fairbanks Municipal Utility System (FMUS) applied for a certificate of public convenience and necessity under the grandfather rights of AS 42.05.221 to provide electrical service in the Fairbanks area. In the same area Golden Valley Electric Association, Inc. (GVEA) had a certificate of public convenience and necessity to furnish identical electrical service. On August 11, 1972 the APUC issued two decisions, one which granted the FMUS a certificate of public convenience and necessity to supply electrical service in an area which would not compete with the GVEA.

Your opinion request is based on several assumptions. In your request you assume the competition between FMUS and GVEA has been eliminated. You also assume that there is no competition between the other FMUS utilities and any other public utility and that FMUS until the elimination of competition was clearly under the complete jurisdiction of the APUC.

Based upon these facts and assumptions it is our opinion that the rates charged by the Fairbanks Municipal Utility System for electrical service cannot be regulated by the Alaska Public Utilities Commission in light of AS 42.05.711 (b).

AS 42.05.711 (b) provides:

Public utilities owned and operated by a political subdivision of the state and none of whose utilities is in competition with an other utility, are exempt from the provisions of this chapter, other than the provisions of §§ 221-231 of this chapter, unless such an owner and operator elects to be subject to all provisions of this chapter.

It is clear from this provision that a utility operated by a political subdivision of the State is not in competition with any other utility it is exempt from the Alaska Public Utilities Act except for the provisions dealing with certificates of public convenience and necessity found at AS 42.05.221-221.1/ No ambiguity is found with respect to this part of the statute and where a statute is unambiguous the statute expresses the legislative intent without the necessity of aids from the legislative history. Alaska Mines and Minerals, Inc. v. Alaska Industrial Board, 354 P. 2d 376, 379 (Alaska 1960); City of Seward v. Wisdom, 413 P. 2d 931, 936 (Alaska 1966); Homer Electric Assn., Inc. v. City of Kenai, 423 P. 2d 285, 289 (Alaska 1967). The legislative intent, however, is supported by the legislative history of the exemption provision.

A review of this legislative history would not be complete without first reviewing the statutory history of regulating the rates of municipally owned utilities. When the Alaska Public Service Commission Act first became law in 1959 municipal utilities except for water and sewer were regulated pursuant to AS 42.05.640(2). In 1963 this provision was amended to entirely exclude municipally owned utilities from Public Utilities Commission regulation. This statutory history is explored in detail in Homer Electric Assn., Inc. v. City of Kenai, 423 P. 2d 285 (Alaska 1967).

In the 1971 Legislature, Senate Bill 128 was introduced into the Senate by the Senate Rules Committee at the request of former Governor Keith H. Miller. The requested legislation was accompanied by an introductory executive message<sup>2</sup> which provided with respect to municipalities as follows:

Municipally owned and operated utilities are exempted from regulation only in certain respects. These are specified in subsections AS 42.05.631 (b)-(d). In brief, a municipal utility would be exempt from rate regulation for services provided within the city boundaries. Services which it provides outside the municipal

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1. For discussions of the ramifications and policies of exempting municipally owned utilities from the various forms of Public Utilities Commission regulations see State Supervision Over Municipally Owned Utilities, 49 Col. L.R. 180 (1949); State Regulations of Municipally Owned Electric Utilities, 7 Geo. Wash. L.R. 557 (1939); State versus Local Control of Municipally Owned Utilities, 41 Yale L.J. 121 (1931).
  2. "... it is an accepted method of determining legislative intent to look to introductory executive messages." Homer Electric Assn., Inc. v. City of Kenai, 423 P. 2d 285, 289 (Alaska, 1967)

boundaries would not be exempt. Municipal utilities would also be exempt en toto from Sections AS 42.05.491 - 511 concerning financial and management regulation, and from Section AS 42.05.641 concerning regulatory fees. [1969 Senate Journal, p. 84].

It is apparent that municipal utilities under the bill introduced by the Governor would be exempt from rate regulation of its utilities located within the city boundaries.

In the same Legislature, House Bill 202 was introduced into the Alaska House of Representatives. The legislative history of this bill in the House includes the following from the House Judiciary Committee report on the Public Utilities Act:

AS 42.05.711. In its comparable section, SB 128 provided for the exemption of municipally owned and operated utilities from the provisions regarding the regulation of rates, financial management regulations, and the requirement of a regulatory fees. (Cf. present AS 42.05.645 and Pa. Stat., Title 66, sec. 1141.) The original HB 202 deleted the exemption regarding rates. [1969 House Journal, Supplement No. 4 (4/9/69), p. 7]

From this it appears that the original House Bill contemplated the regulation of rates charged by municipally owned utilities. This was changed, however, by an amendment on the floor of the House. This amendment read as follows:

Municipally owned utilities (except those consenting to all provisions of this chapter) are exempt from the provisions of this chapter if there is no other utility in the integrated economic area or in an adjacent service area competing or having the potential to compete with any other of the municipally owned utilities. [1969 House Journal, p. 705]

House Bill 202 with this amendment passed the House of Representatives and was forwarded to the Senate. It is clear from this amendment that the House of Representatives also intended that the rates of a municipally owned utility should not be regulated except where competition was present. No legislative history was found which would indicate any ambiguity in AS 42.05.711(b) or indicate that the legislature intended that the rates of municipal utilities not in competition with other utilities be regulated by the APUC.

Your second question requests an opinion from this office on the issue of whether the Fairbanks Municipal Utility System is "in competition" as that phrase is used in AS 42.05.711 (b) where FMUS is attempting to gain authority from the Commission to supply terminal equipment (such as teletype, telex units and other more sophisticated hardware) in the Fairbanks area and in the same proceedings before the Commission, prevent RCA-Alascom from continuing to provide such terminal equipment. It appears from the facts of this situation that the FMUS is merely applying and attempting to gain the authority to compete with RCA-Alascom or to exclusively provide the terminal equipment in the Fairbanks area. Apparently the FMUS is not presently providing such terminal equipment in the Fairbanks area. RCA-Alascom is now providing that terminal equipment. The matter is a dispute over which of the two entities has the authority from the APUC to install terminal equipment.

Under this set of facts it is the opinion of this office that by entering into this dispute the FMUS is not "in competition with any other utility" as that phrase is used in AS 42.05.711 (b). This results in the APUC not being able to regulate the rates, services and facilities, accounts records and reports, and financial and management regulations of the FMUS.

In construing what the Legislature intended by the phrase "in competition with any other utility" a basic fundamental rule of statutory construction requires that the legislative purpose or intent in using the subject phrase be extracted from the entire Public Utilities Act. In other words since this phrase is not defined in the definitional section of the enactment (113 SLA 1970) the other sections in the enactment should be looked at to determine the legislative intent of the phrase. In re Delinquent Tax Role, 16 Alaska 286, 295 (D. Alaska 1956); State v. American Can Co., 362 P. 2d 291, 296 (Alaska 1964); 2 Sutherland, Statutory Construction, (3 Rd. ed.) §§ 4703, 4704.

In 113 SLA 1970 the only other provision which discusses "competition" between public utilities is found in AS 42.05.221 (d). This provision provides:

(d) In an area where the commission determines that two or more public utilities are competing to furnish identical utility service and that this competition is not in the public interest, the commission shall take appropriate action to eliminate the competition and any undesirable duplication of facilities. This appropriate action may include, but is not limited to, ordering the competing utilities to enter into a contract which, among other things would:

(1) delineate the service area boundaries of each in those areas of competition;

(2) eliminate existing duplication and paralleling to the fullest reasonable extent;

(3) preclude future duplication and paralleling;

(4) provide for the exchange of customers and facilities for the purposes of providing better public service and of eliminating duplication and paralleling; and

(5) provide such other mutually equitable arrangements as would be in the public interest.

From this it appears that the legislature intended the use of the word competition to mean actual competition. A mere dispute before the Alaska Public Utilities Commission does not constitute such competition. AS 42.05.221 indicates that competition exists where two or more public utilities are furnishing identical utility service in a designated area and where these two utilities have authority for duplication and paralleling of facilities. No other statutory provision was found in 113 SLA 1970 which would shed any light upon the meaning of competition as used in AS 42.05.711 (d).

Our opinion is further supported by another statutory construction rule which dictates that statutes must be given their reasonable meaning.

If a public utility owned by a political subdivision is subject to rate regulation by the APUC each time the political subdivision requests extended authority or has a dispute with another utility with respect to the extent of either of the utilities authority then an unreasonable result may occur because the utility owned by the political subdivision would probably be under the rate regulation of the APUC only until the dispute or request for extended authority is resolved by the APUC. Such resolution could take place in a short period of time. The present fact situation appears to present a case which could reach this unreasonable result. If the rates of the FMUS were to be regulated by the APUC during the pendency of the dispute between FMUS and RCA-Alascom it appears that those rates would be regulated only for a short period of time. Once the dispute was resolved the FMUS would again be in a position of not having its rates regulated by the APUC unless the APUC were to grant competing authority to both FMUS and RCA-Alascom, or the FMUS elected to be regulated.

Additionally, the common usage of the words "in competition with any other utility" indicates that the political subdivision owned utility must be furnishing identical facilities or service as another utility in the same authorized area before it can be considered in competition with that utility.

JOHN E. HAVELOCK  
ATTORNEY GENERAL

By: *B. Richard Edwards*

B. Richard Edwards  
Assistant Attorney General

Pelican Utility Company  
P.O. Box 5538  
Seattle, WA 98105.

March 19, 1980

Senator Brad Bradley, Chairman  
Senate Commerce Committee  
Pouch V Mail Stop 3100  
Juneau, AK 99811

Dear Senator Bradley:

My name is Cavin Philbin and I am representing Pelican Utility Company (PELCO).

The following is written testimony reflecting PELCO's opinions and attitudes toward the Alaska Public Utilities Commission's past performance. This testimony is subsequent to testimony given in front of the Senate Sunset Legislative Review Board by Mr. Charles N. Drennan, an attorney from the law firm of Faulkner, Banfield, Doogan & Holmes and PELCO's representative. PELCO encourages the Sunset Legislation Committee to take into consideration this testimony to aid in the evaluation of the Alaska Public Utilities Commission (APUC).

PELCO is in support of Recommendation No. 5 of the August 1979 review. The company feels that by exempting utilities with gross revenues of \$500,000 or less (instead of \$100,000), the commission would be allowed additional time and revenue to protect a larger percentage of the public interest by concentrating on larger utilities that serve the majority of Alaska's citizens.

PELCO feels it is disproportionate for a utility of its size to pay the same price for complying with APUC rate case requirements as larger utilities. The high cost of preparing a rate case is passed on to the customer in the form of higher rates which means that a utility customer of a smaller utility has to bear the brunt of higher regulation costs than a customer of a larger utility company.

With the increase in the cost of fuel, utility companies will be forced to file rate cases more frequently to maintain a rate of return allowed by the Commission. APUC is presently offering assistance to utilities in the form of a fuel rate adjustment clause which allows utilities to increase rates proportionate to the increase in fuel. Despite the fuel rate adjustment clause, electric utilities still must file rate cases after the price of fuel increases by 30%. Progressively increasing fuel and regulation costs will continue to outweigh any benefits derived from regulation in its present form.

It may well be that the Commission will require approval of an exempted utility's rate increase. If this is the case, PELCO recommends using a shortened, single page form for supplying a regulatory board with pertinent rate case information. Utility costs, past KWH production, the utility's customer base, rate of return information and other necessary information could be listed "in house" on a form similar to a tax return. This would cost the utility less to compile and the regulatory board less to analyze. The expense for complying with cost of service studies and rate case requirements should be relative to the gross revenue and customer base of the utility. If this is not possible, the regulatory agency should pay the cost of supplying such burdensome information.

PELCO is not in favor of the statute now in effect by APUC stating that if 25% of the customer base of a utility sign a petition protesting the utility's exemption from regulation, the utility is automatically regulated by APUC.

PELCO has a customer base of 64 people living in an area of approximately one square mile. This has always been a problem for PELCO. With Pelican Cold Storage Company (Pelican Utility Company) as the major employer in such a small village, even a slight <sup>rate</sup> increase is highly controversial. The present statute states that 16 protests are all that are required to cancel or defeat a PELCO exemption, but even with a single protest, the review of a rate case or special request can come to a standstill.

The management at PELCO invites customer input in determining the extent of company regulation, but feels the decision should lie with a State Regulatory Board and not a few citizens. For instance a percentage of customers could request a state commission to review a utility's performance but a state review board should be responsible for determining the utility's degree of regulation.

Attached to this testimony is a copy of a diary kept by Mr. J. G. Ferguson, President of PELCO, during our last approved electric rate case. As the diary illustrates, rate case proceedings began on April 20, 1975 and although the diary was not carried through to the time the final rates were approved on August 1, 1976, it can be seen that it is especially costly and time consuming for a utility of Pelican's size to comply with the myriad of information required by APUC, especially relative to the utility's customer base.

Since the 1976 electric rate case, PELCO has filed for a new water rate and a Petition for Exemption for a new Cable Television System.

PELCO initiated the water rate case in November of 1977 and was granted the rates on February 14 of 1980. In that 26 month period, having our attorney compile the necessary information cost the utility \$50.00 an hour in legal fees for a total cost of \$3,424.00. A minimum of three hours a week was needed in that period of time for Seattle administrative personnel to produce information for this particular case. This cost PELCO \$2,000.00 a year, not to mention the time that was needed for the PELCO staff in Alaska to supply the Seattle office with additional support information. With a gross water utility sales revenue of \$6,450.00 for FY 1978 and 1979, the cost to comply with APUC information requirements for these years totaled roughly 60% of the water utility's sales revenue.

For the Cable Television Petition for Exemption, it took over a year to obtain a certificate to operate. The legal expense in that period for Cable Television was \$1,250.00.

In closing, PELCO encourages the Sunset Review Committee to do anything within its power to decrease Commission staff turnover. It has been our experience in rate cases that each time an APUC staff member quits, the replacement invariably requires information that has already been supplied. This is burdensome to the utility and adds to the inefficiency of APUC.

Respectfully



Cavin W. Philbin  
Utility Administrator

CWP:lm

Attachment

PELICAN UTILITY RATE CASE:

April 20, 1975 Requested Banfield to start on rate case  
 June 25 Pelican answers phone request for information  
 July 23 " " " " " "  
 August 13 " " " " " "  
 Sept. 4 " " " " " "  
 Sept. 8 Banfield sent 33 page application for increased rates  
 15¢/KWH effective Oct. 12, 1975 with Interim Rates 11.8¢  
 KWH effective Sept. 29, 1975  
 Sept. 19 Received letter from Alaska Public Utilities Commission  
 advising request received  
 Sept. 25 Advised Banfield depreciation methods used  
 Sept. 26 Rate Notice published in Southeast Alaska Empire Newspaper  
 Oct. 1 Letter to Banfield on case  
 Oct. 2 Received letter from Banfield on case  
 Oct. 2 Answered requests about fuel storage  
 Oct. 7 Received letter from City of Pelican on case advising rate  
 for street lights will go from \$492.00 to \$4,688.64 under  
 new rates, requests relief  
 Oct. 7 Received telex from Pelican, City going to file protest with  
 Alaska Public Utilities Commission. I advised Banfield.  
 Oct. 8 Received letter from Banfield showing rates from other remote  
 communities in Alaska  
 Oct. 9 Advised Banfield additional costing figures  
 Oct. 10 Received letter from Banfield on case  
 Oct. 29 Advised Banfield of three protest letters sent to Public Utilit-  
 ies Commission  
 Nov. 3 Received 3 letters from PUC on protest, we advised Banfield by  
 letter  
 Nov. 4 Advised Banfield requested usage information  
 Nov. 7 Banfield sends Pelican letter on protests and advised PUC filed  
 order Nov. 3 suspending operation of tariff revision and instit-  
 uting investigation. Suspension not to go later than May 1,  
 1976, Reasons: 1.) Petition containing 83 names from consumers  
 in Pelican 2.) Commissions staff requested more financial sup-  
 portive information  
 Nov. 17 Pelican receives copies of petition  
 Dec. 9 Pelican answers Banfields letter on usage and meters  
 Dec. 12 Pelican talks with Lowell Jensen PUC on tariff requirements  
 Dec. 31 Pelican advised summary to Banfield on consumption and production  
 meters.  
 Dec. 31 Pelican withdraws and cancels interim and permanent tariff re-  
 quest with PUC  
 Jan. 1 1976 Pelican/Banfield file revised rate increase with regular rate  
 7.5¢ KWH, industrial 6¢ KWH  
 Jan. 23 Wrote City of Pelican on rate case - allow industrial for all  
 their service  
 Jan. 23 Received letter from Banfield on rates  
 Feb. 3 Arthur Andersen & Co. advised PUC on audit  
 Feb. 25 Met with Banfield in Seattle on case  
 March 18 I wrote PUC requesting relief and cooperation on rate case

March 22	Received letter from PUC advising that second rate request suspended - no later than August 26. Reasons: 1.) Request for additional information on fuel consumption, 2) Advised that public hearing needed
March 29	Pelican wrote Banfield on case
April 28	Pelican copies PUC on Pelican Utility Annual Report
May 5	Received letter from Banfield
May 11	P. S. Ganty called M. Oaksmith, Assistant Director PUC requesting action
May 15	Received letter from PUC requesting additional information
May 19	Banfield's office answers PUC letter
May 24	Pelican advised Banfield on usage study
August 1, 1976	New rates become effective

Box 1081  
Petersburg, Ak 99833  
13 Mar 1980

Senator Bradley  
Senate Commerce Committee  
Pouch V  
Juneau, AK 99811

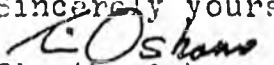
Dear Senator Bradley;

I wish to comment on the actions or rather non-actions of the Alaska Public Utilities Commission.

Over one month ago I sent a letter to the Chairman of the Commission expressing my concern over the way the commission allowed Alascom to refund the excess rate increases.

So far I have not even received an acknowledgement of receipt from the commission. On Capitol 80 I saw some of their replies to questions from the public and surely financial constraints cannot be so pressing that a letter of reply is too costly.

The reason that I wrote to the commission is that at least two weeks of January has gone past before I was informed about the "Great consumer refund" policy which Alascom was allowed. Lower phone rates in Alaska during the months of January and February. If I had not accidentally bought a paper I would not have known about the refund at all. At the very least the commission should have made Alascom wait until it had informed the public via our usual monthly bills. I felt that the very secretive way Alascom was allowed to refund to its customers did not benefit the public at all. I thought one of the commissions duties was to safeguard the interests of the public.

Sincerely yours,  
  
Timothy Osborne



Official Business

# Alaska State Legislature

## Senate

### Committee on Commerce

Pouch V  
State Capitol  
Juneau, Alaska 99811

March 13, 1980

The Honorable Clem Tillion  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Mr. President:

Your Senate Commerce Committee has had under consideration for "Sunset" review the Alaska Public Utilities Commission, pursuant to your referral under AS 44.66.010 and AS 44.66.050.

In accordance with the statutory requirements, a public hearing was held on the review of this commission. An additional hearing was held on March 13, 1980, as the Committee Chairman had been notified that additional witnesses wished to testify regarding the Alaska Public Utilities Commission.

Guided in part by the report prepared by the Legislative Audit Division, the Committee took into consideration the factors required under AS 44.66.050(c).

Your Commerce Committee thereby makes the following findings:

The Committee finds some merit in recommendation number one which recommends that the Alaska Public Utilities Commission, the Alaska Transportation Commission and the Alaska Pipeline Commission should be combined into a single regulatory commission. However, this will require considerable further study. The Committee finds it is not in the public's interest to do so at this time.

In recommendation number two, the Legislative Audit Division recommends that AS 42.05 should be amended to allow the Alaska Public Utilities Commission to cease all certification and regulation of cable television. The Committee does not concur. Cable systems in Alaska, particularly in the remote areas, do not serve a mere entertainment function. Cable television in some areas of Alaska is the only source of information and entertainment. It is felt that regulation

should continue in these areas. In urban areas, where alternative forms of entertainment and information are available, the Committee agrees that certification and regulation may not be necessary. Recent legislation passed in the state of California provides a formula that the Committee believes will, with modification, provide for deregulation of the cable systems in major urban areas of Alaska while providing regulatory protection for Alaska's rural population.

Recommendation number three asks that AS 42.05 should be amended to allow the Alaska Public Utilities Commission to cease certification and regulation of those utilities furnishing collection and disposal service of garbage, refuse, trash and other waste materials. In both the Legislative Audit Report and the public hearing, the reason most often heard for this deregulation was that "We don't have the staff to do this." An assertion is made in the Performance Review that the refuse industry is not capital intensive and that competition in this industry would not be as detrimental to the public's interest as competition among more capital intensive industries.

However, it has also been argued to the Committee that there should be some limited activity by the Alaska Public Utilities Commission in this area. Contentions have been made in favor of the Commission having appellate authority over local government units which may assume the regulatory function; and it has also been argued that the APUC be allowed to have jurisdiction "by consent," when a municipality and a utility have both agreed to that jurisdiction. While the Committee tends to agree with the recommendations of the Legislative Auditor about deregulation in this area it will consider these arguments about very limited jurisdiction during the preparation of the Committee's legislation.

Recommendation number four asks that AS 42.05 be amended to allow nonprofit telephone and electric cooperatives to petition for withdrawal from APUC economic regulation. It further recommends that the membership of the cooperatives, by a vote of a majority of the members, be given an opportunity on a utility by utility basis to determine whether their cooperative should remain under APUC regulation. The Committee finds several problems in considering deregulation of the

cooperatives. One, as pointed out by the Performance Review, is the large number of consumer complaints received by the APUC against cooperatives. The second, which was brought out in public hearing, is that the annual meetings of the cooperative associations have a less than representative number of members present. Before the Committee can consider deregulation of the utilities by vote of the membership, the Committee would have to be assured that the vote in fact represented a majority of the actual members as opposed to a majority of the members present at any given annual meeting, or that similar safeguards are provided.

With this modification, the Committee's legislation will reflect this recommendation.

The Committee in general concurs with recommendation number five that asks that AS 42.05 be amended to exempt from economic regulation all utilities with annual gross revenues not exceeding \$100,000. We agree with the Legislative Audit Division that the cost of regulation "on a percentage basis" to a small utility may outweigh the potential benefits. However, when considering regulation of a utility we must look not only to the cost factor but also to the factors of public safety that are involved. Many of these small utilities provide vital needs to communities, for instance, water utilities. The Committee while including deregulation for these utilities in its legislation, will attempt to include some triggering device that would submit the utility to regulation if serious consideration of public health and safety should warrant such action.

The Committee concurs with recommendation number six that the statutes and regulations governing the Alaska Public Utilities Commission should be revised, and will work with the Commission to accomplish this.

The Committee concurs with recommendation number seven that salary levels for the professional and technical support staff should be upgraded. If salaries are not competitive with private industry in Alaska, we cannot expect qualified personnel to work for the APUC on an extended basis: The Commission will only become a training ground for industry.

The Committee concurs with recommendation number eight that the APUC should implement a time management system. We

The Honorable Clem Tillion  
March 13, 1980  
Page 4

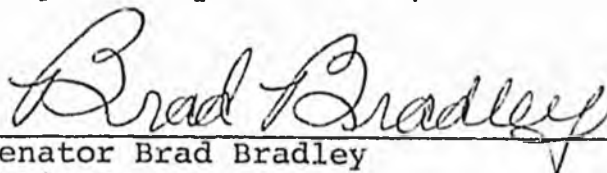
were informed during the public hearing that new concepts are being implemented by the Executive Director and the situation is improving. If this is accomplished within a reasonable length of time, no legislative action will be necessary.

Recommendations number nine, ten, and eleven address "housekeeping" functions of the APUC. It is our understanding, as a result of testimony by the Alaska Public Utilities Commission, that action is being taken on these recommendations. If this action proceeds in a timely manner, it is felt that no legislative action will be necessary in this area.

Recommendation number twelve urges that the Office of the Governor keep the appointment of the Chairman of the Alaska Public Utilities Commission current. Complaints that the Office of the Governor has been slow in making appointments to boards and commissions have appeared often in the Performance Reviews. It is hoped that the Governor's Office will make timely appointments to boards and commissions in the future.

Corresponding legislation will be introduced soon to accomplish the goals of this report.

Respectfully submitted,



Senator Brad Bradley  
Chairman  
Senate Commerce Committee

BB:jss

# OWNER MANUAL

for consumer-owners of the  
Matanuska Electric Association, Inc.  
Palmer, Alaska

## INTRODUCTION

### **MATANUSKA ELECTRIC ASSOCIATION, INC.: CONSUMER-OWNED/CONSUMER-ORIENTED**

Your electric cooperative is committed to provide the best electric service at the lowest possible cost. We are always striving to assist and educate our membership in order to fulfill the true cooperative spirit.

This owner's manual is provided as a part of our continuing effort to enlighten interested consumers. It should answer many of your questions and serve as an informational guide to your cooperative.

Please complete the following information and keep it handy in case of service interruptions or other consumer inquiries.

\_\_\_\_\_  
SERVICE LOCATION (Pole Number)

\_\_\_\_\_  
METER NUMBER

\_\_\_\_\_  
ACCOUNT NUMBER

### **MEA OFFICES AND TELEPHONE NUMBERS**

	<b>8:00 a.m. - 5:00 p.m.</b>	<b>After Hours</b>
Palmer Headquarters	745-3231	745-3235
Eagle River Branch	694-2161	694-2161
Big Lake Branch	892-6021	745-3235

Collect Calls will be accepted from Talkeetna

This manual is published by the Matanuska Electric Association, Inc., a rural Electric Cooperative owned by the members it serves. Information contained in this manual is judged to be correct at day of publication. MEA's policies and tariff, however, are subject to change, periodically superceding parts of this manual. These changes will be published in future revised editions or made available on an insert basis.

Part 17, "What to do if fuses blow or circuit breakers trip frequently" copyright 1969 Sears Roebuck & Company is printed herein by permission of Sears Roebuck & Company.

Edited at MEA by Budd Goodyear

Printed in Alaska

Matanuska Electric Association, Inc.  
P.O. Box 1148  
Palmer, Alaska 99645

## Table of Contents

Introduction . . . . .	1
General Manager's Message . . . . .	4
MEA Is . . . . .	5
REA Is . . . . .	5
Your Role as a Member-Owner . . . . .	5
Tariff . . . . .	6
Management's Role . . . . .	7
MEA Ideals . . . . .	7
MEA Objectives . . . . .	9
Organization Chart . . . . .	10
Service Area Map . . . . .	11
How To Read Bill . . . . .	12
Your Energy Bill . . . . .	13
Schedule of Fees and Charges . . . . .	14
Retail Rates . . . . .	15
Energy Conservation . . . . .	16
Insulation Chart . . . . .	17
Appliance Guide (Wattage Rate) . . . . .	18
Consumer's Test Suggestions	
for Shorts, High Bills, Shocks . . . . .	21
When Fuses Blow . . . . .	22
Easements . . . . .	25
Questions and Answers . . . . .	26
Statement of Non-Discrimination . . . . .	30
Appendix A	
Articles of Incorporation . . . . .	31
Appendix B	
Bylaws . . . . .	34
Cold Weather Outage . . . . .	48
How To Live With a Service Interruption . . . . .	Inside
	Back Cover

Welcome to MEA. You are now a part of Alaska's oldest REA cooperative, organized in 1941. Whether you are a "Cheechako" or a "Sourdough," I am sure you'll be interested in a few facts about MEA.

Our service area is large — 3,360 square miles (twice the size of the entire state of Delaware). Growth has been a real factor at MEA, as we have experienced the fastest growth-rate in the state and have been one of the fastest growing areas in the country during the past several years. We now serve over 13,000 consumers in the Matanuska-Susitna and Anchorage boroughs.

The material contained in this owner's manual will provide you with valuable and interesting information about your electric cooperative. It defines your rights and responsibilities; answers questions; gives you information and phone numbers, and will help you to understand MEA.

One of the important processes we have is the annual membership meeting. There, directors are elected, the business of the past year discussed, and a future outlook given. It is an important part of your Co-op membership that you attend and participate. Notices are published three weeks in advance of the meeting which is in April each year.

I hope you will take a few minutes to become familiar with the information in this manual. It will not only help you understand MEA's operation and service policies, but it will also make reporting outages simple, and finding answers to your questions easier.

Again, welcome to membership in MEA. Welcome to the MEA service area. Let's work together for the future of Alaska and its heartland — Southcentral.

Malcolm Cheek  
General Manager

## Part 2

## MEA IS

MEA is a Rural Electrification Administration cooperative, a type of business which belongs to the people who use its services, its members. Matanuska Electric Association, Inc. is the oldest REA cooperative in Alaska. Since 1941, you, our members have controlled the business of providing rural power supplies. The annual election of directors who represent you and consider your wishes when setting policy by which the cooperative business is conducted, gives you a voice in the operation of your

electric utility.

MEA is a business which consumers operate to obtain electric power, one which began when no other utility entity would invest in rural society and provide power. When you become a member of MEA you join 12,000 consumer-members who have built an association providing power to 3,360 square miles of south-central Alaska. From Eagle River to Hurricane, south to north, and Sheep Mountain to Petersville, east to west, MEA, your Co-op, is truly on the "cutting edge of progress."

## Part 3

## REA IS

REA is the Rural Electrification Administration which was established by President Franklin D. Roosevelt by executive order in 1935. REA and Rural Electric Cooperatives brought power to the rural residents across the country. In 1935 only 10.9 per cent of farms

in the country had electric power. In 1969, 98.4 per cent of all farms were energized with electricity. REA does not subsidize rural electric co-ops, but it is a banker and regulator, making loans to co-ops and insuring sound business practices are followed.

## Part 4 YOUR ROLE AS A MEMBER-OWNER

One of the more important facts about REA cooperatives is that they are controlled by the people they serve. MEA, as a member-owned business, gives you the unique opportunity of participating in both the role of an owner and role of consumer. The typical MEA consumer-owner . . .

- \*Pays energy bills on time.
- \*Gives easement for construction and service of electric facilities on his property
- \*Cooperates with



*Get an idea for improving the Coop? Share it with us, we listen.*

right-of-way brush control programs

- \*Notifies Co-op of any system damages and service interruptions
- \*Keeps informed by reading *Ruralite* and energy related articles
- \*Attends Association



*The annual membership meeting is an important part of being a R&A co-op member.*

community and annual meetings

- \*Offers suggestions for improved service
- \*Serves on special Co-op committees
- \*Observes the Co-op's rules, regulations and by-laws
- \*Cooperates during storm emergency situations
- \*Helps provide transportation to inaccessible areas
- \*Votes for directors to guide the Association
- \*Notifies Association of electric power diversions and equipment misuse or theft
- \*Participates in wise energy use programs and uses energy wisely

## Part 5

## TARIFF

MEA operates under a tariff approved by the Alaska Public Utilities Commission (APUC). This tariff covers rates as well as service rules and regulations. Copies of the current tariff may be inspected at MEA offices in Eagle River, Palmer and Mile 51, Parks Highway at the Big Lake Office.

The following are some of the important items in our tariff:

MEA will provide electric service to customer premises that are utilized on a seasonal basis as provided in the applicable rate schedules.

MEA may require the customer to sign a contract guaranteeing a certain minimum level of revenue for a specified period of time, prior to new construction.

The customer shall use electricity from the Association

(MEA) exclusively at the premises designated by his order and shall not generate or cause to be generated any electricity which is or may be connected to Association service.

The Association (MEA) will read all meters monthly. If, for any reason, reading cannot be obtained for any particular period, the billing may be based on an estimated energy use and demand.

MEA will, at its own expense, inspect and test its meters as required to insure a high standard of accuracy. Each meter is tested before it is installed.

Additional tests at request of customer will be made, and if the meter is found to register within 2 per cent (2%) of accuracy the customer shall pay the test fee as determined by Tariff Rule 9 and the Schedule of Fees.

MEA's Manager is entrusted by its members and directed by the board to provide electrical power at the lowest possible costs and to engage in accepted business practices which will produce the necessary power economically and with fairness to all members. As the tariff provides, MEA is responsible for and may:

\*Make service charges as outlined in the schedule of fees.

\*Assess a four (\$4.00) handling charge for dishonored checks

\*Refuse to connect and will disconnect service for violation of service policies.

\*Temporarily suspend service to make repairs and improve the system.

\*Provide construction service to a consumer-member meeting cost specifications as agreed upon. This is a temporary service limited to 90 days.

\*Provide underground service for primary voltage when consumer pays difference between overhead and underground installation costs.

\*Provide underground service for secondary service or voltages for a minimum charge when consumer digs his own trench, and fills it, according to specifications, after MEA installs cable.

\*Provide line extension for a minimum monthly charge based on the estimated cost of construction of a line.

\*Review line extension contracts on an annual basis (calendar year) to determine status of gross revenue from extension contracts.

\*Terminate extension contracts when gross revenue derived from the extension exceeds required return on the investment in construction costs.

We believe that:

it is the right of persons to provide for themselves a vitally needed service, in the form of an Electric Co-op;

the Association exists primarily to serve its consumer-owners;

the Association exists for the

mutual benefit of its member-owners, directors, employees and the public;

the Association must provide the highest quality electric service at a cost consistent with sound business practices;

the opportunities in the enterprise carry with them both economic and social

responsibilities;

the ability of the Association to continue providing this essential service depends upon its attracting and retaining capable employees;

the natural resources of this country should be developed to provide an abundance of power consistent with other resource development needs;

the economic future of the

State of Alaska depends upon its having an abundance of electric power available to persons who can use it;

the Association must exemplify leadership in the community by doing all things essential to good management;

attaining these ideals will require our constant and untiring efforts.



"I warned Elrod I was going to get him to an annual meeting—one way or another."

**TO OPERATE** the Association as a non-profit enterprise on a continuing and progressive basis;

**TO ASSURE** the availability of a constantly high quality of central station service to members;

**TO KEEP** the member-owners fully informed on the affairs, problems, and methods of the Association;

**TO DEVELOP** among members, through democratic processes of participation, a recognition of member-ownership and accountability;

**TO ENHANCE** the Association's reputation for fair dealings, prompt and efficient service, dependability, integrity, courtesy, productive ability, and technical competence;

**TO STRIVE** constantly for ever higher standards of service through progressive management;

**TO STIMULATE** and support rural development programs, especially those which will increase and stabilize the economic level of the Association's service area;

**TO DEVELOP**, operate and maintain the system at optimum performance;

**TO PROVIDE** the means whereby the member-consumers can build and maintain the Association by contributing a reasonable amount of essential capital;

**TO RECOGNIZE** that our greatest assets are our human assets;

**TO OBTAIN** acceptance of the ideals which emphasize the obligations involved in doing a job well;

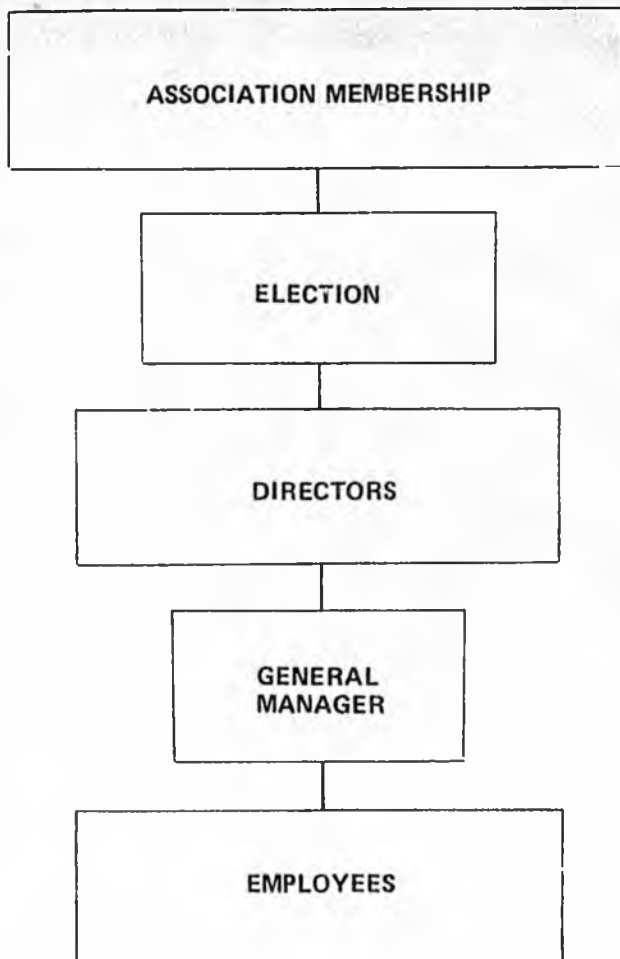
**TO REWARD,** encourage progress, inform, train, develop and properly assign all employees;

**TO DEVELOP** understanding, acceptance, and support of the Association's objectives, plans and programs, and

**TO PROVIDE** leadership and to cooperate with other community and civic groups.

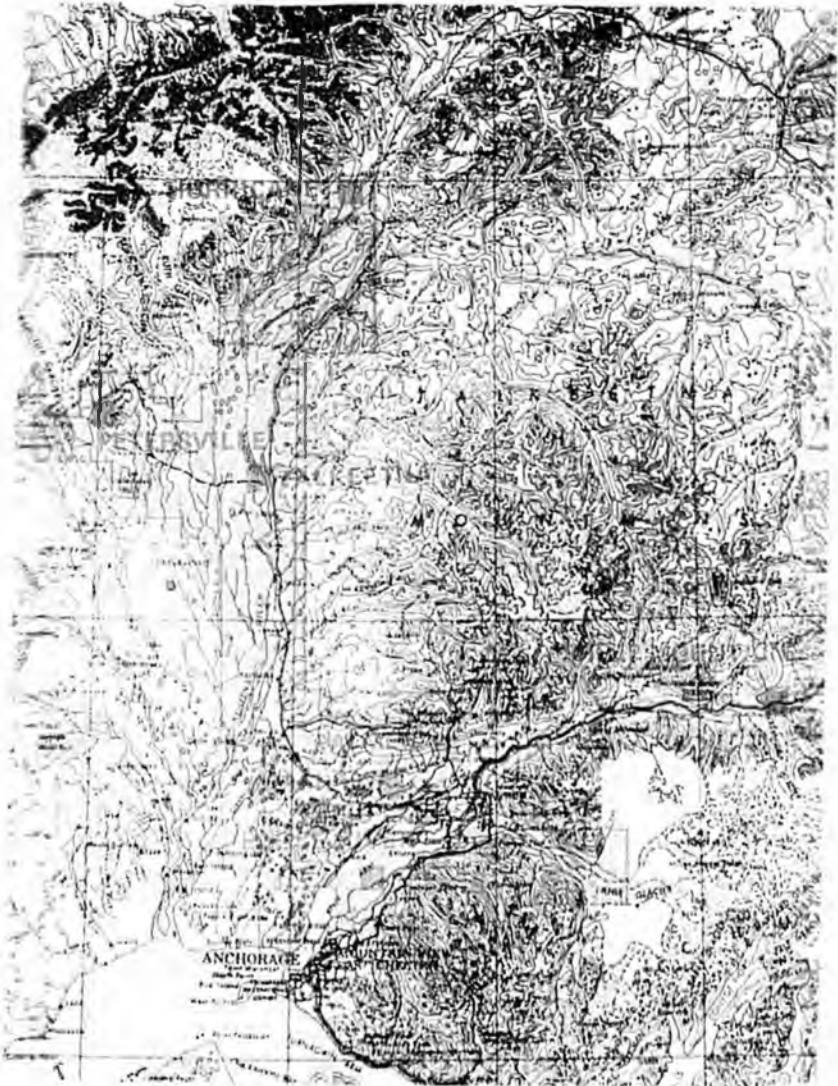


*Kick out the old! Bring in the new!  
MEA is dedicated to bettering the  
lifestyle of its members.*



This organization chart of the Matanuska Electric Association, Inc. indicates the valuable role each member plays in the operation of the Association. Members, attending the annual meeting each spring, elect the board of directors which in turn set the policies, hire the general

manager, and oversee the operation of the Association as your representative. The board of directors meets once a month. It is not paid a salary but is given travel pay and per diem for meetings it or its members must attend to further the business of operating the Association.



The MEA service area includes 3,360 square miles of south central Alaska. It is three times larger than Rhode Island, twice as large as Delaware and  $\frac{3}{5}$ ths the size of Connecticut.

Last month reading: 1970  
 Present Reading: 6850  
 kWH used: 4880  
 Charge for power used: 155 73  
 Yard light: 7 10  
 Balance carried forward: 34 00  
 Payment received: 46 32

**MATANUSKA ELECTRIC ASSOCIATION, INC.**  
 BOX 114B PALMER, ALASKA 99645  
 IF YOU DISPUTE THIS BILL, PLEASE CONTACT  
 CHIEF CONSUMER BILLING FROM 8 TO 4 AT MEA 745-3231

PLEASE RETURN THIS STUB WITH YOUR PAYMENT  
**MATANUSKA ELECTRIC ASSOCIATION, INC.**

FIRST CLASS MAIL  
 U.S. POSTAGE  
 PAID  
 PERMIT NO. 3

1st Class Pre-Sorted  
 RETURN POSTAGE GUARANTEED  
 ADDRESS CORRECTION REQUESTED

METER READINGS		USAGE		CHARGES	
CURRENT	PREV				
6850	1970	4880	ELECTRIC	155 73	
			SEC LITE	7 10	
			ARREARS	34 00	
			PAYMENT	46 32	

RATES SCHEDULES: R A2 1  
 WATER MULTIPLIER: 1

SERVICE LOCATION: DOE JOHN  
 PALMER AK 99645

SERVICE from-to: 02-01-79 TO 03-01-79  
 ACCOUNT NO: 0005485009  
 BILLING DATE: 03-19-79  
 METER NO: 8793  
 MEA meter number: M13 3  
 SERVICE LOCATION: M13 3  
 DELINQUENT DATE: 04-02-79

Pole number: M13 3  
 Consumer account number: 0005485009  
 Amount due: 150 51  
 Meter number: 8793  
 DELINQUENT DATE: 04-02-79  
 Billing date: 03-19-79

DELINQUENT CHARGE WILL BE \$2.00  
 -PLEASE SEE BACK OF BILL-  
 Late charge applied after this date

12



\*85% to 88% of MEA's consumers keep their accounts current with timely payments.

\*Consumers who do not pay their accounts on time increase the operating expense for the entire membership.

\*It costs your Association as much as 25% of the billed amount to collect delinquent accounts—as much as \$10.00 to collect \$40.00

\*Consumers with serious financial problems who are unable to make a payment on time should contact MEA to discuss possible arrangements to help bring an account up to date.

#### MEA'S BILLING PROCEDURE

\*Meters are read and billed monthly at regular intervals.

\*Bills are due within 2 weeks of the billing date, and a delinquent date is indicated on each bill.

\*If payment has not been received



*Paying your energy bill on time helps  
MEAs to help save money.*

within 2 weeks, a \$2.00 late charge is added to the account, and a "Past Due" notice is mailed.

\*If payment has not been received within 20 days from the original billing date, a "Disconnect Notice" is mailed stating the disconnect date.

\*If payment has not been received within 24 days from the original billing date, a "Disconnect Order" is issued to field personnel.

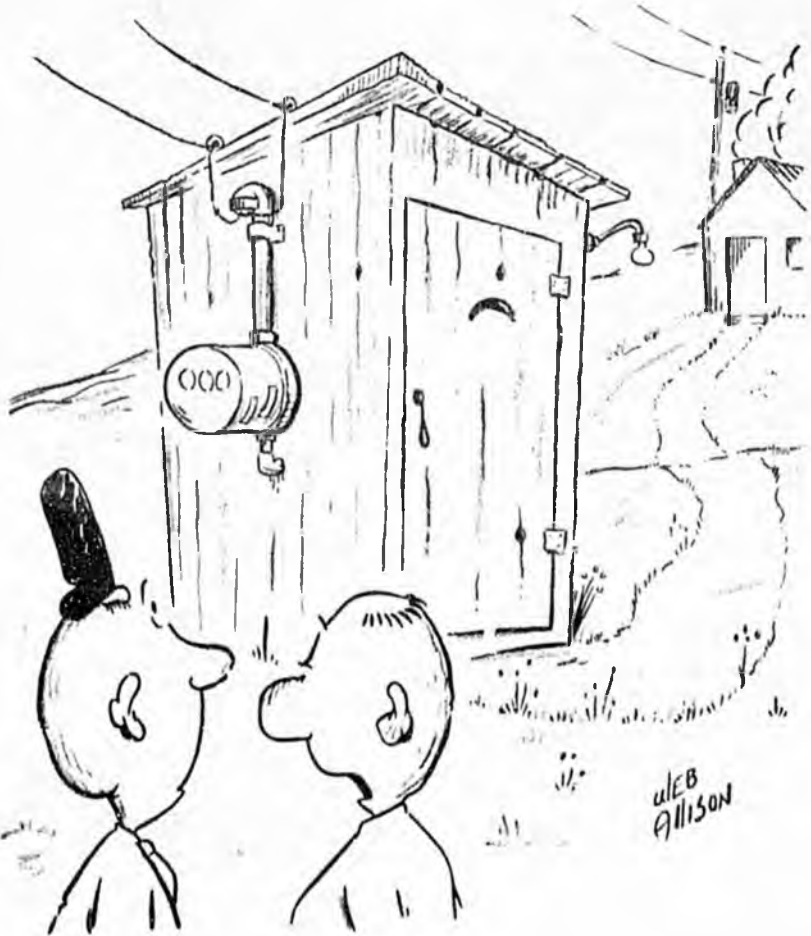
\*A \$10.00 service charge is made for delinquent account disconnects.

\*Member-Consumers will be given the opportunity to pay their account in full at the time of disconnect if they are on the premises. The total amount due must be paid in full in order to stop the disconnect order.

\*IMPORTANT: If you are leaving your residence for an extended period of time, 3 weeks or longer, be sure to arrange with MEA billing section for the payment of your energy bill and continuation of service during your absence. To reduce energy consumption during extended absences, unplug all appliances not required, turn thermostat down to minimum temperature, and shut lights off. In winter, care should be taken to protect your home water system from cold winter temperatures. MEA recommends you drain your home water system prior to extended winter absences.

You may receive upon request a copy of the Schedule of Fees and Charges as appears in the approved tariff. The schedule states rules for determining account deposits, fees for

disconnects, reconnects, meter test, service call, late payments, dishonored checks, service relocation and etcetera. Copies of the schedule are available at any MEA office.



"We think of it as early American with just a touch of the modern."

You will receive, along with this copy of the Owner's Manual, a Retail Rate Notice, which will give you the current rates charged for electrical energy purchased through your Association. If you

did not receive one you should ask for a copy the next time you visit one of your Association's offices. A copy of the rate notice can be mailed to you upon request.



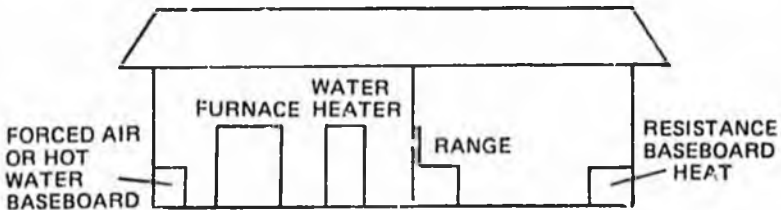
*Supplying energy efficiently, quickly, at low costs, that's our job!*

In all homes most of the electricity is used to generate heat, in one form or another, for hot water, cooking, drying or space heating for comfort. The highest use of electricity, even in homes with oil or gas furnaces is by the furnace heat circulating system. The balance is used for non-heat items such as televisions, stereos, lights, refrigerators, freezers, vacuums, microwave ovens and so on.



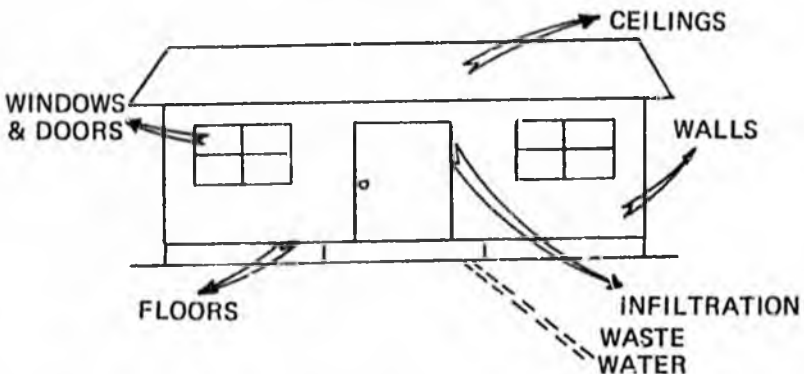
*"Insulation doesn't cost, it pays."*

### HEAT SOURCES



The heat that has been produced is lost out of the home at a rate that is dependent on the outside temperature and the construction of the home.

### HEAT LOSSES



## INSULATION CHART

TYPE OF INSULATION	R-VALUE per INCH	ADVANTAGES	DISADVANTAGES
Fiberglass Batts or Blankets	3.7	<ol style="list-style-type: none"> <li>1. Do it yourself installation</li> <li>2. Stable R-value</li> <li>3. Non-corrosive; non-flammable</li> <li>4. Does not expand or contract after installation.</li> </ol>	<ol style="list-style-type: none"> <li>1. Can be irritable to the skin</li> <li>2. Can leave empty space if care is not taken on installation.</li> </ol>
Cellulose (Blown)	3.5	<ol style="list-style-type: none"> <li>1. Inexpensive</li> <li>2. Seals itself guarding against empty spaces</li> </ol>	<ol style="list-style-type: none"> <li>1. Has a tendency to settle which lowers R-Value</li> <li>2. May be flammable or corrosive depending on manufacturer</li> <li>3. Greatly affected by air currents</li> </ol>
Urethane Foam	6.7 (ave)	<ol style="list-style-type: none"> <li>1. High R-Value upon installation</li> <li>2. Forms tight bond to building materials.</li> </ol>	<ol style="list-style-type: none"> <li>1. Expensive</li> <li>2. Flammable</li> <li>3. Loses R-Value as it ages</li> <li>4. Releases deadly cyanide gas when it burns</li> <li>5. Has a tendency to expand with age after curing.</li> </ol>
Urea-Formaldehyde Foam	4.6 (ave)	<ol style="list-style-type: none"> <li>1. High R-Value</li> </ol>	<ol style="list-style-type: none"> <li>1. If not properly mixed will release formaldehyde fumes (health hazard)</li> <li>2. Has reputation of shrinking with age.</li> <li>3. Cure time must be strictly controlled</li> </ol>

**RECOMMENDED R-VALUES FOR MEA SERVICE AREA**

CEILINGS  
WALLS  
FLOORS  
WINDOWS

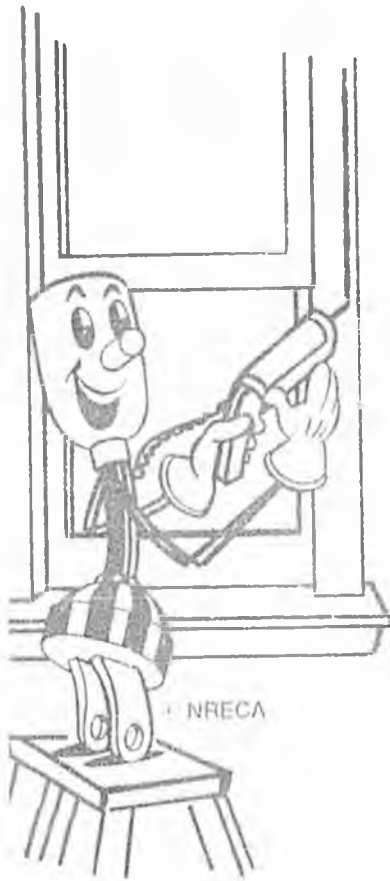
R-38  
R-19  
R-22

TRIPLE GLAZED

These Values Apply Whether You Heat With Oil, Gas, Coal, Wood, or Electricity.



If you take the time to develop a good energy consciousness, you can save. Put your conservation efforts where they count.



*Warm air can escape into arctic cold through the tiniest crack with chilling efficiency.*

## WATER HEATER

Operate food disposers with cold water.

Operate dishwasher and clothes washers with full loads only.

Wash clothes in a cold or warm water wash.

Install a flow restrictor in your shower head.

A 3-minute shower uses less energy than a full tub bath.

## REFRIGERATOR-FREEZERS

Frost should be removed when it is  $\frac{1}{8}$ -inch thick.

When frost gets thicker the refrigerator becomes less efficient and uses more electricity.

Be sure your refrigerator door is air tight. Check gaskets.

Avoid opening the refrigerator door more frequently than necessary.

## LIGHTING

The amount of light a bulb gives off is measured in lumens. The most efficient light is one that gives off the most lumens per watt. Carefully study bulb packages.

Turn lights off in unused rooms or when leaving a room.

Fluorescent tubes are more economical to operate than incandescent. Fluorescent lamps produce up to five times as much light for the same energy, and last up to ten times longer.

Utility bills can also be affected by your electric energy use and one or more of the following:

### CONDITIONS BEYOND YOUR CONTROL OR KNOWLEDGE

Seasons of the year	Longer billing periods
Light and weather	Defective house wiring
Daylight Saving Time	The number of days between meter readings sometimes varies
Five-weekend months	

### CHANGES IN NORMAL LIVING CONDITIONS

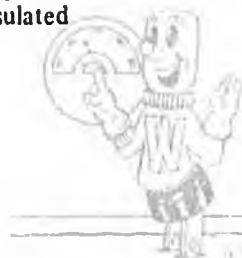
Size of family	Roomers
Average age of family	Hired help
Visiting relatives	Sickness or convalescence
Children — new babies	Special diets
Changes in living habits	Therapeutics
Spring cleaning	Guests and entertainment
Vacations	Sporting or special events on television
Repairs or renovations	

### APPLIANCES

New appliances installed	Excessive use of hot water
Additional use of older appliances	Leaking hot water faucets
Frost on refrigerator unit	Exposure of hot water pipes to air
Defective appliances	—clogged air filters in furnace
—shortage of refrigerant	Excessive househeating
Inefficient use	—thermostat control setting
—oven for househeating	

### NEW HOME OR APARTMENT

Larger than former home	Larger heating equipment
Windier or colder location	Manual heating controls
More heat leakage through windows	Larger water heater
Less weatherstripping, fewer draperies	Ceilings not adequately insulated



NRECA

*Put down to save energy and money.*

## CONSUMER'S TEST SUGGESTIONS

for

Part 16

### SHORTS, HIGH BILLS, and SHOCKS

MEA recommends that a consumer arrange to have a qualified electrician check their electrical wiring should there be an

indication of short circuits or shocks. However there are a few checks the homeowner can make safely.

**Step 1:** Turn off all circuit breakers including the main; usually found directly below the meter. The meter should stop completely without making another revolution.

**Step 2:** With all circuit breakers off turn on the mains. The meter should remain stopped. If the wheel turns, even slightly, it would indicate some leakage between the mains and the circuit panel. Call your electrician to replace wiring.

**Step 3:** With the mains on proceed to turn each circuit on separately with all the others still off. If one should make the meter move determine what that circuit's for and disconnect, if possible, any appliances. With nothing apparent on and the meter is still

turning it could be an indication of a partial short. Whenever the wheel in your meter is turning it indicates electrical current is flowing somewhere.

**Step 4:** If all the circuits appear to be correct at this point, high use or shocks could be caused by faulty appliances. Check anything that works automatically such as water pumps, water heaters, heat tapes, freezers and refrigerators, and electric heaters such as well house, car, or small room heaters. Other things to consider would be frost build-up in wall outlets and switches, uninsulated hot water pipes, anti-sweat valves on toilets that can cause excessive use of hot water, or anything that has recently not been functioning as it should.

Not all electrical problems are easy to find. If you have any further questions on any of the above don't hesitate to call your electrician or MEA offices: Palmer

745-3231, Eagle River 694-2161, and Big Lake 892-6021. Remember, be careful around any electrical wiring.

## FUSES AND BREAKERS ARE SAFETY VALVES

A blown fuse or a tripped circuit breaker is a signal that something has gone wrong with your electrical system and should not be ignored. If it happens frequently, it could run up your electric bill, cause appliances to give poor service, or set fire to your house.

There are four types of circuit failure. The following will tell you how to identify and correct each type.

### WHY DO CIRCUITS FAIL?

**1. Loose connection.** A screw may be loose in the socket into which the fuse is inserted. If the bottom of the fuse is severely discolored or pitted, you have a loose connection. After making certain that the main switch is disconnected, tighten screw in bottom of fuse socket.

**2. Improperly seated fuse.** If the fuse window shows no evidence of a blown fuse or if bottom of fuse is not pitted or discolored, the fuse is either not seated properly or is not long enough to make contact. Replace with another fuse that will make contact.

**3. Short circuit.** If the window of the blown fuse is discolored, you have a short circuit. This means that somewhere on this circuit, a bare wire is touching another bare wire or other metal. In circuits protected by circuit breakers or by cartridge-type fuses, there is no

visible clue as to what might be at fault but the procedure to follow is the same.

(A) Unplug all lights and appliances served by the blown circuit—in other words, all lights and appliances that don't work.

(B) When the circuit is clear, replace fuse or flip the circuit breaker switch back on.

(C) Turn each lamp or appliance on one at a time. When you reach the faulty lamp or appliance, the new fuse will blow or circuit breaker will trip. Examine the lamp or appliance and you will probably find the bare wire in a frayed cord or in the wiring of the appliance. Repair it and your problem should be solved.

(D) If the new fuse blows or the circuit breaker trips when the circuit is completely clear, there is a short in the wiring of the circuit itself, and the wiring will have to be repaired or replaced.

**4. Overloaded circuit.** If the window of the blown fuse is clear, you have an overloaded circuit. This is the most common cause of circuit failure. In circuits protected by breakers or cartridge-type fuses, there is no visible clue but the procedure to follow is the same. There are two types of overloads—

(1) **TEMPORARY OVERLOAD.** The typical temporary overload exists when a motor kicks on because, during starting, an electric

motor will draw about three times its normal current. You can remedy this by using a time-delay fuse of the correct size (either 15 or 20 amp.). Its purpose is to absorb temporary overloads without blowing. If it does not blow with everything on the circuit turned on, then you had a temporary overload and the problem has been corrected. In circuit breaker systems, the breakers will absorb temporary overloads without tripping.

(2) **CONSTANT OVERLOAD.** If you determine from your tests that the overload is not temporary and continue to experience circuit failure, you can either shift some appliances from the overloaded circuit to another circuit or add a new circuit or circuits to your system.

It is advisable at this point to make a survey of all circuits so that you know how big a wattage load each is carrying. Number each fuse or circuit breaker number 1, number 2 etc., then follow this procedure:

(a) Turn on all of your lights and be sure all bulbs are burning. Remove fuse number 1 and go through the house marking a No. 1 on the chart for every light that's out. Do the same for all wall outlets, using a night light to make sure which receptacle outlets are on the circuit being tested.

(b) Make a list of the wattages of everything served by this circuit and list them in the column for the number 1 fuse. The wattage of an appliance is

usually shown on the name plate or underside. If amperes is shown instead of wattage, multiply amperes by 120 to convert to wattage (example: .75 amp. X 120 volts = 90 watts). If only a horsepower figure is given, multiply horsepower by 746 (1 horsepower equals 746 watts).

(c) Repeat steps (a) and (b) for each circuit. Don't overlook closets or tools and appliances that are not permanently on such as fans, furnace motors, sump pumps, air conditions, etc.

(d) Add up the wattages of the lights and appliances on each circuit and figure the various appliances that might be plugged in at one time. If, for example, you find you have a circuit with a 15 amp. fuse and 14-gauge wire with an estimated load of over 1650 watts, you have an overloaded circuit. A circuit using a 20-amp. fuse and 12-gauge wire should not carry more than 2200 watts.



**Circuit breaker switch.** When overloads or shorts occur, it switch off automatically. Reset it immediately after correcting trouble.

## How ordinary fuse works



This is a standard plug-type fuse. The current passes through the metal strip running across face of fuse. It is designed to protect the circuit against shorts and overloading.



Fuse blown by short circuit. Metal strip is instantly heated to an extremely high temperature, causing it to vaporize. Fuse window discolors.



Fuse blown by overload. Metal strip overheats and melts at the weakest point, breaking flow of current to circuit. Fuse window remains clear.

WEATHERIZE  
NOW!



*Small, illegible text, possibly a signature or date.*

NRECA

MATANUSKA  
ELECTRIC  
ASSOCIATION

Every so often we, at MEA, have something happen along an electric line right-of-way that serves to remind us that there is often confusion in someone's mind as to what the actual significance of an easement is, what rights it grants to MEA, and what rights are retained by the land owner or grantor.

When a property owner grants an easement to MEA for the purpose of constructing an electric distribution line, he is only giving MEA the right to enter the property, remove obstacles such as brush and trees, place its electric lines or cables on or under the land surface, and perpetually maintain the facilities. The land owner agrees in granting the easement not to place anything that would interfere with the operation of an electric line or cable. Examples of things that could interfere are buildings, TV antennas, or high signs and fences.

The owner reserves and retains all the other rights to the land and is free to do with it as he wishes. He can improve it, till and farm it, or anything else that doesn't interfere physically with the line or its maintenance and operation.

Some persons are under the impression that when MEA enters the land on the strength of an easement that the Association has acquired the right to do as it pleases to the exclusion of the

control of the owner. This is not true. For example, contrary to the belief of many, no one but MEA has the right to enter the owner's land. The line right-of-way is not a public access route! This mistaken belief has been the source of controversy and has resulted in what amounts to acts of trespass and violation of the rights of the land owner. We strongly emphasize this point. Pole line easements on private property do not create public access and no one has the right to enter the property without the approval of the property owner. Everyone is cautioned that the land owner retains the right to control his land against trespass by anyone who does not have permission from the owner.

Historically, during its more than 35 years of service to the membership, MEA has relied heavily on easements to provide rights-of-way for its distribution lines. Free easements granted by land owners, most of whom are also members, have been a major factor in the continuing effort to keep costs down. Continued violations and acts of trespass upon the properties of private owners will result in increased reluctance by the property owner to grant easements to MEA for new lines in the future and will work to drive everyone's cost of service up.



- Q. Why do I have to become a member to have electricity?
- A. The by-laws of this electric cooperative require that each person receiving electric service from the cooperative be a member. A membership in the cooperative is similar to a share of stock in a corporation.
- Q. Does this mean that I am part owner of the cooperative?
- A. Yes. This cooperative is owned by the people it serves.
- Q. Does my membership entitle me to a dividend?
- A. No. The cooperative operates as a non-profit organization and dividends to its members are paid in the form of low-cost electricity and capital credits. (See MEA Bylaws, Article VII, Appendix B to this manual).
- Q. Am I required to pay a deposit in addition to my membership?
- A. Yes. Your cooperative requires an account deposit.
- Q. Are memberships and deposits refundable?
- A. Yes. Membership and deposits are 100 per cent refundable after the payment of your final electric bill. However, no interest is paid on any deposit.
- Q. Are consumers who pay energy bills late disconnected?
- A. Yes, after a due process, service is disconnected if the account is not paid.
- Q. When the electric cooperative representative visits to collect late payment, are there extra charges?
- A. Yes, a fee is charged for a visit made by a Co-op representative to collect or disconnect a consumer.
- Q. Where can I pay my electric bill?
- A. At a cooperative office: Eagle River, on Old Glenn Highway; Big Lake, Mile 51, Parks Highway; Palmer on Industrial Way; and at all Matanuska Valley Federal Credit Union offices. MEA offices are equipped with night depositories for the convenience of consumers.
- Q. Can I pay by mail?
- A. Yes, you may mail your check or money order. However your payment must be received by the due date marked on your bill so mail early.



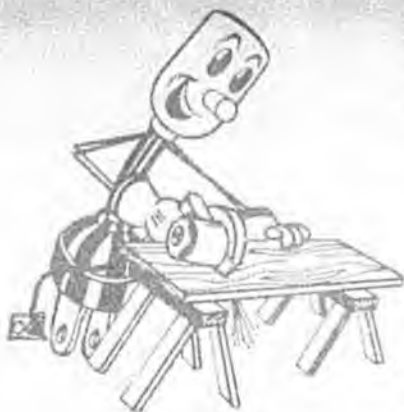
MECA  
We are the only utility  
organization in the country  
that we will benefit

- Q. What should I do if my electricity goes off?
- A. Call your neighbor to see if they are without service. If their power is still on, it could be your fuses or circuit breakers. Check to see if your fuses are good.
- Q. Whom should I call if my electricity is off and I have found my fuses to be good?
- A. Call the local MEA office and give the message to the person who answers. If it is after office hours, call one of the after hours numbers listed herein.
- Q. Where does the Cooperative get the money to construct its buildings and lines?
- A. We borrow money from the Rural Electrification Administration on long-term notes. This money must be repaid to REA with interest. The system is used as security on these loans. Additional money is borrowed from the National Rural Utilities Cooperative Finance Corporation.

- Q. I have heard that cooperatives do not pay taxes. Is this true?
- A. No. Cooperatives pay all taxes that are applicable to any business. But, because your cooperative is operated as a non-profit organization, there is no income tax payable. A gross receipts tax is paid to the State based upon gross revenues.
- Q. Do we build underground distribution lines?
- A. Yes. Underground electric services are available for residential, commercial and industrial accounts. Member-consumers requiring underground service must pay the construction cost difference between overhead and underground hook-ups.



MECA  
Winter services can mean MEA employees must be snowshoed or use tracked vehicles to reach work areas.



MECA

*Temporary service for construction is available from MEA there is a 90 day limit on it.*

**Q.** How can I know that my electric meter is accurate?

**A.** The cooperative considers them to be accurate if they are within two per cent plus or minus when tested. Meter tests will be made at the request of the consumer for a nominal charge. All meters are tested prior to initial installation.

**Q.** What is required in the way of electrical wiring?

**A.** MEA has published a Service Assembly Guide which gives requirements for service construction. All wiring on the owner's side of the meter is the responsibility of the service owner. We suggest close attention be given to wiring to insure safe conditions exist.

**Q.** Is temporary electric service available?

**A.** Yes. Provisions have been made to provide temporary electric service for consumers who have a need for it. Full details on this can be obtained from the offices.

**Q.** If the current goes off, is the Cooperative liable for damages that might be incurred as a result of the power interruption?

**A.** No. Because the Cooperative cannot guarantee one hundred per cent continuity of electric service. Forces beyond the control of the company such as automobile wrecks, storms and freezing rain and other acts of God make it impossible to operate without some power interruptions.

**Q.** Am I responsible for the Cooperative's property?

**A.** All meters, service connections and other equipment furnished by the cooperative shall be, and remain, the property of the cooperative. The member shall provide a space for and exercise proper care to protect the property of the cooperative on his premises; and in the event of loss or damage to the cooperative's property arising from neglect of members to care for same, the cost of the necessary repairs or replacement may be billed to the member.

**Q.** If for some reason I feel the service is unsatisfactory, what can I do?

**A.** The member should notify the cooperative immediately

if the service is unsatisfactory for any reason, or if there are any defects, trouble or accidents affecting the supply of electricity. Such notices, if oral, should be confirmed in writing.

Q. Must I notify the cooperative when I move?

A. Whenever a change of occupancy or of legal responsibility takes place on any premises, written notice of such change must be given to the office within a reasonable time prior to the date of such change, or the outgoing member will be held responsible for all service supplied until such notice has been received by the cooperative.

Q. Should I inform the cooperative when I add a new load?

A. The member should inform the cooperative if possible of any unusual or additional load in advance of installation. This will enable the cooperative to upgrade facilities when necessary for the continuance of dependable, uninterrupted service.

Q. Must I furnish an easement?

A. Each member is asked to sign an easement giving the cooperative the right to construct the necessary facilities.

Q. What are the rights of your electric cooperative to members' premises?

A. The cooperative shall have the right to enter upon the premises of the member at all reasonable times for the

purpose of reading, inspecting, repairing or removing the metering devices, appliances and wiring of the cooperative. The member shall not permit access to such devices to other than authorized representatives of the cooperative. The member shall obtain and grant all necessary permission to enable the cooperative to install the service and carry out its contracts.



MRECA

*Rolling the papers is rolling for energy conservation, rolling for U.S. energy independence, and rolling less money out of your pocket to pay your energy bill.*

Part 20 STATEMENT OF NON-DISCRIMINATION

Matanuska Electric Association, Inc. has filed with the federal government a Compliance Assurance in which it assures the Rural Electrification Administration that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against any person on the grounds of race, color or national origin in its policies and practices relating to applications for service or any other policies or practices relating to treatment of beneficiaries and participants including rates, conditions and extension of service, use of any of its facilities, attendance at and participation in

any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization.

Any person who believes himself, or any specific class of individuals, to be subjected by this organization to discrimination prohibited by Title VI of the Act and the Rules and Regulations issued thereunder may, by himself or a representative, file with the Secretary of Agriculture, Washington, DC 20250, or this organization, or all, a written complaint. Such complaint must be filed not later than 90 days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Electrification Administration extends the time for filing. Identity of complainants will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations.

Matanuska Electric Association, Inc.  
P.O. Box 1148  
Palmer, Alaska 99645

## APPENDIX A

### ARTICLES OF INCORPORATION OF MATANUSKA ELECTRIC ASSOCIATION, INC. (As Amended April 27, 1974)

We, the undersigned, being natural persons of the age of twenty-one years or more and citizens of the United States of America and residents of the State of Alaska, do hereby associate ourselves together for the purpose of forming a non-profit cooperative association under and by virtue of Articles VII, Chapter XI of the Compiled Laws of Alaska, 1933 and all laws amendatory thereof and supplemental thereto, and do hereby adopt the following articles of association:

#### ARTICLE I

The name of the Corporation is MATANUSKA ELECTRIC ASSOCIATION, INC.

#### ARTICLE II

The object or objects and purpose or purposes for which the Corporation is formed are:

- (a) to generate manufacture, purchase, acquire and accumulate electric energy; to transmit, distribute, furnish, sell and dispose of such electric energy; and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and electric transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any or all of the foregoing purposes;
- (b) to acquire, own, hold, use, exercise, sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful, or appropriate to accomplish any or all of the purposes of the corporation;
- (c) to purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, convey, sell, lease as lessor, exchange, mortgage, pledge or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to enable the corporation to accomplish any or all of its purposes;
- (d) to assist its members to wire their premises and install therein electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) and, in connection therewith and for such purposes, to purchase, acquire,

lease, sell, distribute, install and repair electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) and to receive, acquire, endorse, pledge, guarantee, hypothecate, transfer or otherwise dispose of notes and other evidences of indebtedness and all security therefor;

- (e) to borrow money, to make and issue bonds, notes and other evidences of indebtedness, secured or unsecured, for money borrowed or in payment for property acquired, or for any of the other objects or purposes of the corporation; to secure the payment of such bonds, notes or other evidences of indebtedness by mortgage or mortgages, or deeds or deeds of trust upon, or by the pledge of or other lien upon, any or all of the property, rights, privileges and permits of the corporation, wheresoever situated, acquired or to be acquired;
- (f) to do and perform any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes or as may be permitted by the act under which the corporation is formed;

### ARTICLE III

Section 1. The Corporation is formed without any purpose of pecuniary profit to itself and shall have no capital stock.

Section 2. Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise authorized by law and provided in the Bylaws. If a husband and wife hold a joint membership, they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

### ARTICLE IV

Section 1. Except as limited elsewhere in these Articles or in the Bylaws of the corporation, the business and affairs of the corporation shall be vested in and managed and controlled by a Board of Directors; and the Officers of the corporation shall be a President, a Vice-President, a Treasurer, and a Secretary. The offices of Secretary and Treasurer may be held by the same person.

Section 2. The officers of the corporation shall be elected annually by and from the Board of Directors. When a person holding any such office ceases to be a director, he shall cease to hold such office. Any officer may be removed from office and his successor elected in the manner prescribed in the Bylaws.

Section 3. The number of directors of the corporation shall not be less than five (5), each of whom shall be a member of the corporation or of another cooperative which is a member thereof. The Bylaws shall prescribe the number of directors, their qualifications other than those prescribed by law, the manner of holding meetings of the Board of Directors, and of electing successors to directors who shall resign, die or otherwise be incapable of acting. At each annual meeting of the members, directors shall be elected by the members to fill the position of directors whose terms have expired or are expiring, to hold office during the term to which they are elected or until their successor shall have been elected and qualified. The Bylaws shall provide for the removal of directors from office and for the election of their successors.

Section 4. The Bylaws may provide for the division of the territory served or to be served by this corporation into two or more districts for any purpose, including without limitation, the nomination and election of directors and the election and functioning of district delegates. Such delegates, who shall be members, may nominate and elect directors. The Bylaws shall prescribe the boundaries of the districts or the manner of establishing such boundaries, the manner of changing such boundaries, and the manner in which such district shall function. No member at any district meeting and no district delegata at any meeting shall vote by proxy or by mail.

Section 5. Directors shall not receive any salaries for their services as directors and, except in emergencies, shall not receive any salaries for their service in any other capacity without the approval of the members. The bylaws may, however, prescribe a fixed fee for attendance at each meeting of the Board of Directors and may provide for reimbursement of actual expenses of attendance.

## ARTICLE V

Section 1. (Repealed April 27, 1974)

Section 2. (Repealed April 27, 1974)

Section 3. (Repealed April 27, 1974)

Section 4. Bylaws may be adopted, amended or repealed by the affirmative vote of a majority of those members voting thereon at a meeting of the members. The notice of such meeting shall have contained a copy of the proposed adoptions, amendments or repeal.

Section 5. The Bylaws of the Corporation may define and fix other duties and responsibilities of the members and prescribe other terms and conditions upon which members shall be admitted to and retain membership in the Corporation, make provisions for annual and special meetings of members and directors and notices thereof, provide for methods of voting, quorum requirements, and any other matters relating to the internal organization and management of the Corporation, provided that such provisions shall not be inconsistent with these Articles of Incorporation or the laws of the State of Alaska.

## ARTICLE VI

The term of existence of the Corporation shall be perpetual.

## ARTICLE VII

The principal place of business of the Corporation shall be at Palmer, Alaska.

## ARTICLE VIII

The Corporation may amend, alter, change or repeal any provisions contained in these Articles of Incorporation in the manner now or hereafter prescribed by law.

## ARTICLE IX

The names and addresses of the incorporators who shall constitute the first Board of Directors are as follows:

Walter E. Huntley	Palmer, Alaska
Ross L. Sheely	Palmer, Alaska
Laurence Arndt	Palmer, Alaska
C. Earl Albrecht	Palmer, Alaska
Edward I. Wineck	Palmer, Alaska

IN WITNESS WHEREOF, we have herunto set our hands in quadruplicate this FIRST day of MARCH, 1941.

Walter E. Huntley, Ross L. Sheely, Laurence Arndt, C. Earl Albrecht, Edward I. Wineck

## APPENDIX B

# BYLAWS OF MATANUSKA ELECTRIC ASSOCIATION, INC.

(As Amended April 27, 1974)

### ARTICLE I MEMBERSHIP

**SECTION 1. Requirements for Membership.** Any person, partnership, firm, association, corporation, or body politic or subdivision thereof will become a member of Matanuska Electric Association, Inc. (hereinafter called the "Association") upon receipt of electric service from the Association, provided that he or it has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase from the Association electric energy as hereinafter specified;
- (c) Agreed to comply with and be bound by the articles of incorporation and bylaws of the Association and any rules and regulations adopted by the Board; and
- (d) Paid the membership fee hereinafter specified.

No member may hold more than one membership in the Association, whether held by an individual person or held jointly by husband and wife, and no membership in the Association shall be transferable, except as provided in these Bylaws.

### SECTION 2. (Repealed April 22, 1972.)

**SECTION 3. Joint Membership.** A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;

- (f) Withdrawal of either shall terminate the joint membership; and
- (g) Either but not both may be elected or appointed as an officer or board member, provided that both meet the qualifications for such office.

**SECTION 4. Conversion of Membership.** (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, Bylaws, and Rules and Regulations adopted by the Board.

(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. However, the estate of the deceased shall not be released from any debts due the Association.

**SECTION 5. Membership Fee.** The membership fee shall be five (5) dollars.

**SECTION 6. Purchase of Electric Energy.** Each member shall, as soon as electric energy shall be available, purchase from the Association all electric energy used on the premises specified in his application for membership and shall pay therefor at rates which shall from time to time be fixed by the Board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Each member shall pay to the Association such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Association as and when the same shall become due and payable.

**SECTION 7. Termination of Membership.** (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds of all the members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or Rules and Regulations adopted by the Board, but only if such member shall have been given written notice by the Association that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting. The membership of the member who has ceased to purchase energy from the Association may be cancelled by resolution of the Board.

(b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Association.

(c) In case of withdrawal or termination of membership in any manner, the Association shall repay to the member the amount of the membership fee paid by him, provided, however, that the Association shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member to the Association.

## ARTICLE II

### RIGHTS AND LIABILITIES OF MEMBERS

**SECTION 1. Property Interest of Members.** Upon dissolution,

after

paid, and

(a) All debts and liabilities of the Association shall have been

(b) All capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Association shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution, or, if the Association shall not have been in existence for such period, during the period of its existence.

**SECTION 2. Non-liability for Debts of the Association.** The private property of the members shall be exempt from execution or other liability for the debts of the Association and no member shall be liable or responsible for any debts or liabilities of the Association.

## ARTICLE III

### MEETING OF MEMBERS

**SECTION 1. Annual Meeting.** The annual meeting of the members shall be held during the month of April of each year beginning with the year 1969 at any place served by the Association, as selected by the Board and which shall be designated in the notice of the meeting, for the purpose of electing board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Association.

**SECTION 2. Special Meetings.** Special Meetings of the members may be called by resolution of the Board, or upon a written request signed by any three board members, by the President, or by ten per centum (10%) or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place served by the Association as designated by the Board and shall be specified in the notice of the special meeting.

**SECTION 3. Notice of Members' Meetings.** (a) Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty (20) days nor more than forty (40) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Association with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

(b) The membership books of the Association shall be closed by order of the Board not more than thirty-one (31) days prior to the time of the members' meeting, for the purpose of giving notice of such meeting. Any member accepted for membership after such closing of the books shall not be entitled to participate in such meeting.

**SECTION 4. Quorum.** While the Association has more than one thousand (1,000) members, a quorum for the transaction of business at all meetings of the members shall be fifty (50) members, present in person. If at any time the Association has less than one thousand members, a quorum for the transaction of business shall be five per centum (5%) of total number of members, present in person. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

**SECTION 5. Voting.** (a) Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the Articles of Incorporation or these Bylaws.

(b) The vote of a member which is a partnership, firm, association, corporation, or body politic or subdivision thereof, shall be cast by no person except an owner, officer or employee of such member, whose authority to act for such member shall be in writing, duly authorized and signed by the governing authority of such member or by some officer empowered to do so. Such written authority, which shall be filed with the Secretary or other designated officer at each

meeting, shall constitute a certificate of authority to act for such member and in nowise shall be deemed a 'proxy' within the spirit and meaning of these Bylaws.

**SECTION 6. Order of Business.** The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting:

1. Report on the numbers of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and the certificate of the Secretary or some other officer of the Association that due notice of the meeting has been given to each qualified member in accordance with the provisions of the Bylaws of the Association.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon, unless the members vote to dispense with such reading.
4. Presentation and consideration of reports of officers, directors and committees.
5. Election of board members.
6. Unfinished business.
7. New business.
8. Adjournment.

## ARTICLE IV

### BOARD MEMBERS

**SECTION 1. General Powers.** The business and affairs of the Association shall be managed by a board of five (5) members which shall exercise all of the power of the Association except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

**SECTION 2. Election and Tenure of Office.** Directors shall be elected by ballot, by the members, at the annual meetings of the members, for terms of two years or until their successors are elected and qualified, subject to the provisions of these Bylaws with respect to the removal of directors. The terms of Directors shall be staggered so that two shall be elected in even-numbered years and three shall be elected in odd-numbered years. If an election of board members shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing board members within a reasonable time thereafter. Board members shall be elected by a plurality vote of the members.

**SECTION 3. Qualifications.** No person shall be eligible to become or remain a board member of the Association who:

- (a) is not a member and bona fide resident in the area served by the Association; or
- (b) is in any way employed by or financially interested in a competing enterprise or a business selling electric energy, or supplies to the Association, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Association.

Upon establishment of the fact that a board member is holding the office in violation of any of the foregoing provisions, the Board shall remove such board member from office.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

**SECTION 4. Nominations.** It shall be the duty of the Board to appoint, not less than forty (40) days nor more than sixty (60) days before the date

of a meeting of the members at which Board members are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected from different sections so as to insure equitable representation. No member of the Board may serve on such committee. The committee, keeping in mind the principle of equitable representation, shall prepare and post at the principal office of the Association at least thirty (30) days before the meeting a list of nominations for board members which shall include at least two candidates for each board position to be filled by the election. The Secretary shall be responsible for mailing with the notice of the meeting, or separately, but at least twenty (20) days before the date of the meeting, a statement of the number of board members to be elected and the names and addresses of the candidates nominated by the committee on nominations. Any fifteen or more members acting together may make other nominations by petition and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Nominations made by petition, if any, received at least fifteen (15) days before the meeting shall be included on the official ballot. Later nominations by petition shall be treated as nominations from the floor. The chairman shall call for additional nominations from the floor. No member may nominate more than one candidate.

**SECTION 5. Removal of Board Member by Members.** Any member may bring charges against a board member and, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum (10%) of the members or 300, whichever is the lesser, may request the removal of such board member by reason thereof. Such board member shall be informed in writing of the charges at least twenty (20) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such board member shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

**SECTION 6. Removal of Board Member by Board of Directors.** Directors absent from three (3) consecutive regular board meetings without leave of absence granted by the Board of Directors may be summarily removed from office by the Board. The Board, in its discretion, shall take such action by declaring the office vacant and proceeding forthwith to fill such vacancy in accordance with the provisions of Article IV, Section 7, of these Bylaws, provided, however, that written notice of such contemplated action has been given to and received by all the Directors at least twenty-four (24) hours before the time of the meeting at which such action is to be considered.

**SECTION 7. Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of board members by the members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining board members for the unexpired portion of the term.

**SECTION 8. Compensation.** Board members shall not receive any salary for their services as such, but shall, however, be paid the sum of twenty dollars (\$20.00) for attendance at each meeting of the Board. If authorized by the Board, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out Association business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No board member shall receive compensation for serving the Association in any other capacity, nor shall any close relative of a board member receive compensation for serving the Association, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the board member or his close relative shall have been certified by the Board as an emergency measure.

## ARTICLE V

### MEETINGS OF BOARD

**SECTION 1. Regular Meetings.** A regular meeting of the Board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board shall also be held monthly at the principal business office of the Association, at such time as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time thereof.

**SECTION 2. Special Meetings.** Special meetings of the Board may be called by the President or by any three board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or board members calling the meeting shall fix the time and place for the holding of the meeting.

**SECTION 3. Notice of Board Meeting.** Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each board member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the board member at his address as it appears on the records of the Association, with postage thereon prepaid, at least five days before the date set for the meeting.

**SECTION 4. Quorum.** A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent board members of the time and place of such adjourned meeting. The act of a majority of the board members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws.

## ARTICLE VI

### OFFICERS

**SECTION 1. Number.** The officers of the Association shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

**SECTION 2. Election and Term of Office.** The officers shall be elected by ballot, annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

**SECTION 3. Removal of Officers and Agents by the Board.** Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby. In addition, any member of the Association may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten per centum (10%) of the members or 300, whichever is the lesser, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the Board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. In the event the Board does not remove

such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

**SECTION 4. President.** The President shall:

- (a) be the principal executive officer of the Association and, unless otherwise determined by the members of the Board, shall preside at all meetings of the members and the Board;
- (b) sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed; and
- (c) in general perform all duties incident to the office of the President and such other duties as may be prescribed by the Board from time to time.

**SECTION 5. Vice President.** In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to him by the Board.

**SECTION 6. Secretary.** The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Association and affixing the seal of the Association to all documents, the execution of which on behalf of the Association under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) keeping a register of the names and post office addresses of all members;
- (e) signing, with the President, certificates of membership, the issue of which shall have been authorized by the board or the members;
- (f) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Association containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Association, furnishing a copy of the Bylaws and of all amendments thereto to any member upon requests; and
- (g) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board.

**SECTION 7. Treasurer.** The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Association;
- (b) the receipt of and the issuance of receipts for all monies due and payable to the Association and for the deposit of all such monies in

the name of the Association in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and

- (c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board.

**SECTION 8. Manager.** The Board may appoint a manager who may be, but who shall not be required to be, a member of the Association. The manager shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

**SECTION 9. Bonds of Officers.** The Treasurer and any other officer or agent of the Association charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent or employee of the Association to be bonded in such amount and with surety as it shall determine.

**SECTION 10. Compensation.** (a) The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws with respect to compensation for a board member.

(b) No close relative of a Director shall receive compensation as an employee or for otherwise serving the Association unless such employment or service shall be specially and specifically authorized by vote of the members of the Association. "Close relative," as herein used, shall include but in no wise shall be limited to wife, husband, son, daughter, father, mother, brother, sister, step-father, step-mother, step-son, step-daughter, step-brother, step-sister. Candidates for the office of director having close relative in the employ or service of the Association shall disclose the fact to the Secretary prior to the printing of the notice of the next meeting at which Directors are to be elected and said notice shall state the fact and the relationship of the parties. If such candidate is elected, the members having been previously notified as aforesaid, then the fact of such election shall constitute a conclusive presumption that the members have approved the payment of compensation to the new Director's relative.

**SECTION 11. Reports.** The officers of the Association shall submit at each annual meeting of the members reports covering the business of the Association for the previous fiscal year. Such reports shall set forth the condition of the Association at the close of such fiscal year.

## ARTICLE VII

### NON-PROFIT OPERATION

**SECTION 1. Interest or Dividends on Capital Prohibited.** The Association shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Association on any capital furnished by its patrons.

**SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of electric energy the Association's operations shall be so conducted that all patrons will through their patronage furnish capital for the Association. In order to induce patronage and to assure that the Association will operate on a non-profit basis the Association is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Association are received with the understanding that they are furnished by the patrons as capital. The Association is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Association shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and

credited in an appropriate record to the capital account of each patron, and the Association shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Association corresponding amounts for capital.

All other amounts received by the Association from its operation in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Association will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority to the year in which the capital was furnished and credited, the capital first received by the Association being first retired.

Capital credited to the account of each patron shall be assignable only on the books of the Association pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Association unless the Board, acting under policies of general obligation, shall determine otherwise.

Notwithstanding any other provisions of these Bylaws, the Board, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Association will not be impaired thereby.

The patrons of the Association, by dealing with the Association, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Association and each patron, and both the Association and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the Bylaws shall be called to the attention of each patron of the Association by posting in a conspicuous place in the Association's office.

## ARTICLE VIII

### DISPOSITION OF PROPERTY

**SECTION 1.** The Board of Directors shall have full power and authority to sell, mortgage, lease or otherwise dispose of or encumber, any of the following property of the Association:

- (a) Personal property acquired for resale.
- (b) Services of all kinds, including electric energy.
- (c) Property which in the judgment of the Board of Directors neither is nor will be necessary or useful in operating and maintaining the Association's system and facilities; provided, however, that all sales of such property shall not in any one year exceed in percentage ten per centum (10%) of the value of all of the property of the Association.

**SECTION 2.** The Board of Directors shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust of any and all of the property, rights, privileges, licenses, franchises and permits of the Association, whether acquired or to be acquired, and wherever situated, as well as the revenues therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Association.

**SECTION 3.** The Association may not otherwise sell, lease, or otherwise dispose of all or a substantial portion of the Association's property unless such sale, lease, or other disposition is authorized by the affirmative vote of not less than the majority of all the members of the cooperative; provided, however, the Board of Directors may, upon the authorization of the majority of those members of the Association present at a meeting of its members, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative or to the holder or holders of any notes, bonds, or other evidence of indebtedness issued to the United States of America or any agency or instrumentality thereof.

## ARTICLE IX

### SEAL

The corporate seal of the Association shall have inscribed thereon the name of the Association and the words "Corporate Seal" and "State of Alaska."

## ARTICLE X

### FINANCIAL TRANSACTIONS

**SECTION 1. Contracts.** Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances.

**SECTION 2. Checks, Drafts, etc.** All checks, drafts, or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents, employee or employees of the Association and in such manner as shall from time to time be determined by resolution of the Board.

**SECTION 3. Deposits.** All funds except petty cash of the Association shall be deposited from time to time to the credit of the Association in such bank or banks as the Board may select.

**SECTION 4. Change in Rates.** Written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America not less than ninety days prior to the date upon which any proposed change in the rates charged by the Association for electric energy becomes effective.

## ARTICLE XI

### MISCELLANEOUS

**SECTION 1. Membership in Other Organizations.** The Association shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Association may upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of REA, of any other corporation for the purpose of acquiring electric facilities.

**SECTION 2. Waiver of Notice.** Any member or board member may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or board member at any meeting shall constitute a waiver of notice of such meeting by such member or board member, except in case a member or Board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

**SECTION 3. Policies, Rules and Regulations.** The Board shall have power to make and adopt policies, rules and regulations, not inconsistent with law, the Articles of Incorporation, or these Bylaws, as it may deem advisable for the management of the business and affairs of the Association.

**SECTION 4. Accounting System and Reports.** (a) The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator or the Rural Electrification Administration of the United States of America. The Board shall also after the close each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Association as of the end of such fiscal year. A report of such audit, in condensed form, shall be submitted to the members at the next following annual meeting.

(b) The audit report shall be available to the members upon compliance with the policies, rules and regulations promulgated by the Board.

**SECTION 5. Area Coverage.** The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Association's service area who (a) desire such service, and (b) meet all reasonable requirements established by the Association as a condition of such service.

**SECTION 6. Rules of Order.** The rules contained in the latest edition of Robert's Rules of Order shall govern the Association in all cases to which they are applicable and in which they are not inconsistent with law, the Articles of Incorporation, or these Bylaws.

## ARTICLE XII

### AMENDMENTS

**SECTION 1. Amendment, Repeal, or Adoption.** These Bylaws may be amended, repealed, or new bylaws adopted by the affirmative vote of a majority of those members voting thereon at a meeting of the members, provided that the notice of such meeting, whether regular or special, shall have contained the proposed amendment, repeal or new bylaws.

**SECTION 2. Placement of Proposed Amendment on Official Notice by Member.** A member may have a proposed amendment of the bylaws placed on the official notice to the members by one of the following procedures:

- (a) Filing the proposed amendment in writing together with a petition signed by at least ten per centum (10%) of the members or 300, whichever is the lesser, with the Secretary of the Association at least thirty (30) days before the meeting; or
- (b) Filing the proposed amendment in writing with the Board of Directors at least thirty (30) days before the meeting for its consideration and decision for placement on the official notice; or
- (c) Motion from the floor at a membership meeting, duly seconded and carried by majority vote of those members present at the meeting, for placement on the official notice of the next scheduled meeting of the members.

Notes

## Notes

Notes

## COLD WEATHER OUTAGE

### IF THE POWER IS OFF FOR AN EXTENDED PERIOD:

Picture this: It's cold, very cold. All of a sudden you realize that it is getting cold inside the house too. You have no heat. Would you know what to do to protect yourself and your house?

If the heat should go off, it is important to have emergency heating equipment. A wood burning stove and plenty of firewood is perfect. But you can get by with a small camp stove, the tent heating type, as long as you have adequate ventilation.

To keep yourself warm in the unheated house, wear several layers of clothes. Since the body loses between half and three-quarters of its heat through the head, wear a warm hat—even in the house and especially when you are sleeping in an unheated house. Use several blankets for sleeping rather than one heavy one. The air trapped between them is excellent insulation.

When the temperature inside the home falls to 40°, it is time to drain your water system to keep distribution pipes from freezing and bursting. In order to accomplish this task your water system must have a draining feature built-in and you must be aware of the procedure to follow to drain it. During bad winter storms, with power outages, knowing how to drain your water system can save you money!

If your home has a hot water heating system, be sure to have it adequately protected with liquid anti-freeze

## HOW TO LIVE WITH A SERVICE INTERRUPTION!

Interruptions in your electric service may occur from time to time.

There are four rules to follow when you experience a service interruption:

**NUMBER 1.** Check and, if necessary, replace your fuses or reset your circuit breakers. If you are still without power,

**NUMBER 2.** Check your nearest neighbors to determine if they too are experiencing a power loss. If so,

**NUMBER 3.** Report the service interruption to Matanuska Electric Association and be prepared to supply the following information:

- a. Your name and address.
- b. Whether your neighbors have service
- c. Your pole number (service location) and phone number.
- d. Time power was interrupted.
- e. The cause of the interruption if you know it.

**NUMBER 4.** Call these numbers to report a service interruption:

	8:00 a.m. - 5:00 p.m.	After Hours
Palmer Headquarters	745-3231	745-3235
Eagle River Branch	694-2161	694-2161
Big Lake Branch	892-6021	745-3235

Collect calls will be accepted from Talkeetna.



# MATANUSKA ELECTRIC ASSOCIATION, INC.

P.O. BOX 1148

PALMER, ALASKA 99645

MALCOLM CHEEK, GENERAL MANAGER

TELEPHONE  
(907) 745-3231

SUMMARY OF TESTIMONY PRESENTED BY MALCOLM CHEEK,  
GENERAL MANAGER, MATANUSKA ELECTRIC ASSOCIATION, INC.,  
BEFORE THE SENATE COMMERCE COMMITTEE  
REGARDING THE ALASKA PUBLIC UTILITIES COMMISSION

As discussed in the Performance Review of the Alaska Public Utilities Commission dated August 1, 1979, recommendation no. 4, MEA feels that non-profit electric cooperatives should be removed from economic regulation by the APUC upon an affirmative vote of the majority in attendance at the cooperative's annual membership meeting.

1. Existing APUC economic regulation is unnecessary and costly.
2. MEA spent over \$100,000 in 1978 rate case with APUC. These expenses were in addition to costs which would have been required without dealing with the APUC.
3. MEA has spent over \$20 00 in its 1980 tariff rules and regulations revision. Again, these costs are those which have been required due to APUC procedures.
4. In addition to high costs, utilities must wait out the backlogged APUC calendar. These months of delay cost dearly.
5. Reports such as the APUC Annual Report are voluminous and costly to prepare.
6. It is a matter of record that non-profit cooperatives have consistently requested less than could have been justified from the APUC.
7. Board of Directors elected by the consumer members are very sensitive to the economic conditions of their neighbors and are very careful with the cooperatives finances.



Page Two  
Summary of Testimony by Malcolm Cheek  
Before the Senate Commerce Committee

8. The nature and structure of a cooperative affords ample protection of consumer interests.
9. REA and CFC provide significant financial and operating controls over utility operations on a regular basis. In addition, an annual CPA audit is required.
10. REA makes loans to cooperatives in 46 states. In 28 of the 46 states the cooperatives are regulated in at least one area. In 18 states they are not subject to any state commission regulations.

It has been suggested that cooperatives are not responsive to their consumers. This is not true.

1. Consumers have ready access to the cooperative's management and Board of Directors. (see attached MEA policies)
2. Cooperatives have established procedures for handling complaints efficiently. (see attached MEA Form and Policy)
3. Board members are sensitive to consumer requests. As a practical matter board members can be replaced reasonably easily as a few organized voters can influence an annual meeting election.
4. Board members take seriously the ideals and objectives under which non-profit cooperatives operate. (see attached MEA ideals and objectives)
5. REA has influence over cooperative's operating policies, especially with regard to services, area coverage, postage stamp rates, etc.

The case of Tlinget-Haida Regional Electrical Authority has been



Page Three  
Summary of Testimony by Malcolm Cheek  
Before the Senate Commerce Committee

cited as a reason for keeping cooperatives under APUC economic regulation. I believe that the particulars of this case have been confused and do not support continued regulation of cooperatives.

1. As the REA Field Representative in Alaska at the time THREA applied for additional funding and REA took the position that APUC regulation would be necessary, I made this recommendation for exactly the reasons which would have made it unnecessary had THREA been a cooperative.
2. THREA is NOT a cooperative! The consumers do not have the ability to elect their Board Members. They do not have ready access to the governing Board which is appointed by the Central Council of the Tlingit-Haida Indians.
3. THREA also did not have good operating policies at that time or procedures to deal with consumer complaints and inquiries.
4. THREA was a small, new, inexperienced utility.

MEAA supports the need for continued territory regulation. The certification process is necessary. However, economic regulation for a non-profit electric cooperative is not needed and is a waste of consumer's and taxpayer's money.

MC  
3/11/80



Attachments to the testimony submitted by Malcolm Cheek, General Manager, Matanuska Electric Association, Inc. before the Senate Commerce Committee regarding the Alaska Public Utilities Commission:

1. MEA Management Policy No. 105-1, Visitors: Board Meetings
2. MEA Board Policy No. 105-1, Visitors
3. MEA Management Policy No. 202-50, Consumer Complaints and Inquiries
4. MEA Form MSD 002, Consumer Complaint & Inquiry Form
5. MEA Statement of Ideals
6. MEA Statement of Objectives With Member-Owners
7. MEA Owner Manual

MC  
3/11/80



MATANUSKA ELECTRIC ASSOCIATION, INC.  
PALMER, ALASKA

Management Policy No. 105-1

VISITORS: BOARD MEETINGS

Board Resolution No. 777 defines the policy of members' attendance at Board Meetings. Members of the Association may attend any Board Meeting to listen to the Board transact business. If a member wishes to address the Board or discuss a particular topic, advance notice should be provided to assure a position on the agenda for the meeting. The Board may exercise an executive session for personal or confidential matters which need action.

Employees wishing to attend Board Meetings must advise the General Manager of their intent prior to the meeting in question.

\_\_\_\_\_  
MALCOLM CHEEK, GENERAL MANAGER

Effective: 7/10/79

(Original)

Reference: Board Resolution No. 777



# MATANUSKA ELECTRIC ASSOCIATION, INC.

P.O. Box 1148

PALMER, ALASKA 99645

TELEPHONE  
(907) 745-3231

RESOLUTION NO. 777

POLICY NO. 105-1

SUBJECT: VISITORS

REFERENCE: RESOLUTION NO. 18, POLICY NO. II A-1, 1/11/60, 7/9/79

WHEREAS, the Board of Directors recognizes the need to provide for attendance at regular Board of Directors meetings by the members of the Association, and to keep the members informed of the business activities of the Association; and

WHEREAS, it is the policy of the Board of Directors that an informed membership is essential for the success and the progress of the Association.

NOW THEREFORE BE IT RESOLVED by the Board of Directors of Matanuska Electric Association, Inc. that the members of the Association shall have the right to attend any Board meeting to listen to the Board of Directors transact the business of the Association; except that personal or temporarily confidential negotiations may be conducted at an executive session.

PASSED AND APPROVED by the Board of Directors of Matanuska Electric Association, Inc., this 9th day of July, 1979.

*Benjamin R. Cattle* (VICE PRESIDENT)  
DALE D. BRIGGS, PRESIDENT  
MATANUSKA ELECTRIC ASSOCIATION, INC.

(SEAL)

ATTEST:

*Phil O'Neill*  
PHIL O'NEILL, SECRETARY-TREASURER  
MATANUSKA ELECTRIC ASSOCIATION, INC.



MATANUSKA ELECTRIC ASSOCIATION, INC.  
PALMER, ALASKA

Management Policy No. 202-50

CONSUMER COMPLAINTS AND INQUIRIES

All consumer complaints and inquiries are to be handled promptly and recorded in accordance with this policy.

1. All complaints and inquiries are to be recorded on MEA form "MSD Form 02--MEA 11/73" which is to be completed in full and routed to the appropriate Department or Section.
2. The original of the above form is to be routed directly to the appropriate individual handling the particular type of inquiry in question:

Management: General Manager (Malcolm Cheek)

Operations and Maintenance:  
Manager, Electric Operations (Bud Fritz)

Engineering, Voltage: Distribution Engineer (Jim Cadden)

Damage Requesting Payment:  
Consumer Services Section (Dale Wahlen)

Right of Way and Clearing:  
Real Estate & Properties Officer (Dave Ingalls)

Consumer Billing: Consumer Accounts Supervisor (Mary Davis)

Energy Use: Energy Use Advisor (Jerry Deems)

New Services: Chief, Consumer Services Section (Dale Wahlen)  
or appropriate Branch Manager

Branch Offices: Branch Manager (Bill Foster or Frank Smith)

3. The carbon copy of each MEA Form 02 is to be routed to Consumer Services for recording and follow-up action. If there is any question on the disposition of the original of this form, route to Consumer Services along with the carbon copy.
4. When possible, inquiries should be routed to Consumer Services when received. Consumer Services will, then, complete MEA Form 02 and route the inquiry. If it is not possible to route the initial inquiry to Consumer Services, obtain the necessary information to complete MEA Form 02 and advise the consumer that the inquiry will be turned over to Consumer Services for action.
5. All complaints and inquiries should be given immediate attention.

All action taken should be recorded on MEA Form 02 under "Comments," and Consumer Services must be advised (by phone or copy of said form) of any action taken including routing to another individual for additional work.

6. Consumer Services will prepare a weekly report listing all active complaints and inquiries. This report will be prepared each Monday and will show the status of all outstanding complaints and inquiries as of the close of business the preceding week. This weekly report will be forwarded to the General Manager. In addition, Consumer Services will prepare a monthly summary for the information of the Board of Directors.
7. All questions on this policy should be addressed to Consumer Services Section.



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MALCOLM CHEEK, GENERAL MANAGER

Effective Date: 7/16/79

(Second Revision)



MATANUSKA ELECTRIC ASSOCIATION, INC.  
Palmer, Alaska

STATEMENT OF IDEALS

Matanuska Electric Association, Inc., was established by its member-owners to provide themselves with a vitally needed service not otherwise available which would improve their economic and social standards with significant long-range benefits to the well-being of the various communities in which it operates.

WE BELIEVE:

1. That it is the right of persons to provide for themselves a vitally needed service and that the Association effectively provides this service in a manner consistent with the highest objectives of free enterprise.
2. That the Association exists primarily to serve its consumer-owners and that the services it provides are essential to the people of our area, of the Matanuska Valley, of the State of Alaska, and of our Nation.
3. That the Association exists for the mutual benefit of its consumer-owners, directors, employees, and of the public and recognized that full participation, understanding and support by each of these groups is necessary for its continued success.
4. That the Association must provide the highest quality electric service at a cost consistent with sound business practices and necessary to assure its continued existence and viability.
5. That the opportunities in the enterprise carry with them both economic and social responsibilities; our obligations and responsibilities as a local business enterprise are to the community, the public, and to our employees, as well as to our members, and those groups other than members also will benefit from leadership in economic and social development within and adjacent to the service area of the Association.
6. That the ability of the Association to continue providing this essential service depends upon its attracting and retaining capable employees who must be paid adequately and given every opportunity for personal development and for advancement within the limits of their demonstrated capabilities.
7. That the natural resources of this country should be developed to provide an abundance of power consistent with other resource development needs and at a cost which is equitable for all who benefit from such development.

STATEMENT OF IDEALS

8. That the economic future of the State of Alaska depends upon its having an abundance of electric power available to persons who can use it and that organizations engaged in the generation or distribution of electricity have the responsibility of cooperating fully with each other to make certain that this is accomplished by the most efficient means possible.
9. That the Association must exemplify leadership in the community by doing all things essential to good management, including proper organization, sound financing, leader development, adequate research, and by continuing a high quality of electric service.
10. That the attaining of these ideals will require our constant and untiring efforts.

MEA, STATEMENT OF IDEALS  
APPROVED BY THE BOARD OF DIRECTORS  
OCTOBER, 1977

REAFFIRMED DECEMBER, 1979

MATANUSKA ELECTRIC ASSOCIATION, INC.  
Palmer, Alaska

STATEMENT OF OBJECTIVES  
WITH MEMBER-OWNERS

1. TO OPERATE the Association as a non profit enterprise on a continuing and progressive basis in strict accordance with its corporate documents and other legal and contractual requirements.
2. TO ASSURE the availability of a constantly high quality of central station service to its members and at a cost consistent with sound management of the Association and necessary to assure its continued existence and viability.
3. TO KEEP the member-owners fully informed on the affairs, problems, and methods of the Association; TO OBTAIN their understanding, acceptance, and support; TO PROVIDE every reasonable means through which the feelings and wants of the member-owners can be expressed and acted upon if appropriate; and TO EXPECT them to act intelligently and constructively in their support of the Association, its ideals, and its objectives.
4. TO DEVELOP among members, through democratic processes of participation, a recognition of member-ownership and accountability which will create the desire and feeling of obligation to participate in programs and services and benefit the membership as a whole.
5. TO ENHANCE the Association's reputation for fair dealings, prompt and efficient service, dependability, integrity, courtesy, productive ability, and technical competence.
6. TO STRIVE CONSTANTLY for ever higher standards of service through progressive management, utilization of new equipment and techniques, and improved methods of operations.
7. TO STIMULATE AND SUPPORT rural area development programs, especially those which will increase and stabilize the economic level of the Association's service area by adding value to the raw materials and products supplied and processed, by providing job opportunities for its people, and by furnishing goods and services required but not now available within or immediately adjacent to the area which the Association serves.
8. TO DEVELOP, OPERATE, AND MAINTAIN the system at optimum performance, both electrical and physical, as to assure the quality of service the members want while maintaining investment at a reasonable level and minimizing premature obsolescence.
9. TO PROVIDE the means whereby the member-owners can build and maintain the Association by contributing a reasonable amount of essential capital.

WITH EMPLOYEES

1. TO RECOGNIZE that our greatest assets are our human assets and that these must be developed and improved as a matter of moral obligation as well as one of material advantage.
2. TO OBTAIN acceptance of the ideals which emphasize the obligations involved in doing a job well.
3. TO REWARD, ENCOURAGE PROGRESS, INFORM, TRAIN, DEVELOP, AND PROPERLY ASSIGN all employees in order to attract and keep in its service those who seek a career with the Association so that their lives and work will be given meaning, dignity, satisfaction, and purpose both on and off the job.

WITH THE PUBLIC

1. TO DEVELOP understanding, acceptance, and support of the Association's objectives, plans, and programs.
2. TO FOSTER AND DEVELOP the acceptance of the Association as an effective citizen and as a respected member of the business community.
3. TO PROVIDE LEADERSHIP AND TO COOPERATE with other community and civic groups in furthering programs of mutual interest.

MEA, STATEMENT OF OBJECTIVES WITH MEMBER-OWNERS  
APPROVED BY THE BOARD OF DIRECTORS  
OCTOBER, 1977

REAFFIRMED DECEMBER, 1979

ELECTRIC RATES\* FOR RESIDENTIAL AND SMALL COMMERCIAL CONSUMERS

SEPTEMBER, 1979

MASTER FILE COPY  
HOUSE COMMERCE COMMITTEE

\*Utilities Regulated by the Alaska Public Utilities Commission.

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
AEL&P	General Residential	\$4.00	U-75-65(4) (12/19/75)	.11¢	Juneau Douglas Auke Bay
	1st 200 - 5.8¢ Over 200 - 4.4¢				
	Small Commercial	\$25			
	1st 1000 - 5.8¢				
	Next 3100 - 5.4¢				
	Over 4100 - 4.3¢				
ALASKA POWER & TELEPHONE	1st 40 - 15.29¢	\$3.30	U-78-'9(2) (1/15/79)	2.96¢*	Craig
	Next 60 - 13.11¢				
	Over 100 - 10.93¢				
	1st 40 - 16.55¢	\$3.30	Same as above	1.78¢	Hydaburg
	Next 60 - 14.35¢				
	Over 100 - 12.15¢				
	1st 100 - 14.1¢	\$5.00	U-78-62(3) (1/15/79)	1.29¢*	Skagway
	Next 300 - 7.8¢				
	Over 400 - 7.1¢				
	1st 100 - 13¢	\$7.50	Original Tariff (7/15/71)	4.29¢*	Tok
	Next 100 - 12¢				
	Next 800 - 9.5¢				
	Over 1000 - 8¢				
	1st 100 - 15¢	\$10.00	Original Tariff (3/29/78)	0	Dot Lake
	Over 100 - 14¢				

\* Those surcharges have not been approved by the Commission as of 9/1/79.

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
ALASKA VILLAGE ELECTRIC COOPERATIVE	Residential All KWH - 37.2¢	\$18.60	U-77-77(4) (3/1/78)	0	46 villages
	Small Commercial All KWH - 34.2¢/KWH	\$34.20			
	Large Power	\$250.00			
	<u>Demand Charge</u>				
	1st 10 KWH - 0				
	Over 10 KWH - \$10/KWH				
	<u>Energy Charge</u>				
	1st 1,500 KWH - 32.5¢				
	Over 1,500 KWH - 24.8¢				
AMFAC FOODS, INC.	Farm & Home 1st 200 - 15¢ Over 200 - 13¢	\$7.50	Original (4/19/77)	0	Sandpoint
	Commercial	\$7.50			
	<u>Demand Charge</u>				
	1st 10 KWH - 0				
	Over 10 KWH - \$3.00/KWH				
	<u>Energy Charge</u>				
	1st 100 - 13¢				
	Next 100 - 11¢				
	Over 200 - 7¢				
ANCHORAGE, MUNICIPALITY OF	Residential	\$3.84	U-79-13(6) (7/11/79)	.2399¢	Anchorage
	Small General Services Demand Less than 10 KWH 4.16¢	\$6.10			
ANIAC POWER	Residential 1st 250 - 20¢ Over 250 - 18¢	\$20.00	Original Tariff (6/30/74)	4.61¢	Aniak

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
ANIAK POWER (continued)	Commercial 1st 1600 KWH - 18¢ Over 1600 KWH - 16¢	\$20.00			
ARCTIC UTILITIES	1st 10,000 - 25¢ Over 10,000 - 19¢	Demand Charge 1st 100 KWH - \$10/KW Over 100 KWH - \$5/KW	Original Tariff (10/6/75)	0	Deadhorse
BARROW UTILITIES & ELECTRIC COOPERATIVE	Residential 1st 200 - 15¢ Next 300 - 12¢ Over 500 - 11.112¢  General Service 1st 220 - 15¢ Next 450 - 12¢ Next 450 - 10¢ Over 1120 - 9¢	\$10.00    \$20.00	Original Tariff (4/13/74)	0	Barrow
BETHEL UTILITIES	Residential 1st 50 - 18.94¢ Next 200 - 15.81¢ Over 250 - 11.82¢  Commercial 1st 50 - 18.94¢ Next 450 - 14.24¢ Next 2,500 - 12.67¢ Next 22,000 - 11.82¢ Over 25,000 - 11.39¢	\$5.54    \$5.54 for 5 KVA or less \$1.11 per KVA additional	U-79-47(1) (5/15/79)	.94¢	Bethel

Utility	Rates per KWII	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
BETTLES LIGHT & POWER	General Service 24¢		2nd Revision (2/1/74)	4.5¢	Bettles
CHUGACH ELECTRIC	General Residential Urban 1st 50 - 8.7¢ Next 200 - 4.4¢ Next 500 - 2.7¢ Next 750 - 2.4¢ Next 1500 - 2.0¢	\$4.36	U-77-68(4) (3/16/78)	0	Anchorage
	Commercial L&P Urban 1st 100 - 6.2¢ Next 400 - 4.0¢ Next 1000 - 3.5¢ Next 1500 - 3.2¢ Over 3000 - 2.9¢	\$4.36			
	General Residential Suburban 1st 50 - 8.7¢ Next 200 - 5.4¢ Next 500 - 4.0¢ Next 750 - 2.4¢ Over 1500 - 2.0¢	\$4.36	Same as above	0	Anchorage Moose Pass Cooper Landing
	Commercial L&P Suburban 1st 100 - 7.5¢ Next 400 - 5.4¢ Next 1000 - 4.4¢ Next 1500 - 3.7¢ Over 3000 - 2.9¢	\$4.36			

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
CHUGACH ELECTRIC (continued)	General Residential	\$11.21	U-77-68(4) (3/16/78)	0	Kenai
	1st 90 - 12.5¢				
	Next 160 - 10.6¢				
	Next 500 - 6.2¢				
	Next 250 - 3.5¢				
	Over 1000 - 2.0¢				
	Commercial L&P	\$11.21			
	1st 100 - 10.2¢				
	Next 400 - 8.1¢				
	Next 1000 - 6.7¢				
Next 1500 - 6.2¢					
Over 3000 - 4.4¢					
<hr/>					
	General Residential	\$24.92	Same as above	0	Hope
	1st 90 - 12.5¢				
	Next 160 - 10.6¢				
	Next 500 - 6.2¢				
	Next 250 - 3.5¢				
	Over 1000 - 2.0¢				
	Commercial L&P	\$24.92			
	1st 100 - 10.2¢				
	Next 400 - 8.1¢				
	Next 1000 - 6.7¢				
	Next 1500 - 6.2¢				
	Over 3000 - 4.4¢				
<hr/>					
CIRCLE ELECTRIC	Residential & Commercial	\$10.00	Original Tariff	0	Circle
	1st 100 - 32¢				
	Next 100 - 22¢				
	Over 200 - 17¢				

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
COPPER VALLEY ELECTRIC	Residential	\$15.00	Tariff No. 2 U-77-88 (5) (6/2/78)	3.22¢*	Glennallen Copper Center
	1st 200 - 13¢				
	Next 800 - 11¢				
	Over 1000 - 9¢				
	Commercial	\$30.00			
	1st 500 - 13¢				
Next 500 - 11¢					
Next 1000 - 10¢					
Over 2000 - 9.5¢					
<hr/>					
	Residential	\$15.00	Same as above	2.50¢*	Valdez
	1st 200 - 13¢				
	Next 300 - 11¢				
	Next 500 - 9¢				
	Over 1000 - 8¢				
	Commercial	\$30.00			
	1st 500 - 13¢				
	Next 500 - 11¢				
	Next 1000 - 10¢				
	Over 2000 - 8¢				
<hr/>					
CORDOVA ELECTRIC COOPERATIVE, INC.	Residential	\$15.00	Original Tariff (3/15/79)	0	Cordova
	1st 200 - 15.5¢				
	Next 300 - 13.5¢				
	Next 500 - 11.0¢				
	Over 1000 - 9.0¢				

\*These surcharges have not been approved by the Commission as of 9/1/79.

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
CORDOVA ELECTRIC COOPERATIVE, INC. (continued)	Small Commercial	\$42.00	Original Tariff (3/15/79)	0	Cordova
	1st 300 - 15.5¢				
	Next 700 - 11.0¢ Over 1000 - 8.5¢				
FORT YUKON	Residential	\$10.00	U-78-92 (2) (5/1/79)	2.545¢*	Fort Yukon
	1st 100 - 31.86¢				
	Next 400 - 19.11¢ Over 500 - 12.74¢				
	Commercial & Governmental	\$10.00			
	1st 100 - 38.23¢				
	Next 400 - 31.86¢ Next 500 - 25.49¢ Next 1000 - 19.11¢ Over 2000 - 16.57¢				
GLACIER HIGHWAY ELECTRIC ASSOCIATION	Residential	\$12.00	U-78-88 (2) (5/23/79)	0	Auke Bay
	1st 250 - 12.3¢				
	Next 250 - 9.6¢ Next 250 - 7.7¢ Over 750 - 4.7¢				
	Commercial & Large Power	\$12.00			
	<u>Demand Charge</u>				
	1st 25 KW - 0 Over 25 KW - \$3.70/KW				

\*These surcharges have not been approved by the Commission as of 9/1/79.

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
GLACIER HIGHWAY ELECTRIC ASSOCIATION (continued)	Commercial & Large Power <u>Energy Charge</u> 1st 250 - 12.3¢ Next 250 - 9.6¢ Next 500 - 7.7¢ Next 9000 - 6.1¢ Over 10,000 - 4.0¢	\$12.00			
GOLDEN VALLEY	Residential 1st 100 - 14.03¢ Next 1400 - 7.54¢ Over 1500 - 5.91¢  General Service - 1 1st 400 - 14.03¢ Next 600 - 9.12¢ Next 4000 - 7.02¢ Over 5000 - 5.61¢  General Service - 2 <u>Demand Charge</u> 1st 50 - 0 Over 50 - \$4.75/KW <u>Energy Charge</u> 1st 400 - 13.47¢ Next 600 - 10.67¢ Next 4000 - 8.42¢ Next 45,000 - 5.33¢ Over 50,000 - 4.63¢	\$10.00    \$10.00	U-79-56(1) (9/1/79)	0	Fairbanks Big Delta Nanana Delta Junction North Pole Healy
HAINES LIGHT & POWER	Residential 1st 100 - 16.4¢ Next 625 - 8.6¢ Over 725 - 6.9¢	\$14.25	U-79-52(1) (7/19/79)	3.11¢*	Haines

\*These surcharges have not been approved by the Commission as of 9/1/79.

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
HAINES LIGHT & POWER (continued)	Large Power	\$33.35			Haines
	<u>Demand Charge</u>				
	\$2.00/KW per month for KW over 25				
	<u>Energy Charge</u>				
	1st 500 - 38.4¢				
	Next 54,500 - 7.9¢				
	Over 55,000 - 4.6¢				
	Commercial	\$19.00			
	1st 100 - 21.9¢				
	Next 3400 - 7.8¢				
Over 3500 - 6.4¢					
HOMER ELECTRIC	Farm & Residential	\$7.50	Second Revision (11/10/77)	0	Homer
	1st 50 - 9¢				
	Next 50 - 7¢				
	Next 200 - 5¢				
	Next 800 - 3.5¢				
	Over 1100 - 1.7¢				
	Commercial, Large Power & Public Bldgs.	\$7.50	Original Rates (4/1/70)		
	<u>Demand Charge</u>				
	1st 25 - 0				
	Over 25 - \$2.75/KW				
<u>Energy Charge</u>					
1st 50 - 9¢					
Next 50 - 7¢					
Next 1200 - 5¢					
Next 6200 - 4¢					
Next 42,500 - 3¢					
Next 50,000 - 2¢					
Over 100,000 - 1.7¢					

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
HOMER ELECTRIC (continued)	Farm & Residential	\$7.50	First Revision (11/1/74)	0	Seldovia
	1st 50 - 15¢ Next 50 - 8¢ Next 200 - 6¢ Over 300 - 5¢				
	Town & Village	\$5.00			
	1st 50 - 15¢ Next 50 - 8¢ Next 200 - 6¢ Over 300 - 5¢				
	Commercial L&P	\$7.50			
	<u>Demand Charge</u>				
	1st 10 - 0				
	Over 10 - \$3.00/KW				
	<u>Energy Charge</u>				
	1st 50 - 15¢				
	Next 50 - 8¢				
	Next 2900 - 6¢				
	Next 7000 - 5¢				
	Over 10,000 - 4¢				
	Residential	\$5.00	First Revision (11/10/77)	0	Port Graham
	1st 50 - 15¢ Next 50 - 8¢ Over 100 - 6¢				
	Commercial L&P	\$7.50	Original Rates (9/27/72)	0	
	<u>Demand Charge</u>				
	1st 10 - 0				
	Over 10 - \$3.00/KW				
	<u>Energy Charge</u>				
	1st 50 - 15¢				
	Next 50 - 8¢				
	Next 2900 - 6¢				
	Next 3000 - 5¢				

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
HOMER ELECTRIC (continued)	City Light Residential 1st 50 - 10¢ Next 50 - 5¢ Next 100 - 4¢	\$5.00	First Revision (11/10/77)		City of Kenai
	Small Commercial Public Buildings 1st 50 - 10¢ Next 50 - 5.5¢ Over 200 - 4.5¢	\$5.00			
KODIAK ELECTRIC	Farm & Home 1st 100 - 13.00¢ Next 300 - 12.00¢ Next 300 - 10.00¢ Over 700 - 9.00¢	\$13.00	U-78-81 (2) (7/13/79)	2.07¢	Kodiak
	Commercial 1st 200 - 13.00¢ Next 800 - 11.00¢ Next 4000 - 10.00¢ Over 5000 - 8.50¢	\$26.00			
	Farm & Home 1st 100 - 25.00¢ Next 100 - 23.00¢ Over 200 - 20.00¢	\$13.00	J-78-81 (2) (7/13/79)	2.02¢	Port Lions
	Commercial 1st 100 - 25.00¢ Next 100 - 23.00¢ Over 200 - 17.00¢	\$26.00			

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
KOTZEBUE ELECTRIC	Residential & Small Commercial 1st 50 - 26¢ Next 50 - 22¢ Next 9900 - 13.5¢ Over 10,000 - 12.5¢	\$14.00	U-76-46 (3) (12/3/76)	3.436¢*	Kotzebue
MANLEY UTILITY CO., INC.	Residential 1st 100 - 30¢ Over 100 - 25¢  Commercial 1st 100 - 30¢ Next 900 - 25¢ Over 1000 - 20¢	\$5.00	Original Tariff (7/14/78)	0	Manley Hot Springs
MATANUSKA ELECTRIC	Residential 1st 100 - 11.6¢ Next 150 - 7.7¢ Next 250 - 5.8¢ Next 700 - 3.2¢ Over 1200 - 2.6¢  Commercial & Small Power 1st 100 - 14.2¢ Next 400 - 9.0¢ Next 1500 - 5.2¢ Over 2000 - 3.2¢	\$9.00	U-78-75 (5) (7/12/79)	0	Palmer Chugiak Eagle River Talkeetna Wasilla
	Residential 1st 50 - 38.65¢ Next 50 - 19.32¢ Over 100 - 14.49¢	\$10.00	U-76-67 (4) (5) (3/21/77)	1.3¢	Unalakleet

\*This surcharge has not been approved by the Commission as of 9/1/79.

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
MATANUSKA ELECTRIC (continued)	Commercial & Small Power 1st 50 - 38.65¢ Next 50 - 25.77¢ Next 200 - 19.32¢ Over 300 - 15.30¢	\$10.00	U-76-67(4) (5) (3/21/77)	1.3¢	Unalakleet
McGRATH LIGHT & POWER	Residential 1st 50 - 13.5¢ Next 150 - 11.5¢ Next 300 - 11.0¢ Next 4500 - 10.0¢ Over 5000 - 8.5¢  Commercial 1st 50 - 13.5¢ Next 450 - 10.5¢ Next 2500 - 10.0¢ Next 22,000 - 9.0¢ Over 25,000 - contract rate	\$5.00       \$5.00	Original Tariff (6/6/77)	6.2¢	McGrath
NAKNEK ELECTRIC	Farm & Home 1st 50 - 27¢ Next 50 - 21.6¢ Next 100 - 16.2¢ Next 300 - 13.5¢ Over 500 - 12.2¢  Other <u>Demand Charge</u> 1st 10 - 0 Over 10 - \$4.05/KW <u>Energy Charge</u> 1st 50 - 27¢ Next 50 - 21.6¢ Next 2,900 - 15.5¢ Next 7,000 - 12.8¢ Over 10,000 - 10.8¢	\$13.50       \$13.50	U-78-84(1) (10/1/78)	0	Naknek

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served		
NAKNEK ELECTRIC (continued)	Farm & Home	\$16.20	U-78-84(1) (10/1/78)	0	Egegik		
	1st 50 - 32.4¢						
	Next 50 - 39.7¢						
	Over 100 - 21.6¢						
	Other	\$12.00					
	<u>Demand Charge</u>						
	1st 10 - 0						
	Over 10 - \$4.05/KW						
	<u>Energy Charge</u>						
	1st 50 - 32.4¢						
Next 50 - 39.7¢							
Over 100 - 21.6¢							
NORTHERN POWER & ENGINEERING	Residential	\$10.00	U-77-83(2) (5/1/78)	.968¢	Cold Bay		
	1st 50 - 16.6¢						
	Next 650 - 13.3¢						
	Over 700 - 11.6¢						
	General Service	\$32.00					
	1st 1000 - 12.5¢						
Next 4000 - 11.6¢							
Next 5000 - 10.8¢							
Over 10,000 - 9.1¢							
NORTHWAY POWER & LIGHT	Residential & Small Commercial	\$10.00	First Revision (2/21/74)	5.77¢*	Northway		
	1st 100 - 13¢						
	Next 100 - 12¢						
	Next 100 - 11¢						
	Over 300 - 9.5¢						

\*This surcharge has not been approved by the Commission as of 9/1/79.

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
NUSHAGAK ELECTRIC	Farm & Home 1st 50 - 22¢ Next 50 - 15¢ Next 400 - 11.5¢ Over 500 - 10.5¢	\$11.00	U-76-50(4) (11/30/76)	2.615¢*	Dillingham
	Commercial & Industrial 1st 50 - 22¢ Next 50 - 15¢ Next 2900 - 12¢ Over 3000 - 10.5¢	\$11.00		2.615¢*	
PELICAN UTILITIES	7.25¢ per KWH	\$5.00	U-76-23(3) (8/1/76)	0	Pelican
TANANA POWER	Residential 1st 200 - 24¢ Next 200 - 22¢ Over 400 - 20¢	\$14.40	U-78-63 (2/9/79)	0	Tanana
	Commercial 1st 10,000 - 18.5¢ Next 10,000 - 17.6¢ Over 20,000 - 16.2¢	\$50.00			
TLINGIT-HAIDA REGIONAL ELECTRICAL AUTHORITY	Residential 1st 300 - 27¢ Over 300 - 23¢	\$16.50	Pending Tariff	0	Angoon Hoonah Kake Klawock
	Small Commercial 1st 300 - 27¢ Over 300 - 23¢	\$27.00	Pending Tariff		

\*This surcharge has not been approved by the Commission as of 9/1/79.

Utility	Rates per KWH	Monthly Minimum Bill	Latest Revision	Amount of Surcharge	Areas Served
YAKUTAT POWER	Residential	\$12.00	U-76-82 (1/1/78)	2.796¢*	Yakutat
	1st 100 - 12¢				
	Next 200 - 10¢				
	Next 700 - 8.5¢				
	Next 1000 - 8¢				
	Commercial	\$30.00		2.796¢*	
	1st 300 - 10¢				
	Next 700 - 8.5¢				
	Next 4,000 - 8¢				
	Over 5,000 - 7.5¢				
	Large Commercial	\$180.00		2.796¢*	
	1st 2,000 - 9¢				
Next 18,000 - 7.5¢					
Over 20,000 - 6.5¢					

\*This surcharge has not been approved by the Commission as of 9/1/79.

A PERFORMANCE REVIEW  
OF THE  
ALASKA PUBLIC UTILITIES COMMISSION

August 1, 1979

Commissioner of the Department  
of Commerce and Economic Development  
Deputy Commissioner of the Department  
of Commerce and Economic Development

Charles Webber

Bertram L. Wagnon

Members of the  
Alaska Public Utilities Commission

Chairman  
Commissioner  
Commissioner  
Commissioner  
Commissioner

Gordon J. Zerbetz  
Marvin R. Weatherly  
Carolyn S. Guess  
Susan M. Knowles  
Stuart C. Hall

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING -

FINANCE DIVISION  
POUCH WF—STATE CAPITOL

JUNEAU, ALASKA 99811

August 10, 1979

Members of the  
Legislative Budget and Audit Committee:

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

A PERFORMANCE REVIEW  
OF THE  
ALASKA PUBLIC UTILITIES COMMISSION

August 1, 1979



Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

TABLE OF CONTENTS

	<u>Page</u>
Purpose and Scope of the Review. . . . .	4
Organization and Function. . . . .	6
Report Conclusion. . . . .	8
Findings and Recommendations . . . . .	11
Analysis of Public Need. . . . .	26
Appendixes:	
A. Alaska Public Utilities Commission Revenues Compared With Expenditures . . . . .	30
B. Questionnaire Sent to Other States' Utility Regulatory Agencies . . . . .	31
C. Questionnaire Sent to APUC Regulated Electric and Telephone Nonprofit Cooperative Corporations. . . . .	37
D. Questionnaire Sent to Attorneys Who Practice Before the Alaska Public Utilities Commission. . . . .	41
Agency Response	
Office of the Governor . . . . .	45
Alaska Public Utilities Commission . . . . .	46 (a)

## PURPOSE AND SCOPE OF REVIEW

### Purpose

In accordance with the provisions of Alaska Statutes 24.20 .271(1) and 44.66.050 (sunset legislation), a review of the Alaska Public Utilities Commission (hereinafter referred to as APUC or the Commission) was conducted to determine whether there is a demonstrated need to continue utility regulation in its present form. To determine that need, we reviewed Commission activities to see if the Commission has been operating in an efficient and effective manner.

AS 44.66.010(4) specifies that the Alaska Public Utilities Commission will terminate on June 30, 1980 but will continue until June 30 of the following year for the purpose of concluding its affairs. This report shall be considered during the legislative oversight function in determining whether the Commission should be allowed to terminate, be reestablished in its present form or be reestablished in a modified form.

### Scope

The functions reviewed included commissioner activity, administrative, financial/tariff analysis, engineering, consumer complaints and information, and records/docketing. Our review consisted of analyzing and evaluating the following:

1. Applicable statutes and regulations;
2. interviews with, and a questionnaire to, the Commissioners;
3. interviews with staff members;
4. questionnaires sent to other states' utility regulatory agencies;
5. questionnaires sent to APUC regulated electric and telephone nonprofit cooperative corporations;
6. questionnaires sent to attorneys who practice before the Commission;
7. observation of Commission meetings and several types of hearings held before the APUC;
8. interviews with Assistant Attorney Generals assigned to APUC;

9. interviews with general managers of several large utilities;
10. interviews with representatives of the Rural Electrification Administration;
11. interviews with representatives of the Federal Communications Commission;
12. interview with the president of the Alaska Rural Electric Cooperatives Assosication;
13. tests of APUC records and documents;
14. tests of records and documents of the Office of the Governor on appointments to the APUC;
15. correspondence with the Commissioners of the Alaska Transportation Commission and the Alaska Pipeline Commission; and
16. a review of studies and major Alaska Superior and Supreme Court decisions affecting the Commission, and complaints filed with the Ombudsman's Office.

## ORGANIZATION AND FUNCTION

Prior to the creation of the Alaska Public Utilities Commission in 1970, utilities were regulated by the Alaska Public Service Commission (PSC). The PSC was established in 1959 as a part-time three-member commission responsible for all fixed utility regulation including generation, transmission or distribution of electric power, heat, water, natural or manufactured gas, oil or other petroleum products (except by pipeline); and the furnishing of telephone or telegraph communications, and community sewer services.

In 1960, the PSC gained responsibility for regulating transportation utilities with the passage of the Alaska Motor Freight Carriers Act and the Alaska Air Commerce Act. The transportation regulation duties were transferred to the Alaska Transportation Commission upon its creation in 1966. The 1960 legislation eliminated the PSC and created the APUC as a full-time three-member commission. That legislation also changed the definition of public utility to include those furnishing the following types of services for compensation: electrical; telecommunications; water, steam or sewer; transmission or distribution of natural or manufactured gas; and petroleum or petroleum products when no competition exists. A 1973 amendment added collection and disposal service of garbage, refuse, trash or other waste to the definition.

AS 42.05.040 requires one member to be a law school graduate, one to be a university graduate with a major in engineering, and one to be a university graduate with a major in finance, accounting or business administration. Two additional positions were added to the Commission in 1975 for which no special qualifications have been established. All members are appointed for six-year terms by the Governor and confirmed by the Legislature. The Commission may hire an executive director, who may be a member of the Commission.

Under AS 42.05, the Alaska Public Utilities Commission Act, the APUC is charged with the responsibility to assure the furnishing of adequate service to all public utility patrons, without discrimination, and at the lowest reasonable rates consistent with the interests both of the public and the utility. Statutory provisions direct the Commission, after determining an applicant is fit, willing and able to provide utility service, to issue that applicant a Certificate of Public Convenience and Necessity (CPCN). After issuance of a CPCN the Commission then regulates the rates, classifications, rules, regulations, practices, services and facilities of a public utility. The Commission has the authority to adopt regulations and to hold formal, quasi-judicial hearings to accomplish these purposes.

The staff of the APUC, in addition to the support staff of the Commissioners, is divided into five major functions: administration, engineering, communications carriers, consumer protection and information and financial/tariff analysis. A brief description of the services provided by those functions follows:

Administration. An Executive Director, hired by the Commission, is responsible for directing all staff functions and acts as liason between staff and Commissioners. He is assisted by a Deputy Director who has responsibility for records/document management. They are assisted in these duties by an administrative assistant, document processing personnel and other clerical support staff.

Engineering. The Engineering Section consists of a section chief, four utilities engineers, a draftsman and a clerical support person. This section is responsible for investigation of utility procedures and practices affecting quality of service; review of legal descriptions for service areas, plans for plant expansion, and plant-in-service and depreciation schedules. This section presents its evaluations in proceedings before the Commission.

Communications Carriers. This section was established by 1976 legislation to develop, recommend and administer policies and programs with respect to the regulation of rates, services, accounting and facilities of communications common carriers within the State involving the use of wire, cables, radio and space satellites. There is one position in this section and it is currently vacant.

Consumer Protection and Information. This function is carried out by a section chief and an information officer. The major responsibilities are investigation and resolution of consumer complaints, and public relations/information functions.

Financial/Tariff Analysis. Activities carried out by this section include: examination, analysis and evaluation of financial statements submitted with tariff filings; audits of financial records of utilities; examination of financial information comprising historical operating year and proforma adjustments; and presentation of these analyses at proceedings before the Commission. In addition to the section chief, there are five utility financial analysts and two research analysts authorized for this section.

## REPORT CONCLUSION

### Policy Issues

This review contains policy issues raised as a result of our evaluation of various Commission practices. The final policy decisions affecting these practices are not within the scope of this review but require legislative consideration. In debating these decisions, the legislative oversight committees should take into consideration the findings and alternatives presented in this report, so that the potential impact of the policy changes can be evaluated.

### Report Conclusion

In our opinion, the Alaska Public Utilities Commission should continue to regulate public utilities. We believe that the public interest is being served by requiring public utilities to be certified by the APUC. This process stabilizes demand for the utility service by eliminating competition and thereby allowing economies of scale (declining unit costs with increased outputs) to operate. Economic regulation by the Commission, in place of that competition, ensures that the utilities provide adequate service at the lowest reasonable rates.

However, certain changes need to be implemented for the Commission to more effectively execute its mandated responsibilities. A number of factors have caused an increase in workload at the APUC which have diluted its ability to effectively regulate all utilities within its jurisdiction. Those factors include, but are not limited to, increases in the number of applications for certificates for which there are competing applicants, and more frequent rate increase requests due to spiraling costs, particularly for fuel.

We therefore evaluated the workload of the Commission for areas of regulation which could be eliminated or limited with the least public impact, and would allow the APUC to devote its limited time and resources on areas of greater import. This Division has now completed performance reviews under AS 44.66.050 of two of the three regulatory commissions in Alaska. We also evaluated them from an overview position, the entire utility regulatory scheme in Alaska.

In keeping with the intent of the Sunset Law which attributed public disenchantment with State government to a proliferation of that government, we recommend the Alaska Public Utilities Commission, the Alaska Transportation Commission and the Alaska Pipeline Commission be combined into a single regulatory commission. This recommendation stems from a comparison of

Alaska with the other forty-nine states in which we learned that Alaska is one of only three states utilizing three utility regulatory commissions and employs the second largest number of commissioners to staff those agencies (see Recommendation No. 1).

Areas of regulation which we recommend be eliminated from APUC's jurisdiction are cable television and garbage collection. Cable television service is an entertainment service, not a monopoly or a necessity, and deregulation of this service would not be detrimental to the public interest (see Recommendation No. 2). Services providing collection and disposal of garbage are not fixed, capital intensive utilities for which competition should be eliminated, as is necessary in the other utilities regulated by APUC. This industry should be regulated at the local level as a transportation utility (see Recommendation No. 3).

Areas of APUC regulation which we recommend be limited involve nonprofit telephone and electric cooperative corporations and utilities with gross annual revenues of less than \$100,000. AS 42.05 should be amended to allow the membership of the cooperatives, by vote of a majority of the members, to be given an opportunity on a utility by utility basis, to determine whether their cooperative should remain economically regulated by the APUC. This action would allow members of cooperatives who feel their board of directors is sufficiently responsive to the membership to withdraw from regulation, while those who feel their board is not responsive may appeal to the APUC (see Recommendation No. 4).

AS 42.05 should also be amended to exempt all certificated utilities with gross annual revenues of less than \$100,000 from economic regulation. This exemption would delete a minimum of 26 utilities or 20 percent of the current number of certificated economically regulated utilities under APUC. This action would not be contrary to the Commission's responsibility to protect the public interest because the cost of regulation as a percentage of operating costs for small utilities may outweigh the benefits of regulation, and because Commission time could be devoted to larger utilities serving a larger number of customers (see Recommendation No. 5).

The ability of the Commission to effectively regulate utilities has been hampered by omissions and inconsistencies in the Statutes and regulations. To allow for more effective case management and to avoid court appeals of Commission decisions, the APUC should promulgate regulations to accomplish the following: (1) to clarify the reporting and accounting requirements of utilities desiring to include rate case expense in their rate base; and (2) to prescribe industry performance standards to allow the Commission to effectively

monitor and enforce the quality of service being provided by utilities. A statutory amendment is needed to clarify whether transfer of certificates of public convenience and necessity from one utility to another through transfer of the controlling interest in the corporate stock is subject to APUC approval (see Recommendation No. 6).

The Commission's effectiveness has also been hampered by difficulties in recruiting and retaining employees for the Utility Financial Analysis Section and Utilities Engineering Section. Increasing compensation levels for those positions to a competitive level with employers in the Anchorage area and similar positions in the State government should allow recruitment and encourage retention of qualified experienced staff (see Recommendation No. 7).

Improvement in the efficiency of Commission operations would result from: (1) development of a topical cross-reference system for Commission orders (see Recommendation No. 9); (2) implementation of a time-management system to assist the Commission in prioritizing, planning and scheduling future workloads, and monitoring work in progress (see Recommendation No. 8); (3) establishment of separate collocation codes for budgeting and recording expenses of each function of the Commission (see Recommendation No. 11); and (4) restriction of Commissioner involvement in the administrative function of the Commission (see Recommendation No. 10).

A review of Commission appointment activity performed by the Office of the Governor showed that the chairmanship term of the present APUC chairman expired November 30, 1977 and, to date, a period of 20 months, no new appointment or reappointment to this position has been made. The Office of the Governor should make appointments in a timely manner.

#### Subsequent Event

The present Chairman of the APUC was reappointed to the chairmanship on July 31, 1979. That term will expire November 30, 1981.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Alaska Public Utilities Commission, the Alaska Transportation Commission and the Alaska Pipeline Commission should be combined into a single regulatory commission.

During our review process we compared the utility regulatory scheme utilized in Alaska with the schemes utilized in the other forty-nine states. This analysis revealed that Alaska is one of only three states utilizing three utility regulatory commissions and employs the second largest number of commissioners as shown below:

Regulatory Scheme	States Used By		Commissioners			Employees		
	No.	%	No. On Comm.	No. Of States	%	Hi	Lo	Avg.
One			1	1	2%			
Regulatory Commission	42	84%	3	29	69%	976	11	164
			5	10	24%			
			7	2	5%			
				42	100%			
<hr/>								
Two								
Regulatory Commissions	5	10%	6	5	100%	726	87	242
<hr/>								
Three			8	1	33%			
Regulatory Commissions	3	6%	11*	1*	33%	762	71*	419
			12	1	33%			
				3	100%			

\*Alaska

From: The 1977 Annual Report on Utility and Carrier Regulation of the National Association of Regulatory Utility Commissioners.

A brief history of the development of Alaska's three regulatory commissions follows. The Alaska Public Service Commission (PSC) was established in 1959 as a part-time three-member commission responsible for all fixed utility regulation. In 1960 the PSC gained responsibility for regulating transportation utilities with the passage of the Alaska Motor Freight Carrier Act and the Alaska Air Commerce Act. The transportation regulation duties were transferred to the full-time three-member Alaska Transportation Commission (ATC) at its creation in 1966, and 1970 legislation eliminated the PSC and created the Alaska Public Utilities Commission (APUC) with jurisdiction over fixed utilities. That legislation established the APUC

as a full-time three-member commission, but the composition was increased to five members in 1975. In 1972 the Alaska Pipeline Commission came into existence as a separate, full-time three-member commission.

The advantages of a single regulatory agency over separate agencies are numerous and include: (1) reduction in number of commissioners needed to preside at hearings; (2) a combined professional staff which would allow for more flexible staffing (i.e. temporary reassignments between regulatory disciplines to handle fluctuating workloads on a more timely basis); (3) joint hearing facility; (4) joint copying/reproduction facility; (5) joint publications library; and (6) possible reduction in word processing equipment and personnel.

In a survey questionnaire distributed to utility regulatory commissions in other states (Appendix B) we found that:

- (a) Twenty-six of the responding thirty-two states (81%) felt the advantages of a single regulatory agency outweigh the cost of maintaining two or three separate agencies. Some of the advantages noted were: centralization of expertise; cost savings due to economies of scale and elimination of unnecessary duplication; in general a more efficient use of resources.
- (b) Twenty-eight of the responding states (87%) felt commissioners can realistically develop the expertise to render decisions in fixed, transportation and/or pipeline utility cases.

In keeping with the legislative intent of the Sunset law which found "...that the substantial increase in the number of State agencies, boards and commissions, and the proliferation of rules and regulations which each has adopted have contributed to a public disenchantment with the operation of State government..." (Ch 149 SLA 1977), it is appropriate to consider the merits of a single commission mode of regulating utilities.

This recommendation should, however, only be considered in concert with a plan for deregulation of some of the industries currently regulated by the three commissions. Combining the commissions without decreasing the present workload would cause serious processing time delays. Recommendation No. 2 through No. 5 of this report indicate areas of APUC regulations which could be curtailed or limited without harmful impact on the public. We further recommend that the internal structure and staffing levels be set only after deregulation decisions have been made so that a realistic analysis of responsibilities and workload can be made.

Recommendation No. 2

AS 42.05 should be amended to allow the Alaska Public Utilities Commission to cease all certification and regulation of cable television.

The Alaska Public Utilities Commission Act, AS 42.05, mandates the APUC to regulate all public utilities including those furnishing telecommunications service to the public for compensation. Telecommunications is defined in AS 42.05.701(8) as "... the transmission and reception of messages, impressions, pictures and signals by means of electricity, electromagnetic waves and any other kind of energy, force variations or impulses whether conveyed by cable, wire, radiated through space, or transmitted through other media within a specified area or between designated points." The APUC has interpreted this Statute to include cable television (CATV) and has been issuing Certificates of Public Convenience and Necessity (CPCNs) and has been providing economic regulation since 1970.

Regulation of cable television has varied widely among states. Ten states do not consider CATV within their definition of a public utility, while eight others, including Alaska, regulate franchising and regular subscriber rates. The remaining states fall somewhere in the middle by regulating utility pole attachment rates and settling disputes between cable companies and utilities.

There are currently no federal requirements for rate regulation of CATV. There are in fact prohibitions imposed on states by the FCC against certain types of rate regulation. The delineation of rate regulation responsibility began with the following FCC pronouncement issued in 1974.

In Section 76.31(a)(4) (of 47 C.F.R.) we require that cable systems, in order to receive a Certificate of Compliance, must have a franchise providing for franchisor approval of initial charges for installation and regular subscriber service. We have intentionally limited rate regulation responsibilities to the area of regular subscriber service, and we will continue to do so. We have defined "regular subscriber service" as that service regularly provided to all subscribers. This would include all broadcast signal carriage and all our required access channels including origination programming. It does not include specialized programming for which a per-program or a per-channel charge is made. The purpose of this rule was to clearly focus the regulatory responsibility for regular subscriber rates. It was not meant to promote rate regulation of any kind.

The FCC deleted the requirement of franchisor approval of rates for subscriber service effective September 1976, thereby removing all requirements of the franchisor for rate regulation. From a report of the Connecticut Cable Television Association we learned that "...as soon as the notice of the FCC action was publicized, many communities throughout the country dropped their own rate setting requirements." We feel that Alaska should also restrict its activity in this area.

A commonly accepted definition among economists of what distinguishes public utilities from other sectors of business is that public utilities are natural monopolies (operating with government approval as such), and supply a service which is indispensable to modern living. Cable television is an entertainment service, not a monopoly or a necessity. If subscribers are charged more than they feel services are worth they may disconnect and seek an alternative form of entertainment, such as radio, movies, newspapers or books.

Deregulation of CATV in Alaska could possibly result in increased development of cable television in rural Alaska. The 1974 FCC pronouncement quoted earlier also stated:

After considerable study of the emerging cable industry and its prospects for introducing new and innovative communications services, we have concluded that, at this time, there should be no regulation of rates for such services at all by any governmental level. Attempting to impose rate regulation on specialized services that have not yet developed would not only be premature but would in all likelihood have a chilling effect on the anticipated development.

It does not appear that deregulation of this industry would have a detrimental impact on the Alaskan public and could, in fact, provide an incentive for development in rural Alaska and allow the Alaska Public Utilities Commission to devote its limited time and resources towards more important issues.

### Recommendation No. 3

AS 42.05 should be amended to allow the Public Utilities Commission to cease certification and regulation of those utilities furnishing collection and disposal service of garbage, refuse, trash and other waste material.

Responsibility for certificating and regulating utilities furnishing collection and disposal service of garbage, refuse, trash and other waste material was added to the Alaska Public Utilities Commission Act by a 1973 amendment. Prior to that time those utilities fell under the jurisdiction of the Alaska Transportation Commission. There are currently 29 private refuse utilities certificated and regulated by the APUC and one municipal system certificated but not regulated.

Considering the Public Utilities Commission's heavy workload and limited resources, the public interest would be best served by allowing the Commission to cease certification and regulation of this industry. The economic justification for this action is twofold.

- (1) The refuse industry is not capital intensive as are the fixed utilities regulated by the APUC. The largest capital expense is in the vehicles and this expense is lessened since, as staff of the APUC has indicated, a majority of refuse utilities lease, rather than purchase, those vehicles. Sanitary landfills (dumps) are not allowed into the rate base, and therefore are not considered part of the capital investment of the utility.
- (2) Competition in this industry would not be as detrimental to the public's interest as competition among more capital intensive industries. Refuse collection and disposal is a transportation utility not a fixed utility. The economic theory and practice of transportation regulation originally was to restrict competition to encourage capital investment in a growing industry and provide a healthy utility to serve the public's needs not to eliminate competition entirely as is the theory in the fixed utility regulation by the APUC.

The results of a review of refuse collection and disposal service regulation in other states also support this recommendation. From our questionnaire to regulatory commissions in the other forty-nine states and the District of Columbia we learned the following:

Number of states responding:	32
Number of states not regulating refuse utilities:	29
Percentage of respondents not regulating:	91%

We were unable to determine in how many states this service is regulated at the local government level but are aware that it is in some states. AS 29.48.033 provides municipalities in Alaska the authority to regulate at the local level but this authority is superseded by the APUC.

Local governments in Alaska already exercise a great deal of control over the level and quality of service and rates charged by the private utilities through special contracts with those utilities. Therefore, the impact of deregulation would be felt primarily by those consumers residing outside municipal boundaries, a small percentage of the total number of consumers currently receiving these services.

Recommendation No. 4

AS 42.05 should be amended to allow non-profit telephone and electric cooperatives to petition for withdrawal from APUC economic regulation.

The APUC currently certifies and regulates eleven electric utilities and six telephone utilities in Alaska organized under AS 10.25, the Electric and Telephone Cooperative Act. Statutory requirements of the cooperatives under that act include: each consumer of the cooperative is a member and members elect the board of directors; they must hold an annual meeting of the membership at which a quorum (as established by the bylaws) must be in attendance to conduct business; the meeting must be adequately noticed to the public; and, most importantly:

A cooperative shall be operated on a nonprofit basis for the mutual benefit of its members and patrons. The bylaws of a cooperative or its contracts with members and patrons shall contain such provisions relating to the disposition of revenues and receipts as may be necessary and appropriate to establish and maintain its nonprofit and cooperative character (AS 10.25.380).

In the first session of the Eleventh Legislature a bill was considered which, as originally introduced, would have exempted cooperatives organized under AS 10.25 from economic regulation (regulation as to rates, regulations, and quality of service) but retained the certification requirements. An amendment to this bill limited the exemption to electric cooperatives.

A review of all revenue requirement requests by nonprofit cooperatives in the past three years, of which there were nine, reflected the following. Of those nine, six received exactly what they requested, two had immaterial variances and one was granted approximately two percent less than it requested. It appears that the integrity of the boards of directors of the cooperatives in keeping revenue requirement requests minimal has been demonstrated and provides an adequate control over this facet of utility rate setting.

However, the large number of consumer complaints received by the APUC against cooperatives indicates there are problems in the boards' responsiveness to their members, particularly in the areas of billing practices, rates and charges, quality of service and line extension or service availability. It appears, therefore, that even though a theoretical mechanism exists for ensuring adequate service at reasonable rates there is sufficient reason to doubt its reliability in some cases. We therefore recommend that the membership of the

cooperatives, by vote of a majority of the members, be given an opportunity on a utility by utility basis to determine whether their cooperative should remain under APUC regulation. A statutory provision should be made to allow cooperatives to come back under regulation, again by vote of a majority of the members, should they so desire.

Recommendation No. 5

SB 61

AS 42.05 should be amended to exempt from economic regulation all utilities with annual gross revenues not exceeding \$10,000.

*\$500,000 APUC prefers 200,000*

Pursuant to AS 42.05.711(e), effective since 1970, electric and telephone utilities with annual gross revenues not exceeding \$25,000 are exempt from regulation by the APUC. The exemption should be increased to \$100,000 and extended to all utilities. This exemption is from economic regulation only. All utilities regardless of size should be certificated by the APUC. Critical staffing problems and an increasing case backlog require the APUC be divested of the responsibility for the smaller utilities in order to effectively manage the larger utilities which have a greater impact on the public.

Legislation was introduced in the 1979 Session to increase the exemption. The final amended version provided for total deregulation of all utilities with annual gross revenues less than \$50,000 as well as providing for economic deregulation as to rates, rate design and quality of service of those utilities with annual gross revenues less than \$500,000. In the latter case, the Commission would only involve itself in the certification process, determining whether a utility is fit, willing and able to provide utility service. The effect of this legislation and various other exemption levels have been measured, utilizing gross revenue data from either the 1977 or 1978 utility's annual report, whichever was most current.

Table I provides a list of utility groups and their regulatory status as of December 31, 1978:

Table I

<u>Utility Group</u>	<u>Certified</u>	<u>Regulated</u>	<u>Unregulated</u>
Electricity	48	30	18
Telephone	25	22	3
Cable TV	18	17	1
Water	54	22	32
Sewer	31	6	25
Gas	5	4	1
Steam	1	0	1
Garbage	28	28	0
	<u>210</u>	<u>129</u>	<u>81</u>

There were 39 regulated utilities for which annual reports were not obtainable with the majority, 28, coming from the garbage utilities which are not required to file, leaving 90 utility annual reports available for testing. Of those 90 utilities we were able to determine annual gross revenues for, 53 (58.9%) would be exempted from economic regulation by the proposed legislation. This number appears excessive when added to the 28 garbage utilities and the cable television company also recommended for deregulation, with revenues in excess of \$500,000.

Table II shows the minimum number of utilities which would be exempted from economic regulation a varying thresholds:

Table II

<u>Annual Gross Revenue</u>	<u>Minimum* No. Exempted</u>	<u>% (Total Regulated = 129)</u>
\$500,000	53	41.1%
\$250,000	41	31.8%
\$100,000	26	20.2%
\$ 50,000	17	13.2%

\* Minimum because we were only able to determine annual gross revenues for 90 of the 129 regulated utilities.

Table III is a distribution of this data over the individual utility groups.

Table III

	<u>Under \$50,000</u>	<u>\$50,000 to \$100,000</u>	<u>\$100,001 to \$250,000</u>	<u>\$250,001 to \$500,000</u>	<u>Over \$500,000</u>	<u>Unknown</u>	<u>Total</u>
Electric	0	1	7	3	18	1	30
Telephone	2	3	4	3	10	0	22
Cable TV	2	2	3	4	1	5	17
Water	11	3	0	1	3	4	22
Sewer	2	0	1	0	2	1	6
Gas	0	0	0	1	3	0	4
Garbage	0	0	0	0	0	28	28
	<u>17</u>	<u>9</u>	<u>15</u>	<u>12</u>	<u>37</u>	<u>39</u>	<u>129</u>
Within Groups	13.2%	7.0%	11.6%	9.3%	28.7%	30.2%	
Cumulative	13.2%	20.2%	31.8%	41.1%	69.8%	100.0%	

Given present staffing levels, and the associated shortcomings, we believe the elimination of an additional 26 small utilities at the \$100,000 level would not be contrary to the Commission's responsibility to protect the public interest. Additional time could be devoted to larger utilities serving a larger number of customers. In addition, the cost of regulation on a percentage basis to a small utility may outweigh the potential benefits. This action, along with the deregulation of garbage utilities (28 total) and cable television utilities (17 total) would reduce the number of economically regulated utilities to 62, a 52% decrease.

Recommendation No. 6

The statutes and regulations governing the Alaska Public Utilities Commission should be revised.

We determined through interviews, questionnaires, and review of records on file at the APUC Offices that sections of the statutes and regulations governing the APUC are conflicting, vague, obsolete and inadequate to carry out the Commissions mandated responsibilities. Several examples received from the Commissioners, staff, and attorneys who practice before the Commission are described in detail below:

1. Regulations should be promulgated clarifying the reporting and accounting requirements of utilities desiring to include rate case expense in their rate base. The Commission has had at least one decision appealed to Superior Court for departing from precedents set in previous decisions rendered on treatment of rate case expense. The Commission acknowledged the need for such regulations in the final order on docket U76-66 issued in May of 1977 where they stated "...the Commission plans to promulgate regulations which will clearly delineate the reporting and accounting requirements that utilities will have to satisfy in order to secure all rate case expenses, derived from both in-house personnel and independent consultants or counsel." To date, however, no action has been taken. Such regulations could be used to promote the Commission favored policy of encouraging utilities to develop rate cases in-house rather than rely exclusively on costly consultants, a procedure which could result in savings for utility rate payers.
2. Regulations should be promulgated establishing industry performance standards for all regulated industries. AS 42.05.291 requires public utilities to "...furnish and maintain adequate, efficient and safe service and facilities" and gives the

APUC the authority to "... prescribe adequate and reasonable standards for the measurement of quantity, quality, pressure, initial voltage, or other conditions pertaining to the supply of the service of public utilities." To date, however, the only standards prescribed are telephone service standards. The development of those standards were prompted by a utility challenge in court of APUC's right to enforce "acceptable industry performance" standards when none existed. The court decision favored the utility. Promulgation of regulations on performance standards would avoid the occurrence of such a court challenge in the future and allow the Commission to effectively monitor and enforce the quality of service being provided by utilities.

3. A statutory amendment is needed to clarify whether transfer of Certificates of Public Convenience and Necessity from one utility to another through transfer of the controlling interest in the corporate stock is subject to APUC approval. The Commission has construed existing sections of the Alaska Public Utilities Commission Act as providing statutory authority for such action, but a definitive statement of jurisdiction is needed. The Commission requested such action in 1978 but the legislation did not pass.
4. Discrepancies between statutes and regulations should be eliminated. AS 42.05.421 allows the Commission to suspend the operation of a tariff filing for an initial period not longer than six months beyond the time it would otherwise go into effect. 3 AAC 48.300(b)(4) states they may suspend the filing for a maximum period not longer than six months beyond the date it would otherwise become effective. The Commission has in practice suspended for multiple six-month periods which is within their statutory right but clearly contrary to the regulation which was promulgated in 1973.

AS 42.05.411(a) states that a utility may not put new or revised rates, charges, rules or regulations into effect except after 45 days notice to the Commission. The 45-day period was increased from a previously required 30-day period by a 1975 amendment. However, many sections of the regulations including 3 AAC 48.060(i), 3 AAC 48.070(b), 3 AAC 48.300 and 3 AAC 48.310 still refer to the 30-day period and should be changed to reflect the statutory amendment.

Recommendation No. 7

The APUC should seek upgrading of salary levels for professional support staff.

The Alaska Public Utilities Commission has been hindered for the past nine years by difficulties in recruiting and retaining employees for the Utility Financial Analysis Section and Utilities Engineering Section. The average length of time vacancies exist before Utility Financial Analyst (UFA) positions can be filled is nine months and Utilities Engineer (UE) positions can be filled is eleven months. One UFA III position was created in July of 1975 and has not been filled to date. Discussions with Commission personnel indicated that qualified applicants for the UFA III position have been discouraged by the salary range and have been able to obtain employment with utility companies for higher salaries.

The difficulty in recruiting highly qualified personnel for positions such as the UFA III led the Commission to reclassify several higher level positions to entry level positions. This action was taken to allow the Commission to provide in-house training for less experienced individuals for advancement into the more demanding positions. The Commission's experience, however, has been that persons receiving the in-house training remain an average of only one year. We were again told by Commission personnel that these individuals, having received APUC training, are then qualified for positions with utility companies offering higher salaries.

In recognition of the recruitment and retention problems at APUC, Arthur Young & Co., investigated the compensation levels as part of their 1978 Management Audit of the Commission. They reviewed the January 1978 study on salary levels done by the Division of Personnel which concluded that salary adjustments were not justified at that time. Arthur Young & Co. found that study incomplete in that it compared APUC salary levels with similarly titled positions in other states and with a Fairbanks utility, but did not include a survey of positions in the Anchorage area.

Arthur Young & Co. did conduct a survey in Anchorage and, although they couldn't determine the true prevailing wage rates for the area because of the limited response rate, they were able to identify material pay differences. "... with four major employers within the Anchorage area which, historically, have consistently competed with the APUC in recruiting for and retaining individuals in professional positions in the Commission (specifically, Utility Engineers and Utility Financial Analysts)." The percentage difference between the weighted average of the responses and the state salary range midpoint revealed a deficiency in the state range from 25.5% to 43.5%.

As part of our investigation into this problem we compared job descriptions for the UFA III position at APUC and the Tariff Specialist position at the Alaska Transportation Commission. Even though the description of duties for these two positions are very similar, there is a difference of three salary ranges or a deficiency of 25%.

In addition to the creation of a work backlog, the staffing problem has resulted in recruitment and reliance on less experienced personnel or contracts with expensive consultants. UFA I and UFA II personnel have been required to perform the job requirements of UFA III's including testifying at formal Commission proceedings. During those proceedings attorneys representing utilities have, on occasion, reduced the credibility of Commission employees as expert witnesses during cross examination by reviewing their credentials on the record. If the public interest is to be effectively protected by the Alaska Public Utilities Commission, compensation levels should be established which will allow recruitment and encourage retention of qualified, experienced staff.

Recommendation No. 8

The APUC should implement a time management system.

As part of their 1978 Management Audit of APUC, Arthur Young & Co. developed a time management system to assist the Commission in prioritizing, planning, and scheduling work, monitoring work in process and work accomplished; and establishing functional and position objectives. Our discussions with Commissioners and staff and a review of processing time for Commission actions demonstrate a continuing need for implementation of such a system.

An effective time management system could alleviate delays in processing tariff filings. Our tests showed that the review process, from receipt of application to final order by the Commission, averages 13 months. This has resulted in an increasing need to suspend tariffs for more than a single six month period. Long range planning of Commissioner and staff time and resources would allow for more effective and efficient use of time and resources and the rendering of Commission decisions in a more timely fashion. This is particularly important in a time of spiraling costs when delays in Commission decisions have a confiscatory effect on utilities.

Recommendation No. 9

The APUC should develop a cross-reference system for Commission orders and decisions by the courts.

The APUC currently files Commission orders by docket number and in a chronological order file and maintains reference cards by utility name, but does not maintain a topical

cross-reference system. Decisions from the courts on appeals of Commission decisions are filed with the related docket by docket number.

Currently the best catalog of prior Commission decision is in the memories of individual Commissioners and staff members. Access to this unwritten catalog is not always possible, at best time consuming for all parties, and becomes less reliable with the passage of time. A cross-reference system of orders and decisions by major issues involved and/or precedents set would provide efficient access to past decisions to allow analysis by staff and decisions by Commissioners to be made consistently from case to case and in accordance with relevant court decisions. It could also reduce application processing and hearing time by allowing any applicant's attorney to review prior decisions and cases which are similar to his/her client's case.

Recommendation No. 10

The Commissioners of the APUC Should restrict their involvement in the administrative function of the agency.

Arthur Young & Co., in their management audit of September 1978, delineated the responsibilities of the Commissioners and Executive Director in the following way: the Commissioners, through the Chairman, should prescribe the limitations of authority of the Executive Director regarding policies, expenditures, and personnel actions; the Executive Director should provide central leadership, direction, administration and control over the Commission's operational and administrative functions within the limits as set out by the Commissioners. We recommend the Commissioners restrict their involvement in administrative matters to setting policy, and delegate to the Executive Director authority for carrying out the necessary actions to employ that policy.

The Commissioners became involved in administrative matters several years ago to carry on the management responsibilities of an Executive Director who was absent for extended periods of time due to illness. There have been several vacancies since that time due to resignations or dismissal of individuals in the Executive Director position, and during the majority of those vacancies, a Commissioner acted as Executive Director. Through discussions with staff and personal observation we learned that the involvement of the Commissioners in administrative functions has extended to times when the Executive Director position was filled. This duplication of authority has confused reporting relationships within the agency and consumed the Commissioners' time unnecessarily.

In addition to being an inefficient use of time, the direct involvement of Commissioners in the daily management of agency operations is inappropriate. Because the staff of

the APUC is a party to most of the formal proceedings heard before the Commission, the Commissioners are prohibited from ex parte communications (discussion of a proceeding without all parties to that proceeding being present). Supervision of staff activities by any Commissioner could, therefore compromise the independence of the staff/Commissioner relationship.

Recommendation No. 11

The APUC should seek to establish separate collocation codes for each section of the Commission.

Allocations and expenditures for all operating costs of the APUC are channelled through a single collocation code. Establishment of separate collocation codes would provide the Commission with an effective management tool for efficient use of funds.

There are competing needs for funds in all object groups and no method of assuring all needs are treated adequately. There are such competing needs, for example, in the travel category. The Commissioners require travel funds for holding public hearings and formal proceedings outside of Anchorage to provide easier access by the affected consumers. They also require funds to participate in meetings held outside Alaska which provide education in utility regulatory processes and information on trends in national policy. Staff financial analysts and engineers require travel funds to perform field audits on utilities seeking certification or a tariff change from the Commission. Commission administration requires travel funds to provide employee training and development. All these needs are of sufficient merit to necessitate budgeting by section to assure no one use depletes funds needed for other uses.

Recommendation No. 12

The Office of the Governor should keep the appointment of Chairman of the Alaska Public Utilities Commission current.

AS 42.05.020(b) states "The governor shall designate one member of the commission as chairman of the commission. This member shall serve as chairman for a term of four years, but may be appointed for successive terms." The term of the present chairman of the APUC expired November 30, 1977 and, to date, a period of 20 months, no new appointment or reappointment to this position has been made.

We recommend that the Office of the Governor appoint a new chairman or reappoint the existing chairman of the APUC as soon as possible and in the future make such appointments in a timely manner.

Subsequent Event

The present chairman of the APUC was reappointed to the chairmanship on July 31, 1979. That term will expire November 30, 1981.

## ANALYSIS OF PUBLIC NEED

### Limited Analysis

The following analyses of Commission activities relate to the public need factors defined in AS 44.66.050. These analyses are not intended to be all inclusive, but address those areas we were able to cover within the scope of our review.

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

The Commission has performed in a dedicated, conscientious manner to ensure that utilities are fit, willing and able to provide utility services, and to regulate them in such a manner as to provide adequate service to Alaskan consumers at the lowest reasonable rates. However, the Commission's effectiveness and efficiency in performing mandated responsibilities have been limited by a burgeoning workload and internal management problems (see Recommendation No. 2 through No. 5, No. 7 through No. 11).

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

The operation of the Alaska Public Utilities Commission has been impeded by current statutes and regulations. The definition of public utility is too broad and should be limited to allow the Commission to devote its limited time and resources to regulation of utilities of sufficient import. There is also a need for statutory and regulatory amendments to allow for more effective case management and to avoid court appeals of Commission decisions (see Recommendation No. 2 through No. 6).

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

The Commission has recommended few statutory changes in the past five years. They have not actively sought any changes which would limit the number or type of utilities which are currently regulated even though aware such an action would improve their effectiveness while still serving the public interest (see Recommendation No. 2 through No. 6).

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

All formal proceedings are properly and timely noticed and open to the public. The Commission has held public hearings and formal proceedings within the service areas of the utilities before them to facilitate public attendance and participation.

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

As stated under criteria IV, proceedings are properly and timely noticed and open to the public. Additionally, any interested person or party may intervene in a formal Commission proceeding if their intervention will be conducive to the ends of justice and will not unduly delay the conduct of such a proceeding.

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

The Commission adopted regulations in 1973 for informal and formal complaint procedures. Procedures for informal complaints, include a requirement that the complaint be made first with the utility before being filed with the Commission. If the complaint cannot be resolved informally, formal complaint procedures may be used including, if good cause is shown, a formal investigation. The Consumer Protection Section Chief of the APUC estimates that of the approximately 1,500 informal complaints received annually, 2-6 end up as formal complaints. The Office of the Ombudsman received approximately 12 complaints and all were pending action or satisfactorily resolved by the APUC.

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

The Commission, prior to granting a Certificate of Public Convenience and Necessity to a public utility, is required to determine that the applicant is fit, willing and able to provide the utility services applied for. APUC employs Utility Financial Analysts and Utilities Engineers to perform the necessary analyses to make this determination. However, recruitment and retention problems with those positions have impeded the Commission's ability to perform those duties (see Recommendation No. 7).

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

We found no evidence of hiring practices or Commission appointments that are contrary to the State personnel practices.

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

Please refer to the previous section, Findings and Recommendations.

APPENDIXES

APPENDIX A

ALASKA PUBLIC UTILITIES COMMISSION REVENUES  
COMPARED TO EXPENDITURES  
Fiscal Year 1978

UNAUDITED<sup>1</sup>

Revenue Collected	\$40,174.63
Expenditures	<u>(\$1,751,317.29)</u>
Excess of Expenditures Over Revenues	<u><u>(\$1,712,142.66)</u></u>

SCHEDULE 1  
COLLECTED REVENUES

<u>Revenue Type</u>	<u>Amount</u>	<u>Collection Time</u>
Injunction and Monetary Sanction	\$1,000/violation day up to \$200,000	When assessed
Civil Penalties	Up to \$100/violation	When Assessed
Application Fee	\$50.00	Upon Application
Expenses of Hearing	As provided in AS 42.05.651	When assessed
Sale of Public Documents	Varies by type of document	When assessed

Note 1

The records were not audited by us and accordingly we do not express an opinion on them. The source of the revenues was the Prior Year (FY '78) Unrestricted Receipt Balances. The source of the expenditures was the Prior Year (FY'78) Authorization Balances.

APPENDIX B

QUESTIONNAIRE SENT TO OTHER STATES'  
UTILITY REGULATORY AGENCIES

1. Does your agency regulate:
- a. fixed utilities only? 12%
  - b. fixed and transportation utilities only? 22%
  - c. fixed and pipeline utilities only? 12%
  - d. fixed, transportation and pipeline utilities? 54%

2. What are the advantages and disadvantages of an agency regulating more than one group of utilities?

*advantages: centralization of expertise; cost savings; economics of scale; flexibility of staff; less duplication of personnel and functions; none.*

*disadvantages: hard to employ sufficient staff to cover all utilities, some utilities may be ignored, lack of coordination, none.*

3. Do you feel that the advantages outweigh the cost of maintaining two or three separate agencies?

Yes 81%      No 9%      No  
Opinion 9%

Comments: *Overall operating cost is considerably less for one agency than for several agencies; favor separate agency to regulate transportation; key is in adequate staff; one agency would expedite and save duplications.*

4. Can a commissioner/board member or administrative officer realistically develop the expertise to render decisions in fixed, transportation and/or pipeline utility cases?

Yes 88%      No 6%      No  
Opinion 6%

Comments: *If technically trained and experienced staff is available to provide him with the proper background and assistance it will require time and dedication as well as integrity.*

5. If your agency is administered by a Board or Commission:
- a. How many commissioners/board members serve? 3 (60%)  
5 (31%)  
7 (9%)
- b. How long are their terms? 6 yr. (67%), 4 yr. (21%), 3 yr. (3%),  
5 yr. (3%), 8 yr. (3%), 10 yr. (3%)
- c. Is there a limit to the number of consecutive terms they may serve? no (97%) yes (3%)

(If yes, please state what the limit is.) 12 years

6. How many full-time staff members are employed by your agency? average 206
7. What was your final fiscal year 1978 budget? avg. \$5,480,148
8. How many of the following types of fixed utilities does your agency regulate? Note: If none, please indicate why (i.e. a. no such utility operates in the state; b. that type of utility is regulated by another state agency; or c. utility is exempt from state regulation).

<u>utility</u>	<u>number</u>	<u>if none, why</u>
electric	avg. (32 states)=33	
gas	avg. (31 states)=20, none: 1 state	b (1 state)
telecommuni- cation	avg. (32 states)=49	
sewer	avg. (30 states)=60, none: 11 states	c (11 states)
water	avg. (30 states)=167, none: 2 states	c (2 states)
CATV	avg. (3 states)=36, none: 29 states	a (1 state), unspec. (1 state) b (5 states), c (22 states)
garbage	avg. (3 states)=526, none: 29 states	a (1 state), unspec. (1 state) c (27 states)

9. Are all utilities regulated for the following?
- a. authority to operate Yes 91% No 6% No response 3%
- b. fair and reasonable rates Yes 91% No 9%
- c. rate design Yes 94% No 6%
- d. service area Yes 97% No 3%
- e. quality of service Yes 100% No

If no, please explain which utilities are exempt, and from what facet of regulation.

*Practices of municipal utilities not subject to our jurisdiction, municipal utilities exempt from rate regulation, mutual and cooperative telephone companies with less than 2000 main stations, gas and electric by franchises, elect coops and municipals, municipal water utilities.*

10. Are the following types of utilities regulated for fair and reasonable rates?

a. utilities owned and operated by a political subdivision of the state? Yes 25% No 75%

b. nonprofit cooperative corporations? Yes 38% No 56%\* No Response 3% N/A 3%

11. If a utility is exempt from economic regulation what mechanism is used to ensure adequate service at reasonable rates?

*The market mechanism, political process, municipal authorities for municipal utilities, REA board members ensure reasonable rates for cooperatives, public pressure on elected officials, city governing body for municipal utilities, local units of government, local board for coops, courts. \*members of cooperatives may petition for regulation*

12. Have small utilities been exempted from regulation through adoption of a threshold of gross revenue or output capacity? If yes, please state the amount of threshold.

<u>utility</u>	<u>no</u>	<u>yes</u>	<u>N/A</u>	<u>threshold</u>
electric	100%	0	0	
gas	94%	3%	3%	10 customers (3)*
telecommunications	100%	0	0	10 customers (3)*
sewer	60%	9%	31%	100 customers (2)* 50 customers (5)*
water	81%	16%	3%	9 customers (4)* 10 customers (3)* 50 customers (5)*
CATV	31%	0	69%	100 customers (2)*
garbage	34%	0	66%	
other	Public Movers 1 response Air Conditioning 1 response			*See question 13 for explanation.

13. Are there any conditions under which a utility under the threshold for regulation might still be regulated?

*(1) upon petition of ratepayers or by legislative action, (2) no, (3) by request of company, (4) if they request regulation or if the Legislature mandates it, (5) if majority of customers petition, upon petition, regulation shall be for one year or so long as the Commission or a majority of customers desire.*

14. Is your agency or state legislature currently considering deregulation of any category of public utilities?

*yes: 31% no: 69%*

*transportation, air carriers, charter party carriers, sightseeing and tour buses, warehousemen, water and sewer, household goods, water coops carriers, new PBX systems, radiotelephone utilities, some classes of motor carriers, water carriers and certain types of motor buses; cooperative telephone companies; sand & gravel trucks; public movers & refuse companies.*

15. Is there a program used to spotcheck the performance and/ or rates of the utilities through unannounced inspections or audits?

*yes: 65% no: 44%*

*all rate applications, random audits of telecommunications regarding quality of service, financial audits at least once every 2 years, management audits, unannounced safety and service inspections, testing of meters; announced inspections only.*

If yes:

- (a) How often are such checks made?

*Random; varies widely; each month's fuel cost is checked; other items are done periodically; annual announced audit of major companies; annually, service and safety more frequently.*

- (b) What percentage of the regulated utilities are checked each year?

*10-20%; 35-40%; majority; between 75-100%; 30-40%; 50-80%; 80% larger utilities 100%, smaller utilities varies; all utilities once yearly.*

16. In evaluating a rate application:

- (a) What factors does the agency consider in determining a rate base?

*Original costs, reconstruction costs, depreciation, advances in aid of construction, contributions in aid of construction, limited CWIP, income tax deferrals, materials and supplies, inventory, prepaid items, special deposits and cash working capital; average plant in service, land & property held for future use must meet test of reasonableness and are determined on a case by case basis;*

- (b) What factors does it exclude from consideration?

Number of responses in ( )

*None: (3), customer deposits, advances: (3), plant held for future use: (1) CWIP: (8), contributed property: (2), compensating bank balances: (1), not used or useful: (4), contributions in aid of construction: (3), depreciation reserve: (2), deferred investment tax credit: (2), advances in aid of construction: (2), preliminary land & survey transaction: (1), advertising: (1)*

17. For each of the fixed utilities, what does the agency consider to be a fair rate of return on investment:

<u>Utility</u>	<u>rate of return</u> (range)	average
electric	5.0-10.0 (coops), 8.5-14.5	10.87
gas	8.5-14.5	10.93
telecommunications	8.0-14.5	10.24
sewer	5.0-16.0	9.75
water	5.0-16.0	10.52
CATV	13.5-15.0	14.06
garbage	11.8	

18. Do you require audited financial statements from all utilities?

Yes 56%\*    No 41%    No Response 3%

If yes, how often? annually: 56%, every rate case: 6%, monthly: 6%  
\* several noted that annual financial statements were required but need not be audited.

19. Does your staff perform a thorough analysis of rate packages or rate design?

yes: 97%  
sometimes: 3%  
no: -0-

Note 1

Number of questionnaires sent to other state regulatory agencies	50
Number of state regulatory agencies who responded	32
Response Rate	64%

APPENDIX C

QUESTIONNAIRE SENT TO APUC REGULATED ELECTRIC AND  
TELEPHONE NONPROFIT COOPERATIVE CORPORATIONS

- (1) Are you aware of Senate Bill 133 (attachment 1), and the proposed substitute to that bill (attachment 2) introduced during the current legislative session, which would have exempted nonprofit cooperative corporations from economic regulation by the Alaska Public Utilities Commission?

Yes 100% No -0-

- (2) Did you support the passage of:

- (a) SB 133 as originally introduced:

Yes 88% No 12%

- (b) The proposed substitute for SB 133?

Yes 63% No 25% No answer 12%

- (3) What do you feel would be the advantages to the utility and its membership of the passage of such a bill ?

Number of responses in ( )  
*reduction of regulatory cost (7),  
reduce time lag, able to adjust rates on more timely basis (5),  
cut unnecessary red tape (1),  
reduce workload (1),  
more realistic revenue estimates (1),*

- (4) What do you feel would be the disadvantages to the utility and its membership of the passage of such a bill?

*added local responsibility, more "heat" on board and management (2)  
APUC requires utility to be fair to all consumer classes (1)  
lack of ability to establish certified service areas (1)  
APUC provides advice on operational & financial problems (1)  
none (2)*

- (5) If you do not support SB 133 or its proposed substitute, are there any changes to the existing statutes or regulations of the APUC you feel should be made?

Yes 25% No -0- No Response 75%

Number of responses in ( )

(5) Please explain:

*APUC should be required to file statement of estimated cost to consumers of any proposed rules: (1)*  
*Change reporting requirements to conform with REA reporting requirements: (1)*

(6) If your utility is exempted from economic regulation by the APUC, what mechanism would be used to ensure that your consumers receive adequate service at reasonable rates?

*Board of Directors: (5), REA: (5), Members: (5), Management: (3), independent auditor: (1), employment of competent rate consultants: (1), constant computer review of rate of return: (1), National Rural Utilities Cooperative Finance Corporation: (1)*

(7) Does this mechanism exist now or would it need to be implemented?

*Already exists: (4)*  
*Beginning stages of implementation: (1)*

(8) How many members currently belong to your cooperative?

*avg. 4576*

(9) Please indicate when your last three general membership meetings were held and indicate whether a quorum was constituted for each meeting.

<u>Meeting Date</u>	<u>Quorum</u>			
<i>varied</i>	Yes	<u>88%</u>	No	<u>12%</u>
	Yes	<u>76%</u>	No	<u>12%</u>
	Yes	<u>76%</u>	No	<u>12%</u>
			No. Ans.	<u>12%</u>
			No. Ans.	<u>12%</u>

- (10) Please indicate when your last three board of directors meetings were held and indicate whether a quorum was constituted for each meeting.

<u>Meeting Date</u>	<u>Quorum</u>	
<i>varied</i>	Yes <u>100%</u>	No <u>-0-</u>
	Yes <u>100%</u>	No <u>-0-</u>
	Yes <u>100%</u>	No <u>-0-</u>

- (11) What has been the cost of APUC regulation for your utility for each of the years listed below:

<u>Year</u>	<u>Actual</u>	<u>Allowed by APUC</u>
<u>1978</u>	<i>varied</i>	<i>same or pending</i>
<u>1979</u>	<i>varied</i>	<i>same or pending</i>

- (12) What is your current procedure for handling consumer complaints?

*investigated by staff, if unresolved referred to general manager, if unresolved referred to board of directors: (6)*  
*investigated by staff, investigated by management if serious, directed to board if general or political in nature: (1)*  
*investigated by general manager, if unresolved referred to board: (1)*

- (13) How many consumer complaints were received:

(a) Three years ago? *avg. of 6\* responses=102*  
 (b) Two years ago? *avg. of 6\* responses=37*  
 (c) last year? *avg. of 6\* responses=60*

\* *there were 8 responses, however, 2 stated they do not maintain records of this information*

- (14) What is the average length of time from when a complaint is received until it is resolved?

*if resolved by employees 0-5 days, by board 30-60 days: (1)*  
*2 days: (1)*  
*0-2 days: (1)*  
*2-3 hours: (1)*  
*usually 2 days, sometimes 1-2 weeks: (1)*

(15) Do you believe that the Alaska Public Utilities Commission has operated in the public's best interests?

Yes 37% No 25% No Response 38%

Comments: APUC does not have proper staff: (1), burden consumers with unnecessary regulatory costs: (1), delaying rate increase requests for maximum allowable time causes serious depletion in member-owners equity and placed coops in precarious financial straits: (2), consumer complaints officer has been helpful: (1)

(16) Do you have any complaints concerning the service provided by the Commissioners or the staff of the APUC?

Yes 76% No 12% No Response 12%

Please explain: require excess amount of data: (1), provided misdirection of requirements: (1), takes forever to get anything done: (1), Commission's news releases are often an insult to the integrity and professionalism of the utility: (1), full-time legal council should be retained.

(17) Additional Comments?

gotten hide bound with rigid regulation: (1); some Commissioners and staff are very dedicated: (1), poorly managed: (1), revolving door employee turnover compromises APUC competence: (1), Management Audit of Commission was waste of money; (1), REA coops are very responsive to their memberships demands: (1)

Note 1

Number of Questionnaires sent to APUC regulated Electric and Telephone Nonprofit Cooperative Corporations	17
Number of Responses Received	8
Response Rate	47%

APPENDIX D

QUESTIONNAIRE SENT TO ATTORNEYS WHO  
PRACTICE BEFORE THE ALASKA PUBLIC UTILITIES COMMISSION

	<u>Number of Responses</u>
1. Are there any statutes or regulations that you believe to be obsolete, vague, conflicting, unduly restrictive, and/or inadequate to allow the Commission to effectively and efficiently regulate public utilities in Alaska?	
<i>no, not that I have come across</i>	2
<i>none, but I believe APUC should regulate municipalities</i>	1
<i>3AAC 48.170-3AAC 48.080(c) are not consistent with laws of Alaska</i>	1
<i>yes, AS 42.05.421 should be amended to strike the word "initial" and require decisions within 6 month period.</i>	1
<i>AS 42.05.030 should be 5-year term</i>	1
<i>AS 42.05.035 probably unconstitutional breach of separation of powers</i>	1
<i>AS 42.05.050 commission members should not provide the expertise</i>	1
<i>other</i>	9
2. Do you believe the Commission's procedures for processing applications, hearings, and issuing final orders are adequate? Inadequate? Please explain.	
<i>adequate, however informal conferences could save time</i>	1
<i>adequate, concerns of communities have been handled expeditiously</i>	1
<i>yes</i>	2
<i>3AAC 48.080(c) does not provide due process</i>	1
<i>APUC should be faulted for not requiring pre-hearing conferences in complicated cases</i>	1

wholly inadequate, utilized to serve the convenience of the Commission without regard to the interests of the public or the utility 1

rate filings based on a cost-of-living, inflation or consumer price index, or reflective of such, should require only administrative review for approval 1

where growth is rapid and constant, a year-end test year for determination of rates makes more sense than a 13-month test year 1

other 3

3. Are complaints against public utilities resolved in a judicious and expeditious manner, and are those utilities found in violation of APUC's laws, rules and regulations disciplined by the Commission?

Number of Responses

yes 2

yes to first part, don't know to second part 1

judicious, more time needed whereby minor adjustments could be approved quickly and economically 1

cannot comment 2

4. Are regulated utilities and/or the general public given;

- a. adequate notice of impending Commission activity?

Yes 71% No 29%

- b. adequate opportunity for input into Commission decisions?

Yes 8% No 14%

5. What evidence exists demonstrating that the absence of regulation and/or the Alaska Public Utilities Commission would be detrimental to the public's best interests?

*No reasonable excuse exists for regulating a small, isolated utility to the same extent as one of comparable size in an expanding area.*

1

*Unregulated monopolies will charge what they can to maximize profits at the expense of the customer*

3

*Must have separate service areas to avoid duplication of services*

2

*RCA*

1

*Commission has saved Alaskans millions of dollars and kept service to a high level*

1

6. Are there any types of public utilities which could be deregulated with respect to certification (designation of geographically described service area) and/or economic regulation (regulation of rates, quality of service, and management practices) without affording the public less protection?

Yes 43% No 43% No Response 14%

If yes, please name the type of utility, the type of deregulation (certification and/or economic), and the consequences, both harmful and beneficial.

<u>Utility</u>	<u>Type of Deregulation</u>	<u>Consequences</u>	<u>Number of Responses</u>
<i>small utilities with annual gross revenues less than \$500,000</i>	<i>paperwork</i>	<i>less cost to utility less cost to consumers less work for Commission</i>	1
<i>garbage collectors</i>	<i>100%</i>	<i>Beneficial</i>	2
<i>CATV</i>	<i>all except provisions for safety of public as to installation</i>	<i>regulation by contract beneficial, regulation by consumer advocate</i>	2

7. Other comments.

Number of  
Responses

*The APUC is the best run administrative agency in Alaska, it should be retained in its present form.*

1

*The present Commissions philosophy does not allow any reward or incentive for outstanding efficiency, service, or control.*

1

*The Commission should be commended for its prompt response to utility emergencies in small towns on short notice.*

1

Note 1

Number of Questionnaires sent to attorneys practicing before the APUC

36

Number of Responses Received

7

Response Rate

19%



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

October 5, 1979

RECEIVED

OCT 5 1979

LEGISLATIVE  
AUDIT

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Division of Legislative Audit  
Pouch W  
Juneau, Alaska

Dear Mr. Wilkerson:

We have reviewed the Alaska Public Utilities Commission's response to your preliminary audit report of the Commission as of August 1, 1979.

We are forwarding the Commission's response for your information. The Executive Branch of Alaska Government; however, reserves the right to make additional reviews and analyses concerning the advisability of combining the Alaska Public Utilities Commission, the Alaska Transportation Commission, and the Alaska Pipeline Commission into a single regulatory commission. Additionally, the Office of the Governor has noted your Recommendation No 12 - to keep the appointment of Chairman of the APUC current.

Sincerely,

A handwritten signature in cursive script that reads "Richard A. Smith".

Richard A. Smith  
State Internal Auditor

RAS/PJA/mjc  
Enclosure

ALASKA PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

1100 MacKay Building  
338 Denali Street  
Anchorage, Alaska 99501

Phone (907) 276-6222

October 5, 1979

RECEIVED

OCT 5 1979

LEGISLATIVE  
AUDIT

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Pouch W  
Juneau, Alaska 99811

Dear Mr. Wilkerson:

The following is the response of the Alaska Public Utilities Commission to the Performance Review of the Alaska Public Utilities Commission by the Division of Legislative Audit.

Recommendation No. 1

The Alaska Public Utilities Commission, the Alaska Transportation Commission and the Alaska Pipeline Commission should be combined into a single regulatory commission.

The Alaska Public Utilities Commission (referred to hereinafter as APUC or Commission) believes it is appropriate to re-evaluate the merits of a single commission mode of regulating utilities. At this time, however, the APUC cannot unequivocally state that the three regulatory commissions should be combined into a single agency because no documentation that would support that conclusion has been made available to the Commission. The Commission believes it is misleading to make a recommendation of this significance solely on the basis of a comparison of "schemes" used by other states. Certainly the dominant regulatory framework in other states lends credence to the proposition that it is timely to reassess the value to the Alaska public to continue three separate regulatory agencies.

A tabular comparison of various regulatory frameworks is presented to support this recommendation. While informative, the Commission does not believe this analysis is sufficient

documentation on which to base this substantive recommendation. As the analysis indicates, the number of Commissioners has a direct relationship to the number and type of professional Staff. This, in turn, is influenced by its methods of operation, the scope of a Commission's statutory responsibilities, and the number of utilities subject to regulation.

The Commission offers the following comments regarding the advantages postulated by the auditors of a single regulatory agency.

(1) The Commission concurs that a single regulatory agency could result in a reduction in the number of regulatory Commissioners. However, someone must preside at hearings; and, therefore, the establishment of hearing officer positions would be required to offset the diminution in Commissioners. There are jurisdictions that utilize hearing officers to conduct public hearings and to draft proposed decisions for Commissioners' review and determination. The APUC Commissioners hear cases and write substantive orders without the benefit of such Staff\* assistance.

(2) Because of the specialization required of the Commission's professional Staff, i.e., expertise in telecommunications, electric, gas, sewer and water utilities, the Commission questions the degree of flexibility that would exist with a combined Staff. The Commission believes that the interchangeability of staff could be limited in practice to emergency-type situations. An analysis of the regulatory responsibilities of the Alaska Pipeline Commission and the Alaska Transportation Commission should provide more factual information in this regard. The Commission does agree that a combined clerical support Staff could provide more flexibility and create a more efficient flow of paperwork.

(3)(4)(5) The Commission believes that joint hearing and reproduction facilities and a shared publications library would provide for more efficient services, not only for a consolidated regulatory body but also for the existing regulatory Commissions. To this end, the Commission has recommended in its last two budgets that the three Commissions be physically co-relocated to a facility that would permit realization of these economies.

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\*The average regulatory commission in the United States has approximately 200 Staff members as contrasted with 32 Staff assigned to the APUC.

(6) The Commission does not have enough firsthand experience with sophisticated word-processing equipment to comment on this possible reduction.

The APUC strongly supports the concept that adequate human resources, whether in the form of commissioners, hearing officers or other staff, must be provided if the regulatory duties and responsibilities delegated by the Legislature are to be performed in an efficient and effective manner. Moreover, sufficient resources to perform the job are as important under the existing regulatory configuration as they would be in a prospective consolidation into one agency.

Reliance on outside regulatory formulae to support a merger should also be tempered by recognition of circumstances which make regulation unique in Alaska. For example, the APUC is still actively involved in the certification of utilities, in marked contrast to most jurisdictions in the "Lower 48" which have been fully carved up into utility service areas. This is especially pertinent not only to rural Alaska which is in a developmental stage in the utility arena but also extends to the State's largest metropolitan areas where telecommunications utilities have been the subject of recent certification proceedings. While not commanding the newspaper headlines generated by rate increases, the certification process is critical to the public protection function of regulation because it establishes the foundation for a utility's future service and rates.

The APUC believes that concurrent with the sunset review of the Alaska Pipeline Commission, the Division of Legislative Audit or an independent consulting firm should perform a cost-benefit analysis of combining the three regulatory commissions into one. The study should examine both the existing and alternative regulatory frameworks to identify the potential operational and financial gains and losses to be realized under a single consolidated agency.

If the desirability of implementing this recommendation is affirmed by such an in-depth analysis, the Commission strongly believes that the Legislature should assess the scope of the existing responsibilities of the three regulatory commissions before the decision to merge is made. Should the Alaska Transportation Commission continue to regulate dumptrucks and helicopters? Should the APUC continue to regulate

garbage and cable television utilities? What will be the magnitude of the workload of the Pipeline Commission after the TAPS case is completed? Resolution of these and other policy issues would facilitate the Legislature's efforts to define the appropriate regulatory framework for Alaska inasmuch as a determination of whether one commission would better serve the public interest than the existing three do is, in part, dependent on what responsibilities would reside with the single successor agency.

It may be difficult to divorce the mechanics of a merger from any assessment of its practicality and desirability. In this regard affirmative action to consolidate the existing regulatory agencies should include a detailed implementation plan with a realistic timetable which acknowledges that preservation of pending, current, and past decisions of each Commission is critical to the successful transition to one regulatory agency.

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The fundamental purpose of the Alaska Public Utilities Commission is to protect the public by awarding certificates of public convenience and necessity to qualified providers of utility services and to ensure that certificated utilities, except where exempted by statute, provide adequate, efficient, and safe services and facilities to the public at just and reasonable rates, terms, and conditions. These two major functions are broadly defined as certification and economic regulation. It should be noted that the consumer protection function of the Commission falls within the broad definition of economic regulation.

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The following four recommendations have a common theme. They propose to reduce the scope of the Commission's duties and responsibilities under AS 42.05 by deregulating certain types and sizes of public utilities. These recommendations reflect the audit team's awareness of the acute strains that the APUC's current workload places on its limited resources and ability to competently perform the responsibilities delegated by the Legislature. Additionally, it represents some of the current thinking regarding the necessity and desirability of regulation. After consideration of these

factors, the auditors identified those utilities where they perceived deregulation would have the least detrimental impact on the Alaskan public.

The Legislature faces the choice, implicit in the audit, of prioritizing the responsibilities of the APUC by deregulation of certain utilities or the allocation of adequate resources to the agency to fulfill its statutory assignments. The ultimate policy determination of which, if any, utilities should be exempt from regulation resides exclusively within the purview of the Legislature as the sole source of the Commission's authority. If the deregulation course is elected, it is the Commission's position that the audit team's priorities are generally acceptable with some specific exceptions. These exceptions and the Commission's view of the potential impact of deregulation in the recommended areas are provided to ensure that the ultimate decision is made with the experience and information of the APUC in concert with input from the private sector and the consuming public.

Recommendation No. 2

AS 42.05 should be amended to allow the Alaska Public Utilities Commission to cease all certification and regulation of cable television.

The Commission believes that the definition of telecommunications as found in AS 42.05.701(8) mandates the certification and regulation of cable television (CATV).

The Commission believes that certification should be required for CATV utilities providing service to 10 or more customers. This provides certain minimal protection to the public with respect to the fitness and ability of the serving utilities as more fully discussed in the response to Recommendation #5. More importantly, certification is necessary to assure the orderly development of basic telecommunications services throughout Alaska in light of nationwide technological developments and regulatory trends.

Current legislation before Congress and a more liberal regulation policy by the Federal Communications Commission indicate that telephone companies will shortly be in the position to offer broadband communications\* which could

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\*Broadband communication includes the full range of communication information including, but not limited to, basic telephone, data, and television.

include facilities for television distribution. Ultimately, basic telephone and television service could become so commingled that the economic viability of regulated communication services could be affected.

In some jurisdictions, municipalities award a franchise to a CATV utility. While on the surface this appears to be an attractive alternative to state regulation, the record in recent CATV certification proceedings involving Anchorage and Fairbanks indicates that in the "Lower 48" there has been political abuse of this process and that municipalities which do not have technical and rate-making expertise are unduly burdened by the responsibility to assess which applicant best serves the public interest. In place of economic regulation, municipal bodies have in some instances substituted a shortening of the franchise period, hoping to influence the franchise holder to charge reasonable rates and provide adequate service -- a practice that could backfire and leave the consumer without any service.

The APUC has determined that the public interest is not necessarily served by economic regulation of small cable television utilities and has exempted small CATV's from regulation in a number of instances. These are Eielson Air Force Base, Metlakatla, Craig, Klawock and Thorne Bay. While independently assessing the "nonessential" quality of cable television services, the Legislature should be aware that the APUC files are replete with complaints against CATV utilities, particularly from rural parts of Alaska where there is a captive audience with no alternative form of entertainment and where the entities providing the service have their base of operations outside the State of Alaska.

#### Recommendation No. 3

AS 42.05 should be amended to allow the Public Utilities Commission to cease certification and regulation of those utilities furnishing collection and disposal service of garbage, refuse, trash, and other waste material.

The Commission supports the elimination of regulation of garbage utilities from its responsibilities and agrees with the economic justification articulated by the sunset auditors.

The Commission would be remiss, however, if it failed to apprise the Legislature of its concerns regarding deregulation

of this public utility service. Based on Commission experience there is a need for some governmental entity to oversee garbage, refuse and disposal operations. Garbage and refuse disposal has long been considered an essential public health and sanitation service, more frequently than not owned, operated or contracted for by municipal governments. The impact of deregulation in this area would be felt primarily by a small percentage of consumers residing outside municipal boundaries. The Commission believes it would be in the public interest to ensure that the municipalities have sufficient extraterritorial jurisdiction under AS 29.48:037 and AS 29.48.040 to oversee the entirety of these operations.

The Commission would also point out to the Legislature that the Department of Environmental Conservation (DEC) currently issues permits for sanitary landfill use and promulgates regulations governing solid waste management. In this regard, the Legislature may wish to consider the DEC as an alternative to municipal regulation of garbage and refuse. The adequacy and availability of a sanitary landfill to a garbage utility is frequently a significant problem which has been brought to the Commission's attention. Because of DEC's current responsibilities in this area, it is appropriate to consider this alternative which would provide end-to-end regulation of garbage utility services.

If a legislative determination is made that garbage utilities should come under the jurisdiction of a state regulatory commission, it may be more in keeping with transportation regulatory practices for the Transportation Commission to resume this function.

#### Recommendation No. 4

AS 42.05 should be amended to allow non-profit telephone and electric cooperatives to petition for withdrawal from APUC economic regulation.

The Alaska Public Utilities Commission will concur with this recommendation. However, it is the Commission's experience that consumers of electric and telephone cooperatives frequently perceive little difference between co-ops and other public utilities, even though the members own the business and elect the board of directors. The Commission believes that if AS 42.05 is amended to incorporate this recommendation, it would be desirable to promulgate regulations establishing

an orderly procedure for withdrawal from economic regulation by cooperatives.

To further expand AS 42.05.711(b) to allow cooperatives that have withdrawn from economic regulation to subsequently return to the full regulatory jurisdiction of the Commission, while a desirable safeguard of the public interest, could have a detrimental effect on the ability of the APUC to administer and finance its on-going functions. For example, relevant Commission experience is the refusal of the Rural Electrification Administration to provide additional loan monies to the Tlingit-Haida Regional Electric Authority (THREA) until it submitted to APUC jurisdiction. THREA acceded to the jurisdiction of the APUC in December, 1978, because of its financial crises. Significant concerns of the THREA ratepayers and the mayors of the respective villages in which the utility is located has required the Commission to expend dollars for consultant services that would otherwise have been available to fund other existing responsibilities of the agency. Realizing that the decision to return to economic regulation will likely occur only when the cooperative is experiencing significant difficulty, the Commission believes it would be necessary and appropriate to minimize any impact on its existing workload by promulgating regulations governing reinstatement of full regulation after such an election.

It should also be noted that an unregulated telephone cooperative could cause unnecessary expansion of toll facilities of the long lines carrier. A local telephone cooperative not only has an impact on its primary customers but on those who utilize one or two communication networks desiring access to the local exchange. For example, a small deficiency in an unregulated telephone central office switch can deny access to 10 percent of incoming toll calls. It is uneconomical to have a telephone call cross the lower 48 states and be transmitted to the satellite and an Alaska terrestrial facility only to be denied at the terminating central office.

Recommendation No. 5

AS 42.05 should be amended to exempt from economic regulation all utilities with annual gross revenues not exceeding \$100,000.

The Commission concurs with this recommendation.

However, the Commission believes it is in the public interest to continue to require certification of all utilities providing service to 10 or more customers, irrespective of annual gross revenues.

A certificate of public convenience and necessity from a qualified independent agency assures the consuming public that a utility is fit, willing and able to provide service. In addition, a certificate provides economic protection to the small business from unauthorized or potentially ruinous competition. The Commission believes that certification is particularly important to protect the public interest when a small utility will be physically tied to a larger utility network, such as the case of a local exchange telephone company interconnected to the long lines telecommunications carrier or an electric grid system connecting more than one power utility.

Based on the APUC's 1978 Annual Report, 13 utilities currently subject to economic regulation would become exempt if this amendment were approved with the \$100,000 cutoff level. The majority of the 13 utilities are small water companies which historically have generated numerous consumer complaints. These complaints have required a significant commitment of time by the APUC Consumer Protection Section for its investigation and possible resolution and by Commissioners and Staff in public hearings. The Commission would be remiss if it did not point out to the Legislature that the volume of complaints received from the consumers of these relatively small utilities indicates reliance on the public protection provided by regulation for adequate service. Because water service is a necessity, some entity, be it legislative or administrative, will inherit the consumer protection function that the APUC has provided.

The comments of the APUC's Chief of Finance are germane and the Commission believes they should be drawn to the attention of the legislature:

"Water bills have a tendency to be lower than electric or telephone. Therefore, I question whether a gross revenue standard is a fair reflection of the number of people involved. I do not believe the same gross revenue cutoff should be applied to all types of utilities. I think the deregulation of electric and telephone under \$100,000 gross revenues is a good recommendation. Water and sewer should have a different standard.

Some of our most difficult and demanding cases are water utilities. The filings are often poor and inaccurate and accounting records are often nonexistent or in 'shoe-boxes.' We truly protect the public in our review of these utilities. Any given case may require a great deal of time on our part, but I feel it is time well spent. Unlike garbage collection, water service is definitely a necessity."

Recommendation No. 6

The statutes and regulations governing the Alaska Public Utilities Commission should be revised.

The Commission agrees that its statutes and regulations should be revised. The following comments are offered in response to the specific examples delineated by the auditors.

(1) The two cases cited by the auditors "mix apples and oranges." In one, Docket U-75-95 a Commission decision has been upheld in Superior Court that disallowed unamortized rate case expense in a utility's rate base. At issue in the other, Docket U-76-66, was the protection of the public from duplicative utility expenses. Both of these issues are matters of regulatory policy over which the APUC needs discretion and flexibility to respond to current theories and to individual cases.

The Commission believes, however, that regulations establishing guidance for supporting documentation required to justify both internal and external rate case expense are necessary and desirable. The Commission's posture for four years has been reactive. Unfortunately, its workload, mandated by other statutory requirements, has preempted the time necessary to notice, consider and adopt regulations that would allow the regulatory process to function more efficiently.

(2) The Commission concurs that the promulgation of industry performance standards for all regulated utilities is necessary and desirable, but it is also a function of available resources to establish the standards and to enforce them. At the present time the APUC has no operational budget to enforce the existing telephone service standards.

(3) The Commission has requested clarification of its

statute regarding the transfer of certificates of public convenience and necessity. (HB675, 1978 Session.) More interest was generated in the existing statutory ambiguity as a result of PACOM's announced intentions to acquire a controlling interest in RCA ALASCOM. However, the statute remains; and, to date, affected utilities have acceded to Commission jurisdiction in this matter in accordance with the Commission's interpretation of its statute and regulations. Nonetheless, the Commission continues to support clarifying legislation.

(4) The Commission plans to eliminate the discrepancies between its statute and regulations by January 1, 1980.

Recommendation No. 7

The APUC should seek upgrading of salary levels for professional support staff.

There is no question that the most frustrating, expensive and time-consuming problem in the Commission's operation has been the vacancy factor and turnover of its professional Staff as a result of the compensation level.

A salary survey performed by the Division of Personnel in 1977 compared salaries of the Commission's professional Staff to salaries paid by regulatory commissions in other states with a cost-of-living additive. This did not and does not consider reality. The Commission loses its professional people to consulting firms and utilities operating in Alaska, not outside of Alaska. In addition, the Commission has experienced turnover because other State agencies offer a higher salary for the same qualifications and experience. Effective protection of the public interest and efficient utilization of its financial resources dictate that the APUC compensate its professional Staff at a level which attracts and retains qualified and experienced personnel.

Recommendation No. 8

The APUC should implement a time management system.

The Commission concurs that a time management system is a useful administrative tool. The Commission's experience in filling successive vacancies in the Executive Director position has not allowed institution of such a system to date. However, the Commission anticipates that the new

administrative Staff will implement such a system as rapidly as time, knowledge, and experience permit.

Recommendation No. 9

The APUC should develop a cross-reference system for Commission orders and decisions by the courts.

The cross-reference system suggested by this recommendation is desirable and necessary. With adequate funding the computer capability of the Commission could provide the foundation of a cross-reference system for current Commission actions. To recover the decisions of the first eight years of the Commission requires time and budget that is non-existent at present. The Commission plans to dedicate a portion of the time of its newly classified paralegal position to this assignment.

Recommendation No. 10

The Commissioners of the APUC should restrict their involvement in the administrative function of the agency.

The theory behind this recommendation is sound but its strict application must be tempered by reality. As one Staff section head stated in response to this recommendation, "Until we have written policies, a topical reference system and a knowledgeable, interested, hard-working executive director, I don't see how the Commissioners can be expected to restrict their involvement in the administrative function of this agency."

It is the goal of the Commissioners to be relieved of their direct involvement in the administration of the APUC. History dictates this is an evolutionary process. Reality dictates that the Commissioners are ultimately responsible for the public perception of the APUC. Their oversight responsibilities and input in administrative matters will continue as an informative tool for the Staff's managers.

It should be noted that the Commissioners have no independent professional staff and must rely on existing staff personnel for technical expertise and advice only when it does not compromise the independence of the parties in proceedings.

Recommendation No. 11

The APUC should seek to establish separate collocation codes for each section of the Commission.

It may be that the implementation of this recommendation is desirable.

The Commission does have some reservations in this regard due to the small size of its sections, ranging from one to six people. In the past the budget has been earmarked to the workload confronting the Commission. In most proceedings at least two staff sections, the Commission's legal personnel and the Commissioners are involved. Budgeting has been a matter of compromise, cooperation, and re-prioritizing to address the situation at hand.

The Commission will explore with the auditors the perceived benefits to be gained through section collocation codes.

COMMENTS ON ANALYSIS OF PUBLIC NEED

II. "There is also a need for statutory and regulatory amendments to allow for more effective case management and to avoid court appeals of Commission decisions (see Recommendation No. 2 through No. 6)."

It is overly simplistic to assume that statutory and regulatory amendments will eliminate court appeals of APUC decisions. Regulatory and administrative law are evolutionary elements in the system of common law applicable to Commission proceedings. Also, the volatility of regulatory theory and policy combined with the likelihood of a dissatisfied party is conducive to litigation in some instances. Given the nature and scope of APUC activity during recent years, there has been a relatively small number of Commission orders that have been appealed to the Superior Court.

An appeal of a Commission decision, per se, is not an undesirable result of Commission action. In certain instances it is in the public interest to have the case law and statutes clarified and amplified through the appeal process.

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

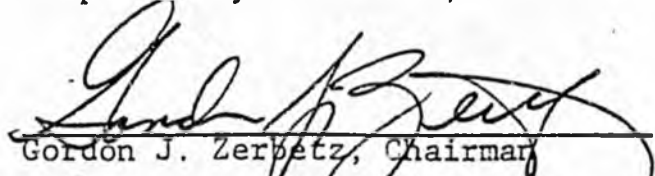
The APUC has been actively involved in reacting to substantive

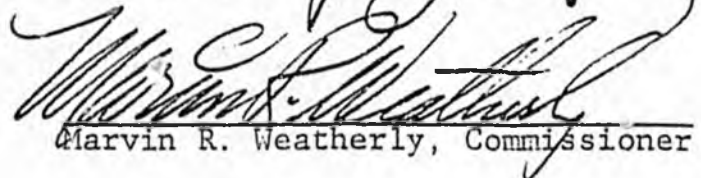
Oct. 5, 1979

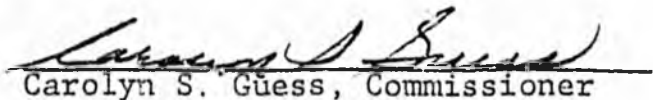
pieces of legislation proposed by others in the past few years. In addition, the Commission has served as a resource to both the Governor's office and the legislative branch of government in the energy and telecommunications fields. And, it well may be more fruitful for deregulation recommendations to come from without rather than from within the Commission.

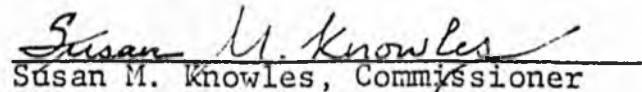
The Alaska Public Utilities Commission believes that the audit conducted by the Division of Legislative Audit was a constructive exercise for the Commission and commends the auditors for the performance of their responsibilities in a thoughtful and unobtrusive manner.

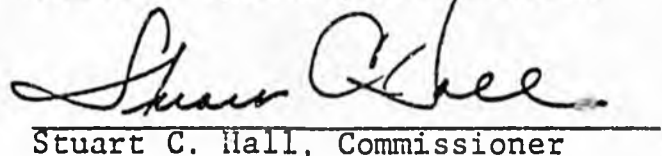
Respectfully submitted,

  
Gordon J. Zerbetz, Chairman

  
Marvin R. Weatherly, Commissioner

  
Carolyn S. Guess, Commissioner

  
Susan M. Knowles, Commissioner

  
Stuart C. Hall, Commissioner



## Supreme Court

State of Alaska

April 15, 1977

CHIEF JUSTICE  
ROBERT BOOCHEVER

JUSTICES  
JAY A. RABINOWITZ  
ROGER G. CONNOR  
ROBERT C. ERWIN  
EDMOND W. BURKE

POUCH U  
STATE COURT AND OFFICE BUILDING  
JUNEAU, ALASKA  
99811  
907-463-3410

The Hon. Ed Willis  
Alaska Senate  
Pouch V  
Juneau, Alaska 99811

Re: Bell Telephone. v. A.P.U.C.  
Superior Case No. 76-2838

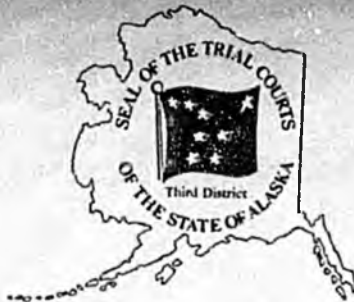
Dear Senator Willis:

I have now received a report from Presiding Judge Moody pertaining to the above-entitled case. I am enclosing the a self-explanatory copy of Judge Moody's letter and a copy of Judge Arnold's letter to Ms. Thoms. Similar inquiries to that of Ms. Thoms were received from other residents of Eagle River, and it is my understanding that each has been answered in full.

Thank you for calling this matter to my attention.

Sincerely yours,

Robert Boochever  
Chief Justice



## Trial Courts

State of Alaska

THIRD JUDICIAL DISTRICT  
303 K STREET  
ANCHORAGE, ALASKA 99501

RALPH E. MOODY  
Presiding Judge

April 12, 1977

Honorable Robert Boochever  
Chief Justice, Alaska Supreme Court  
Pouch U, State Court & Office Building  
Juneau, Alaska 99811

Re: Bell Telephone v. A.P.U.C.,  
No. 76-2338--Administrative Appeal

Dear Mr. Chief Justice:

Only after considerable investigation were we able to reconstruct what has, or rather, what has not happened in this particular case.

From the attached copies, you can see that we have answered every inquiry, with the exception of Senator Willis' which was addressed to you, explaining the situation.

In addition to insuring no more unnecessary delays in this particular case, I have directed the Area Court Administrator to research every pending administrative appeal to see if others may need special attention at this time.

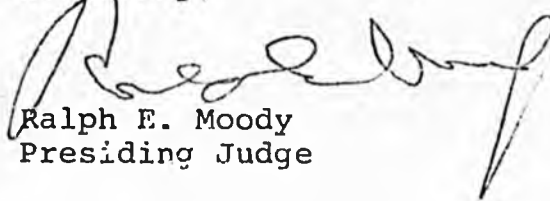
Although it appears that the court was, in part, responsible for this inexcusable delay, it would not have occurred if the attorneys had actively pursued an early disposition.

Honorable Robert Boochever  
April 12, 1977

2

We are now working under the activity and pressures of over 8,000 pending civil cases in the Anchorage Trial Courts, and each day that number increases. Nevertheless, we will certainly try to prevent a reoccurrence of this type of problem.

Sincerely,



Ralph E. Moody  
Presiding Judge

REM: dpd

Enclosures 7

cc:  
Area Court Administrator



## Trial Courts

State of Alaska

THIRD JUDICIAL DISTRICT  
303 K STREET  
ANCHORAGE, ALASKA 99501

JAMES E. ARNOLD  
Area Court Administrator

April 7, 1977

Ruth J. Thoms  
Box 236  
Eagle River, AK 99577

Dear Ms. Thoms:

I will commence by apologizing for the delay in answering your letter of March 13, 1977 to Mr. Arthur Snowden, II, which was referred to me. The delay was caused by my investigating and determining just what happened in this particular case.

I have found that Bell Utilities and Development, Inc. appealed from a decision of the APUC denying it a rate increase. The notice was filed on April 13, 1976. On April 26, 1976, Judge Lewis granted Bell a preliminary injunction allowing it to collect the increased rate pending the disposition of the appeal. Bell was ordered to deposit the collected increase in a special interest-bearing account.

On April 26, 1976, Judge Lewis signed an order setting administrative appeal procedures, dealing principally with the preparation of the agency record for the Court's review. Paragraph 3 of the Order required the record to be filed with the Court within sixty (60) days of the service of the Order. This Order was served by mail on May 5, 1976.

For reasons that do not appear in the Court file, the agency record was not delivered to the Court until December 3, 1976. Bell also supplemented the record by filing additional documents on January 10, 1977.

Judge Lewis retired in February 1977, and through error and the enormous press of the business of the Court, this matter lay unnoticed and unattended until you, and other interested citizens, brought the matter to our attention.

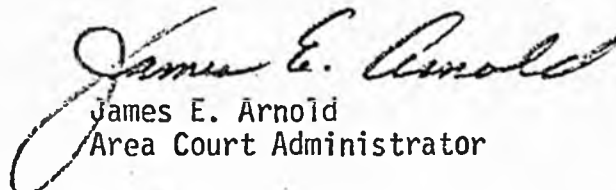
Upon learning of the problem, I requested and obtained authority from the Chief Justice for an assignment for Judge Lewis to return and complete

this matter. The matter has been scheduled and calendared before Judge Lewis on April 12, 1977 at which time I presume he will issue an Order setting a schedule for briefing and allowing the parties to notice the matter for oral arguments, if they so desire.

The Presiding Judge and I will monitor the future progress of this matter, and will insure that there are no more unnecessary delays in a resolution of this dispute.

Please contact me if I can be of any further assistance in this or any other matter.

Sincerely,



James E. Arnold  
Area Court Administrator

JEA:cm

cc: Chief Justice Boochever  
Presiding Judge  
Arthur H. Snowden, II  
Judge Lewis

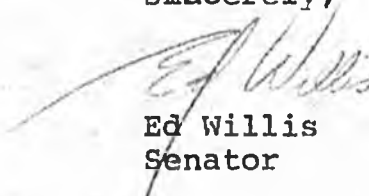
April 19, 1977

Honorable Robert Boochever  
Chief Justice, Alaska Supreme Court  
Pouch V, State Court & Office Building  
Juneau, Alaska 99811

Dear Chief Justice Boochever:

I wish to thank you for investigating the delay in the resolution of Supreme Court Case 76-2838. I sincerely appreciate your prompt and effective response to my request; and I am sure all of the affected residents of Eagle River also appreciate your effort.

Sincerely,



Ed Willis  
Senator

EW/amk

# STATE OF ALASKA

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

JAY S. HAMMOND, Governor

1100 MacKay Building  
338 Denali Street  
Anchorage, Alaska 99501

Phone (907) 276-6222

March 24, 1980

Senator W. E. "Brad" Bradley  
Chairman, Senate Commerce Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator Bradley:

As a follow-up to the Sunset Review of the Alaska Public Utilities Commission I am enclosing supporting documentation for additional Commission staff in order to carry out our existing responsibilities in a timely manner.

As the audit verified, the present level of staffing is inadequate to meet the responsibilities mandated to the Commission under AS 42.05. Testimony from utilities and ARECA during the public hearings of both the Senate and House Commerce Committees support this fact.

To summarize the contents of the enclosed package, 15 additional personnel would be needed if the APUC is to continue its ongoing responsibilities in a more responsive and efficient manner, i.e., the way "we would like to do the state's business". These personnel would be assigned to the following sections:

### Engineering - (4)

Engineer II - cable television  
Engineer II - energy  
Engineer I - energy  
Engineer I - telecommunications

### Utility Financial Analysts - (3)

UFA III  
UFA I  
UFA I

Tariff Analyst - (1)

TA III - (new classification)

Communications Carrier Section - (3)

Economist II

Research Analyst II

Clerk Typist III

Administrative Support for above personnel - (4)

Word Processing Supervisor

Word Processing Operator

Clerk Typist III

Clerk Typist I

The approximate salaries of these individuals is \$603,000. Our current budget which is before the Finance Committees is approximately \$1.6 million. This does not include an increase to raise the professional staff salaries to a comparable level; if that occurs, and the Commission is optimistic that it will, an additional \$60,000 would be added to our current budget.

In order to give your committee an idea of the impact of the deregulation recommendations, the Commission provides the following observations: (all elimination of positions refer to the 15 additional positions and not existing positions)

Sunset Recommendation 2 - total deregulation of cable-television utilities: - eliminate one engineering position.

Sunset Recommendation 3 - total deregulation of garbage and refuse utilities: eliminate one financial analyst.

Sunset Recommendation 4 - deregulation of telephone and electric cooperatives: if the 12 electric cooperatives and 7 telephone cooperatives elected deregulation by September 1, 1980, eliminate 1 financial analyst and 1 Engineer II.

Sunset Recommendation 5 - economic deregulation of all small utilities grossing less than \$100,000: This would not materially affect personnel requirements.

Whether or not which, if any, administrative support positions could be eliminated would depend on the implementation of Sunset Recommendations #2 - #5.

In summary, 4 of the 15 additional professional personnel would not be required if the legislature deregulated cable-television, and garbage, and if all REA co-ops elected deregulation by September 1, 1980.

Sincerely,



Carolyn S. Guess  
Commissioner

Enclosure  
CSG/rt

## TABLE OF CONTENTS

### A. Administrative Section

- FY 81 Budget Allocations
- APUC Staff Organization Chart
- Administrative Support Organization Chart
- Adjusted FY 81 Budget

### B. Engineering Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

### C. Communication Carrier Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

### D. Finance Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

### E. Tariff Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

### F. Consumer Protection

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

A. Administrative Section

- FY 81 Budget Allocations
- APUC Staff Organization Chart
- Administrative Support Organization Chart
- Adjusted FY 81 Budget

ALASKA PUBLIC UTILITIES COMMISSION

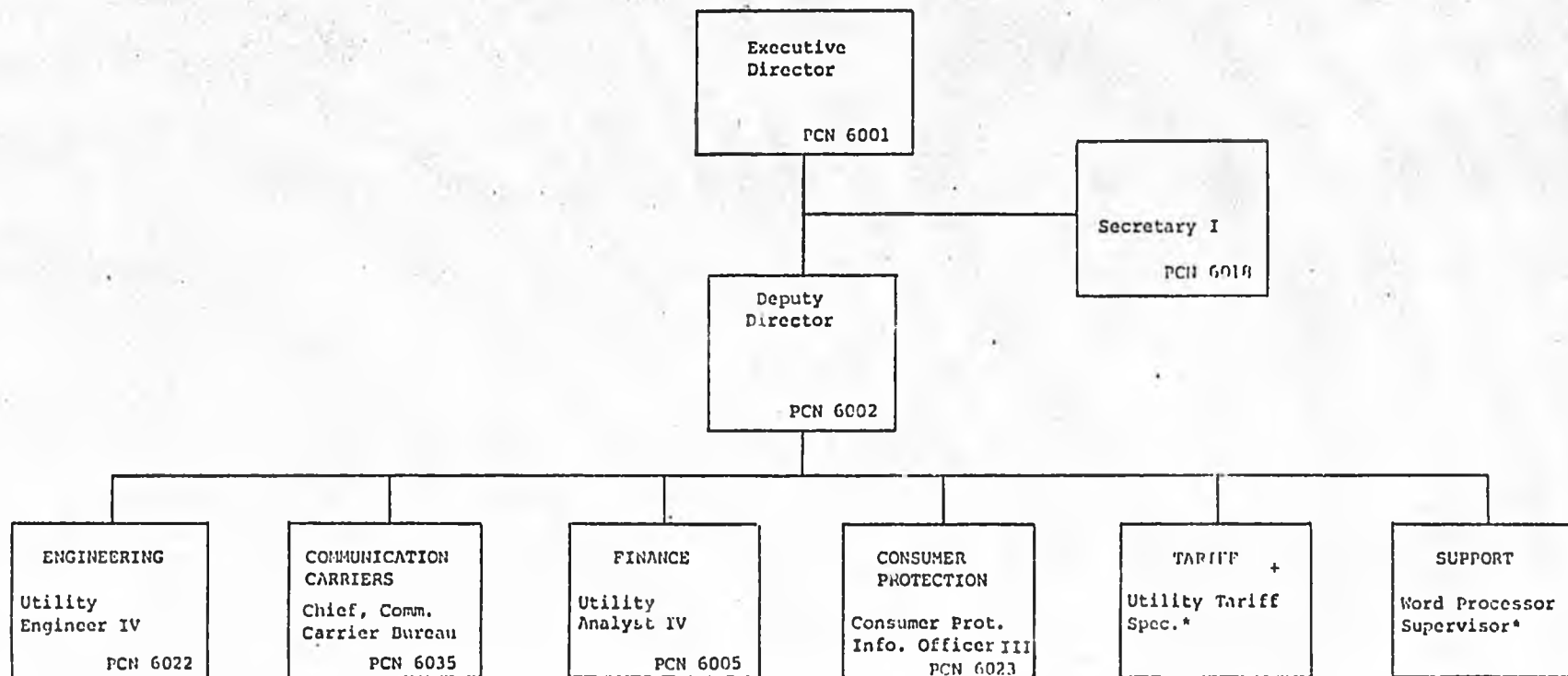
ALLOCATION OF GOVERNORS BUDGET

FY 81

(In Thousands)

	<u>Commissioners</u>	<u>Administration</u>	<u>Engineering</u>	<u>Communications Carriers</u>	<u>Finance</u>	<u>Tariff</u>	<u>Consumer Protection</u>	<u>Total</u>
100 Personal Services	\$352.9	\$232.7	\$300.3	\$46.6	\$255.5	\$76.7	\$122.1	\$1,386.8
200 Travel	15.0	2.8	16.3	6.4	16.1		1.5	58.1
300 Contractual Services	49.2	112.9	7.8	3.3	9.9	4.5	17.1	204.7
400 Commodities	2.5	3.7	1.7	1.0	1.7	1.0	3.0	14.6
500 Equipment		5.4	1.0		1.6		2.0	10.0
Total	<u>\$419.6</u>	<u>\$357.5</u>	<u>\$327.1</u>	<u>\$57.3</u>	<u>\$284.8</u>	<u>\$82.2</u>	<u>\$145.7</u>	<u>\$1,674.2</u>

## STAFF ORGANIZATION CHART

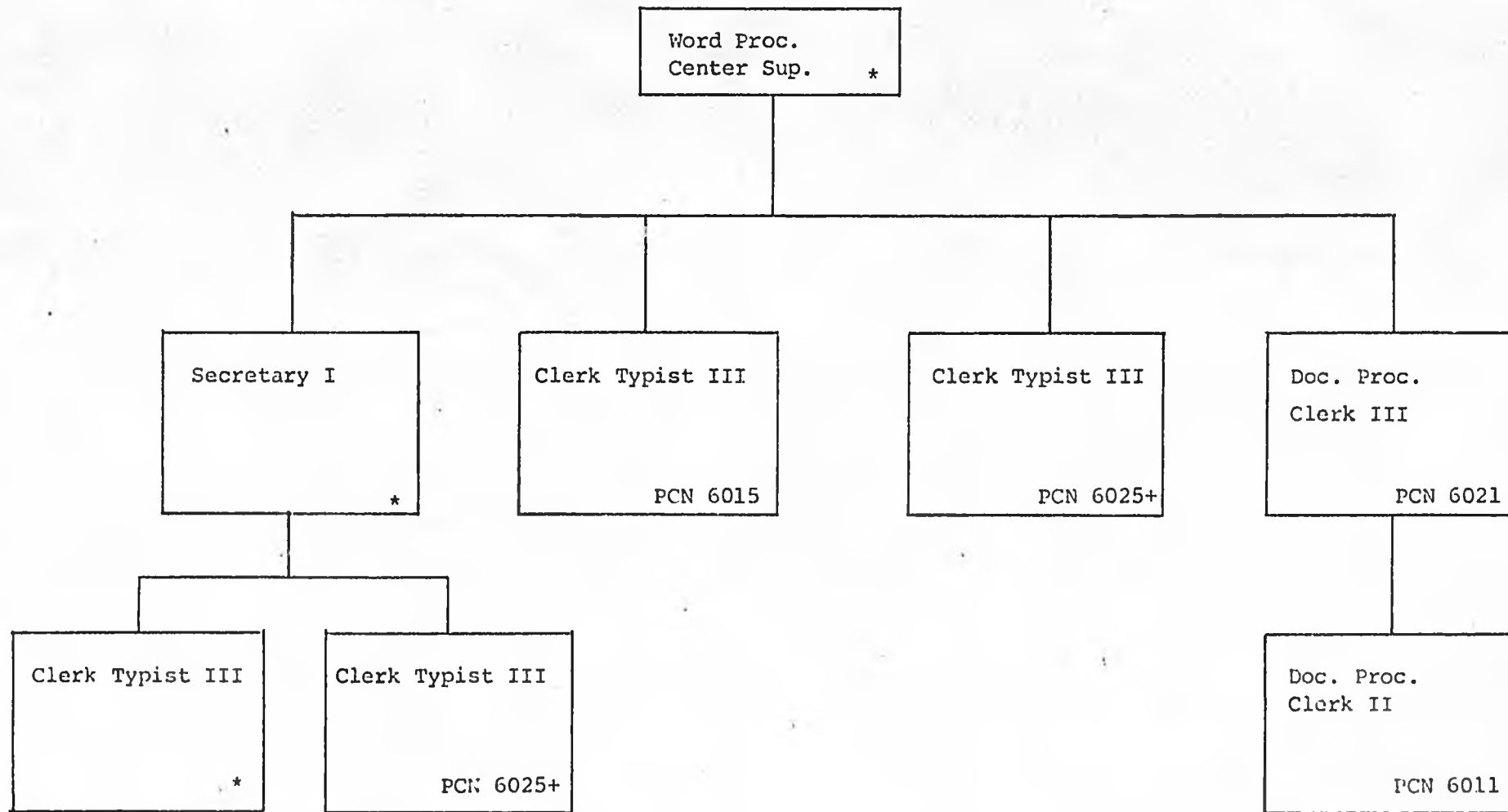


\*New position

+New classification requested

ALASKA PUBLIC UTILITIES COMMISSION

SUPPORT ORGANIZATION CHART



\*New position requested

+Permanent 1/2 time position

EXECUTIVE DIRECTOR  
 ADMINISTRATION  
 FY 81 BUDGET  
 (In Thousands)

	<u>Allocated FY 81 Budget</u>	<u>Comparable Salary Increment</u>		<u>Adequate Staff Increment</u>	<u>Adjusted FY 81 Budget</u>
100 Personal Services	\$232.7	\$	(1)	\$79.4	\$312.1
200 Travel	2.8				2.8
300 Contractual Services	112.9		(2)	1.5	114.4
400 Commodities	3.7		(3)	1.5	5.2
500 Equipment	<u>5.4</u>	_____	(4)	<u>2.0</u>	<u>7.4</u>
Total	<u>\$357.5</u>	=====		<u>\$84.4</u>	<u>\$441.9</u>

(1) Word Processing Supervisor \$25,373  
 Word Processing Operator 19,883  
 Clerk Typist III 18,243  
 Clerk I 15,944  
\$79,443

(2) Maintenance of Equipment \$ 1,000  
 Training Fees 500  
1,500

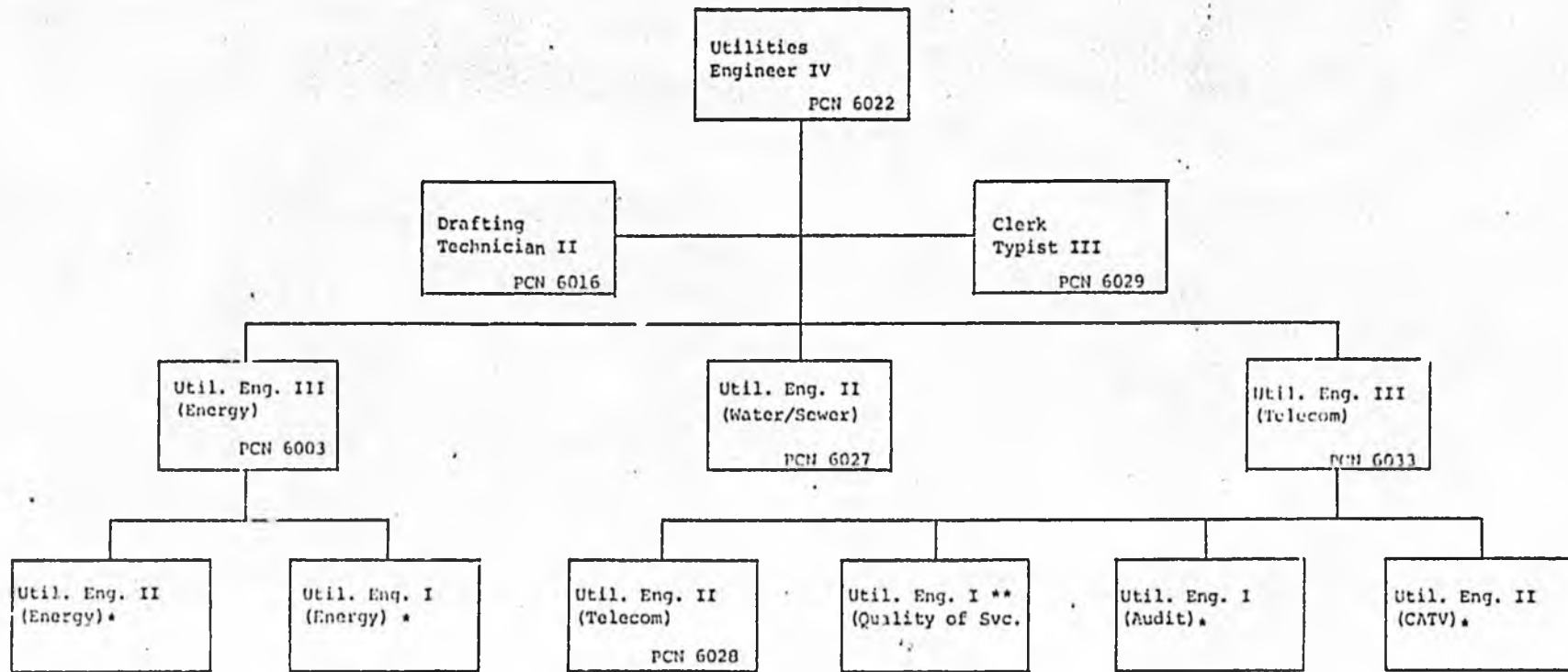
(3) Office Supplies \$ 1,500

(4) Office Equipment \$ 2,000

B. Engineering Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

ENGINEERING ORGANIZATION CHART



\*New position requested

\*\*New position requested in Governor's FY81 Budget Request

## Principal Programs in Engineering

### Rate Base

1. Audit Continuing Property Records and determine whether plant is used and useful.

This involves auditing on a sampling basis and requires the use of layout drawings and staking sheets to determine the actual location of the equipment. Physical testing of telephone equipment (amplifiers, etc.) may be required to assure that particular equipment is actually in use.

2. Determine if rate base is reasonable or unduly inflated due to poor decisions.

Work done on occasional basis at the Commission has revealed that some utilities do not have sufficient control over the rate base. Examples include: 1) Plans based on outdated forecasts done in the lower 48 which also ignored higher Alaskan labor rates have resulted in uneconomical additions to plant and 2) projects placed in limbo before they materialize accumulate excessive engineering labor hours before they became active.

3. Audit of Work Orders and associated accounting.

This is necessary to establish the reasonableness of material, engineering, labor, supply and overhead charges to determine the proper allocation between capital and expense costs, and to insure prompt capitalization and retirement of property.

4. Review depreciation rates and studies.

In many locations of Alaska, depreciation rates may differ from industry norm due to the unique conditions encountered.

### Rate Design/Tariffs

1. Review allocation studies.

This involves detailed studies of equipment and of the effort involved to put it into service which will determine a fair and reasonable allocation of charges to the various types of services offered by utilities. In telecommunications utilities tend to assign excessive costs to noncompetitive services.

2. Review reasonableness of material, engineering and labor rates used to develop individual tariffs. Work is similar to that described in 1 above and may include the witnessing of actual installations.

3. Approve portions of tariff text that is related to equipment and engineering.

### Quality of Service

1. Develop and update service standards.

To date, only telecommunications service standards have been promulgated (3 AAC 52.200-3 AAC 52.340). Standards should be developed for electric, water/sewer, and other utilities. Once developed, standards must be updated to keep current with changing conditions.

2. Field Testing

Only actual on site testing can determine the quality of service provided. It is planned to have an Engineer I "on the road" about 40% of the time who will use specialized test equipment and will audit outage logs to determine the level of service provided by utilities. The engineer will also analyze service problems and determine whether they are caused by faulty or insufficient equipment or poor management control. Emphasis will be placed in telecommunications which is particularly sensitive to service problems where localized minor problems often affect the entire network. For example, poor operator answer time, aside from irritating customers, causes needless use of long distance circuits for the sole purpose of ringing the operator. This in turn distorts usage data and leads to major expenditures for unnecessary equipment additions. Another example is the underprovision of low cost terminal equipment which causes backups in the satellite network.

3. Review of service reliability and contingency plans. Age and reliability of primary and backup equipment will be considered to determine their adequacy. It is planned to study the economic feasibility of providing equipment diversity. Commission involvement seems also necessary to encourage utilities to develop and maintain contingency plans for emergency situations.

4. Review adequacy of system design.

On site review of existing and planned additions to facilities frequently reveal bottlenecks and weak spots which require urgent correction. Beside on site review, it is planned to maintain usage trend data of principal equipment and facilities to pinpoint potential deficiencies.

5. Test accuracy of long distance billing.

Long distance billing is performed by equipment that is integral with central office switching machines. For this reason, the testing of the accuracy of this billing lies with the APUC rather than the Weights & Measures Section.

6. Investigation of Quality of Service Complaints.

This work consists in conducting special investigations related to specific customer complaints.

Management Review

1. Evaluation of Utility Construction Programs.

Construction programs will be reviewed to determine whether they are adequate to meet current and future service needs. Work will consist in ferreting out weak points and in determining whether plans are compatible between utilities. Included will be discussion with utilities whether corrective action is practical and a review regarding practical implementations of new or alternate technologies (e.g., energy sources). It is expected that economic studies will be made or reviewed where alternate courses of actions are possible. It is believed that Commission review of construction programs is especially necessary when such programs are dictated by parent companies in the lower 48 without much regard or appreciation of Alaskan needs.

2. Productivity Studies.

Labor costs and productivity will be examined for reasonableness. This will include a comparison of productivity rates between companies and include a careful review of cases where productivity rates in Alaska deviate from those in the lower 48.

3. Maintenance Programs.

Utility maintenance programs will be evaluated through examination of records and routine maintenance procedures.

4. Investigation of Management Troublespots.

Programming is now underway to establish computer auditing of utility annual reports. It is planned to have computerized ratio and trend analysis pinpoint possible management trouble spots which subsequently will be investigated (e.g., strong deviations from the mean of General & Administrative expenses per customer; excessive uncollectibles per customer, etc.).

### Certification/ transfers

Applications for, or transfers of a certificate of public convenience and necessity require an investigation in the applicant's fitness, willingness and ability to operate the contemplated utility service. Engineering applies this criterion to the review of the applicant's plans, of his management, engineering and operational strengths, and coordinates with the finance section in determining financial fitness.

### Special Projects

These will primarily consist in the establishment of new methods and procedures for the engineering section.

ENGINEERING, ENVIRONMENTAL PROTECTION  
AND PLANNING SECTION  
FY 81 BUDGET  
(In Thousands)

	Allocated FY 81 Budget	Comparable Salary Increment		Adequate Staff Increment	Adjusted FY 81 Budget
100 Personal Services	\$300.3	\$16.2	(1)	\$139.7	\$456.2
200 Travel	16.3		(2)	8.3	24.6
300 Contractual Services	7.8		(3)	20.8	28.6
400 Commodities	1.7		(4)	.2	1.9
500 Equipment	<u>1.0</u>	_____	(5)	<u>3.8</u>	<u>4.8</u>
Total	<u>\$327.1</u>	<u>\$16.2</u>		<u>\$172.8</u>	<u>\$516.1</u>

(1) Engineer II - CAMV \$ 38,592  
 Engineer II - Energy 38,592  
 Engineer I - Energy 31,258  
 Engineer I - Telecom 31,258  
\$139,700

(2) Staff Audits \$ 2,500  
 NARUC School 1,200  
 NARUC Meetings 1,400  
 Industry Schools 1,200  
 Compliance Investigation 2,000  
\$ 8,300

(3) Postage and Telephone \$ 2,400  
 Office Space 16,500  
 Maintenance of Equipment 1,000  
 Training Fees 900  
\$ 20,800

(4) Office Supplies \$ 200

(5) Office Equipment \$ 3,800

C. Communication Carrier Section

- Organization Chart
- Principal Programs
- Adjusted FY 81 Budget

COMMUNICATIONS CARRIERS SECTION  
 FY 81 BUDGET  
 (In Thousands)

	Allocated FY 81 Budget	Comparable Salary Increment		Adequate Staff Increment	Adjusted FY 81 Budget
100 Personal Services	\$ 46.6	\$ 3.3	(1)	\$ 86.0	\$135.9
200 Travel	6.4		(2)	3.5	9.9
300 Contractual Services	3.3		(3)	8.8	12.1
400 Commodities	1.0		(4)	.4	1.4
500 Equipment	<u>          </u>	<u>          </u>	(5)	<u>2.1</u>	<u>2.1</u>
Total	<u>\$ 57.3</u>	<u>\$ 3.3</u>		<u>\$100.8</u>	<u>\$161.4</u>

(1) Utility Economist                   \$38,592  
 Research Analyst II                 29,164  
 Clerk Typist III                     18,243  
\$85,999

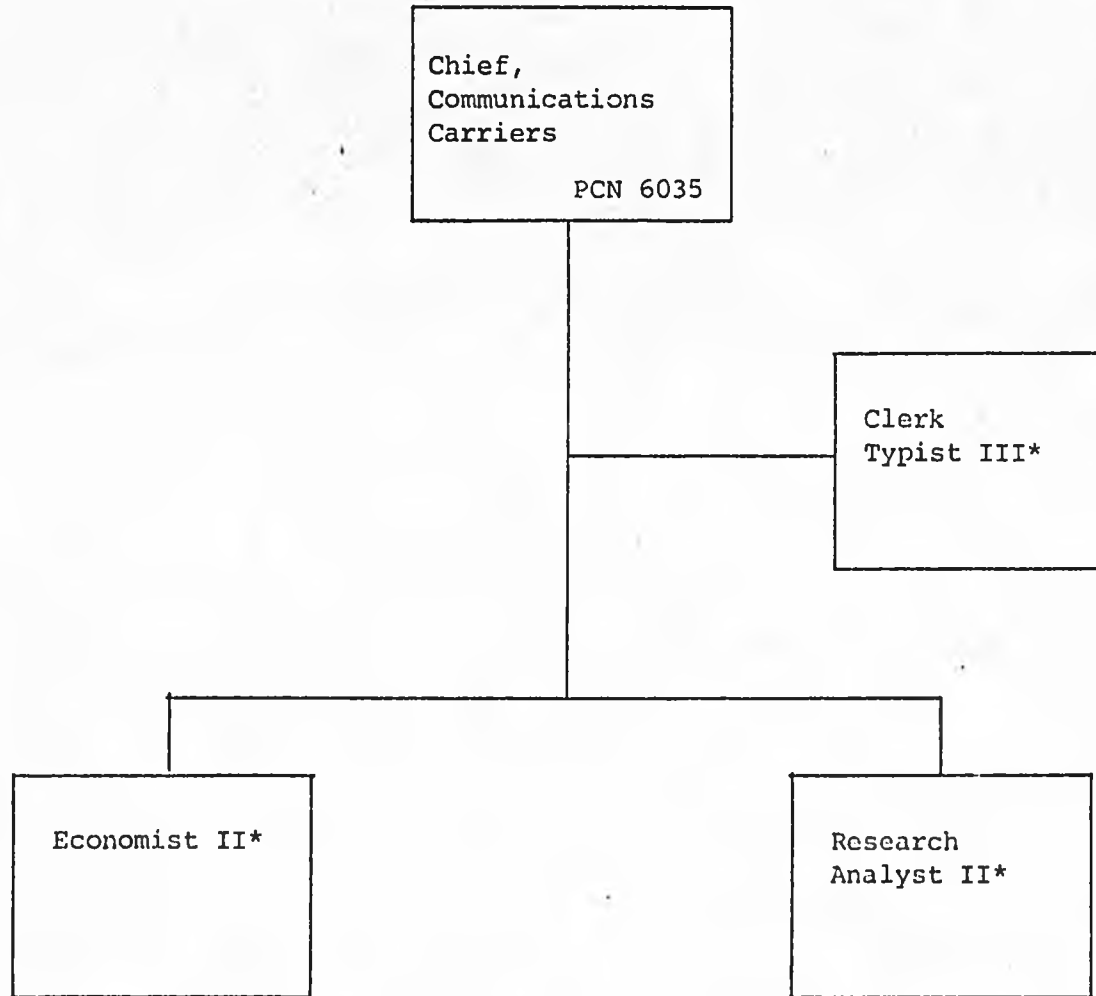
(2) Administrative                     \$ 900  
 NARUC School                         1,200  
 NARUC Meetings                     1,400  
\$ 3,500

(3) Printing                            \$ 1,000  
 Office Space                         7,800  
\$ 8,800

(4) Office Supplies                   \$ 400

(5) Office Equipment                 \$ 2,100

ALASKA PUBLIC UTILITIES COMMISSION  
COMMUNICATIONS CARRIERS ORGANIZATION CHART



\*New position requested.

## PRINCIPAL PROGRAMS IN COMMUNICATION CARRIERS

### COMMUNICATIONS ACT REWRITE

Congress and the Administration are currently considering amending the Communications Act of 1934, the legislation that created the Federal Communications Commission. Four bills have been introduced, two in the Senate and two in the House, and the Administration is aggressively promoting its own proposal through the National Telecommunications and Information Agency.

Some of the proposals would drastically alter the arrangements under which telephone companies are interconnected. Specifically at issue is the division of toll revenue between long distance companies and local companies. One proposal is that the present system of toll settlements be replaced by a system of "access charges".

Just as the viability of telephone service in Alaska is sensitive to specific toll settlement arrangements, it would be similarly sensitive to specific access charge or other arrangements. It is essential that the APUC monitor rewrite progress and provide input as appropriate.

### TOLL RATE DESIGN

In considering Alascom's request for a permanent general rate increase (Docket U-78-4) the APUC has elected to separate the issue of toll rate design and first consider the

question of an "across the board" rate increase. The first phase of the proceeding is expected to reach a conclusion in the near future and the Commission will soon begin consideration of rate design.

Rate design is the process whereby, having determined the utility's overall revenue requirement, the Commission determines specific rates for specific services. Toll rate design answers such questions as whether a call from Anchorage to Iliamna should cost more than a call from Anchorage to Juneau, considering that the distance is smaller but the cost of completing the call may be greater.

Toll rate design is a very complex matter and will require a great deal of attention by the Section as well as the services of one or more consultants.

#### RURAL TELEPHONE DEVELOPMENT

Although telephone service is generally available to all Alaskans, many villages are served by only a single telephone. In the past few years, few companies have applied to the APUC for certification to provide local exchange service in villages, and a small number of villages are presently receiving such service.

Local exchange operation in a village is, unfortunately, an economically marginal operation. The viability of a local exchange company is very sensitive to the toll settlements arrangements (or access charge arrangements that may be instituted by a

Communications Act rewrite) in effect. To insure continued rural telephone development, it is essential that the Commission, through this Section, monitor the progress of rural telephone developments and the economic health of the small local exchange companies.

#### STATE NETWORK DEVELOPMENT

As the State's telecommunications needs grow, so its telecommunications network must grow to meet those needs. The network must provide a sufficient number of circuits of adequate quality, and in addition, the circuits must be reliable.

The network will meet needs only if it is developed in accordance with good engineering practice. To insure proper network development, the Section must, with the support of the Engineering Section, monitor the process.



Alaska State Legislature

# TELECONFERENCE HEARINGS



SUBJECT: *APUC*

COMMITTEE: *SENATE COMMERCE COMMITTEE*

DATE: *3/13/80*

TIME: *1:30*

SITES PARTICIPATING: *ALL*

CONFERENCE MODE: *Audio*

LOCATION: *Soldotna*

MODERATOR: *Rhoda Eady*

NOTES:

CONFIRMATION OF CONFERENCE  
CENTER: \_\_\_\_\_

PUBLICITY: *Committee made*

Invitational -

	Date	Quantity
PSAs	_____	_____
News releases (local)	<i>Clavin Chieha Crosby</i>	<i>4 papers</i>
News releases (outlying media)	<i>} KSRN. } KBB1</i>	<i>} radio</i>
Direct mail	_____	_____
Phone contacts	<input checked="" type="checkbox"/>	_____
Other:		

NUMBER IN ATTENDANCE 1  
NUMBER TESTIFYING 0



# TELECONFERENCE HEARINGS



Please Print.  
To be returned to Teleconference Moderator.

PARTICIPATION FORM

NAME NORMAN WALLIS

Here to Testify           

REPRESENTING PENINSULA

Here to Observe   ✓  

SANITATION

MAILING ADDRESS P.O. Box 599, KANAI AK zip 99611

TELEPHONE NUMBER 262-4127

BROADCAST CONSENT: This proceeding may be broadcast live or recorded for later broadcast by radio or television stations. Please indicate your consent by signing below:

Norman F. Wallis  
(signature)

EVALUATION: Have you participated in other legislative teleconferences? YES If so, how many? 3

How did you learn about this hearing?  
\_\_\_\_\_  
\_\_\_\_\_

Would you have participated in this hearing if the network were not available? NO

If yes, did you use the network  
\_\_\_\_\_ instead of travel  
\_\_\_\_\_ instead of phone conversations  
\_\_\_\_\_ instead of mailed testimony?

Are you also providing written testimony? \_\_\_\_\_

DATE 3/13/80 SUBJECT APUC LOCATION Seldotna

# TELECONFERENCE HEARINGS



SUBJECT: ALASKA PUBLIC UTILITIES COMM.

COMMITTEE: *Senate*  
~~SENATE~~ COMMERCE

DATE: MARCH 11, 1980, *Y Court 2-13-80 at 3:00 p.m.*

TIME: 3:00 PM

SITES PARTICIPATING:

CONFERENCE MODE: AUDIO

LOCATION: ROOM 301, S. O. B.

MODERATOR:

NOTES:

CONFIRMATION OF CONFERENCE  
CENTER: YES

PUBLICITY:

Invitational -

	Date	Quantity
PSAs	<u>3/7</u>	<u>3</u>
News releases (local)	<u>KTA Daily News</u> <u>KX3D</u> <u>KTKN</u>	<u>          </u>
News releases (outlying media)	<u>          </u>	<u>          </u>
Direct mail	<u>          </u>	<u>          </u>
Phone contacts	<u>          </u>	<u>          </u>
Other:		

NUMBER IN ATTENDANCE  
NUMBER TESTIFYING

*3/11*    *3/13*  
2    1  
0    1





# TELECONFERENCE HEARINGS



\*\*REVISED

TELECONFERENCE CONTACT SHEET

TAKEN BY Sioux

TOPIC: Ak. Public Utilities Comm.

CONTACT Jon Mathison

PHONE 465-3748

COMMITTEE: Senate Commerce

DATE SCHEDULED \_\_\_\_\_

DATE: 3/13/80 DAY: Thursday

LOCATION \_\_\_\_\_

TIME: 3:00 p.m. \*PST SCHEDULED DURATION: 2 hrs

MODERATOR \_\_\_\_\_

SITES PARTICIPATING: ALL

CONFERENCE MODE: Audio  Video \_\_\_\_\_

PUBLICITY:

PERSONS PARTICIPATING

SITE

chairman: Sen. Bradley

Juneau

\_\_\_ Invitational

\_\_\_ Committee making contacts

\_\_\_ PSAs                        
                                  date quantity

\_\_\_ News  
\_\_\_ Release                        
                                  date quantity

\_\_\_ Summary to be provided

\_\_\_ Text to be provided

\_\_\_ Quotes to be provided

\_\_\_ Direct  
\_\_\_ Mail                        
                                  date quantity

\_\_\_ Phone                        
                                  date quantity

\_\_\_ Post at Info. Office

\_\_\_ Post other local locations

SPECIAL NOTES:

JUNEAU LOCATION:

\*Beltz Rm, Capitol

POST-TELECONFERENCE NOTE:

Participants     0    

Observers     7    

Total     7



# TELECONFERENCE HEARINGS



Please Print.  
To be returned to Teleconference Moderator.

## PARTICIPATION FORM

NAME Malcolm Cheek Here to Testify ?  
REPRESENTING Matanuska Electric Assoc. Here to Observe   
(office) P.O. Box 1148 Palmer AK 99645  
MAILING ADDRESS (Home) P.O. Box 3010 Wasilla AK zip 99687  
TELEPHONE NUMBER 745-3231

BROADCAST CONSENT: This proceeding may be broadcast live or recorded for later broadcast by radio or television stations. Please indicate your consent by signing below:

Malcolm Cheek  
(signature)

EVALUATION: Have you participated in other legislative teleconferences? yes If so, how many? One  
How did you learn about this hearing?  
Public Notice

Would you have participated in this hearing if the network were not available? yes

If yes, did you use the network  
 instead of travel  
 instead of phone conversations  
 instead of mailed testimony?

Are you also providing written testimony? Have Already

DATE 3/13/80 SUBJECT Sunset Review - ABUC LOCATION

# TELECONFERENCE HEARINGS



Please Print.  
To be returned to Teleconference Moderator.

## PARTICIPATION FORM

NAME Henry H. Wutzl

Here to Testify \_\_\_\_\_

REPRESENTING MEA

Here to Observe X

MAILING ADDRESS P.O. Box 1148 zip 99645

TELEPHONE NUMBER 745-3231

BROADCAST CONSENT: This proceeding may be broadcast live or recorded for later broadcast by radio or television stations. Please indicate your consent by signing below:

\_\_\_\_\_  
(signature)

EVALUATION: Have you participated in other legislative teleconferences? \_\_\_\_\_ If so, how many? \_\_\_\_\_

How did you learn about this hearing?  
\_\_\_\_\_  
\_\_\_\_\_

Would you have participated in this hearing if the network were not available? \_\_\_\_\_

If yes, did you use the network

\_\_\_\_\_ instead of travel

\_\_\_\_\_ instead of phone conversations

\_\_\_\_\_ instead of mailed testimony?

Are you also providing written testimony? \_\_\_\_\_

DATE \_\_\_\_\_ SUBJECT \_\_\_\_\_ LOCATION \_\_\_\_\_

=====

147 SELDOVIA, CITY OF *not required* WATR  
P. O. DRAWER B 907-234-7643  
SELDOVIA, AK 99663

---  
MAYOR JOHN N. COLBERG -N/A-  
CITY MANAGER ELAINE M. GILES -N/A-  
ATTORNEY HAHN, JEWELL & STANFILL 907-279-1544

=====

59 SEMLOH SUPPLY *not required* ELEC  
LAKE MINCHUMINA 907-939-0000  
ALASKA 99623

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PARTNER MRS. FRANCIS HOLMES -N/A-  
ATTORNEY GEORGE YEAGE -N/A-

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258 SETTLERS BAY PROPERTIES INC. WATR  
P. O. BOX 1080  
WASILLA, AK 99687

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✓MANAGER RICHARD ROMER -N/A-  
ATTORNEY MICHAEL R. SPAAN 907-279-9403

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259 SETTLERS BAY PROPERTIES INC. SEWR  
P. O. BOX 1080  
WASILLA, AK 99687

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✓MANAGER RICHARD ROMER -N/A-  
ATTORNEY MICHAEL R. SPAAN 907-279-9403

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108 SEWARD, CITY OF ELEC  
P. O. BOX 337 907-224-5214  
SEWARD, AK 99664

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MAYOR RAYMOND L. HUGLI -N/A-  
CITY MANAGER CLARENCE E. JOHNSON -N/A-  
ATTORNEY HUGHES, THORNESS, GANTZ, POWELL 907-274-7522

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109 SEWARD, CITY OF SEWR  
P. O. BOX 337 907-224-5214  
SEWARD, AK 99664

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MAYOR RAYMOND L. HUGLI -N/A-  
CITY MANAGER CLARENCE E. JOHNSON -N/A-  
ATTORNEY HUGHES, THORNESS, GANTZ, POWELL 907-274-7522

=====

110 SEWARD, CITY OF WATR  
 P. O. BOX 337 *not registered* 907-224-5214  
 SEWARD, AK 99664

---

MAYOR	RAYMOND L. HUGLI	-N/A-
CITY MANAGER	CLARENCE E. JOHNSON	-N/A-
ATTORNEY	HUGHES, THORSNESS, GANTZ, PUWELL	907-274-7522

=====

143 SITKA ALASKA TELEVISION, INC. CATV  
 P. O. BOX 8500 *Same as Ketchikan TV* 907-225-3875  
 KETCHIKAN, AK 99901

---

PRES & GENERAL MANAGER	R. D. JENSEN	000-000-0000
✓CHIEF ENGINEER	E. WALACE CHRISTIANSEN	000-000-0000
ATTORNEY	JULIAN L. MASON	907-276-4331

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SITKA	MICHAEL T. WHITE	907-747-3535
	P.O. BOX 439 SITKA, AK 99835	

=====

199 SITKA DISPOSAL SERVICE GARB  
SEE ROBERT MARLOW & GEORGE CHAPMAN D/B/A 907-747-8267  
 P. O. BOX 1373  
 MARCH DISPOSAL  
 SITKA, AK 99835

=====

25 SITKA TELEPHONE COMPANY TELE  
 P. O. BOX 257 907-747-6667  
 SITKA, AK 99835 907-747-3309

---

PRESIDENT	ROBERT W. BUNKE	-N/A-
✓VP, OPERATIONS/GEN. MGR	R. J. CUSHING	000-000-0000
ATTORNEY	FRED O. EASTAUGH	907-586-3340

=====

100 SITKA, CITY AND BOROUGH OF ELEC  
 BOX 79 *not registered* 907-747-3294  
 SITKA, AK 99835

---

MAYOR	BEN F. GRUSSENDORF	-N/A-
ADMINISTRATOR	FERMIN GUTIERREZ	-N/A-
ATTORNEY	PETER S. HALLGREN	-N/A-

=====

101 SITKA, CITY AND BOROUGH OF SEWR  
 BOX 79 907-747-3294  
 SITKA, AK 99835

---

MAYOR	BEN F. GRUSSENDORF	-N/A-
ADMINISTRATOR	FERMIN GUTIERREZ	-N/A-
ATTORNEY	PETER S. HALLGREN	-N/A-

=====

102 SITKA, CITY AND BOROUGH OF  
BOX 79  
SITKA, AK 99835

WATR  
907-747-3294

*not registered*

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MAYOR BEN F. GRUSSENDORF -N/A-  
ADMINISTRATOR FERMIN GUTIERREZ -N/A-  
ATTORNEY PETER S. HALLGREN -N/A-

=====

181 SKAGWAY NETWORK TELEVISION  
P. O. BOX 233  
SKAGWAY, AK 99840

CATV  
907-983-2204

---  
PRESIDENT JACK W. BROWN -N/A-

=====

136 SKAGWAY, CITY OF  
P. O. BOX 415  
SKAGWAY, AK 99840

SEWR  
OFFICE 907-983-2297

---  
MAYOR ROBERT F. MESSELEE -N/A-  
CITY MANAGER GUILFORD D. ACKER -N/A-  
ATTORNEY WILLIAM RUDDY 907-586-3340

=====

137 SKAGWAY, CITY OF  
P. O. BOX 415  
SKAGWAY, AK 99840

WATR  
907-983-2297

*not registered*

---  
MAYOR ROBERT F. MESSELEE -N/A-  
CITY MANAGER GUILFORD D. ACKER -N/A-  
ATTORNEY WILLIAM RUDDY 907-586-3340

=====

132 SOLDOTNA, CITY OF  
P. O. BOX 409  
SOLDOTNA, AK 99669

SEWR  
907-262-9107

---  
MAYOR LORRAINE KNIGHT -N/A-  
ADMIN ASSISTANT BARBARA ERICKSON -N/A-  
ATTORNEY THEO L. CARSON, JR. -N/A-

=====

133 SOLDOTNA, CITY OF  
P. O. BOX 409  
SOLDOTNA, AK 99669

WATR  
907-262-9107

---  
MAYOR LORRAINE KNIGHT -N/A-  
ADMIN ASSISTANT BARBARA ERICKSON -N/A-  
ATTORNEY THEO L. CARSON, JR. -N/A-

=====

92 TANANA POWER COMPANY ELEC  
 P. O. BOX 96 OFFICE 907-366-7110  
 TANANA, AK 99777 *same as # 213*

---  
 OWNER CLIFTON ELLER -N/A-  
 ATTORNEY HENRY CAMAROT 907-279-9574

=====

95 THOMAS R. BREWER AND ROBERT T. GRIFFIN WATR  
 SUNNY SLOPES WATER SYSTEM OFFICE 907-694-9229  
 P. O. BOX 995 *bankrupt*  
 EAGLE RIVER, AK 99577

---  
 GENERAL MANAGER THOMAS R. BREWER -N/A-

=====

250 THORNE BAY COMMUNITY T.V. INC. CATV  
 P. O. BOX 105 *not regulated*  
 THORNE BAY, AK 99950

---  
 PRESIDENT MARTIN A. JETTON 907-882-3913  
 VICE PRESIDENT DANIAL ROCHESTER 000-000-0000  
 TREASURE ALLEN D. STRAHLE 000-000-0000  
 SECRETARY LYNDA M. BLUBAUM 000-000-0000  
 2 YEAR TRUSTEE ROY SHUMATE 000-000-0000

=====

240 TLINGIT-HAIDA REGIONAL ELECTRIC AUTHORITY ELEC  
 811 WEST 12TH STREET OFFICE 907-586-6966  
 JUNEAU, AK 99801

---  
 GENERAL MANAGER ROBERT MARTIN, JR., P.E. -N/A-  
 ATTORNEY ELY, GUESS & RUDD 907-586-3210

=====

106 UNALASKA, CITY OF ELEC  
 P. O. BOX 89 907-581-1251  
 UNALASKA, AK 99685

---  
 MAYOR ROYAL DE VANEY -N/A-  
 MANAGER JESSE L. BURTON -N/A-  
 ATTORNEY RICHARD PENNINGTON 907-272-5464

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113 UNALASKA, CITY OF WATR  
 P. O. BOX 89 907-581-1251  
 UNALASKA, AK 99685

---  
 MAYOR ROYAL DE VANEY -N/A-  
 MANAGER JESSE L. BURTON -N/A-  
 ATTORNEY RICHARD PENNINGTON 907-272-5464

=====

249 UNITED UTILITIES, INC. TELE  
P.O. BOX 4-2730 OFFICE 907-277-9653  
ANCHORAGE, AK 99509

---  
PRESIDENT VINOD BATRA 000-000-0000  
ATTORNEY B. RICHARD EDWARDS 907-276-5552

=====

202 VALDEZ ALASKA TERMINALS, INC. GARB  
3201 C ST. SUITE 600 *little contact* 907-835-4747  
ANCHORAGE, AK 99503

---  
PRESIDENT NEIL G. BERGT -N/A-  
VICE PRESIDENT ROBERT D. HEATH -N/A-  
ATTORNEY CHARLES E. COLE -N/A-

=====

130 VALDEZ, CITY OF SEWR  
P. O. BOX 307 907-835-4313  
VALDEZ, AK 99586

---  
MAYOR LYNN CHRYSTAL -N/A-  
CITY MANAGER GEORGE W. FELSCH -N/A-  
ATTORNEY HUGHES, THORSNESS, GANTZ/POWELL 907-274-7522

=====

131 VALDEZ, CITY OF WATR  
P. O. BOX 307 907-835-4313  
VALDEZ, AK 99586

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MAYOR LYNN CHRYSTAL -N/A-  
CITY MANAGER GEORGE W. FELSCH -N/A-  
ATTORNEY HUGHES, THORSNESS, GANTZ/POWELL 907-274-7522

=====

241 VALLEY WATER UTILITY, INC. WATR  
P.O. BOX 7-3450 907-488-6181  
FAIRBANKS, AK 99707 AFT HRS 907-488-2086

---  
PRESIDENT VERN STILL -N/A-  
VICE PRESIDENT WANDA STILL -N/A-  
ATTORNEY RON NOEL 000-000-0000

=====

201 WALLACE A. CROW D/B/A GARB  
TONGASS SANITATION 907-225-5561  
P. O. BOX 7701  
KETCHIKAN, AK 99901

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OWNER WALLACE A. CROWE -N/A-

---  
ATTORNEY PAUL CROWE 907-349-4727  
SRA BOX 4262 ANCHORAGE, AK 99502

=====

71 WEISNER TRADING CO.  
RAMPART  
ALASKA 99767

---

*not regulated*

ELEC

ATTORNEY

CHARLES E. COLE

-N/A-

=====

54 WHITTIER TELEPHONE COMPANY  
3028 EAST TUDOR ROAD  
ANCHORAGE, AK 99507

---

*check company* 907-277-3614

TELE

✓ OFF MGR/OWNER  
PLANT MGR

BERNICE H. PALMER  
LAWRENCE PALMER

-N/A-

-N/A-

=====

238 WHITTIER, CITY OF  
CITY HALL  
WHITTIER, AK 99502

---

*not regulated*

WATR  
907-472-2337

MAYOR  
ATTORNEY

CECIL F. ZEIGLER  
BEN ESCH

-N/A-

907-276-2272

=====

239 WHITTIER, CITY OF  
CITY HALL  
WHITTIER, AK 99502

---

SEWR  
907-472-2337

MAYOR  
ATTORNEY

CECIL F. ZEIGLER  
BEN ESCH

-N/A-

907-276-2272

=====

222 WILLIAM H. & RICHARD K. BULEN D/B/A  
KODIAK SANITATION  
P. O. BOX 442  
KODIAK, AK 99615

---

GARB  
907-486-5308

✓ PARTNERS  
ATTORNEYS

WILLIAM H. & RICHARD K. BULEN  
FRANCIS NOSEKEN HANCOCK

-N/A-

907-274-2606

=====

251 WIRE COMMUNICATIONS, INC. D/B/A GREATLAND TELEPHONE  
P.O. BOX 3566  
FT. WAINWRIGHT, AK 99703

---

OFFICE 907-356-1000

PRESIDENT  
GENERAL MANAGER  
✓ TELEPHONE MANAGER  
ATTORNEY

HUGH Z. SMITH  
WILLIAM H. ROMPA  
JOHN WETHERINGTON  
B. RICHARD EDWARDS

000-000-0000  
000-000-0000  
000-000-0000  
907-276-5552

=====

158 WPTV, INC. CATV  
2150 NORTH 107TH, SUITE 100 *same as* 206-362-2286  
SEATTLE, WA 98133 *KOTV*

---  
PRESIDENT MERLE H. DAVIS -N/A-  
VICE PRESIDENT THOMAS R. DAVIS -N/A-  
ATTORNEY JOHN M. STERN JR. 907-276-3402

---  
ST MGR-WRANGELL MS. CHARLETT MOODY 907-874-3292  
BOX 510, WRANGELL, AK 99929  
ST MGR-PETERSBURG MS. BETTY PHILBIN 907-772-3292  
BOX 510, PETERSBURG, AK 99833

=====

111 WRANGELL, CITY OF ELEC  
P. O. BOX 531 907-874-2381  
WRANGELL, AK 99929

---  
MAYOR SAMUEL R. PRIVETT -N/A-  
CITY MANAGER JAMES R. EIDE -N/A-  
ATTORNEY EDWARD A. STAHLA -N/A-

=====

112 WRANGELL, CITY OF WATR  
P. O. BOX 531 *not requested* 907-874-2381  
WRANGELL, AK 99929

---  
MAYOR SAMUEL R. PRIVETT -N/A-  
CITY MANAGER JAMES R. EIDE -N/A-  
ATTORNEY EDWARD A. STAHLA -N/A-

=====

229 WRANGELL, CITY OF SEWR  
P. O. BOX 531 907-874-2381  
WRANGELL, AK 99929

---  
MAYOR SAMUEL R. PRIVETT -N/A-  
CITY MANAGER JAMES R. EIDE -N/A-  
ATTORNEY EDWARD A. STAHLA -N/A-

=====

53 YAKUTAT POWER, INC. ELEC  
P. O. BOX 257 907-784-3248  
YAKUTAT, AK 99689

---  
PRESIDENT FREDERICK O. MILLER -N/A-  
ATTORNEY NORMAN C. BANFIELD 907-586-2210

=====

180 YAKUTAT, CITY OF WATR  
P. O. BOX 6 *not requested* 907-784-3323  
YAKUTAT, AK 99689

---  
MAYOR LARRY POWELL -N/A-  
WATR/SEWR MAINT MAN ROBERT ANDERSON 907-784-3323

=====

180 YAKUTAT, CITY OF		CON'T
---		
ATTORNEY	HUGH FLEISCHER	907-279-5528

264

TELE

MANLEY UTILITY COMPANY, INC.

907 672-3112

MANLEY HOT SPRINGS

AK 99576

PRESIDENT  
OWNER

JERRY L. HOOK  
JERRY L. HOOK

ASCE strongly supports efforts to assure the public health, safety, and welfare through the competent practice of engineering, but we do not recommend mandatory additional requirements for relicensing at this time. We believe that such a requirements at this time would not result in overall strengthening of the system of engineering licensing and could be counterproductive.

There is no record proving that the present licensing procedures are not providing adequate protection for the public.

Our licensing requirements successfully measure the qualification of registrants to offer services to the public in accordance with the Model Law and Model Rules. However, the competence of the applicant depends on how he or she uses those qualifications. This is much more difficult to evaluate. We rely on:

- a. the registrants' integrity and ethics not to accept those assignments for which the engineer is not competent; and
- b. on the profession to monitor the engineer's performance, and
- c. on the registration boards to consider license revocations for unethical and unprofessional work.

This is as it should be and these processes are serving the public's best interest.

Re-examining the engineer in fundamentals will not establish competence. Also, keeping a record of the number of hours devoted to professional development will not establish competence. Adequate procedures for determining the registrant's competence and use of sound judgment are very complex. To administer such complex procedures would be extremely difficult, if not actually impossible.

Although ASCE does not favor additional requirements for renewal of licenses at this time, we currently support licensing of engineers and insuring their competence in the following ways:

- a. Nearly 90 percent of ASCE members in the United States are licensed as Professional Engineers or Engineers-in-Training.
- b. Licensure is a requirement for admission to membership in ASCE at the grade of Fellow.
- c. A four-year degree in engineering is a requirement for advancement to higher grades of membership in ASCE.

an important hallmark of a profession is acceptance by the members of that profession of responsibility for the education and training of those people preparing to enter its practice, as well as for their continuing professional development.

In view of this responsibility and the special requirements of civil engineering practice, the American Society of Civil Engineers acknowledges the need to devote a substantial portion of its energy and resources to civil engineering education. In addition, as members of the American Society of Civil Engineers, it is the responsibility of individual practitioners to participate directly in both on-campus and off-campus educational activities and to provide substantial economic and other support for professional education and training.

- e. ASCE designs and conducts Continuing Education courses for engineers and issues Continuing Education Units of credit to those who complete the courses.
- f. ASCE sponsors and conducts innumerable educational conferences for engineers annually.
- g. ASCE publishes 15,000 journal pages of new civil engineering literature annually for the continuing education of engineers.

We are convinced that the membership of ASCE would experience no difficulty in meeting requirements which might be established for demonstrating continuing competence as a criteria for relicensure. This matter does not give us reason for concern. However, we are concerned with the fact that only about one-third of the total engineering population hold valid professional licensure. And while about 65 percent of the civil engineering population are licensed, only about 28 percent of the remaining engineering population are licensed. We believe it is in the public interest that all practicing engineers be licensed and that priorities in improving registration laws be given to:

1. modifying the Model Law so that persons who are responsible for performing professional engineering work in industry and public and private institutions and agencies are required to be registered in the state of their residence;
2. increasing efforts to license all practicing engineers; and
3. increasing efforts toward the enforcement of Engineering Practice Acts as they now exist.

We believe that increasing the percentage of engineers who are licensed is more important to the public welfare than adding more requirements for those currently licensed. As the above steps are effected, the demonstration of continuing proficiency for relicensing should be considered as a refinement to engineering registration laws.

- d. Responsible charge of engineering work is a requirement for advancement to higher grades of membership in ASCE.
- e. ASCE designs and conducts Continuing Education courses for engineers and issues Continuing Education Units of credit to those who complete the courses.
- f. ASCE sponsors and conducts innumerable educational conferences for engineers annually.
- g. ASCE publishes 15,000 journal pages of new civil engineering literature annually for the continuing education of engineers.

We are convinced that the membership of ASCE would experience no difficulty in meeting requirements which might be established for demonstrating continuing competence as a criteria for relicensure. This matter does not give us reason for concern. However, we are concerned with the fact that only about one-third of the total engineering population hold valid professional licensure. And while about 65 percent of the civil engineering population are licensed, only about 28 percent of the remaining engineering population are licensed. We believe it is in the public interest that all practicing engineers be licensed and that priorities in improving registration laws be given to:

1. modifying the Model Law so that persons who are responsible for performing professional engineering work in industry and public and private institutions and agencies are required to be registered in the state of their residence;
2. increasing efforts to license all practicing engineers; and
3. increasing efforts toward the enforcement of Engineering Practice Acts as they now exist.

We believe that increasing the percentage of engineers who are licensed is more important to the public welfare than adding more requirements for those currently licensed. As the above steps are effected, the demonstration of continuing proficiency for relicensing should be considered as a refinement to engineering registration laws.

#### IV SUNSET LAWS

##### 1. History and Current Status

"Probably no single act has had a more profound influence on the present status of engineering and land surveying Boards than the enactment during the past two years of the Sunset Laws." These were the words used in a report of the Public Information Committee of the National Council of Engineering Examiners (NCEE) to express their concern over legislation which has been enacted in 30 states, as of July 1978.

A Sunset Law is a state statute specifically aimed at improving the accountability of state agencies through mandatory periodic review. Should an agency (which would include entities such as departments, divisions, bureaus, commissions, councils, and boards) fail to justify its continued existence, its programs would automatically terminate unless recreated by legislative action.

Proliferation of the Sunset Laws has been a response to the public's disillusionment with the continued existence of defunct agencies with their attendant costs. The positive results anticipated by these laws are: 1. forcing a legislature to perform its often-neglected oversight responsibility; 2. shifting the burden of proof to an agency to show that it is truly performing a public service; 3. requiring public hearings on extending agencies so that citizen and consumer groups may have a voice; 4. providing for the automatic termination of those agencies which don't measure up.

Engineering is but one of the many professions, trades, and commissions affected by the Sunset Laws. While their enactment and proper implementation are admirable there is a latent concern over whether some deleterious effects may be experienced by the engineering community. NCEE's Public Information Committees also has this to say:

"It is clear that with the advent of Sunset Legislation, it will be incumbent upon regulatory agencies to justify their existence. While it is not anticipated that engineering registration boards will encounter difficulty in convincing legislators of the need for their continuance, there is much concern about inadvertent lapses, abolishment of old laws and their replacement by new ones, and the impact on 'grandfather' clauses and comity among the states."

## ENGINEERS MAY BE AFFECTED

Of greatest interest and concern to engineers is that the regulation of engineering may be swept along with the current legislative tides and that engineers will become increasingly embroiled with:

- (a) The definition of professional engineering as defined in the NCEE "Model Law",
- (b) The need of proof of continued competence as a requirement for license renewal,
- (c) Zero-based budgeting for the State Boards of Examiners,
- (d) Federal licensing as a possible answer to comity.

At this time of Sunset Law generation and application in certain stages, it is imperative for engineering managers and the practicing engineer to be aware of the potential effects these laws may have on the technical operations of both the corporate and private practice of engineering. Some aspects of the implications of these laws follow.

### A BROADER DEFINITION

A typical Sunset Law is a state statute which has as its fundamental concept the improvement in accountability of the various agencies and entities through which state government is conducted. The laws generally provide for a periodic review and performance audit of the group with automatic termination unless there is re-authorization by the State Legislature.

The format of these laws is generally similar: purpose of the statute, identification of the agencies to be audited, dates of automatic termination, nature of the audit and time between audits, e.g. life-span of the agency. Many statutes cite the authorizing statute for the agency, which automatically terminates at the time the agency ceases to exist.

### HISTORY OF SUNSET LEGISLATION

April 22, 1976, was the date of the first Sunset Law. This was passed in the 50th General Assembly of the State of Colorado. Other states followed in quick order: Florida, June 17, 1976; Louisiana, July 30, 1976; Alabama, August 24, 1976. The movement proliferated to the extent that as of June, 1978, a total of 30 states had enacted similar laws.

In drafting the Sunset Statutes some states grasped the opportunity to apply zero-based budgeting to their agency operations. In effect, the budgets should not automatically be continued, but should be built from scratch each year with every item justified. Additionally, legislation was directed in some states toward a requirement of continuing education courses as proof of competency for license renewal. (Note: Iowa already has such a requirement in its statute regulating the practice of professional engineering. Iowa Senate Bill 312, New Laws 1977, page 217.

A wide range of agencies and occupations is covered under the various Sunset Laws. Colorado, for example, put 39 agencies under its Sunset Law including those responsible for chiropractors, cosmetologists, collection agencies, and shorthand reporters. Other states have fewer agencies covered, many have more. Indiana includes 395 under its law! With professional engineering being but a tiny part of the whole that occupies the attention of the legislator, the need for close monitoring of these laws is apparent.

#### COMMON ELEMENTS IN THE LAWS

While the 30 state statutes have differing language, most have common elements such as the following:

1. The Automatic Termination of the Agency. Usually the terminal dates are staggered by groups of agencies.
2. The Performance Audit. The audit is usually performed by various means; by a House-Senate committee, or by an oversight or standing committee. The burden of proof rests with the board or agency which must justify its existence to show that it is performing a vital public service.
3. Public Hearings. Testimony is received from (a) the public; (b) a department responsible for regulating the agencies; (c) the agency itself. The key words in most legislation read to this effect: "(the agency) shall have the burden of demonstrating a public need for its continued existence and extent to which a change in type or transfer may increase the efficiency of administration or operation of the agency."
4. Legislative Action. The legislature is forced to join in the procedure to perform its often previously neglected oversight responsibilities.

5. Fixed Agency Life. Provisions are made for the maximum life of the entity between reviews - typically 6 years.

Note should be made that most states provide for orderly shutdown and disposal of the assets of those agencies which are not reinstated.

#### A SAMPLE OF AN AUDIT

Criteria for the performance audit vary significantly from state to state, but Florida's statute has often been used as a good example:

Section 5. In determining whether to reestablish a program or function, the Legislature shall consider the following criteria:

- (1) Would the absence of regulation significantly harm or endanger the public health, safety, or welfare?
- (2) Is there a reasonable relationship between the exercise of the state's police power and the protection of the public health, safety, and welfare?
- (3) Is there another less restrictive method of regulation available which could adequately protect the public?
- (4) Does the regulation have the effect of directly or indirectly increasing the costs of goods or services involved, and if so, to what degree?
- (5) Is the increase in cost more harmful to the public than harm which could result from the absence of regulation?
- (6) Are all facets of the regulatory process designed solely for the purpose of, and having as their primary effect, the protection of the public?

Other measures that are mentioned are:

- (7) What is the efficiency of the formal complaint action?
- (8) What is the extent to which changes are necessary in the existing laws to adequately comply with the above factors?

There is the political consideration in any administration of these laws. Specifically, there are fees of various sorts related to the licensing procedure and since these are income-producing entities, that in itself will no doubt have a bearing on decisions.

Sunset Laws represent a new legislative concept, and it is too early to predict with any degree of certainty the effect they may have on existing engineering registration boards. In Colorado, which had the first Sunset Law, engineering has not been audited. Two agencies in the state were abolished; two were combined; two transferred; two reactivated; and five extended for one year. Both the Courts and the Governor became involved in some of the decisions leading to the foregoing. In Nevada, meanwhile, the Legislature failed to reinstate the engineering law and enacted a new law in lieu thereof. The old board was consequently abolished and the Governor subsequently appointed a new Nevada board.

A review by a Montana state legislative committee in late 1978 concluded that engineering and land surveying registration functions should be continued, pro tem.

Perhaps a better idea of what may be expected may be seen in the words of the Sunset Research Director, Department of Regulatory Agencies, State of Colorado: "Probably the major useful effect of Sunset is the agencies' anticipation of the potentially critical reports the process can produce. Files suddenly become better organized, records better kept; meetings are longer and more oriented to the public interest. The threat of termination is not very real. We think that the Sunset process is an effective way of improving legislation, but it seems to be happening more internally on agency and executive branch initiative than through major legislative changes."

#### IMPLICATIONS FOR THE PRACTICE OF ENGINEERING

The impact that these laws may have on the profession of engineering were touched upon by J.G. Johnstone in addressing the February, 1978, NSPE Intersociety Meeting on Registration in Chicago. He stated, "The problem with Sunset review is the same problem that has been faced by other inadequately comprehended 'systems' with a catchy name. The essence of Sunset review is evaluation - program evaluation and organizational and administrative evaluation of an agency in an holistic context. The real risk is that governments will adopt the name Sunset but leave out its essence, and thereby discredit the name as other systems have been discredited.

"There is no doubt that consumer-advocate and government reform-oriented organizations such as Common Cause and the United States Chamber of Commerce will continue to press unrelentingly for Sunset Legislation. It is imperative, therefore, that the State Engineering Registration Boards be prepared to submit to state reviewing authorities a comprehensive report justifying and supporting their continued existence. Failure to do so may result in the deregulation of the professional practice of engineering and land surveying, which course of action may operate to the detriment of the public."

It appears that four key areas will play a part in determining whether examining boards are re-established:

- . Zero-based Budgeting
- . Continuing Education
- . Adoption of NCEE "Model Law"
- . Federal Licensing in Answer to Comity

Zero-based budgeting was a cornerstone promise of the present Federal Administration and was endorsed by Governor after Governor. Involved here is a delicate balance of income vs. service to the public and political considerations will play an important role.

Continuing education is being considered as proof of continued professional competence. The concept of such a proof as a prerequisite to renewal of licensing has been argued for years. The NCEE Public Information Committee report emphasizes the point that continuing pressures will force consideration of proof of competence into the Sunset Law audits. The State of Iowa has taken steps in this direction. In 1977 it adopted a continuing education law which mandates continuing education as a requirement for license renewal for all state licensing boards. A "blueprint" for implementing this legal requirement has been prepared and was reported upon by John M. Littschwager in the Annual Conference Proceedings - 1978, American Society for Engineering Education.

The major problems in the mandatory continuing education approach fall into two areas.

- . The difficult attempt to express continuing education requirements in terms of widely-recognized and uniform measurement units.
- . The need to establish guidelines, including guidelines for the monitoring of licensee participation, and for the approval of programs that qualify under the continuing education requirements proscribed.

The approach to a solution has been to conceive the "Professional Development Hour" (PDH). This unit is then defined in recognized educational units such as university credit, Continuing Education Units (CEU), professional practice, etc. Record keeping, multiple branch registration, and many other variables are covered. There are several implications in the continuing education approach:

Implication for Industry - This plan could be adopted by many states and spread like wildfire. Industry would be forced to allocate resources - dollars and time - to meet such an engineering competence requirement.

Implication for technical societies - They would have to get aboard the bandwagon by getting their continuing education programs legally sanctioned.

Implication for the practicing engineer - He would have to allocate time and effort to satisfy the legal requirements.

Adoption of NCEE "Model Law" - The definition of professional engineering under the "Model Law" includes the work done on consumer products. Adoption of such a definition would negate the so-called "manufacturers, exemptions" in the state statutes that have such exemption and/or would be tantamount to mandatory registration by those professional engineers in industry and education who would fall within the definition.

Only one state - Montana - has such a statute at the present time and enforcement has been minimal since its administration is so complex. Industry - in general - is opposed to the adoption of the Model Law Definition. The appeal at the time of a Sunset Audit may be on the side of mandatory registration or licensing of professional engineers.

Federal Licensing in Answer to Comity - Uniformity among the state board requirements for licensing is practically non-existent since the wording of the statutes varies so much. Uniform examinations are almost "universal" but other requirements show no such uniformity. While this may be only a distant threat, the Sunset Law Audits will focus upon and amplify these differences so that the "Appeal" of Federal regulation (licensing) will become more acceptable to those concerned with comity and multiple licensing. The problems a corporation has in moving engineering personnel from state-to-state would be eliminated with Federal licensing.

TRACKING THE FUTURE WITH EPIC

The Sunset Laws are the result of legislative pressures and actions - largely consumer-oriented. The laws vary and action is not static. Being aware of these is a first order of business and a tabulation has been maintained by EJC to provide a ready reference. Meanwhile, miscellaneous bills are still in various legislative hoppers. The EJC Engineering Practices Information Center will continue to track the status and action on Sunset Laws and related education.

NOTE: The information in Section 1, above is quoted from the EJC Engineering Practices Information Center Bulletin #1, August 1978, with the addition of information concerning review results in Montana. The following tabulation, supplementing this report, is also taken from this source.

# Sunset Laws



	LAW  CITATION	EFFEC- TIVE DATE	TERMI- NATION DATE	Number Boards Affected	Life after Death  Mos.	Total Life  Yrs.	Lead Times  Mos.
			Engr.				
ALABAMA	Chapt. 512-S-128	8/24/76	10/1/78	104	6	4	4
ALASKA	H-1-1977-P.287	5/30/78	6/30/80	22	12	4	4
ARIZONA	S 1001-Chapt. 210 Laws 1978	6/14/78	7/1/81	71	6	6	17
ARKANSAS	Act 100-1977-H-5	2/3/77	6/30/81	257	12	N.A.	3
CALIFORNIA	None—In Session						
CANAL ZONE	-----						
COLORADO (1)	H-1088-1976-P.51	4/22/76	7/1/82	39	12	6	12
CONNECTICUT (2)	PA-77614-S357	1/1/79	7/1/82	94	12	5	6
DELAWARE	None						
DISTRICT OF COLUMBIA	None						
FLORIDA (3)	Chapt. 76-168	6/17/76	7/1/78	90	60	6	12
GEORGIA (4)	Act. 613-1977-S-44	3/24/77	7/1/79	43	12	6	6
GUAM	-----						
HAWAII (5)	Act. 70-1977-S-460	5/10/77	12/31/82	39	N.A.	6	12
IDAHO	None—Adjourned						
ILLINOIS	None						
INDIANA (6)	S-43-Laws 1978	3/10/78	6/30/81	395	Orderly	N.A.	15
IOWA	None—Recessed						
KANSAS (7)	H-2976 Laws 1978	5/10/78	7/1/81	37	12	6	12
KENTUCKY	None (2 bills failed to pass in 1978)*						
LOUISIANA (8)	Act 277-1976-S-28	7/30/76	7/1/80	Note	0	4	24
MAINE (9)	MRSA Sect. 505-H-2229 C.683	3/29/78	6/30/80	122	12	5	6
MARYLAND	Chapt. 808-1978-S.405 P.2035	5/29/78	7/1/82	62	12	6	12
MASSACHUSETTS	None						
MICHIGAN	SCR-471-1976-P.267	7/1/76	Special—Provides for Committee to Study methods of evaluation.				
MINNESOTA	None—Adjourned						
MISSISSIPPI	None—Adjourned						
MISSOURI	None						

\* Verified



	LAW CITATION	EFFEC- TIVE DATE	TERMI- NATION DATE	Number Boards Affected	Life after Death Mos.	Total Life Yrs.	Lead Times Mos.
			Engr.				
MONTANA	S6-162 Sec. 82-4601 Chap. 562	5/12/77	7/1/79	46	12	6	22
NEBRASKA	LB-257-1977	5/16/77	7/1/83	46	12	6	9
NEVADA	NV-ACR-50 Not in Session '78	4/15/77	Directs Legislative Comm. to Study				
NEW HAMPSHIRE	Chapt. 436-1977 Also H 45X	7/5/77	Last date 7/1/85	N.A.	9	N.A.	N.A.
NEW JERSEY	None—Recessed						
NEW MEXICO (10)	Chapt. 259-1977-H-133	See Note	7/1/78	44	9	6	N.A.
NEW YORK	None—In Session						
NORTH CAROLINA	Chapt. 712-1977-S-334	7/1/77	7/1/79	102	12	N.A.	6
NORTH DAKOTA	None—Not in session '78						
OHIO	None—Recessed						
OKLAHOMA (11)	S-138-1977 Page 13	3/10/77	7/1/80	111	12	6	12
OREGON	H-2323-1977 Chapt. 842	7/27/77	July 1982	44	0	8	18
PENNSYLVANIA	None						
PUERTO RICO	-----						
RHODE ISLAND (12)	S-1069-1977 Chapt. 260	5/13/77	Not Cov.	29	12	5	12
SOUTH CAROLINA	None						
SOUTH DAKOTA (13)	SB-48-1978 Page 481	2/17/78	Pilot Study	5	6	N.A.	N.A.
TENNESSEE	Chapt. 452-1977-HB-937	5/26/77	6/30/80	208	12	6	N.A.
TEXAS	S-54-1977 Page 2507	8/15/77	9/1/81	177	12	12	14
UTAH	S-63-1977 Chapt. 240	3/22/77	7/1/79	All	12	6	12
VERMONT	Act 183-H-3751-1978	4/5/78	7/83	30	N.A.	5	21
VIRGINIA (14)	Chapt. 388-1978-S24	3/30/78	NOTE	28	N.A.	N.A.	N.A.
VIRGIN ISLANDS	-----						
WASHINGTON	None—Not in Session '78						
WEST VIRGINIA	None—S-63 Vetoed						
WISCONSIN	None						
WYOMING	None						

ABBREVIATIONS

- |                                  |                       |                       |
|----------------------------------|-----------------------|-----------------------|
| 1. Comm.—Committee or Commission | 3. H.B.—House Bill    | 6. Perf.—Performance  |
| 2. H. & S.—House and Senate      | 4. Leg.—Legislative   | 7. P.L.—Public Law(s) |
|                                  | 5. N.A.—Not available | 8. Std.—Standing      |

## NOTES

- (1) **Colorado**— See also S-34 New Law 1978 & Sec. 24-34-104 CRS
- (2) **Connecticut**— Section 572-584
- (3) **Florida**— Chapt. 77-457-1977-S-1238 changes termination to 7/1/79
- (4) **Georgia**— Dates Revised by Act 1407-S458-1978
- (5) **Hawaii**— Impact statement required
- (6) **Indiana**— Governor may delay the date on which any agency program is abolished for one year.
- (7) **Kansas**— Very complex law
- (8) **Louisiana**— Termination noted since Engineering Board is under Dept. of Transportation & Development. Zero base budget.
- (9) **Maine**— Chapt. 683 P.L. 1978 House Bill 2229 repeals MRSA Sec. 505 enacted by P.L. 1977 Chapt. 554, Sec. 1.
- (10) **New Mexico**— Chapt. 189-Laws 1978-H.B. 237, P. 621— Renews State Board of Registration for Professional Engineers for a period of 6 years beginning July 1, 1978. Approved March 6, 1978. *Continuing education* considered as a requirement. The Board could not agree on procedures.
- (11) **Oklahoma**— Adds 20 Agencies to be reviewed with Legislature at time of new term for Governor.
- (12) **Rhode Island**— Hearings must be 3 months prior.
- (13) **South Dakota**— House Bill 1355-New Laws 1978-Page 339 applies "Sunset" principles to rules and regulations.
- (14) **Virginia**— Very complex requirements. Final Termination 7/1/87.

## DEFINITIONS

1. **Agency**— shall mean to include all departments, divisions, bureaus, commissions, councils and boards, or like governmental units or subunits regulatory in nature or otherwise.
2. **Comity**— kindly courteous behavior; the informal and nonmandatory courtesy sometimes referred to as a set of rules to which the courts of one sovereignty often defer in determining questions (as of jurisdiction or applicable precedent) where the laws or interests of another sovereignty are involved.
3. **Lead time**— Time at which review or audit shall begin prior to next meeting of legislature or termination date of the agency.
4. **Performance audit**— shall mean the same as operational audit.
5. **Termination**— shall mean the end, abolishment or annulment of any agency or the act of causing the existence to cease.



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2. Justification for State Registration Laws

A Position Paper Proposed by the Committee on Registration of Engineers. Adopted by the Board of Direction October 15, 1978.

Since Wyoming adopted a law in 1907 to register professional engineers, all states have enacted similar legislation to establish a relatively uniform registration process. The Board of Direction of the American Society of Civil Engineers, on October 27, 1973, approved a policy by which it, "endorses, supports, and promotes the registration of Professional Engineers, as being in the best interest of the public." The Society agrees that the purpose of registration laws is the protection of public health, safety, and welfare; that this purpose is best served by requiring a demonstration of education, special knowledge and skill, and experience as the necessary qualifications for the practice of engineering and land surveying. Since the public does not ordinarily have the ability to judge the competence of engineers and land surveyors, it has elected to delegate this responsibility to the individual State Boards of Registration.

A growing number of State Legislatures have enacted laws, called Sunset Laws, which have the general purpose of abolishing outmoded and unneeded governmental agencies and programs. Boards of Registration for Engineers and Land Surveyors, by inclusion in this group of agencies and programs, must justify their existence.

The ASCE supports, in principle, the process of periodic review of government agencies and programs including Boards of Registration of Professional Engineers and Land Surveyors. The Society is confident that the engineering profession, together with the individual State Boards, will demonstrate to State Legislatures that registration is in the best interest of the public; in fact, that it is essential to the protection of the public health, safety and welfare in matters pertaining to engineered works and systems.

Therefore, the Society encourages all its members to actively assist and support Boards of Registration in their efforts to demonstrate the value to the public of the Registration Laws. The intent of the laws is not to protect the profession but to identify those who possess the necessary qualifications to practice Engineering and Land Surveying. While it is essential for the states to exercise their authority through the legislatures and the courts, and to view the consequences of their laws, they are not in a position to set standards of technical competence, or control the various levels of practice, nor is the general public able to exercise

this responsibility. It is incumbent upon the members of the Engineering Profession to demonstrate that they are qualified to set standards of education and experience for registration, that they can impose rules of professional conduct and that they are in the best position to maintain a continuing watch over the technical competence of practicing engineers and land surveyors, in the best interest of the public.

Therefore, it is the position of The American Society of Civil Engineers that:

1. Professional registration is for the sole purpose of protecting the public safety, health and welfare;
2. Benefits do accrue to the public from registration laws and consumer protection is provided by maintenance of standards of competence and rules for professional conduct;
3. Registration laws promote efficiency in the regulation of engineering and land surveying practice;
4. Direct use of the courts or membership in engineering societies do not provide comparable coverage and effectiveness as do registration laws;
5. The costs of regulation by State Boards of Registration are more than offset by the fees, and, therefore, the Society reaffirms its policy of October 27, 1973 on Registration of Engineers, and urges all its members to assist State Boards of Registration in demonstrating to their Legislatures the value and necessity of continuing the individual state registration laws in the public interest.

V. Selected References

1. Model Laws for Engineering Registration and for Land Surveying. National Council of Engineering Examiners.
2. Registration of Professional Engineers and Land Surveyors in the United States. (A compendium of General Information). NCEE.
3. Digest of Court Decisions on the Registration of Professional Engineers and Land Surveyors. NCEE.

4. Synopsis of State Engineering Registration Laws, Policies and Procedures of State Boards. NCEE.
5. Synopsis of State Land Surveying Registration Laws, Procedures Under Which State Boards Operate. NCEE.
6. NSPE Committee Report on Sunset Laws, Justification for Continuation of State Registration Boards. National Society of Professional Engineers.
7. "Issues Related to Licensing of Architects, Engineers and Land Surveyors": a report prepared by R.E. Fadum, Dean Emeritus, North Carolina State University at Raleigh for the North Carolina Governmental Evaluation Commission, January 1979. (Copy attached).

DAB/ny  
1-9-79

Issues Related to Licensing  
of  
Architects, Engineers and Land Surveyors

Ralph E. Fadum  
Dean Emeritus  
North Carolina State University  
at Raleigh

January 1979

1. Should there be legal requirements to regulate the practice of architecture, engineering and land surveying?

Recognizing that any law that regulates one's right to work abridges a fundamental freedom, we understand that there must be compelling reasons to establish boards of registration the purposes of which are to discriminate between those judged to be competent and those not to be so, and thus, to regulate one's right to practice. Foremost among such reasons is the objective to protect the safety, health and welfare of the general public by excluding from among those who represent themselves to be practitioners, those who are competent and those who are not so.

The lay public does not in general have the capability of determining whether or not a person who represents himself to be a practitioner in these fields is, indeed, qualified and competent to render the required service. The consequences of retaining an incompetent practitioner can result in the impairment of the health, safety and welfare of the client. Because of improper design a structure may collapse, because of faulty surveys properties may not be properly recorded, and because of improper planning aesthetic values of the environment may be lost. Thus, there is a need to maintain boards of registration to regulate the practice of architects, engineers and land surveyors.

Our investigation has assured us that there is strong support for the continuance of the N.C. State Board of Registration for Professional Engineers and Land Surveyors and for the N.C. State Board of Registration for Architects. This support comes from those affected by the authority of these agencies in North Carolina as well as throughout our fifty states and five territories in each one of which a similar board exists, and with many of which we have reciprocal and comity agreements. Indeed, North Carolina would be greatly disadvantaged in securing competent professional services from practitioners from other states and territories and practitioners from North Carolina would find it much more difficult to practice outside our state borders if it unilaterally abolished our licensing boards in these fields.

Therefore, we strongly recommend that the Board of Registration for Professional Engineers and Land Surveyors and the Board of Registration for Registered Architects be continued.

2. Should there be a legal requirement for determining professional competence for relicensure?

In addressing this issue, it appears desirable first to distinguish between registration or licensure and certification, both of which are used in the credentialing process. It is our understanding that licensure is a process by which a state certifies those persons who may practice, the purpose being to protect the public from unqualified practitioners. Certification on the other hand is a process by which professional societies identify practitioners of the specialties served by those societies. Certification has no legal basis while licensure has. Here, we are concerned only with licensure and, in particular, relicensure.

For entry into a profession as a licensed practitioner, the candidate submits to examinations primarily designed to determine whether or not he is qualified by knowledge and experience to meet minimum requirements to practice. These examinations cannot determine his competence. The very best formal education does not guarantee competence. Competence depends on how one uses his qualifications and this is very difficult to measure objectively.

There is no debate concerning the need for a professional to maintain his competence. The issue is whether or not there should be a legal requirement with respect to insuring this. An examination of the issues concerning legal requirements to seek to insure that a licensed practitioner has maintained his competence and entailing some form of testing or record keeping leads us to conclude the following.

Competence is a very subjective matter and it is very difficult to measure. It is difficult if not impossible to legislate learning. The amount of formal education, the number of short courses attended, and the number of books read give no assurance of the benefits gained by these activities. Thus, a record of these activities would not be very useful as a measure of one's competence.

To establish a legal requirement for relicensure would discriminate against the licensed practitioner who represents a relatively small percentage of all practitioners. Thus, it might deter some who are not registered from registering. This would be counterproductive in our effort to increase the percentage of practitioners who are licensed. We believe that increasing the percentage of practitioners who are licensed is more important to the public welfare than adding more requirements for those currently licensed.

There is no evidence to demonstrate that there is a need to establish legal requirements for relicensing. A practitioner knows

that it is in his own self-interest, not only to maintain his competence, but also to improve on it. His livelihood depends on it. He therefore, has a great deal of incentive voluntarily to maintain and improve his competence.

We believe the public interest is best served when the practitioner accepts as he does now responsibility for his own professional development. Our educational institutions and professional societies have a good record of providing opportunities for practitioners to maintain and update their competence. Practitioners on the whole have made good use of these opportunities for professional growth. If the extent of the voluntary effort that is being made by practitioners to keep abreast of developments were known, it is most likely that one would conclude that there is no justifiable need for establishing legal requirements for relicensure.

Administering mandatory standards to insure professional competence would be most difficult because of the great variety of specialties in which these professions are engaged. For example, it has been estimated that there are over one hundred different engineering degree programs offered by U.S. engineering colleges alone. Here it should be noted that it is only because there are many common bodies of knowledge required for entrance into these professions that the initial examinations are valid. As time goes on, however, the degree of commonality diminishes and the point is reached when examinations become meaningless.

It should be noted that state licensing statutes give boards extensive disciplinary control through the exercise of the police powers of the state. We are persuaded that the present disciplinary provisions provided by the statutes as well as those prescribed by professional organizations serve to protect the public to the maximum extent practical and affordable.

In consideration of these observations, it is our recommendation that legal requirements for relicensure not be enacted. We believe that the public interest is best served when the architectural, engineering and land surveying professions accept, as they do now, responsibility for their own professional development.

3. Should exceptions be made to allow certain categories of practice to be exempt from compliance with licensure requirements?

The current law provides that "any person who shall practice or offer to practice engineering, land surveying or architecture in North Carolina without first being registered in accordance with the provisions of the law shall be guilty of a misdemeanor." After having established this requirement, however, the statutes provide for the following exceptions by stating that nothing in the statute shall be construed to prevent or affect a number of categories of practice. These categories include practice by members of the armed forces or employees of the government of the United States while engaged in practice solely

for the government on government owned works and projects, engaging in practice under the responsible charge of a professional or registered engineers, the practice of so called internal engineering by a person, firm, or corporation engaged in manufacturing, processing, or producing a product including the activities of public service corporations, public utility companies and authorities, state agencies, railroads or membership cooperatives, etc. Because of exclusions such as these, we find nationwide, in engineering that approximately 30% of engineers are licensed. Twenty percent voluntarily obtain licenses, whereas ten percent obtain licenses in order to comply with legal requirements relating to their practices. Thus, it can be seen that because of exceptions that are made only a relatively small number of engineers are required to be licensed in order practice their profession.

We believe that the principle that unqualified persons should be prevented from practicing is sound and in the public interest. Establishment of an effective licensing program is a means toward that end. Accordingly, we recommend that registration be required of all individuals performing architectural, engineering and land surveying functions or using titles that represent them to be architects, engineers or land surveyors. In substance, it is recommended that all exemptions be removed so that those who are responsible for performing professional architecture, engineering or land surveying in industry and public and private institutions and agencies be required to be registered in the state of their residence.

4. What, if any, division or spheres of responsibility should be delineated for the architect and engineer?

Engineering involves a great variety of specialty fields including for example, electrical engineering; civil engineering including sanitary engineering, transportation engineering, structural engineering, soil mechanics and foundation engineering; nuclear engineering; industrial engineering; and, mechanical and aerospace engineering. Indeed, some two dozen specialty fields of engineering are commonly recognized. Furthermore, within each of these fields, engineers perform a great variety of functions, including planning, design, production or construction, operations, maintenance and technical sales. Architecture, likewise, includes not only different specialty fields but functions, such as planning, design, supervision of construction, etc.

Some of the specialty fields in which architects and engineers are engaged do overlap. Others fall clearly within the responsibility of one or the other group. Similarly, some of the functions performed by the architect and engineer are common. Others are unique to each profession. In those fields and functions that involve joint participation by the architect and engineer, a decision needs to be made as to who should have prime responsibility. In such instances, we recommend that any legal provisions be made flexible and that it be left to the professionals involved to determine which of the professions should have prime responsibility.

With respect to licensing procedures, clearly the architectural profession should be responsible for establishing requirements for registration for architects just as engineers should be required to establish qualifications for registration for engineers.

R.E. Fadum  
17 January 1979

REF/ny

Abstracts of Reference Materials  
 Related to  
 Issues Concerned with Relicensing  
 of Professional Engineers  
 for the  
 N.C. Governmental Evaluation Commission

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1. Memorandum from Charles Willis, P.E., Secretary Consulting Engineer Council of North Carolina (an affiliate of the American Consulting Engineers Council) to Paul Vick, Chairman, N.C. Governmental Evaluation Commission dated October 18, 1978.

As related to continuing education for relicensure the emphasis should be placed on continuing professional competence rather than on "continuing education." Education in itself is not sufficient to insure competence, and it is unrealistic to lead the public to believe that their interests are protected by requiring continuing education.

2. Memorandum from B.A. Harrell, Counsel for PENC to PENC Officers, undated.

Continuing Education courses should not be a pre-requisite to renewal of licenses.

3. Paper entitled "Continuing Education - A Requirement for Recertification," by Monroe W. Kriegel, P.E., Oklahoma State University (prepared for a Southern Zone Meeting of N.C.E.E.) dated April 7, 1978.

Registration or licensure is a process by which individual states identify persons for inclusions in their registers of professional engineers and certify that they may practice engineering. The purpose is to protect the public from unqualified practitioners. Certification is a relatively new process by which some technical societies identify individuals as practitioners of the specialties served by those societies. Registration has a well defined educational base as an entry point into the profession. Certification, on the other hand, is a process to define specializations of practice and to identify for the public and employers qualified practitioners of that specialty. Recertification is a service of the society and serves as an additional credential of the individual. The motivation for recertification is peer recognition. Certification and recertification have no legal basis while licensure and relicensure have. Thirteen engineering related societies operate certification and recertification programs. The admission requirements are almost always below those of the minimum educational requirements for entering the registration process. (None of the founder societies such as ASCE, ASME, IEEE, etc. have

certification programs, but several have this matter under consideration.)

The big question is how to establish a basis for measuring continued professional competence as a justification for relicensure. The real issue is whether or not the registrant has remained professionally competent. Continuing formal education is the first but only one aspect of maintaining continued competence. The problem with continuing education is the lack of an acceptable unit of measurement. (A CEU equals ten contact hours of participation in an organized continuing educational activity under responsible sponsorship, capable direction and qualified instruction.) The second basis for relicensure would involve furnishing a set of credentials. This would be difficult to quantify. A third method for relicensure would be to simply accept the requirements for recertification as established by the professional engineering societies as a basis for relicensure. The examination and recordkeeping would be difficult and expensive. It could be recalled, however, that only a very few societies have these certification programs.

There is one certification program that has been long established. This is the specialty certification in environmental engineering offered by the American Academy of Environmental Engineers. The basis requirements for certification are:

1. Engineering degree or equivalent
2. Engineering license
3. Eight years of environmental engineering experience following graduation
4. Written examination
5. Oral tests

A fourth method, which Kriegel feels has great merit, is the one under study by the American Institute of Architects. A person must be a registered professional architect in order to be qualified for membership in the American Institute of Architects. Thus, he has essentially satisfied the licensure and basic certification requirements when he enters the Institute. AIA is working hard on the development of a recertification program providing a mechanism for permitting an architect to remain a member of AIA but not being a requirement for a renewal of his license. Although continuing education is a large part of the requirement, there are other aspects involving self-studies, meeting attendance and demonstrated knowledge of recent "tools of the trade" in each person's particular area of specialty. What will finally come out is a jointly developed program in which certain interested educational institutions will be involved in providing facilities for retraining but actual teaching will be done by a combination of practitioners and

faculty. It is Kriegel's feeling that engineering needs to follow somewhat the same pattern but probably on an individual state basis rather than on a national basis. The leadership should be taken by the practicing professional engineers because they are the ones that have the most at stake.

In concluding his statement, Kriegel advises that NCEE should continue to resist pressures to legalize relicensure requirements. He points out that it can be well documented that professional engineering societies including all of the Founder Societies have large and rapidly growing continuing education programs that help members maintain professional competence. Universities also provide opportunities for professional growth. All of these programs reach both registered and non-registered engineers.

4. N.C.E.E. Preliminary Position Paper on "Continuing Professional Competence," dated August 1978.

Competence in the present context is referred to as being attained through basic ability and education, and then being developed by experience and continuing training and education, either formal or informal. The central questions are to what extent, if any, would mandatory CPC benefit the public, what would this cost the public, and if the public knew the true facts, would they vote to pay the cost? We should make clear at the outset that N.C.E.E. completely supports continued education and professional development and other aspects of CPC. It is our considered opinion, however, that no significant numbers of incompetent practitioners will be eliminated by mandatory CPC.

A great majority of professionals must continually develop their competence to survive in the market place.

There is no doubt that all professions need continuous upgrading. However, we believe that most engineers are doing this on a large and highly successful scale under the present voluntary system. If the magnitude of the voluntary effort were fully realized, it is likely that the public might well conclude that there is no justifiable need to increase their costs by creating new laws and regulations which would be required if we were to attempt to mandate and legally enforce CPC under the law. Indeed, it might have a negative effect due to the resentment and large scale dropping of licensing.

Another problem with mandating CPC is that engineering is such a diverse profession. Administering mandatory standards would be almost impossible. There are well over 100 different engineering degree programs offered by U.S. engineering colleges alone. Engineering is a vastly more fragmented profession than others, such as medicine, law, teaching, etc.

Another separate but inextricable related issue is the potential discrimination against licensed engineers. Of the approximately one

million engineers in the United States only 300,000 are registered by the state regulatory agencies. This low percentage is due to the exemption clauses written into the state statutes. The present system is a political fact of life. It represents the best current political solution which the public and legislatures have been able to develop. It would therefore seem discriminatory to apply further strictures on the approximately 30% of engineers who already take the trouble to become licensed, 20% voluntarily and 10% for private practice while imposing none of the 70% who remained unlicensed. To prevent such discrimination would require imposing CPC mandates on all engineers not just those who are licensed. Since the public at this point has not even seen fit to require licensing of all engineers, it is doubtful given all the facts they would want to spend the money to enforce additional mandatory CPC requirements on all engineers. This becomes even more doubtful if the public were truly informed on the probable cost of extending such a philosophy to cover all other licensed vocations and professions.

It should be noted that state licensing statutes give boards extensive disciplinary control through the exercise of the police powers of the state. We are persuaded that the present disciplinary provisions serve to protect the public to a maximum extent practical and affordable. A currently popular statement goes "if it ain't broke, don't fix it." Based on the foregoing discussion the following recommendations are offered:

1. Engineering societies should mandate for themselves a strong and intensive research and public relations program on CPC. A vigorous effort should then be launched on both the state and national level to disseminate the information to the public, to the consumers and to the state legislatures.
2. The societies should investigate and analyze the potential of programs under which one on a voluntary basis can obtain Continuing Educational Units through their journals.
3. The ECPD is the most logical entity to develop and implement an evaluation and monitoring system for the CEU value of CPC programs because of their long experience and status in this field.

This position paper will be sent to presidents of all engineering societies with a request that they place the topic on the agenda for their respective next board of director's meeting and give N.C.E.E, the benefit of their current thinking on the subject.

5. PENC Talking Paper on "Should Continuing Education be a Requirement for Renewal of Registration as a Professional Engineer or Land Surveyor?" dated September 26, 1978.

No system has yet been developed through which the requirement under the law will guarantee that the professional engineer or land surveyor

has done enough study to maintain specified degree of progress in his field. Systems under discussion have generally been considered impractical for several reasons. They are difficult and costly to implement. They rely on either self-evaluation or on an elaborate structure for assigning values to a multitude of educational programs and monitoring and recording progress and they still do not appear to guarantee competence. It is only because there are many common denominators in the initial process leading up to entrance into the profession that the early examinations are applicable. At later stages in the professional's career the differences in kinds of competence become greater. As time goes on the degree of commonality diminishes and the point is reached at which any examination becomes meaningless. We believe that the public interest is best served when the engineer accepts as he does now responsibility for his own professional development. The evidence that this is working well lies in the multitude of seminars, workshops and short courses that are sponsored by professional and technical societies, universities, community colleges, commercial organizations and attended by design professionals.

6. Paper entitled "The Mandatory Continuing Education Bandwagon - Should Professional Engineers Climb Aboard?" by Dr. Benjamin Shimberg, Associate Director, Center for Occupational and Professional Assessment, Educational Testing Services, publication not identified.

I think most professions would prefer to rely on the professional's own sense of responsibility for designing his own areas of competence. If one looks at what it would cost to mount and really carry out a comprehensive program of reassessment, the cost would certainly be staggering and perhaps prohibitive. The most incompetent, the least ethical, the most unprofessional practitioner would have no real difficulty staying in business because it is easy for him to meet mandatory continuing education requirements, and once he has done so, the law says he is competent. I would like to say that if you do not already have a mandatory continuing education law in your state, do not accept such a law as inevitable. Ask yourself: Do we need a mandatory continuing education law, and if such legislation is proposed, should we as a board work for its passage? A great deal of needless pain and suffering can be spared by seeking to discourage mandatory continuing education until the existence of a serious problem has been documented, and it has been determined that an education solution offers the best way of dealing with that problem. It is difficult if not impossible to legislate learning and its subsequent application.

7. Article entitled "Perils of Credentialism," by John Alden, New Engineer, October/November 1978.

Movements are building within engineering to promote various forms of credentialism. Most commonly advocated are specialty certification and changes in professional registration including eliminating the industrial exemption, permitting registration in specialties not now specifically covered by state laws, and requiring periodic re-

examination and registration on the basis of demonstrated continuing education or professional development.

Registration or licensing is the process by which governmental bodies at the state level in the United States qualify individuals to practice certain occupations and professions including engineering. The groups to be qualified are determined on the basis of their relationship to the health, safety or general welfare of the public.

Certification is somewhat similar to registration except that it is carried out by private professional organizations rather than by states.

Underlying credentialism in all of its forms, however, is the desire to protect the interest of the credentialed group by reserving certain kinds of work to it alone - and controlling the entry of outsiders.

I am convinced that credentialist efforts to monopolize the kinds of work we now know as engineering are restricting those jobs to registered professional engineers and they will lead ultimately to the designation of a small number of positions legally reserved for professional engineers and the elimination of many jobs now carrying the engineering title.

Another way in which I can see credentialism backfiring is in the increased vulnerability of individual engineers to liability suits. Today, except in cases of gross negligence, it is the corporation that is liable and individual engineers are protected by industrial exemption.

The profession should also recognize the financial burden both registration and certification will have on the individual engineers. Requirements to participate regularly in formal continuing education would add appreciably to the engineer's cost in time and money.

8. Paper entitled "Continuing Education: Boon or Boondoggle," by Roy L. Baber, Jr., Executive Director, PENC, The Professional Engineer, November/December 1978.

Continuing education is a must for any professional but the need to require it for licensing is questionable.

Until we have evidence that the public is not being served well by the present system or until the authorities who are trying to develop a satisfactory and well accepted control system for continuing education succeed, it would seem best that we do not attempt to mandate continuing education standards as a condition for license renewal.

We should determine in precise terms how the present system fails to protect the public, what additional protection is needed, feasible and cost effective, and whether mandatory continuing education can provide that protection, and if so, the details of the plan that should be enacted by the legislature.

9. Letter from C.E. Vick, President, Kimley-Horn and Associates to Paul Vick, Chairman, N.C. Governmental Evaluation Commission, dated December 4, 1978.

I endorse the concept that the protection of the health, safety and welfare of the public requires that professional engineers and land surveyors maintain their competence. To my knowledge this is happening under the present system. If there is a problem (real or perceived), we need to identify the specifics and design a course of action to specifically meet the identified problem. If this evaluation commission feels strongly about continuing education, I would suggest that the legislature establish a study commission made up of members of the legislature, the board of registration, the professional at large, and the public. This study commission would have a specific charge to identify the problem or potential problems of the existing system and recommend specific changes to GS 89 C to correct the problem areas. Continuing education is an extremely complicated matter and should be treated with great care.

10. Letter, dated November 7, 1978 from Eugene Zwoyer, Executive Director, ASCE, in response to a letter from R. E. Fadum dated October 25, 1978.

ASCE has not developed positions on specialty fields versus broad, general P.E. registration, inclusion of public members on boards or combined versus separate boards of the various design disciplines. I believe that we would find widely diversified opinions within the membership on these subjects.

ASCE advocated professional registration as a requirement for all individuals performing engineering functions or using engineering titles regardless of employment in the private sector or private industry or public service.

11. Paper entitled, "Remarks to N.C.E.E. on the Occasion of Their 57th Annual Meeting," by Eugene Zwoyer, Executive Director, ASCE, August 6-9, 1978.

ASCE strongly supports efforts to assure the public health, safety and welfare through the competent practice of engineering, but we do not recommend mandatory additional requirements for licensing at this time. We believe that such requirements at this time would not result in overall strengthening of engineering licensing and it could be counterproductive.

There is no record proving that the present licensing procedures are not providing adequate protection for the public.

Our licensing requirements successfully measure the qualification of registrants to offer services to the public in accordance with the model law and model rules. However, the competence of the applicant depends on how he uses these qualifications. This is much more difficult to evaluate. We rely on the registrant's integrity and ethics not to

accept those assignments for which the engineer is not competent and on the profession to monitor the engineer's performance and on the registration boards to consider license revocations of unethical and unprofessional work. Re-examining the engineer in fundamentals will not establish his competence. Also, keeping a record of the number of hours he devotes to professional development will not establish his competence. Adequate procedures for determining the registrant's competence and use of sound judgment are very complex. To administer such a complex procedure would be extremely difficult if not actually impossible.

We believe that increasing the percentage of engineers who are licensed is more important to the public welfare than adding more requirements to those currently licensed.

We urge modification of the model law to remove all exemptions so that persons who are responsible for performing professional engineering work in industry and public and private institutions and agencies are required to be registered in the state of their residence.

12. Letter dated December 7, 1978 from Donald G. Weinert, P.E., Executive Director, NSPE, in response to a letter from R. E. Fadum dated October 25, 1978.

We are all anxiously awaiting the experience which will emerge from the Iowa approach, but it will probably be a year or more before that procedure can be evaluated. Iowa is the only state to date to have enacted a mandatory recertification continuing education procedure. NSPE concurs that it is a must for engineers to keep up-to-date in their fields of practice in order to serve and protect the public interest. However, our current policy is that this responsibility should be met on a voluntary basis with input from the professional and technical societies to assist the members in meeting this requirement. I enclose NSPE Policy No. 122-A to reflect our position. The practical administration problems in a mandatory program are enormous and costly.

13. NSPE Professional Policy Statement Number 122-A, Continuing Professional Development.

NSPE Professional Policy Statement 122-A on continuing professional development includes the statement "NSPE favors personal acceptance of responsibility by the engineer for professional development and is opposed to legislation that would require a licensed professional engineer to pass a written examination or to submit evidence of continuing education activities as a condition for a license renewal. Such legal requirements are not necessary to protect the public, are impractical, difficult and costly to implement and ineffective as a means of assuring competence to practice engineering."

14. Paper entitled, "Continuing Education - Boon or Boondoggle," by Milton F. Lunch, General Counsel, NSPE, Consulting Engineer, June 1978.

The theory behind the mandatory education program for lawyers, doctors, and now proposed for engineers is philosophically sound, but the author implies that there are practical matters that need to be considered. For example, what course content is acceptable, who would decide and how whether an engineer who attended a seminar learned from it or dozed the time away. A mandatory continuing education law cannot take into account the most important single methods whereby professionals obtain their competence - their day to day work. Is the cost of administering, controlling and enforcing a mandatory continuing education program worth the cost? In spite of all these questions and doubts, however, the basic theory that the professions have an obligation to prevent unqualified persons from practicing is still sound. There is a far simpler and more effective way to reach that goal. To do it, the state boards need the moral support of the profession and the financial means to support an effective enforcement program through a team of trained investigators.

15. Michigan Society of Professional Engineers Policy with respect to Continuing Education, unpublished.

MSPE encourages all professional engineers to maintain their competency through active practice and continuing education activities, including professional meetings and self-education efforts. MSPE believes that a mandatory continuing education program as a condition of re-licensing, is not cost effective nor in the public interest and will seriously divert resources from needed enforcement activities and to meaningless bureaucratic data gathering efforts.

16. Paper entitled, "Qualifications for Continued Practice," by Francis E. Holland, P.E., member, Iowa State Board of Engineering Examiners, contained in a compilation entitled "Trends in Engineering Education," NSPE - Intersociety Conference on Engineering Registration, Chicago, February 7-8, 1978 and published by NSPE.

In 1977, the Iowa legislature enacted the first mandatory continuing education law for all state licensing boards. The law directs that each board including the Iowa State Board of Engineering Examiners develop a plan and program to implement the requirements which become effective on January 1, 1980.

In general, requirements are expressed in terms of Professional Development Hours (PDH). One hour of acceptable professional development equals one professional development hour. It goes on to equate 400 hours of practice to 10 PDHs; one semester of university credit to 45 PDHs, etc. It then stipulates that 80 professional development hours are required each year, etc.

17. Letter dated January 2, 1979 to Ralph E. Fadum, P.E. from Morton S. Fine, P.E., L.S., Executive Director, N.C.E.E., in response to an earlier letter requesting comments concerning various issues related to the "Sunset Law."

With respect to recertification, the official position is reflected in the enclosed statement. This position paper (reference no. 4) has recently been circulated to all engineering societies who are members of ECPD, EJC, and ACE for their comments. Few responses have been received to date, but when all responses have been received and evaluated the N.C.E.E. Board of Directors will probably issue a revised or final paper on this matter which I am sure you will see in due course.

18. "The Registration of Professional Engineers and Land Surveyors in the United States," N.C.E.E., 1978.

This is a very good compilation of matters related to registration in general. Included is the following statement concerning continuing professional development.

At the present time, state boards and engineering societies are discussing continuing education/professional development as a requirement for registration renewal. Discussions in this area have centered on whether basic requirements should be established for continued practice and whether, if established, the requirements should be mandatory or voluntary. Also, under discussion is the determination of a uniform method of measuring, evaluating, and reporting continuing professional development activities.

Iowa is the only state which has enacted legislation requiring the state board to implement continuing education/professional development requirements for licensure. The Iowa Board is currently studying methods for implementing this legislation. N.C.E.E. has offered to assist state boards in establishing uniform guidelines for continuing education/professional development criteria in the interest of maintaining uniform procedures among the state boards.

Quoting further from this document, there is a statement "It may be said that engineers and land surveyors have the finest professional registration system in the world." N.C.E.E. will continue to serve its member boards in the engineering profession by providing an organization through which state boards may "act and council together to better discharge their responsibilities in regulating the practice of engineering and land surveying for the protection of the public welfare and safeguarding life, health and property."

19. "Engineering Registration and the Law - A Review of Engineering Registration in 1977 - How the System Operates, What State Laws Require a Look into the Future," Morton S. Fine, P.E., L.S., IEEE Spectrum, October 1977.

Mandatory requirements for license renewal had been discussed for three or four years before the first mandatory statute was enacted in Iowa in July 1977. The statute mandates the state board to set up rules and regulations to implement the statute within a given time frame. N.C.E.E. hopes to coordinate with the Iowa Board so that guidelines can

be set up for the permissive use of all member boards of N.C.E.E. thereby retaining all the benefits of reciprocity/comity gained after so many years. It is anticipated that the passage of additional state statutes may accelerate in the future.

Finally, the adoption of mandatory degree requirement for licensure has moved slowly into the statutes but appears to be accelerating. Six states, Illinois, Kentucky, Michigan, Ohio, South Carolina, and Missouri, either have already implemented such requirements or have set dates for so doing.

REF/ny

R.E. Fadum  
January 12, 1979

Reference Materials

1. Memorandum from Charles Willis, P.E., Secretary, Consulting Engineer Council of North Carolina (an affiliate of the American Consulting Engineers Council) to Paul Vick, Chairman, N.C. Governmental Evaluation Commission dated October 18, 1978.
2. Memorandum from B.A. Harrell, Counsel for PENC to PENC officers, undated.
3. Paper entitled "Continuing Education - A Requirement for Recertification" by Monroe W. Kriegel, P.E., Oklahoma State University (prepared for a Southern Zone Meeting of N.C.E.E.) dated April 7, 1978.
4. N.C.E.E. Preliminary Position Paper on "Continuing Professional Competence" dated August 1978.
5. PENC - Talking Paper on "Should Continuing Education be a Requirement for Renewal of Registration as a Professional Engineer or Land Surveyor?" dated September 26, 1978.
6. Paper entitled "The Mandatory Continuing Education Bandwagon - Should Professional Engineers Climb Aboard?" by Dr. Benjamin Shimberg, Associate Director, Center for Occupational and Professional Assessment, Educational Testing Services, publication not identified.
7. Article - "Perils of Credentialism" by John Alden, New Engineer, October/November 1978.
8. Paper - "Continuing Education: Boon or Boondoggle," by Roy L. Baber, Jr., Executive Director, PENC, The Professional Engineer, November/December 1978.
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10. Letter, dated November 7, 1978 from Eugene Zwoyer, Executive Director, ASCE, in response to a letter from R. E. Fadum dated October 25, 1978.
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13. NSPE Professional Policy Statement 122-A Continuing Professional Development.

14. Paper entitled: "Continuing Education - Boon or Boondoggle," by Milton F. Lunch, General Counsel, NSPE, Consulting Engineer, June 1978.
15. Michigan Society of Professional Engineers Policy with respect to Continuing Education, unpublished.
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17. Letter dated January 2, 1979 to Ralph E. Fadum, P.E. from Morton S. Fine, P.E., L.S., Executive Director, NCEE, in response to an earlier letter requesting comments concerning various issues related to the "Sunset Law."
18. "The Registration of Professional Engineers and Land Surveyors in the United States," NCEE, 1978.
19. "Engineering Registration and the Law - A Review of Engineering Registration in 1977 - How the System Operates, What State Laws Require and a Look into the Future," Morton S. Fine, P.E., L.S., IEEE Spectrum, October, 1977.

STATE OF ALASKA

A PERFORMANCE REVIEW  
OF THE  
BOARD OF REGISTRATION FOR  
ARCHITECTS, ENGINEERS  
AND LAND SURVEYORS

May 11, 1979

A PERFORMANCE REVIEW  
OF THE  
BOARD OF REGISTRATION FOR  
ARCHITECTS, ENGINEERS  
AND LAND SURVEYORS

May 11, 1979

Commissioner of the Department  
of Commerce and Economic Development  
Deputy Commissioner of the Department  
of Commerce and Economic Development

Charles Webber

Bertram L. Wagnon

Members of the Board of Registration for  
Architects, Engineers and Land Surveyors

President  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member

Wallace I. DeBoff  
Jim Bridges  
Donald J. Cook  
Wayne K. Jensen  
James M. Lake  
Loren Lounsbury  
Paul Stutzman  
Gordon Unwin  
Wallace Wellenstein

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH WF—STATE CAPITOL

JUNEAU, ALASKA 99811

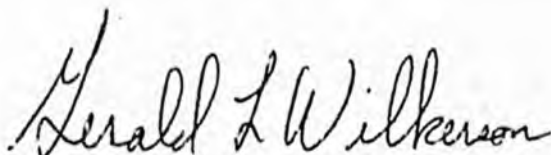
May 11, 1979

Members of the  
Legislative Budget and Audit Committee:

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

A PERFORMANCE REVIEW  
OF THE  
BOARD OF REGISTRATION FOR  
ARCHITECTS, ENGINEERS  
AND LAND SURVEYORS

May 11, 1979



Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

TABLE OF CONTENTS

	<u>Page</u>
Purpose and Scope of the Review. . . . .	4
Organization and Function. . . . .	6
Report Conclusion. . . . .	7
Findings and Recommendations:	
Board of Registration for Architects, Engineers and Land Surveyors . . . . .	9
Division of Occupational Licensing . . . . .	12
Analysis of Public Need. . . . .	14
Appendixes:	
A. Revenues Compared with Expenditures. . . . .	18
B. Administrative Statistics. . . . .	20
C. Questionnaire Sent to Board Members. . . . .	21
D. Questionnaire Sent to Registered Architects, Engineers and Land Surveyors . . . . .	26
E. Questionnaire Sent to Applicants Not Approved for Examination or Comity . . . . .	31
Responses:	
Department of Commerce and Economic Development . . . . .	33 (a)
Board Chairman Response. . . . .	34 (a)
Board Member Response. . . . .	35 (a)
Board Member Response. . . . .	36 (a)

## PURPOSE AND SCOPE OF THE REVIEW

### Purpose

In accordance with the intent of Alaska Statutes 24.20 .271(1) and 44.66.050 (sunset legislation), a review of the Board of Registration for Architects, Engineers and Land Surveyors was conducted to review Board activities and accomplishments to determine if the Board has been operating in an effective, efficient and economical manner.

As required by legislative intent, this report shall be considered during the legislative oversight function in determining whether the Board will be reestablished. The law currently specifies that this Board will terminate on June 30, 1980, but will continue until June 30, 1981 for the purpose of concluding its affairs.

### Scope

The major areas reviewed were the Board's operations and its licensing, examination, administration, complaint and affirmative action functions. Our review consisted of analyzing and evaluating the following:

- (1) Applicable statutes and Board regulations;
- (2) discussions with the Board and questionnaires sent to Board members;
- (3) tests of records and documents of the Board and the Division of Occupational Licensing (OL), Department of Commerce and Economic Development, for the years 1976-1978;
- (4) interviews with OL employees;
- (5) complaints filed with OL, the Ombudsman's Office, Consumer Affairs Agency and the Human Rights Commission during the period 1976 - 1978;
- (6) questionnaires sent to State registered architects, engineers and land surveyors; and
- (7) questionnaires sent to individuals whose applications were not approved.

## Scope Constraints

This review was hampered by the following constraints:

- (1) The Board has not established and reported financial and program plans as required by AS 37.07.050 nor has it developed and reported performance information regarding its effectiveness and accomplishments as required by AS 37.07.090 and AS 08.48.071.
- (2) OL has not adequately collected, recorded and maintained pertinent files and statistics relating to the Board to effectively and efficiently carry out its administrative responsibilities.

## ORGANIZATION AND FUNCTION

Architects, engineers and land surveyors have been licensed in Alaska since 1939, when the Territorial Board of Engineers and Architects Examiners was established. The structure and statutes that relate to today's Board date from Ch 179 SLA 1972, in which the Alaska State Board of Registration for Architects, Engineers and Land Surveyors was created.

As stipulated in AS 08.48, the Board has nine members consisting of two civil engineers, one land surveyor, one mining engineer, two engineers from other branches of the engineering profession and three architects. Members are appointed by the governor and serve staggered six-year terms. Board meetings are held at least four times a year.

The responsibilities of the Board include:

- a. The adoption of regulations enabling it to carry out the purposes of AS 08.48;
- b. the publication of a code of ethics;
- c. the formulation and administration of examinations;
- d. the review of applications; and
- e. enforcing the provisions of AS 08.48, through disciplinary actions or other procedures deemed necessary and in accordance with the Administrative Procedures Act (AS 44.62).

Except for specific exemptions provided for in AS 08.48.331, the practice of architecture, engineering or land surveying within Alaska is prohibited unless the practitioner is currently registered with the State. Although the statutes do not distinguish between the various branches of engineering, the Board has interpreted "professional engineering" to include chemical, civil, electrical, mechanical, mining and petroleum engineering. Accordingly, engineers are registered in the specific field for which they apply and are approved. In addition, corporate authorizations are required for corporations practicing architecture, engineering or land surveying within Alaska.

## REPORT CONCLUSION

### Policy Issues

This review contains policy issues raised as a result of our evaluation of various Board practices. The final policy decisions affecting these practices are not within the scope of this review but require legislative consideration. In debating these issues, the legislative oversight committees should consider the findings and alternatives presented in this report in reaching their decisions.

### Report Conclusion

In our opinion, the Board of Registration for Architects, Engineers and Land Surveyors should be continued. For the following reasons, we believe the regulation and licensing of architects, engineers and land surveyors is desirable to protect the public's health, safety and welfare:

- A. These professions involve structures and activities that could result in severe physical and financial harm if practiced by incompetent persons. Potential harmful results include collapsed structures, fires, pollution and extensive litigation, as well as large economic loss.
- B. The general public as well as the individual consumer is often directly affected by the professional's work. For example, the users of public buildings have as vital an interest in the structural integrity of a building as the owner does. Also, neighbors and subsequent land owners are impacted by inaccurate surveys or poorly designed structures or communities.
- C. Registered architects and engineers are involved not only with the construction but with the original design of structures, facilities and processes. Their seals on blue prints and building plans certify their approval of those plans, and accordingly assign them a good deal of professional and legal responsibility.
- D. In order to protect the public without unduly restricting individual rights, AS 08.48.331 exempts a wide variety of persons, activities and structures from requiring the services of a registered architect, engineer or land surveyor.

While the reasons above indicate that the Board should continue to license and regulate architects, engineers and land surveyors, certain changes need to be implemented in order for the Board to more effectively serve the public.

The make-up of the Board should be reviewed to provide better representation of the regulated professions and the general public. At least two lay members should serve on the Board (see Recommendation No. 1).

The procedures for the preparation and grading of the Alaska portion of the land surveying examination should be revised (see Recommendation No. 2).

The Board should continue its efforts to make the statutes and regulations more relevant and workable (see Recommendation No. 3).

Legislation should be introduced which will require continuing education for architects, engineers and land surveyors. Continuing education will assist in avoiding professional obsolescence and keep practitioners aware of changes taking place in the field (see Recommendation No. 4).

The Board should prepare annual reports of its objectives and activities, and OL should incorporate this information into its budget documents. This will better enable the Governor's Office, Legislature and other interested parties to evaluate the Board's performance (see Recommendation No. 5).

## FINDINGS AND RECOMMENDATIONS

Findings and Recommendations No. 1 through No. 5 are addressed to the Board of Registration for Architects, Engineers and Land Surveyors. Findings and Recommendations No. 6 and No. 7 are addressed to the Division of Occupational Licensing (OL), and should be read in conjunction with "A Performance Review of the Division of Occupational Licensing, Department of Commerce and Economic Development, October 30, 1978".

### Recommendation No. 1

In order to ensure that the Board adequately represents the regulated professions and the general public, the qualifications and conditions of Board membership should be reviewed and amended.

AS 08.48.011-.031 creates the State Board of Registration for Architects, Engineers and Land Surveyors, specifies the qualifications and professions of the nine Board members and establishes the members' terms of office. In order that the Board better represent the regulated professions and general public, these statutory provisions should be reevaluated. Some specific areas are addressed below:

- A. Of the 23 boards established under AS 08, fifteen have at least one member who has no direct financial interests in the profession(s) regulated by that particular board. The State Board of Registration for Architects, Engineers and Land Surveyors is one the eight boards without lay representation.

In general, lay members can and should contribute to policy formulation and enforcement decisions. Their expanded roles, particularly in technical evaluations and discussions, will have to be defined for this particular board. However, it should be recognized that the public is the ultimate interest group. We recommend that at least two lay members be included on or added to the Board.

- B. The following table shows the relative percentages of professions registered through the Board and the statutory representation afforded each profession.

<u>Profession</u>	<u>As % of All Registrants</u>	<u>Statutory Board Representation</u>
Architects	12%	3
Electrical Engineers	8%	A
Mechanical Engineers	9%	A
Civil Engineers	43%	2
Mining Engineers	2%	1
Chemical Engineers	1%	A
Land Surveyors	21%	1
Petroleum Engineers	1%	A
Corporate Authoriza- tions	3%	-
	<u>100%</u>	<u>7</u>
Representatives from other branches of engineering		A <u>+ 2</u>
		<u>9</u>

The table illustrates some interesting comparisons: A) Mining engineers, who make up only 2% of all registrants, are guaranteed Board representation. Electrical and mechanical engineers are not, although together they make up 17% of all registrants. B) Architects, who represent 12% of the registrant population, are granted three Board memberships. Land surveyors, representing 21% of all registrants, are only granted one.

Although in actual fact the current Board does have an electrical engineer, a mechanical engineer and the civil engineer members are also registered land surveyors, the law allows for a much less representative membership. We recommend that the professional make-up of the Board, as required by AS 08.48.011, be reevaluated to more accurately reflect the regulated professions and the public.

In addition, the Board is relatively large and the feasibility of a smaller membership should be considered. We recognize, however, that three professions are being regulated and that considerable time is already demanded of Board members.

#### Recommendation No. 2

The Board should revise its procedures for the Alaska portion of the land surveying exam.

For several years the four-hour land surveying exam on Alaska law and practice has been prepared and graded by a single individual. It is not the auditor's intent to in any way discredit this individual and the Board is rightfully very appreciative of his competence and efforts. However, no one person should have so much input to the determination of whether an applicant is to become a registered land surveyor.

We recognize that the Board has taken preliminary steps to develop alternative procedures for the Alaska portion of the land surveying exam, and recommend that it continue and formalize its efforts. Until such time as the new methods for preparation of the exam are effected, basic control procedures - e.g., ensuring the anonymity of the examinee to the grader - should be followed.

Recommendation No. 3

The Board should continue its efforts to make the statutes and regulations more relevant and workable.

In September, 1978 the Board adopted major revisions to its administrative regulations, 12 AAC 36. These revisions were the culmination of several years' efforts and significantly improve the clarity and applicability of the regulations.

AS 08.48, through which the Board is created and empowered to regulate the professions of architecture, engineering and land surveying, should also be subjected to a review and revision process. In addition, some areas of 12 AAC 36 still need improvement. Some specific areas warranting review are listed below (this list is not intended to be inclusive):

- A. AS 08.48.011-.021. As discussed in Recommendation No. 1, Board make-up should be reevaluated.
- B. AS 08.48.091. Written exams are required to be held at least twice a year. In the case of the Architecture-Qualifying and the Architecture-Professional exams, which are national tests each of which is offered once a year, this is not possible. The statute should be reworded accordingly.
- C. AS 08.48.11. One cause for reprimand is a "crime involving moral turpitude." This is vague and should be eliminated or more precisely defined.

- D. 12 AAC 36.010. One of the public need criteria for the continued existence of a board is the extent to which State personnel practices, including affirmative action requirements, have been complied with by the board. 12 AAC 36.010 requires that applicants submit photographs with their applications. We found no evidence of discrimination based on photographs, but the potential for discrimination or charges of discrimination exists. Therefore, we recommend that photographs be used for identification purposes only and that they not be affixed to the application at the time it is reviewed for acceptance.

Recommendation No. 4

Legislation should be introduced requiring continuing education for architects, engineers and land surveyors.

Architects, engineers and land surveyors must demonstrate a high degree of educational and practical competence before they can become registered in Alaska. However, renewal of certificates is not dependent upon evidence of a professional's continued competence.

In our questionnaire to registered professionals, 93% of the architects, 78% of the engineers and 64% of the land surveyors responding reported that they had attended courses and/or seminars in the last two years. Most were concerned, however, that continuing education requirements would be too narrowly defined or too difficult to satisfy. To address these concerns, there must be active involvement by individuals and professional societies in the development of continuing education standards.

Architects, engineers and land surveyors are acutely aware of the public's trust that they maintain their professional competency. Required continuing education is one means of fulfilling that trust. In addition, a program of continuing education will assist in avoiding professional obsolescence and keep practitioners aware of changes taking place in the profession.

Recommendation No. 5

The Board should develop reports and procedures that will enable the legislative and executive branches to evaluate its performance.

- A. Under sunset legislation each licensing board will have the burden of demonstrating a public need for its continued existence. As part of this process a board will be expected to establish formal

objectives with, so far as is practicable, quantifiable measures. Without identifiable and measurable objectives, neither the Legislature, the Executive Branch nor the board itself can effectively evaluate performance.

The Division of Occupational Licensing submits annual budget documents in which it establishes its own objectives and evaluates the previous year's performance. Similar reports should be prepared for each board and OL should include these in its annual budget package (see the OL Performance Audit Report).

- B. Although required to by AS 08.48.071, the Board has not prepared annual reports to the Governor's Office. As discussed in part A above, there must be some mechanism for evaluating the Board's performance. Furthermore, many registered professionals have expressed an interest in receiving Board reports or newsletters.

We recommend that the Board's annual report include, at a minimum, the following information:

1. Board's purpose, goals and measures;
2. receipts and disbursements related to the Board's operations;
3. Board member participation;
4. new regulations and statutes; and
5. significant developments or concerns of the Board.

Recommendation No. 6

The Division of Occupational Licensing should collect, record and maintain for five-year periods files and statistics of licensing and testing applicants and related workload of the licensing examiner.

The Division needs relevant facts and statistics for evaluating the performance of its personnel and the Board. Many past records have not been maintained or compiled in a usable form, such as:

1. Number of architects, engineers and land surveyors newly registered or renewed in past years;
2. statistics on the pass/fail rates for examinations;

3. number of applicants for examinations or registration as well as number of applicants not approved;
4. breakdown of receipts by fee types; and
5. correspondence workload of licensing examiner.
6. Files for at least 27 registered architects, engineers or land surveyors have either been misplaced or sent to Archives without the necessary cross-reference documents being maintained by OL.

It is to the advantage of the Division to keep these records in order to support its budget request, evaluate its personnel and keep the Board informed as to its progress. Also, feedback from the Board and the public should be encouraged to determine whether staff performance is adequate (see the OL Performance Audit Report).

Recommendation No. 7

The Division of Occupational Licensing should handle investigations in a more comprehensive and timely manner.

As discussed in Legislative Audit's OL Performance Audit Report, OL's investigative performance was not sufficient to provide adequate public protection from abuse by regulated occupations.

In our review of OL complaint files relating to architects, engineers and land surveyors, we also noted the following exceptions:

1. 20% of the cases opened since January, 1975 and subsequently closed were not satisfactorily resolved but were closed due to age.
2. 78% of the cases open as of December, 1978 had not been investigated in a thorough or timely manner. In fact, 64% of the cases had been open for at least six months but had not yet been investigated.

In our October, 1978 audit of OL, we recommended that the Division's investigative unit be transferred to Public Safety. The 1979 legislature did not elect this option, but did approve an additional investigator position (there are currently three OL investigators). The Director of OL has indicated, however, that due to budget restraints the new position will not be filled until October, 1979.

## ANALYSIS OF PUBLIC NEED

### Limited Analysis

The following analysis of Board activities relates to the public need factors defined in the "Sunset" law. This analysis is not intended to be all inclusive, but addresses those areas we were able to cover within the scope of our review.

- I. The extent to which the board, commission or program has operated in the public interest.
  1. The Board has adopted revisions to the Code of Ethics which clarify and strengthen the professional's responsibility to the public.
  2. During the last four years the Board has initiated or referred approximately 30 investigations to OL.
  3. In our testing and observations we found the Board to be conscientious in its review of applications and performance of other administrative duties.
  
- II. The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.
  1. The Division of Occupational Licensing (OL) has not maintained updated statistics for Board use (see Recommendation No. 6 and OL Performance Audit Report).
  2. OL has not handled investigations of complaints in a timely and effective manner (see Recommendation No. 7 and OL Performance Audit Report).
  
- III. The extent to which the board, commission or agency has recommended statutory changes which are generally of benefit to the public interest.
  1. Although the statutes and regulations governing Board activities should be subjected to further review, the Board recently adopted major revisions to its administrative regulations, 12 AAC 36, that significantly improve their clarity and applicability (see Recommendation No. 3).

- IV. The extent to which the board, commission or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service which it has provided.
1. Individuals who contact Board members or the licensing examiner and wish to present information, ask questions or register complaints are encouraged to attend Board meetings.

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

1. Board meetings are held at least five times a year and are advertised in Juneau, Ketchikan, Fairbanks and Anchorage. However, neither meetings nor examinations have been advertised in a timely manner (see the OL Performance Audit Report).
2. During the process of revising its regulations, and in accordance with the Alaska Administrative Procedures Act, the Board invited interested persons and groups to offer written or oral testimony.

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

1. During the past three years, four complaints concerning the Board's activities were filed with the Ombudsman's Office. The cases involved the Board's evaluation of applicants' experience, the assessment of registration fees and the Board's failure to investigate. All cases were resolved to the Ombudsman's satisfaction.
2. OL has only one complaint file relating to the Board's activities. This was prompted by a letter written to the Governor and forwarded to OL, and concerned a Board member's outspoken criticism of a landscape architecture exhibit. No formal complaint was filed, and the matter was satisfactorily resolved.

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

1. Complaints against registered architects, engineers and land surveyors are indications of the quality of practice in the State. During the last four years, only about a dozen complaints were filed with OL charging registered professionals with unethical or unprofessional conduct.
2. Architects, engineers and land surveyors are not required to demonstrate their continued competence through a continuing education or retesting program (see Recommendation No. 4).
3. During the last three years, approximately 100 architects, 500 engineers and 100 land surveyors were accepted for initial registration. OL has not developed summary data by which we could readily determine the number of renewals processed during this same period.

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

1. Photographs are required to be submitted with applications for examinations and/or professional registrations. This requirement does not comply with affirmative action standards (see Recommendation No. 3).

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

Please refer to the previous section, Findings and Recommendations.

APPENDIXES

APPENDIX A

BOARD OF REGISTRATION FOR ARCHITECTS,  
ENGINEERS AND LAND SURVEYORS  
REVENUES COMPARED WITH EXPENDITURES  
Fiscal Year 1978  
(UNAUDITED)

Average Revenue (See Schedule 1, Notes 1 and 2)	\$70,964
Expenditures (See Note 3)	<u>58,786</u>
Excess of Revenues over Expenditures	<u>\$12,178</u>

Schedule 1  
Types of Revenues (See Note 2)

<u>Revenues</u>	<u>Amount</u>	<u>Collection Time</u>
Individual Application Fee	\$50	With Application
Corporate Authorization Application Fee	\$100	With Application
Reexamination Fee	\$50	With taking of examination
Individual Registration Fee	\$15/year	Renewals paid biennially; new registrants pay \$15/year for balance of biennial period.
Corporate Authorization Registration Fee	\$50/year	Renewals paid biennially; new registrants pay \$50/year for balance of biennial period.
Amendment to Corporate Authorization	\$20	With amendment
Delinquent Renewal Fee	\$30	With reinstatement
Late Fee Fine	\$10	With late payment

Note 1

Renewal registration fees are collected once every two years and cause revenues in one year to be significantly greater than revenues collected in the next year. Therefore, we calculated and reported an average of the revenues collected

in Fiscal Year 1977 and 1978 in order to obtain an accurate representation of collected revenues.

Note 2

12AAC 36.170, which outlines fee types and amounts, was revised in October 1978. Application fees were raised and fees for registration certificates were eliminated. The fees in Schedule 1 reflect the current fee structure.

Note 3

Expenditures include those made by Board members, such as travel and per diem and an allocated percentage (estimated) of total administrative expenses of OL. They do not include expenditures for efforts of other departments, such as the Department of Law, that may be assisting the Board and OL.

APPENDIX B

ADMINISTRATIVE STATISTICS

<u>Registered Architects, Engineers and Land Surveyors</u>	<u>As of January 1, 1979</u>	
	<u>Number</u>	<u>As % of Total</u>
Architects	339	12%
Engineers (Note 1)	1,848	64%
Land Surveyors	624	21%
Corporate Authorizations	99	03%
	<u>2,910</u>	<u>100%</u>

Board Meetings in Calendar  
Years 1975-1978

Average number of meetings per calendar  
year (excluding telephone conferences) 5 meetings

Average number of days per meeting 2 days

Examinations

Dates Given Each Year

Engineer-In-Training	November, April
Professional Engineering	November, April
Land Surveying	November, April
Architecture-Qualifying	June
Architecture-Professional	December

Note 1

Engineers are registered in the separate fields of civil, chemical, electrical, petroleum, mechanical and mining engineering. The numbers of engineers registered in each field as of January 1, 1978 has not been determined. However, the percentage break-downs calculated using July, 1978 figures and illustrated in Recommendation No. 1 should be relatively unchanged.

APPENDIX C

QUESTIONNAIRE SENT TO BOARD MEMBERS

1. What do you believe to be the goals and objectives of the Board of Registration for Architects, Engineers and Land Surveyors?

<u>Description</u>	<u>Number of Board Members' Responses</u> (See Notes 1 and 2)
To ensure only persons who have demonstrated their ability may practice.	1
To ensure minimum level of competency among practitioners.	3
To monitor professions as prescribed in AS 08.48.	1
To protect health, safety and welfare of consumers as well as general public who use structures.	3
To ensure minimum standards of conduct.	2

2. Do you believe that the Board is achieving its goals as you perceive them in question number 1? Please show how the goals and objectives are or are not being achieved.

<u>Description</u>	<u>Number of Board Members' Responses</u>
In most cases, but problems with enforcement.	2
Successful in ensuring that registered professionals meet minimum standards.	2
No, because:	
a) Complaints not followed up by OL;	3
b) Board losing credibility because of (a);	1
c) municipal and State agencies not requiring compliance with statutes and regulations;	1
d) legal opinions vary from one administration to another;	1
e) budget restricts necessary travel and frequency of meetings.	1

3. Is the staff from the Department of Commerce and Economic Development and/or other departments adequate to perform all the administrative and enforcement duties necessary for the operation of the Board? What staff support services are provided adequately/inadequately?

<u>Description</u>	<u>Number of Board Members' Responses</u>
--------------------	---

No, Because:

- |   |   |
|---|---|
| a) Board needs an executive secretary;  | 2 |
| b) quarterly newsletter should be sent to registered professionals;                               | 1 |
| c) OL investigation procedures not adequate or timely;  | 6 |
| d) administrative duties of licensing examiner handled well but insufficient to fill Board needs. | 4 |

4. Do you think that the absence of regulations for architects, engineers and/or land surveyors would be detrimental to the public's best interests?

<u>Description</u>	<u>Number of Board Members' Responses</u>
--------------------	---

Yes, because:

- |   |   |
|---|---|
| a) Alaska's hostile environment requires special knowledge for safe construction;                           | 2 |
| b) absence of statutes would encourage growth of incompetence;  | 2 |
| c) energy conservation is very important and requires specialized training;                                 | 1 |
| d) poorly designed communities and structures might develop, hurting both consumers and the general public. | 3 |

5. Are there any statutes that you believe to be obsolete, vague, unduly restrictive and/or inadequate to provide the Board with the responsibility and power to properly meet its objectives? Please list and explain.

<u>Description</u>	<u>Number of Board Members' Responses</u>
Board has worked diligently to revise and improve regulations.	1
Statutes generally adequate; but difficult to enforce or to operate effectively within budget.	3
State employees should not be exempted from registration requirements (AS 08.48.331(4)).	1
Other exemptions are vague and subject to several interpretations (AS 08.48.331).	1

6. Do you think that continuing education requirements should be adopted for architects, engineers and/or land surveyors?

<u>Description</u>	<u>Number of Board Members' Responses</u>
Not yet because of cost and administrative time required.	1
Desirable but difficult to regulate - progressive individuals will do on their own and competition will eliminate those who don't.	2
Yes, but standards should first be established on national basis.	2
No - so far only one state requires it.	1
Yes - need to ensure continued competence.	1

7. Do you believe that the residency, experience or professional requirements for Board membership are valid and/or adequate?

<u>Description</u>	<u>Number of Board Members' Responses</u>
<i>Yes - adequate as minimum requirements. Experience requirement needed for member to evaluate applicants, and residency requirement needed for member to fully appreciate Alaska's unique problems.</i>	6

8. What changes could be made to the Board which would improve its service to the public?

<u>Description</u>	<u>Number of Board Members' Responses</u>
<i>Employ an executive secretary.</i>	2
<i>Publish a quarterly or semi-annual newsletter to keep public, State and registrants informed of Board activities.</i>	1
<i>Need more direct authority to enforce statutes and regulations.</i>	4
<i>Assign an investigator to the Board.</i>	1
<i>Provide adequate funding so that meetings could be held as needed and so members could attend necessary national and/or regional meetings.</i>	1
<i>Provide adequate investigative support to process complaints within a month of receipt.</i>	1
<i>No changes needed to Board itself.</i>	1

9. Please add any other comments or suggestions that you believe would enable us to better evaluate the public need for the Board.

<u>Description</u>	<u>Number of Board Members' Responses</u>
Revenues generated by Board would cover cost of executive secretary as well as Board's share of State service costs.	2
Need to keep registration so that Alaska's standards are comparable to other states and to ensure interstate flow of professionals.	2
Survey needed of building officials, municipal and State agencies, etc., to determine their awareness of and compliance with statutes.	1
Public has the right to know that structures and facilities are safe.	1
An area that should be looked into is the development of professional intern programs.	1

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Note 1

Number of Board Members	<u>9</u>
Number of Board Members Responses	<u>6</u>
Response Rate	<u>67%</u>

Note 2

Each Board member responded to each question with several answers. Therefore, total responses to a question may exceed the number of Board members.

QUESTIONNAIRE SENT TO REGISTERED  
ARCHITECTS ENGINEERS AND LAND SURVEYORS

The following questionnaire was sent to registered architects, engineers and land surveyors (see Note 1). For each question on the questionnaire we have noted the percentage of yes and no responses. We have also shown the most typical written comments for each question as compiled from the questionnaire (see Note 2).

1. Have you ever had any contact with the Board of Registration for Architects, Engineers and Land Surveyors?
- If so, was it concerning:
- A. New regulations?
  - B. Board policy?
  - C. New legislation?
  - D. Investigations?
  - E. Other? (please specify)
- Registration; preparing, proctoring or grading exams; enforcement; availability of courses; proposed registration of landscape architects.*

% of Responses (See Note 1)								
Architects			Engineers			Land Surveyors		
Yes	No	No Opinion	Yes	No	No Opinion	Yes	No	No Opinion
61%	39%	0%	49%	51%	0%	57%	43%	0%

2. Alaska statutes require Board membership to consist of two civil engineers, one land surveyor, one mining engineer, two engineers from other branches, and three architects.
- A. Do you think the Board is:
    - too large? 11%
    - too small? 0%
    - OK? 71%
    - No opinion? 14%
  - B. Do you think all professions are adequately represented? 82% 11% 07%

% of Responses (See Note 1)								
Architects			Engineers			Land Surveyors		
Yes	No	No Opinion	Yes	No	No Opinion	Yes	No	No Opinion
22%			18%			29%		
43%			21%			36%		
22%			12%			25%		
18%			12%			11%		
18%			27%			25%		
11%			10%			07%		
0%			11%			0%		
71%			55%			61%		
14%			24%			32%		
82%	11%	07%	55%	29%	16%	54%	29%	07%

Comments:

- No - Each profession should have its own board.*
- No - All fields of engineering should be represented.*
- No - Landscape architects should be registered.*

STATE OF ALASKA  
DIVISION OF LEGAL AFFAIRS

## % of Responses (see Note 1)

Architects			Engineers			Land Surveyors		
No			No			No		
Yes	No	Opinion	Yes	No	Opinion	Yes	No	Opinion
<u>07%</u>	<u>68%</u>	<u>25%</u>	<u>38%</u>	<u>45%</u>	<u>17%</u>	<u>43%</u>	<u>46%</u>	<u>11%</u>

C. Are any professions over represented?

Comments:

*Yes - Too many architects (30% of engineers and land surveyors responding added this comment);  
- too many civil engineers.*

D. Should the public (non-professionals) be represented on the Board?

Comments:

*No - Unable to understand technical issues; Board members already represent public.  
Yes - But not as voting member; should be one or two representatives from industry or government.*

<u>18%</u>	<u>75%</u>	<u>07%</u>	<u>14%</u>	<u>78%</u>	<u>08%</u>	<u>07%</u>	<u>86%</u>	<u>07%</u>
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3. Do you believe that it is necessary to register architects, engineers and/or land surveyors in order to protect the public's health, safety and welfare?

Comments:

*Yes - To establish minimum standards which consumer cannot assess;  
- particularly with Alaska's harsh environment and land issues;  
- however, if regulations not enforced it is better to have no regulations at all.*

<u>89%</u>	<u>07%</u>	<u>04%</u>	<u>97%</u>	<u>03%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>	<u>0%</u>
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4. If so, do you think Alaska's certification requirements are necessary and/or adequate?

Comments:

*Yes - Comparable to national standards.  
No - Should require more experience;  
- should require college degrees;  
- should not exempt government employees.*

<u>75%</u>	<u>14%</u>	<u>11%</u>	<u>90%</u>	<u>07%</u>	<u>03%</u>	<u>89%</u>	<u>07%</u>	<u>04%</u>
------------	------------	------------	------------	------------	------------	------------	------------	------------

Is the requirement that architects and engineers demonstrate knowledge of construction under sub-arctic conditions a valid and/or reasonable requisite to professional practice in Alaska?

<u>89%</u>	<u>11%</u>	<u>0%</u>	<u>82%</u>	<u>15%</u>	<u>03%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
------------	------------	-----------	------------	------------	------------	------------	------------	------------

Architects			Engineers			Land Surveyors		
Yes	No	Opinion	Yes	No	Opinion	Yes	No	Opinion

4. (Cont'd.)

Comments:

- No - No more valid than requiring knowledge of other climate types;
- very little work is done under Arctic conditions.
- Yes - Should also demonstrate knowledge of earthquakes and energy conservation;
- but Board should define topic requirements better.
- Architects' thesis requirements should not be stiffer than engineers.
- Arctic Engineering courses aimed at Engineers not Architects.

Do you feel that the examination required for registration is a fair and reasonable test of professional knowledge and ability?

<u>68%</u>	<u>25%</u>	<u>07%</u>	<u>69%</u>	<u>12%</u>	<u>19%</u>	<u>68%</u>	<u>11%</u>	<u>21%</u>
------------	------------	------------	------------	------------	------------	------------	------------	------------

Comments:

- No - Exams do not adequately test legal knowledge, design skills, reasoning ability or professionalism;
- there should be more emphasis on a professional interim program.

5. In the last two years, have you attended any classes or seminars directly relating to your professional skills?

<u>93%</u>	<u>07%</u>	<u>0%</u>	<u>78%</u>	<u>21%</u>	<u>01%</u>	<u>64%</u>	<u>36%</u>	<u>0%</u>
------------	------------	-----------	------------	------------	------------	------------	------------	-----------

If so, how many hours of classes have you had?

*No meaningful average available because responses were in terms of seminars, credit hours, contact hours, etc.*

6. Do you believe continuing education should be required for renewal of certificates?

<u>50%</u>	<u>48%</u>	<u>04%</u>	<u>38%</u>	<u>54%</u>	<u>08%</u>	<u>46%</u>	<u>50%</u>	<u>04%</u>
------------	------------	------------	------------	------------	------------	------------	------------	------------

Comments:

- No - Active practice sufficient to stay current;
- course offerings too limited in Alaska;
- no national standards have been established;
- continuing education is a gimmick by educators to create classes.

*Board should encourage independent continuing education and should help organize seminars and classes.*

STATE OF ALASKA

29

DIVISION OF LEGISLATIVE AUDIT

	% of Responses (see Note 1)								
	Architects			Engineers			Land Surveyors		
	Yes	No	Opinion	Yes	No	Opinion	Yes	No	Opinion
7. Do you think that the State should issue temporary certificates?	<u>04%</u>	<u>86%</u>	<u>10%</u>	<u>14%</u>	<u>77%</u>	<u>09%</u>	<u>14%</u>	<u>82%</u>	<u>04%</u>
If so, under what conditions should they be issued?	<p><i>Only if - Shortage of registered professionals;</i>  <i>- Required to post bonds or Board reviews individual cases for public's best interests.</i>  <i>No - State would be inundated with carpet baggers and consumer would have not redress after temporary licensees left State.</i>  <i>Yes - To juniors or apprentices;</i>  <i>- to persons from states with comparable requirements.</i></p>								
8. In your opinion, has the Board of Registration for Architects, Engineers and Land Surveyors operated in the public's best interests?	<u>68%</u>	<u>14%</u>	<u>18%</u>	<u>82%</u>	<u>04%</u>	<u>14%</u>	<u>68%</u>	<u>04%</u>	<u>28%</u>
Comments:	<p><i>Board has not policed the profession.</i>  <i>Meetings should be held more often.</i>  <i>Yes - By revising regulations;</i>  <i>Yes - but Board is under-funded.</i></p>								
9. Do you think that any of the statutes under which architects, engineers and land surveyors are regulated are obsolete, vague, unduly restrictive and/or inadequate?	<u>29%</u>	<u>29%</u>	<u>42%</u>	<u>16%</u>	<u>46%</u>	<u>38%</u>	<u>18%</u>	<u>39%</u>	<u>43%</u>
If so, please list and explain:	<p><i>Yes - State employees and other exemptions should be reviewed (AS 08.48.331);</i>  <i>- statutes should better define incompetence, negligence and distinctions among the professionals;</i>  <i>- there should be a land surveyor-in-training exam;</i>  <i>- the Board has little real authority.</i></p>								
10. Have you any complaints concerning the support services provided by the staff of the Division of Occupational Licensing, Department of Commerce and Economic Development?	<u>21%</u>	<u>61%</u>	<u>18%</u>	<u>16%</u>	<u>75%</u>	<u>09%</u>	<u>25%</u>	<u>64%</u>	<u>11%</u>

Architects			Engineers			Land Surveyors		
Yes	No	Opinion	Yes	No	Opinion	Yes	No	Opinion

10. (Cont'd.)

If so, please specify:

Yes - Board is inadequately funded and cost of services too high for services rendered. Inadequate services evidenced by no executive secretary, no yearly rosters, no newsletters, difficulty in obtaining renewal information, delays in registration process, and insufficient investigative support.

11. Are you aware of any discriminatory practices involving the registration and certification of any particular individual or minority groups?

04%	92%	04%	03%	95%	02%	0%	96%	04%
-----	-----	-----	-----	-----	-----	----	-----	-----

Comments:

Yes, in Board's interpretation of requirements that experience must be under registered professional. In general, persons without college degree are discriminated against through stiffer experience requirements.

12. Please add comments or suggestions you feel are relevant.

Many persons, particularly government employees, are unable to get breadth of experience; Board should consider breaking CF into several disciplines; Board should encourage Bureau of Land Management to give mineral surveyors test more often. Comity applicants should not have to furnish references and college transcripts. Persons with active applications on file should be notified of regulation changes that affect them. Board should be allowed to hire an executive secretary and hire direct legal services. Board should utilize the services and expertise of other State agencies, such as the Division of Lands.

Note 1

	<u>Architects</u>	<u>Engineers</u>	<u>Land Surveyors</u>
Number of questionnaires sent to registered professionals	51	165	61
Number of responses	31	115	35
Response Rate	61%	70%	57%

Note 2

Comments were all reviewed and considered in the performance of our audit, and are briefly summarized in this appendix.

STATE OF ALASKA  
31  
DIVISION OF LEGISLATIVE AUDIT

APPENDIX E

QUESTIONNAIRE SENT TO APPLICANTS NOT  
ACCEPTED FOR EXAMINATION OR COMITY

Questionnaires were sent to some of the individuals whose applications to take examinations or to become registered by comity were turned down by the Board:

	<u>Applicants for Examination</u>	<u>Applicants for Registration by Comity</u>
Number of Questionnaires Sent	<u>16</u>	<u>11</u>
Number of Responses	<u>8</u>	<u>8</u>
Response Rate	<u>50%</u>	<u>73%</u>

Questionnaires are not reproduced in this report but all responses were reviewed and considered in the performance of our audit.

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH D

JUNEAU, ALASKA 99811

June 18, 1979

Mr. Gerald Wilkerson, CPA  
Division of Legislative Audit  
Pouch W  
Juneau, Alaska 99811

Dear Mr. Wilkerson:

The following comments are in response to the Performance Review of the Board of Registration for Architects, Engineers and Land Surveyors, as submitted by the Division of Legislative Audit.

Recommendation No. 1: We agree that statutory provisions for board membership should be reevaluated. The requirement for one mining engineer appears unwarranted, while one land surveyor may be insufficient. At this time the board is representative of all fields and, in our opinion, is performing in an excellent manner. We would support inclusion of public members on the board while not increasing its overall size. The subjects of board composition and public membership have been under discussion by the board and it is expected that the board will support this recommendation.

Recommendation No. 2: Agreed. The board has been discussing this matter for some time and is currently investigating alternatives which will maintain examination integrity and quality.

Recommendation No. 3: Agreed. The board, in conjunction with the division, is addressing statutory and regulatory clarification.

Recommendation No. 4: Agreed. The board has discussed this subject and is generally in support of mandatory continuing education. However, care should be taken as to approval of courses to meet such requirements and with respect to possible exemptions.

Recommendation No. 5: Agreed. All boards have been contacted for input into the division's budget for FY '81. This information will address board goals and objectives as well as its financial needs. All boards have also been contacted regarding the requirement for performance reporting. The board is currently preparing its annual report for 1978.

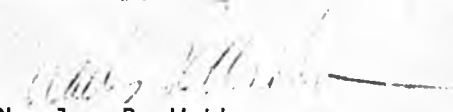
June 18, 1979

Recommendation No. 6: Agreed. The division has implemented record maintenance for all boards and commissions under its jurisdiction.

Recommendation No. 7: Agreed. Complaints received against all regulated professions should be handled on a timely basis. Budgetary restraints have mandated prioritization of investigations.

I appreciate the time and efforts expended by your staff and the opportunity to provide these comments.

Sincerely,



Charles R. Webber  
Commissioner

CRW/sa2/5

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF OCCUPATIONAL LICENSING

JAY S. HAMMOND, GOVERNOR

POUCH D  
JUNEAU, ALASKA 99811

June 25, 1979

Mr. Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit  
Pouch W  
Juneau, Alaska 99811

Dear Mr. Wilkerson:

Re: Comments on the Sunset Review Preliminary Legislative Audit Report.

Board members have reviewed the preliminary audit report that you submitted by letter dated June 6, 1979 and have several comments to the recommendations presented by the report. Several of the board members have submitted their comments as individuals because your cover letter was not clear regarding the method in which responses should be submitted; however, as per our telephone conversation, I will attempt to combine all board members' comments in this one letter.

First, I would like to state that the intent of the Sunset legislation, as I understand it from reading "Sunset Legislation in the United States" by Dan R. Price, is to evaluate present bureaucratic effectiveness and efficiency and to deter unnecessary bureaucratic growth. The same publication also states that evaluation and not termination is the primary purpose of Sunset. From this, I would conclude that the Legislature's intent is to improve the relationship between the board and the public by making changes to our statutes and regulations when or if such legislation is necessary to meet that end. I can assure you that such legislative action would be welcomed by all members of this board and, although the following comments may be contrary to the recommendation in the preliminary audit report submitted by your office, the board feels that through these comments it also will obtain the Sunset intent.

Following is the board's response to the recommendations contained in the performance review of the Board of Registration for Architects, Engineers, and Land Surveyors prepared by the Division of Legislative Audit.

Recommendation No. 1

In order to ensure that the board adequately represents the regulated professions and the general public, the qualifications and conditions of board membership should be reviewed and amended.

A. Addition of Lay Members to the Board

Reply a. Addition of Lay Members to the Board. I disagree with the recommendation to add two lay members to the Board. The tasks performed by the Board, in almost all instances, require technical knowledge of the professions regulated. A lay member, by definition, would not have the necessary background to intelligently act on the technical matters. Secondly, there is no evidence that the Board has failed to act in the best interests of the public and consequently I see no demonstrated need to further increase the size of the Board and to thus increase the costs of Board operations.

(Seven Members Agree with this Statement)

Reply b. It has become more apparent that lay members are being appointed to public regulation boards throughout the country. I would be in favor of adding two lay members to the board providing that the number of professional members, currently nine, is not reduced.

(Two Members Agree with this Statement)

B. Re-evaluation of Professional Make-up of the Board

The table showing relative percentages of professions registered is misleading. I call to your attention, Section 08.48.011 of the Alaska Statutes which states, "There is created the State Board of Registration for Architects, Engineers and Land Surveyors." It further states that the Board consists of two civil engineers, and one land surveyor, one mining engineer and two engineers from other branches of the profession of engineering. A further investigation of the statute will identify that we register Professional Engineers, Professional Architects and Professional Land Surveyors, reference to Section 08.48.221. The identification of a specific expertise within the Professional Engineering registration is specifically for the health protection and welfare of the public.

With reference to these three professions, the Board of Registration for Architects, Engineers and Land Surveyors does, in fact, have lay members on the Board, as each separate profession is a lay member relative to the other two.

Of the fifty-five boards registering professionals throughout the nation, thirty-nine of these boards are made up of only architects, and represent only the architectural profession. Of the sixteen boards representing combined professions each of the boards was chaired by a registered professional architect prior to recent officer elections on these boards.

Of the fifty-five boards nationally thirty-eight of these boards have Executive Secretaries or Executive Directors. These individuals are not members of the board and do not represent a professional registration.

On some boards serving the combined professions all members are registered professional architects. I would call to the committee's attention the fact that most projects to be constructed, which affect the health, safety and welfare of the public, have a single prime professional responsibility to the client. For virtually all commercial construction projects involving buildings housing the public or serving the public, the architect is the prime consultant identified by contract. Mechanical, electrical, civil and other engineering services are subcontracted to the architect for coordination and management. This of course does not apply to pure engineering projects such as roadways, bridges and utility services. Perhaps representatives of the audit committee should review State contracts through the Department of Transportation and Public Facilities, to determine how many contracts are awarded to engineers and how many contracts are awarded to architects. It is specifically through this contractual relationship between consultant and owner that the prime responsibility for the protection of the public's health and welfare is established.

If representation is desired for each separate branch of the professional engineering registration and for additional branches recognized in the future, I would offer the suggestion that the State of Alaska consider separate boards of registration for architects and engineers, as thirty-nine other states and districts have done in the past.

Such a separation of boards would respond to the review comment that the board is relatively large and the feasibility of a small membership should be considered.

(Nine Members Agree with this Statement)

Recommendation No. 2

The Board should revise its procedures for the Alaska portion of the land surveying exam.

I agree with the recommendation of the audit that procedures must be undertaken to develop alternative procedures for the Alaska portion of the land surveying exam. At the last board meeting we met with the individual who has been making up and grading the land surveying exam and we are in the process of revising those procedures to insure security of the exam and the anonymity of the individual, or individuals, involved in preparing that examination.

(Nine Members Agree to this Statement.)

Recommendation No 3.

The Board should continue its efforts to make statutes and regulations more relevant and workable.

- A. Board make-up. Discussed in Recommendation No. 1.
- B. Architectural Exams. I concur.
- C. Definition of moral turpitude. I agree.
- D. Photographs. No comment other than to question the desirability of increasing the cost and effort involved in identifying applicants for no valid reason.

(Nine Members Agree with this Statement.)

Recommendation No. 4

Legislation should be introduced requiring continuing education for architects, engineers and land surveyors.

In my judgement, mandatory continuing education is not appropriate at this time. The National Council of Engineering Examiners and the National Council of Architectural Registration Boards is addressing this matter and it would appear prudent to delay any action on mandatory continuing education until the Council has completed its study and come up with a recommended system that can uniformly be adopted by State Registration Boards. The problems in uniformity of evaluating continuing education units, accreditation of institutions offering continuing education opportunities, record keeping and comity registration requirements are extensive. Solutions to these problems can best be obtained through the application of uniform requirements developed through the National Councils.

(Nine Board Members Agree with this Statement.)

Recommendation No. 5

The Board should develop reports and procedures that will enable the legislative and executive branches to evaluate its performance.

I concur with the recommendations to develop reports and establish procedures and to enable the legislative and executive branches to evaluate the board's performance. During recent years, however, we have been advised that funding is limited and to limit expenditures where possible. This includes the additional days of meetings required to prepare reports.

We have been advised in the past that the preparation of budgets is not necessary as we are a portion of a larger budget and will receive a pre-established share of funding from the Division of Occupational Licensing, regardless of predefined goals and objectives or the amount of revenue generated by the professional registrants represented by collected.

(Nine Members Agree with this Statement.)

Recommendation No. 6.

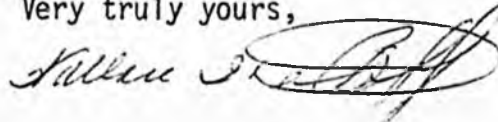
The Division of Occupational Licensing should collect, record and maintain for five-year periods files and statistics of licensing and testing applicants and related workload of the licensing examiner

I am in agreement with Recommendation No. 6 and as a Board we have been trying to have this information and statistical data made available. We have found it virtually impossible to even obtain an alphabetical listing of the registrants, or the ability to have a listing of registrants numerically. If our data storage system cannot provide this type of information, it appears that we are going to have a great deal of difficulty providing the types of information recommended in Recommendation No. 6. This information is not difficult to compile, it's a matter of having the clerical support and the computer program to provide it.

(Nine Members Agree with this Statement.)

I would like to thank you on behalf of the nine members that make up the Board of Architects, Engineers and Land Surveyors for the opportunity to make comments to your preliminary report. If you have any questions concerning these comments, please feel free to contact me at my work number (364-3280) or at my home (789-7814).

Very truly yours,



Wallace I. Deboff, P.E.

June 20, 1979

Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit  
Pouch W  
Alaska Office Building  
Juneau, AK 99811

Reference: Preliminary Audit Report on a Performance Review  
of the Board of Registration for Architects,  
Engineers and Land Surveyors, May 11, 1979

Dear Mr. Wilkerson:

I have reviewed the above report and offer the following comments:

Recommendation No. 1:

- A. It has become more apparent that lay members are being appointed to public regulation boards throughout the country. I would be in favor of adding two lay members to the board providing that the number of professional members, currently nine, is not reduced.
- B. Even though your table illustrates that there is a disparity in the representation of the board members to the various categories of professions, it is my recommendation that if there is to be a change in the required make-up of the board, that the architects continue to be represented by three members. Even though they represent only 12% of the total registrants, their requirements for registration and their educational backgrounds are somewhat different than those for engineers and land surveyors; therefore, it requires knowledgeable professionals to evaluate and pass on candidates for registration as architects. However, the mix of electrical, mechanical, civil, mining, chemical and petroleum engineers is really not that critical inasmuch as our educational background and the requirements for registration are the same. I would have no problem in the law being revised to reflect that at least three of the six engineers serving on the board must also be also registered as land surveyors, or that at least one individual registered solely as a land surveyor must be on the make-up of the board.

I do not agree that a smaller board is feasible. There are a large number of applicants to screen at most of our meetings; it takes a great deal of time to thoroughly analyze the applicants; and we require that at least three board members review each applicant. I think the additional cost in per diem and travel is well worth having a nine-member professional board.

Recommendation No. 2:

I agree with the recommendation of the audit that procedures must be undertaken to develop alternative procedures for the Alaska portion of the land surveying exam. At the last Board meeting we met with the individual who has been making up and grading the land surveying exam and we are in the process of revising those procedures to insure security of the exam and the anonymity of the individual, or individuals, involved in preparing that examination.

Recommendation No. 3:

I agree with Recommendation No. 3 as it pertains to Items A, B, C and D. As the report points out, we are in continual discussions each meeting on revisions to the regulations. Because of the statutory requirements pertaining to regulations and the time involved in making changes, we have normally waited until there were a number of changes to be made before initiating the process of public hearings, etc. Our current position is to wait until we have determined what specific portions of the current statute and regulations need to be revised as a result of Sunset Legislation before starting the revision procedure. We certainly recognize changes to both the statute and regulations are in order.

Recommendation No. 4:

I am in agreement with the philosophy of continuing competence. The problem that Alaska is faced with, as well as the other boards throughout the United States, is a means by which to monitor continuing education requirements that will meet the needs of all of the states while allowing individuals registered and practicing in more than one state to meet the same requirements in each state with minimal effort. The current thinking is to provide a means through the National Council of Engineering Examiners to provide for continuing competence on a national basis. This will be one of the topics discussed at the National Convention of NCEE in August. I am sure the Alaska Board would endorse a national program of continuing competence that is endorsed by all 50 states and maintained by a national central depository. Until this is accomplished monitoring and administering a program on a state level would be prohibitive.

Recommendation No. 5:

I am in complete agreement with Paragraphs A and B. One of the problems that the board members have indicated to the audit group is the lack of clerical support by the Division of Occupational Licensing. It is virtually impossible for the board, as such, to prepare this information on a timely basis without the assistance of a qualified individual such as an executive director. It is virtually impossible to comply with this recommendation without help that has expertise in engineering, land surveying and architecture. The secretary to the board, while totally dedicated and willing, has never been more than a secretary or stenographer, totally untrained in the professional areas that we regulate.

Recommendation No. 6:

I am in agreement with Recommendation No. 6 and as a Board we have been trying to have this information and statistical data made available. We have found it virtually impossible to even obtain an alphabetical listing of the registrants, or the ability to have a listing of registrants numerically. If our data storage system cannot provide this type of information, it appears that we are going to have a great deal of difficulty providing the types of information recommended in Recommendation No. 6. This information is not difficult to compile, it's a matter of having the clerical support and the computer program to provide it.

Recommendation No. 7:

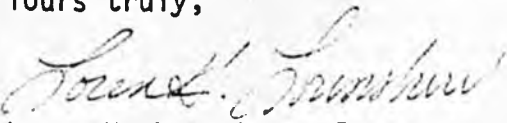
This area is probably the most important and most difficult area to control. As the response to your questionnaire indicates, this is the one area that is most visible to the public. If there is one particular area that the Board is criticized for, it is the lack of enforcement of the regulations and statute. In addition, it is probably the most frustrating to the Board members. All of the Board members would like the authority, that we have been denied by various Assistant Attorney General's Opinions, to informally investigate and, if necessary, reprimand individuals in violation of our statutes and regulations. A vast majority of complaints could be dealt with and eliminated in this manner. The more flagrant and serious complaints and violations could be handled in accordance with the more formal procedures. However, in order for even formal complaints and violations to be effective, they must be investigated and handled in a timely manner. This has not been the case inasmuch as our Board has received a much lower priority on complaints than those in the health sciences. Because of the lack of investigators and the direction they have been given, our complaints have either gone unheeded or are so low in priority that they are usually

Gerald L. Wilkerson, CPA  
June 20, 1979  
Page -4-

dismissed or forgotten before any investigative effort is started. I feel a staff consisting of an executive director, secretary, and investigator would not only increase the ability of the Board to perform their duties, but would allow the complaint procedure to be handled in a timely and proper fashion.

I am pleased for the opportunity to respond to the audit and feel that the information it contains has been fairly presented.

Yours truly,



Loren H. Lounsbury, P.E.

LHL/sw

June 20, 1979

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Division of Legislative Audit  
Pouch "W" - Alaska Office Bldg.  
Juneau, Alaska 99811

Dear Mr. Wilkerson:

The following statements are in response to your letter of June 6, 1979 and the preliminary review of the Board of Registration for Architects, Engineers and Land Surveyors.

My comments respond to the numbered recommendations of the Findings and Recommendations of your report.

Recommendation #1 (A) Lay Members

This evaluation compares boards within this State and does not respond to National statistics. This may not be a concern, but I provide the following statistics for the fifty-five boards registering architects, engineers and land surveyors throughout the nation.

Eleven, of the fifty-five registration boards nationally, have lay members. The average public representation on those boards is 26%. Of these eleven boards six have only one member, four have two members and California has five members.

I believe that selected lay members could provide advantages in the interest of the public. I do not believe however, that adding lay members simply to have lay members on boards will provide for the health protection and welfare of the public.

Lay members can and should contribute to policy formulation and enforcement except where those decisions require an understanding of the professions. As our board is a board representing special training and experience I see the lay members limited in their ability to perform truly serviceable functions to the public.

Recommendation #1 (B)

The table showing relative percentages of professions registered is misleading. I call to your attention, Section 08.48.011 of the Alaska statutes which states, "There is created the State Board of Registration for Architects, Engineers and Land Surveyors". It further states that the board consists of two civil engineers, one land surveyor, one mining engineer and two engineers from other branches of the profession of

engineering. A further investigation of the statute will identify that we register Professional Engineers, Professional Architects and Professional Land Surveyors, reference to Section 08.48.221. The identification of a specific expertise within the Professional Engineering registration, is specifically for the health protection and welfare of the public.

With reference to these three professions, the Board of Registration for Architects, Engineers and Land Surveyors does in fact have lay members on the board, as each separate profession is a lay member relative to the other two.

Of the fifty-five boards registering professionals throughout the nation, thirty-nine of these boards are made up of only architects, and represent only the architectural profession. Of the sixteen boards representing combined professions each of the boards was chaired by a registered professional architect prior to recent officer elections on these boards.

Of the fifty-five boards nationally thirty-eight of these boards have Executive Secretaries or Executive Directors. These individuals are not members of the board and do not represent a professional registration.

On some boards serving the combined professions all members are registered professional architects. I would call to the committees attention the fact that most projects to be constructed, which affect the health safety and welfare of the public, have a single prime professional responsibility to the client. For virtually all commercial construction projects involving buildings housing the public or serving the public, the architect is the prime consultant identified by contract. Mechanical, electrical, civil and other engineering services are subcontracted to the architect for coordination and management. This of course does not apply to pure engineering projects such as roadways, bridges and utility services. Perhaps representatives of the audit committee should review State contracts through the Department of Transportation and Public Facilities, to determine how many contracts are awarded to engineers and how many contracts are awarded to architects. It is specifically through this contractual relationship between consultant and owner that the prime responsibility for the protection of the public's health and welfare is established.

If representation is desired for each separate branch of the professional engineering registration and for additional branches recognized in the future, I would offer the suggestion that the State of Alaska consider separate boards of registration for architects and engineers, as thirty-nine other States and Districts have done in the past.

Such a separation of boards would respond to the review comment that the board is relatively large and the feasibility of a smaller membership should be considered.

Recommendation #2

No comment.

Recommendation #3

I concur with the suggestion that continued efforts should be made to make the statutes and regulations more relevant and workable. This is especially important in specific definitions relating to the differences between architecture and engineering. Until these differences are fully interpreted for the use by governmental agencies to determine improper professional practices and the public will continue to suffer from individuals who are not qualified to provide specific services, but whose work is accepted by the reviewing agencies issuing approvals and building permits.

Recommendation #4

I concur with the recommendation for continuing education requirements. If these requirements are required I believe it is the responsibility of the State of Alaska to fund such seminars and special education classes as required to establish the availability of services to meet the requirements.

Registered professionals who are principals of a firm or who practice as a sole proprietorship have the opportunity and finances generally to attend seminars and special education classes relating to the professions. Employees, however, may not be able to afford the hundreds of dollars required for a week of travel to other parts of the nation, to fulfill continuing education requirements. If this requirement is to truly serve the public we must have access to the educational services which were available to the bulk of the nation.

The committee might consider discussing the daily routines of the architect, engineer and land surveyor to establish the quality of continuing education which exists through the hundreds of items received and reviewed by the professional each month.

Organizations providing a continuous flow of new and revised material include the Sweets Catalog System, the Construction Specifications Institute, the American Institute of Architects, the Council for Educational Facility Planners International, Educational Facilities Lab, the Wood Institute, the Door and Hardware Institute, the National Fire Protection Association, the International Conference of Building Officials, and a multitude of professional and technical magazines and associations. The individual professionals representing the various

disciplines of architecture, land surveying and the branches of engineering, also provide a continuous flow of new technical information to professionals.

These are but a few sources of continuing education and apply primarily to my own professional registration, architecture. Within the field of architecture, the American Institute of Architects and the National Council of Architects Registration Boards is pursuing the concept of continuing education and preparing for this inevitable and logical requirement for registered professionals. I would suggest that the Committee consider seeking response from the various national professional associations represented by the architectural, engineering and land surveying registrants of this State.

I would call to the attention of the Committee that the board members seeking to better prepare themselves to serve the public through the board of registration should be attending regional and national workshops, seminars and conventions dealing specifically with Sunset Legislation and all of its ramifications. To date we are denied the necessary travel expenses to fully participate on a regional and national level.

Speaking from personal experience, I recently declined to participate on a regional committee of the National Council of Architectural Registration Boards, because the State of Alaska could not fund my attendance. This situation developed at a meeting in November 1978, in Portland, where I attended an WCARB Executive Committee meeting, to discuss, among other things, the Sunset Legislation, continuing education, national exams and the grading system for examining these. My attendance to that particular conference was paid for by the Western Council of Architectural Registration Boards, a region of NCARB.

#### Recommendation #5

I concur with the recommendations to develop reports and establish procedures and to enable the legislative and executive branches to evaluate the boards performance. During recent years, however, we have been advised that funding is limited and to limit expenditures where possible. This includes the additional days of meetings required to prepare budgets, develop goals and objectives and prepare reports.

We have been advised in the past that the preparation of budgets is not necessary as we are a portion of a larger budget and will receive a pre-established share of funding from the Department of Occupational Licensing, regardless of predefined goals and objectives or the amount of revenue generated by the professional registrants represented by collected.

#### Recommendation #6

The performance of services suggested will require additional staff services for our board. It is my personal opinion that if the Legislative Audit Committee desires a more indepth review and management

procedure from the Board of Registration for Architects, Engineers and Land Surveyors, serious consideration be given to the following possibilities.

1. Provide a full time executive director for the A/E & LS board.
2. Provide a second full time license examiner or administrative secretary to assist in the administrative management of board functions.
3. Provide a full time investigator to generate rapid responses to complaints and concerns of the public. If we are unable to respond in a timely manner, the public will not be served.
4. As an alternative to the growth of the board I suggest that the separation of Architects from the Engineers and Land Surveyors be considered, and that each of the boards be expanded by lay members. The work load is thus separated and the management difficulties of a large board are reduced.

#### Recommendation #7

The State does not provide a sufficient staff of investigators to serve the public interests. Thus, complaints are not reviewed in a timely manner and the professionals become reluctant to participate in the policing of the industry. In the past, when I have personally discussed this at meetings of the American Institute of Architects and at meetings of engineering societies, the most common response is "why should we file complaints on violations we know are happening when we also know that nothing will be done about these complaints by the division of occupational licensing or the attorney generals office."

It is my opinion that this attitude must be altered and that it can only be improved by greater support from the legislature, the attorney generals office, the governors office, the division of occupational licensing, the board of registration and especially by the state and municipal reviewing agencies who have the authority and responsibility to approve or reject projects for construction.

The reviews of documents for the issuance of building permits by municipal building officials and the review of State projects by the various State approving agencies do not always include a requirement for compliance with the States statutes as a part of the review process. This should become State and Municipal policy.

It is my opinion that the State of Alaska, through its waiver of requirements for registered personnel within the Department of Transportation and Public Facilities where job descriptions require registration, is misuse of governmental privilege. It is my opinion, that

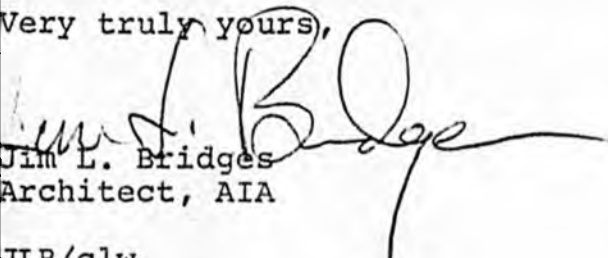
Mr. Gerald Wilkerson  
June 20, 1979  
Page 6

those job descriptions requiring registered professionals are being changed, a process in the works at this time, the elimination of the States requirements for registered professionals in positions of authority dealing with professional services to the public is a misuse of government authority.

If the State denies its own obligation for registered professionals in State positions or avoids this by reducing the job description, how can the health, welfare and protection of the public be provided. It is my personal opinion that the Department of Transportation and Public Facilities, as the State agency in charge of the development of professional contracts for services involving the public, should be the leader in demanding compliance with the State statutes. It, in fact, is not and policies are being established to further reduce the requirement for registered professionals in positions of authority with the Department of Transportation and Public Facilities.

The comments presented are my personal opinions and are not intended to reflect official board policy. I would be pleased to meet with the Legislative Audit Committee or its representatives at any time to discuss my comments or provide additional information for the committee.

Very truly yours,



Jim L. Bridges  
Architect, AIA

JLB/clw