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RULES COMMITTEE MEETING

May 31, 1983  
Butrovich Room  
8:30 am

Agenda: SSB 346 "An Act exempting public utility income from the net income tax; and providing for an effective date."

I am offering amendments to this bill on behalf of the Finance chairman. I would like to see them included as a Rules Committee Substitute.

The amendment I am proposing would delete sections added to the bill in House Finance. Our legislative attorney has pointed out that these changes cause several problems for the bill. I refer you to the memo from Tom Sofo, dated May 24, in your files.

Mr. Sofo is here to testify

It is my feeling that we should delete the changes added in the Finance Committee so as not to jeopardize this bill.

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It is my feeling that we should delete the changes added in the Finance Committee so as not to jeopardize this bill.

HEADING

HOUSE LABOR & COMMERCE  
STANDING COMMITTEE  
April 27, 1983

8:49 a.m.

Members Present: Rep. Furnace, Chairman  
Rep. Uehling, Vice-Chairman  
Rep. Wendte  
Rep. Cowdery  
Rep. Ringstad

Members Absent: Rep. Koponen  
Rep. Malone

CALENDAR HB 220

"An Act restricting cost items that may be allowed in public utility rates."

HB 246

"An Act relating to the deregulation of interest rates; and providing for an effective date."

WITNESS REGISTER

WITNESS:

Representative John Lindauer  
Alaska State Legislature  
Capitol Building, Room 503  
Pouch V  
Juneau, Alaska 99811  
465-3709

Position Statement: Prime Sponsor of HB 220.

WITNESS:

Dave Hutchens  
Alaska Rural Electric Cooperative Association  
(No address given)  
Anchorage, Alaska  
276-3235

Position Statement: Testified on HB 220.

WITNESS:

Representative Bob Bettisworth  
Alaska State Legislature  
Capitol Building, Room 500  
Pouch V  
Juneau, Alaska 99811  
465-4967

Position Statement: Prime Sponsor of HB 246.

WITNESS:

Gary Jenkins  
Specialized Professional Services  
P.O. Box 194  
Auke Bay, Alaska 99821  
586-4100

Position Statement: Testified on HB 246.

WITNESS:

Richard Hall  
National Bank of Alaska  
P.O. Box 600  
Anchorage, Alaska 99510  
(No phone number given)

Position Statement: Testified on HB 246.

WITNESS:

Don Magnusson  
Alaska Retail Association  
174 South Franklin Street, #205  
Juneau, Alaska 99801  
586-6706

Position Statement: Testified in support of HB 246 in its original form.

PREVIOUS ACTION

HB 220

02/23/83: HOUSE BILL NO. 220 by Lindauer, entitled:

"An Act restricting cost items that may be allowed in public utility rates."

was read the first time and referred to the Labor & Commerce Committee.

Statutory Reference: AS 42.05.381(a)

HB 246

03/11/83: HOUSE BILL NO. 246 by Bettisworth, entitled:

"An Act relating to the deregulation of interest rates; and providing for an effective date."

was read the first time and referred to the Labor & Commerce Committee.

See previous House Labor & Commerce Committee Meeting minutes from: March 30, and April 7, 1983.

Statutory Reference: AS 06.20.230(a); AS 06.40.120(c); AS 09.55.440(a); AS 45.10.120(k); AS 45.10.120(c); AS 45.45.010(a); and AS 06.20.230(b)

ACTION NARRATIVE

TAPE#61 (Side A)  
Recording  
Number 0000

The meeting was called to order by Chairman Furnace at 8:49 a.m. All members of the committee were present, Representatives Koponen and Malone arrived after roll call.

Number 0006

Chairman Furnace directed the committee's attention to HB 220. He stated the Chair's intent to hear testimony only at this time with final resolution tomorrow, April 28, 1983.

Number 0015

Representative John Lindauer, Prime Sponsor of HB 220, came before the committee. He discussed the intent of the legislation and explained why he felt the bill was necessary. He said that HB 220 would protect the public from illegitimate costs. He explained.

Number 0139

There was discussion by the committee and Rep. Lindauer concerning the bill.

Number 0160

Chairman Furnace shared with Rep. Lindauer written comments from the Chairman of the Alaska Public Utilities Commission. He asked him to review them and provide comment on them at tomorrow's meeting.

Number 0174

Rep. Lindauer responded to questions from the

Number 0368 committee concerning the bill.  
 Dave Hutchens, Alaska Rural Electric Cooperative Association (AREA), said that the structure of the bill repeals Section 381 which applies to AREA and he explained. He expressed concern for flat prohibitions against advertising and suggested that 'advertising' on Line 16 of the bill be amended to 'promotional advertising'. Dave Hutchens asked that the bill be restructured in such a way that the present law that does apply to cooperatives continue to apply, and that the additional restrictions that the committee feels are appropriate apply to the investor-owned utilities be set up in a separate section.

Number 0401 Chairman Furnace called the committee's attention to the packet of information in their files. He asked them to review it before tomorrow's hearing.

Number 0414 The committee took up discussion on HB 246.  
 Number 0417 Representative Bob Bettisworth, Prime Sponsor of HB 246, came before the committee. He said that he did not support the amendment putting a sunset clause in the bill.

Number 0448 Rep. Bettisworth said that the small borrows should have the right to make loans with banks, however with the usury laws, it is impossible.

Number 0461 There was discussion by the committee and Rep. Bettisworth concerning the bill.

TAPE#61 (Side B)  
 Recording  
 Number 0000 Continuation of the discussion.  
 Number 0159 Gary Jenkins, Specialized Professional Services, cited some discrepancies in previous testimonies.

Number 0219 He said that there has been no specific testimony that would justify this legislation. He discussed the lending rates of banks throughout Alaska.

Number 0256 Richard Hall, National Bank of Alaska, stated opposition to the CS which allows for a sunset provision. He explained.

Number 0285 He urged the committee to pass the bill out in its original form.

Number 0298 There was discussion by the committee and Richard Hall concerning the bill.

Number 0328 Don Magnusson, Alaska Retail Association, expressed support of the bill in its original form.

Number 0335 There was discussion by the committee concerning various aspects of the bill.

Number 0372 Rep. Wendte moved and asked unanimous consent that the committee pass out the original version of HB 246 with individual recommendations.

Number 0374 Rep. Uehling objected and said that he would rather have the CS moved out.

Number 0377 Chairman Furnace called for a vote on the motion by a show of hands. The motion failed.

Number 0384 Rep. Uehling moved and asked unanimous consent to adopt the CS for HB 246 with individual recommendations.

Number 0389 Rep. Ringstad moved to amend 'Line 15, Page 6 of the bill: change 14th to 15th and change 1986 to 1987.'

Number 0398 Chairman Furnace called for a vote on the amendment. The amendment passed.

Number 0409 Rep. Ringstad made an additional motion to 'change in Line 23, 1986 to 1987'. There being no objection, it was so ordered.

Number 0413 Rep. Malone moved to delete from the proposed CS the sunset clause in Sec. 15.

Number 0417 He withdrew the amendment.

Number 0426 Rep. Ringstad moved and asked unanimous consent to adopt the CS for HB 246 with the amendments and pass it out of committee with individual recommendations.

Number 0429 Rep. Wendte objected and expressed the desire to consider another 24 hours to deliberate on the bill.

Number 0432 Chairman Furnace called for a vote on the motion by a show of hands. The motion carried.

Number 0433 The meeting was adjourned at 10:12 a.m. by Chairman Furnace.

HEADING

HOUSE LABOR & COMMERCE  
STANDING COMMITTEE  
April 28, 1983  
8:52 a.m.

Members Present: Rep. Furnace, Chairman  
Rep. Uehling, Vice-Chairman  
Rep. Cowdery  
Rep. Ringstad

Members Absent: Rep. Koponen  
Rep. Wendte  
Rep. Malone

CALENDAR HB 220 "An Act restricting cost items that may be allowed in public utility rates."  
SSHB 346 "An Act exempting public utility income from the net income tax; and providing for an effective date."  
HB 131 "An Act relating to unlawful practices in the sale or rental of real property."

WITNESS REGISTER

WITNESS:

Carolyn Guess, Chairman  
Alaska Public Utilities Commission  
Department of Commerce & Economic Development  
324 'L' Street, Suite 100  
Anchorage, Alaska 99501  
276-6222

Position Statement: Testified in opposition of HB 220 and provided information regarding SSHB 346.

WITNESS:

Robert Heath, Commissioner  
Department of Revenue  
Pouch S  
Juneau, Alaska 99811  
465-2300

Position Statement: Testified that the Department was in opposition of SSHB 346.

WITNESS:

Edith Russell, Administrative Assistant  
Representative Bette Cato's Office  
Capitol Building, Room 128  
Pouch v  
Juneau, Alaska 99811  
465-4858

Position Statement: Answered questions from the committee concerning SSHB 346.

PREVIOUS ACTION

HB 220 02/23/83: HOUSE BILL NO. 220 by Lindauer, entitled:  
"An Act restricting cost items that may be allowed in public utility rates."  
was read the first time and referred to the Labor & Commerce Committee.  
Statutory Reference: AS 42.05.381(a)

SSHB 346 04/22/83: SPONSOR SUBSTITUTE FOR HOUSE BILL NO.

346 by Cato, entitled:

"An Act exempting public utility income from the net income tax; and providing for an effective date."

was read the first time and referred to the Labor & Commerce and Finance Committees.

Statutory Reference: AS 43.20.011(e); AS 43.20; AS 43.20.040; AS 43.20.072; and AS 43.20.340 01/28/83: HOUSE BILL NO. 131 by Hurlbert, entitled:

"An Act relating to unlawful practices in the sale or rental of real property."

was read the first time and referred to the Labor & Commerce and Judiciary Committees.

See previous House Labor & Commerce Committee Meeting minutes from: March 3, March 11, March 15, and March 17, 1983.

Statutory Reference: AS 18.80.240

HB 131

ACTION NARRATIVE

TAPE#62 (Side A)

Recording

Number 0000

Number 0018

Number 0128

Number 0414

Number 0423

Number 0434

Number 0457

Number 0464

Number 0465

Number 0467

Number 0468

Number 0482

The meeting was called to order at 8:52 a.m. by Chairman Furnace. Members present were: Representatives Furnace, Uehling, Cowdery and Ringstad. Representatives Koponen arrived after roll call; Wendte and Malone were absent.

Chairman Furnace opened discussion on HB 220. Carolyn Guess, Chairman of the Alaska Public Utilities Commission of Anchorage, testified in opposition of the bill. She responded to questions from the committee via the Legislative Teleconference.

Chairman Furnace proposed to hear additional testimony and to entertain discussion by the committee concerning HB 220. He asked Carolyn Guess to stand-by.

Chairman Furnace assigned the committee to determine whether there were specific areas that should be included in the bill.

Rep. Koponen said that he did not see a demonstrated need for the bill.

Rep. Cowdery concurred with Rep. Koponen's opinion and said that the areas of concern indicated by the Sponsor have already been addressed in various court cases.

Rep. Cowdery moved and asked unanimous consent to hold the bill.

Chairman Furnace objected.

A vote was taken and the motion carried.

Chairman Furnace introduced SSHB 346 to the committee for consideration.

Robert Heath, Commissioner of the Department of Revenue, came before the committee. He said that the Department opposes the legislation. He

Number 0489 explained.  
There was discussion by the committee and  
Commissioner Heath concerning the bill.

TAPE#62 (Side B)  
Recording  
Number 0000 Continuation of the discussion.  
Number 0018 Carolyr. Guess provided comments concerning  
revenue requirements and consumer rates.  
Number 0125 Edith Russell, Administrative Assistant to  
Representative Bette Cato, was available to  
answer questions from the committee.

Number 0140 Rep. Cowdery moved and asked unanimous consent  
to advance SSHB 346 to the next committee of  
referral with individual recommendations. There  
being no objection, SSHB 346 was passed from  
the House Labor and Commerce Committee.

Number 0176 The committee took up discussion on HE 131.  
Number 0179 Rep. Ringstad moved and asked unanimous consent  
to hold the bill. There being no objection, it  
was so ordered.

Number 0190 There being no further items to come before the  
committee at this time, Chairman Furnace  
adjourned the meeting at 9:50 a.m.

HEADINGS TITLE 42.  
Public Utilities and Carriers.  
CHAPTER 05.  
Alaska Public Utilities Commission Act.  
ARTICLE 5.  
Rates and Rate Schedules.

CITATION Sec. 42.05.381.

CATCH LINE

RATES TO BE JUST AND REASONABLE.

TEXT

(a) All rates demanded or received by a public utility, or by any two or more public utilities jointly, for a service furnished or to be furnished shall be just and reasonable; however, no rate may include an allowance for costs of political contributions, or public relations except for reasonable amounts spent for

(1) energy conservation efforts;

(2) public information designed to promote more efficient use of the utility's facilities or services or to protect the physical plant of the utility;

(3) informing shareholders and members of a cooperative of meetings of the utility and encouraging attendance; or

(4) emergency situations to the extent and under the circumstances authorized by the commission for good cause shown.

(b) In establishing the revenue requirements of a municipally owned and operated utility the municipality is entitled to include a reasonable rate of return.

(c) No utility, whether subject to regulation by the commission or exempt from regulation, may charge a fee for connection to, disconnection from, or transfer of services in an amount in excess of the actual cost to the utility of performing the service plus a profit at a reasonable percentage of that cost not to exceed the percentage established by the commission by regulation.

(d) A utility shall provide for a reduced fee or surcharge for standby water for fire protection systems approved under AS 18.70.081 which use hydraulic sprinklers.

HISTORY

(Sec. 6 ch 113 SLA 1970; am sec. 1 ch 86 SLA 1976; am sec. 5 ch 106 SLA 1977; am sec. 4 ch 45 SLA 1980)

COMMITTEE REPORT

HOUSE

5/25  
Rules

(11)

FURTHER:

4/29/83

Date: 5/23/83

Mr. Speaker:

The Committee on FINANCE has had SSHB 346

"An Act exempting public utility income from the net income tax; and providing for an effective date."

under consideration and reports it back as follows:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for SSHB 346 (FIN)  same title  
 new title
- and recommends NO RECOMMENDATION
- AND attaches a "Letter of Intent"  New Fiscal Note *Sup 68*  
 Zero Fiscal Note Attached
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

\_\_\_\_\_

*Joseph W. ...*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

*Sam ... (No Rec)*

*Paul ... (No Rec)*

*Jim ... (No Rec)*

*John ... (No Rec)*

*W.B. ... (No Rec)*

*Robert ... (No Rec)*

*Terry ... No Rec*

*Robert ...*

CHAIRMAN

HB  
346

FISCAL NOTE

Revised Date: 5/24/83

I. REQUEST <sup>CS</sup>  
Bill/Resolution No: SS HB 346 (FIN)  
Title: Exempting public utility income  
Sponsor: Cato  
Requestor: State Affairs and Finance

II. FISCAL DETAIL  
Agency Affected: Department of Revenue  
Program Category Affected: Rev Coll & Mgt  
BRU, Program of Subprogram(s) Affected: Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>						
	-	-	-	-	-	-
<b>REVENUE</b>	-	(2000)	(2000)	(2000)	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. Analysis

The fiscal note is based on data extracted from returns as filed for tax year 1981 and adjusted for anticipated increases in tax liabilities.

Prepared By: Robert R. Kessel  
Division: Audit Division

Approved by Commissioner: Joseph K. Dineen  
Department: Revenue

Phone: 62-2770  
Date: May 24, 1983

Date: \_\_\_\_\_

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

SSH3\_346

SSH3\_346 - An Act exempting public utility income from the net income tax.

Chairman Adams read a statement prepared by the sponsor of the legislation, Representative Bette Cato (see attachment #2).

COMMISSIONER BOB HEATH, DEPARTMENT OF REVENUE, stated that the department is opposed to the bill. He said they object to a specific subsidy which will not effect all communities with any degree of similarity. Commissioner Heath said this would be a windfall for cable t.v. systems in as much as they are not regulated and would not be required to pass on savings and not pay taxes.

Representative Lindauer asked if it is not true that in some communities people are not facing rates which contain state taxes where in others they do. He said some communities are being taxed to support the state of Alaska. He said this bill would equalize the burden. Representative Lindauer asked Commissioner Heath if the bill would be more palatable if it did not include those utilities whose rates were not regulated or those which have been designated public utilities for the purpose of getting a certificate of convenience and necessity. Commissioner Heath said this would help.

Representative Zharoff asked what the negative financial impact of the legislation will be. Commissioner Heath anticipated that it will be \$2.5 million in the first full year and \$2 million a year thereafter. There was discussion of the department's fiscal note dated April 26, 1983. Representative Zharoff asked if the utilities will receive a rebate or a credit. Commissioner Heath said since they would have no tax liability he presumed a direct refund would be made. Representative Zharoff asked what would be a reasonable amount of time should the legislature "sunset" this legislation. Commissioner Heath did not know what a "sunset" would do and reaffirmed the Department's opposition to the legislation.

Representative Lindauer asked if a portion of the tax reduction will in fact result in an increase in federal taxes. Commissioner Heath said roughly 46 per cent.

Representative Duncan asked if approximately 30 per cent of the actual loss to the state in revenue of 2.5 million in FY 84 would go to ALASCO. Commissioner Heath said it would be the assumption that the largest book reporting tax payers would receive the largest break. Representative Duncan said a number of smaller utilities would not benefit or receive rebates under this legislation. There was discussion of how the consumer would benefit under the legislation.

(Representative Martin arrived at this time.)

Representative Lindauer proposed an amendment saying it would assist Revenue in the completion of tax forms and aid to offset tax reductions by assuring that costs not normally accepted by public utilities would not be accepted by the Alaska regulatory commission. Representative Lindauer MOVED AND ASKED UNANIMOUS CONSENT that amendment number 1 be approved (see attachment #3). Chairman Adams OBJECTED saying this is the same amendment offered in House Labor and Commerce and turned down by that committee. Representative Lindauer said it was not turned down and this is a standard practice to avoid taxes by shifting funds into a non-taxable or non-regulated entity.

(Tape Change 83-72, Side 2)

There was discussion concerning the amendment. The QUESTION was called for.

IN FAVOR: Bettisworth, Lindauer, Martin, Pestinger, Ward,  
Znaroff

OPPOSED: Adams, Duncan

The MOTION PASSED. (6-7)

Representative Lindauer MOVED AND ASKED UNANIMOUS CONSENT that amendment number 2 be approved (see attachment #4). There being NO OBJECTION, it was so ordered.

Representative Bettisworth MOVED AND ASKED UNANIMOUS CONSENT that section 7, line 6, page 3 be deleted and section 8 be renumbered and read "this Act takes effect July 1, 1983". There being NO OBJECTION, it was so ordered.

Representative Bettisworth MOVED AND ASKED UNANIMOUS CONSENT that he be exempted from a vote on the issue since he owns some stock in a utility company in Fairbanks. Chairman Adams OBJECTED.

Representative Lindauer MOVED that a committee substitute be drafted incorporating the amendments approved by the committee and reported out of committee. There being NO OBJECTION, it was so ordered and CSSSB 346 (Finance) was reported out of committee with "no recommendation".

#### ADJOURNMENT

The meeting adjourned at 2:25 p.m.

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(Tape HFC 83-72, Side 1, #001-end)  
(HFC 83-72, Side 2, #001-144)

SPONSOR STATEMENT

SS.B 346

PUBLIC UTILITY TAX EXEMPTION

MR. CHAIRMAN,

I AM APPEARING TODAY TO TESTIFY IN SUPPORT OF MY SPONSOR SUBSTITUTE FOR HOUSE BILL 346. THIS BILL, IF ENACTED, WILL EXEMPT PUBLIC UTILITY INCOME IN THE STATE FROM ALASKA STATE CORPORATE INCOME TAX. MY SPONSOR SUBSTITUTE FURTHER REQUIRES THAT THE TAX SAVINGS RESULTING FROM THIS EXEMPTION BE PASSED DIRECTLY TO THE CONSUMER IN THE FORM OF RATE REDUCTIONS.

CONSUMERS THROUGHOUT THE STATE HAVE EXPERIENCED INCREASING UTILITY BILLS. IT IS A GROWING CONCERN THAT AFFECTS NEARLY EVERY HOUSEHOLD; BOTH RURAL AND URBAN. UTILITIES ARE BASIC TO THE NEEDS OF OUR PEOPLE. EACH MONTH A PORTION OF THEIR TELEPHONE, GAS, AND ELECTRIC BILLS CONTAIN A CHARGE TO REIMBURSE UTILITIES FOR ANY CORPORATE TAXES UTILITIES ARE REQUIRED TO PAY. THIS BILL WILL ELIMINATE THESE UNSEEN TAXES AND REDUCE RATES.

I UNDERSTAND THAT THE IMPACT ON STATE REVENUES WILL BE MINIMAL, AND I BELIEVE THAT THE EFFECT OF THIS BILL IS PROPER PUBLIC POLICY FOR THE STATE. I URGE YOUR FAVORABLE ACTION, TODAY.