

SB

2

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.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERENCE

DATE: 1/21/91

FURTHER: L&C

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: _____

C&RA Committee considered Senate Bill No. 2

"An Act relating to deregulation of public utilities furnishing collection and disposal service of waste material."

and recommended:

replace with _____ CS _____ same title

attached amendment(s) new title

_____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

fiscal note(s) _____

zero fiscal note(s) _____
Dept. of Env. Conservation
Dept. of Commerce + Econ. Devel.

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

William Stungolter No Pass

[Signature]
Chair: Signature and Recommendation

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

P.O. Box Y, Juneau, Alaska 99811
(907) 465-3867 or 465-2450
FAX (907) 465-2029


Deliveries to: 240 Main Street
Court Plaza, Room 500
Mail Stop 3101

MEMORANDUM

March 5, 1991

SUBJECT: Is Deregulation of Public Utilities a "Taking"?

TO: Senator Steve Frank
Chair, Senate Community and Regional Affairs
Committee
Attn: Rick Solie

FROM: Pam Finley 
Assistant Revisor

Question Presented: Does deregulation of a currently regulated class of utilities constitute a "taking" that requires current certificate holders to be compensated?

Short Answer: No.

Discussion. The issue here is whether deregulation violates the Due Process Clause of the Fourteenth Amendment of the federal constitution, the prohibition against impairment of contracts in art. I, sec. 10 of the federal constitution, the Due Process Clause of art. I, sec. 7, or the prohibition against impairment of contracts in art. I, sec. 15 of the state constitution.

In City of Paragould v. Arkansas Utilities Co., 70 F.2d 530 (8th Cir. 1934), cert. denied, 293 U.S. 586, 79 L.Ed. 682 (1934), the court rejected the claim by a previously regulated utility that it had a vested right protected by the federal constitution to continued exemption from competition. In that case the utility held a certificate of convenience and necessity from the state. The state then repealed the law that required such certificates. The utility claimed that the previous certificate constituted a contract or franchise and sought an order enjoining a competitor from building a power plant in its former area. The court rejected the utility's claim, noting that the previous requirement of a certificate "constituted nothing more than a barrier erected by the state...which barrier the state might raise, lower, or completely remove, provided that this was done through nondiscriminatory legislation." City of Paragould v. Arkansas Utilities, *supra*, 70 F.2d at 534. The court relied on a U.S. Supreme Court case, Frost v. Corporation Com'n. of Oklahoma, 278

U.S. 515, 73 L.Ed 483 (1929), in which the Court held that a state could not require certificates from a utility incorporated under one act, but not from those incorporated under another act, but also noted that there would be no constitutional problem if the law had abolished the requirement of certificates entirely. Therefore it appears that a state would not violate the federal constitution by repealing laws that required certificates of public convenience and necessity.

While Alaska's Supreme Court has not addressed this issue directly, two cases indicate that it would find no violation of the Due Process Clause of the state constitution. In Alaska Public Utilities Com'n. v. Chugach Electric Assn., 580 P.2d 687 (Alaska, 1978) a statute prohibited the APUC from allowing competition with an existing utility unless the existing utility was not providing or would not provide service. Chugach Electric Assn. held a certificate while the statute was in effect. After that statute was repealed, Chugach claimed that it had a vested right to avoid competition as long as it provided adequate service, which right was preserved by the general savings statute, AS 01.10.100. Because the new law dealt with competition with previously certificated utilities, the court decided that the repealed statute was not "saved", and therefore it did not have to decide whether Chugach had a "vested right". The court did, however, note that the failure to preserve Chugach's earlier right did not deny it due process. Chugach, supra, 580 P.2d at 693. In addition, in Herscher v. State. Dep't. of Commerce, 568 P.2d 996 at 1003 (Alaska 1977), the court noted the difference between the due process rights that must be accorded someone who has a license so long as the licensing system remains in effect, and the lack of such rights if the system is abolished:

The state's power over natural resources is such that it could entirely eliminate the role of hunting guides and no problem of due process would arise. However, when the state decides to permit the harvesting of its fish and game, and in doing so permits the issuance of hunting guide licenses, then problems of due process arise when the individual, rather than the group as a whole, is affected.

Therefore it appears that the due process clause of the state constitution does not prohibit the abolition of a licensing or certificate system, although holders have due process rights in those licenses or certificates so long as the system exists.

Finally, although there is no case law directly on point, I believe that the prohibition against impairment of contracts in the state constitution would not prevent deregulation of a utility. The court did not address this issue in Alaska Public Utilities Com'n v. Chugach Electric Ass'n., supra, 580 P.2d at 693, n. 9 because it was not adequately briefed. However, I see no reason why Alaska's court would not follow the rationale of City of Paragould, supra, especially since certificates are subject to revocation if they no longer serve "public convenience and necessity",

Senator Steve Frank

March 5, 1991

Page 3

AS 42.05.271(1), and competition is allowed unless the competition is "not in the public interest". AS 42.05.221(d). See Homer Electric Ass'n., Inc. v. City of Kenai, 423 P.2d 285, 289 (Alaska 1967)(Certificate not a grant of monopoly.) Therefore any "contract" that a utility might have had would have contained an implicit condition that it was subject to termination if required by the public interest.

PM:gc:pl
91-115.glc

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Court Plaza, Room 500
Mail Stop 3101

MEMORANDUM

February 5, 1991

SUBJECT: Technical correction to SB 2 (Deregulation of garbage utilities)

TO: Senator Dick Eliason

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

In reviewing SB 2, I noticed that there is a technical correction that needs to be made to sec. 2 of the bill. That section repeals various statutes that relate to regulation of utilities providing garbage service. As presently drafted, the section repeals AS.35.050(d), which was enacted in ch. 176, SLA 1990. The revisor subsequently relettered the subsection to AS 29.35.050(c). The reference in SB 2 should therefore be changed to repeal AS 29.35.050(c). We will correct our diskette of the bill, and the next time that a version is prepared, the correction will be made. If you prefer, we will be happy to prepare a corrected version of SB 2.

If I may be of further assistance, please let me know.

TC:mi
91-023.mai



Alaska State Legislature

SENATE

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Drue Pearce, Chair
Senate Labor & Commerce Committee

FROM: Senator Steve Frank, Chair
Senate Community & Regional Affairs Committee

RE: SB 2 - Deregulation of Garbage Utilities

DATE: February 7, 1991

The C&RA Committee passed SB 2 out of committee at our February 5 meeting. As the bill is now in your committee, there are two items that I would call to your attention:

1) There is a technical correction that Legal Services needs to make that the committee did not feel warranted a Committee Substitute (See attached memo from Teresa Cramer).

2) We requested a memo from Legal Services on whether deregulation of the garbage industry creates a "taking without compensation" by the state, since currently garbage haulers must be certificated by the Alaska Public Utilities Commission. With passage of this legislation certificates will not be necessary.

We will be happy to furnish you a copy of the response when we receive it from Teresa Cramer.

ARE THE CERTIFICATES OF PUBLIC USE AND NECESSITY
HELD BY PUBLIC UTILITIES VALUABLE RIGHTS WHICH
CANNOT BE ARBITRARILY TAKEN AWAY BY GOVERNMENT?

The Alaska Statutes recognize that the franchise granted a public utility by its certificate of public convenience and necessity is a valuable right. This right may not be arbitrarily revoked. AS 42.05.271. Revocation is proper only where the utility has discontinued service, is guilty of wrongdoing, or where public convenience and necessity demand it. *Id.* Even joint use and interconnection of utility lines require a specific finding that the joint servicing will not result in substantial injury to the original utility or its customers. AS 42.05.321. Thus, the Alaska Statutes reflect the State's public policy of protecting public utilities from competition where competition would be inefficient and oppressive.

In Chugach Electric Association v. City of Anchorage, the Alaska Supreme Court addressed, at the invitation of the legislature, competition between public utilities. In this case, both the legislature and the court were concerned with the effects of competition between public utilities and the "wasteful duplication of facilities." In this case, the Supreme Court found that where one utility had been required to have a certificate of public convenience and necessity and the other utility (a municipality) historically had not, the court could modify the certificates of the two utilities and award an exclusive service area to each utility. The Alaska Supreme Court has previously recognized that a certificate of public convenience and necessity is a property right and, as such, is entitled to protection. Homer Electric Association, Inc. v. City of Kenai. Alaska case law further recognizes that franchises such as those obtained through the grant of a certificate of public convenience and necessity hold the legal status of contracts which are binding upon both parties. City and Borough of Juneau v. Alaska Electric Light & Power Co.; B-C Cable Company, Inc. v. City and Borough of Juneau. The owner of a franchise has rights to the protection thereof under the constitution as does the owner of any other property. The fact that such franchises are conferred by grant from the government or may be forfeited due to misuse or non-use is immaterial. Where a public utility accepts its rights and obligations under a certificate of public convenience and necessity, and expends money in reliance on that certificate, a contract is created which should not later be impaired. The deregulation of such utilities, allowing the entry of competitors into what was previously an exclusive service area, would breach that contract and could constitute a taking for which just compensation might be due.

In addition to the "taking" issue, the courts have come down against indiscriminate interference with the franchise rights of public utilities. In Detroit & Cleveland Nav. Co. v. United States, the court held that new and competing carriers should not be authorized to enter a field already being adequately served unless a definite need for the new, competing service is demonstrated. Public utility commissions have held that one certificated utility should not be allowed to invade the service area of another unless the evidence clearly shows deficient service or a forfeiture of rights on the part of the original utility. Rawlins Electric Co. New certificates of public convenience and necessity should not be issued prior to a determination as to any prejudice which might be suffered thereby by existing carriers or utilities. Robbins. In order to justify issuance of a certificate of public convenience and necessity to a competitor utility allowing it to operate within another's service area, it must be determined that there is a public need for the new service, as opposed to a need on the part of the competitor/applicant to provide the new service. Traditionally, it has been held that in order to allow one utility to invade the service area of another, it must be clearly demonstrated that there has been a failure, breakdown, incompleteness, or inadequacy in the services provided by the existing utility.

The policy of the State of Alaska as reflected in existing statutes and case law protects utilities from disruptive competition so long as the utility is adequately fulfilling its duties to its customers and to its franchisor. Where a public utility is not in breach of its obligations to the public, its franchise rights may have some constitutional protection against infringement. Allowing another utility to invade the service area of the original utility, taking away its customers and decreasing its economies of scale, constitutes a significant interference with the utility's franchise rights. The deregulation of an established utility, allowing competitor access to already adequately served customers of an existing utility, would not be in the best interests of either the State, its people, or the utilities involved.

TELECONFERENCE PARTICIPATION

SPONSOR (S) CTRA

DATE/TIME 2/5

SUBJECT SB 2, SB 35

teleconference

LIO'S
(moderator)

*AGENCY IT HEALTH RESURS
DO TO HEALTH RESURS*

	TESTIFY	OBSERVE	TESTIFY	OBSERVE
ANCHORAGE ()	PAULA Trapp SB 2 DONALD May SB 2 Tom TURNER SB 2 FAVORS Recycling	NUSSO	PETERSBURG *	()
BARROW *	Tom Brennan - Air letter Prevention - ACPAR		SITKA *	
BETHEL ()			SOLDOTNA ()	
DELTA JUNCTION *			VALDEZ *	()
DILLINGHAM *			LTC'S	
FAIRBANKS ()	Kelly McMullin SB 2 Bob Spencer SB 2 HEALTH & SAFETY INSPECTOR		HOMER	
GLENNALLEN *			WRANGELL	
JUNEAU ()			OFFNETS	
KETCHIKAN ()			OFF1	Don Gillman - Kenai
KODIAK ()			OFF2	
KOTZEBUE ()			OFF3	
MAT-SU ()	Nick Carney SB 2 Ted Smith SB 2		OFF4	
NOME ()			OFF5	
			OFF6	

VTS'S ON BACK

*SESSION ONLY

VOLUNTEER TELECONFERENCE SITES

AKK - Akhoik	AMB - Ambler
AND - Anderson	ANG - Angoon
BUC - Buckland	CAN - Cantwell
CHE - Chenega Bay	CHG - Chignik
CHL - Chignik Lake	CHN - Chiniak
CHS - Chistochina	CHI - Chitina
COP - Copper Center	COR - Cordova
CRA - Craig	DEE - Deering
DOT - Dot Lake	EAG - Eagle
ELF - Elfin Cove	FTY - Fort Yukon
GAK - Gakona	GAL - Galena
GAM - Gambell	HNS - Haines
HEA - Healy	HOO - Hoonah
HPB - Hooper Bay	HYD - Hydaburg
HYR - Hyder	KAK - Kake
KAT - Kaktovik	KAU - Karluk
KAS - Kasaan	KEN - Kenny Lake
KIA - Kiana	KIV - Kivalina
KLA - Klawock	KOB - Kobuk
LAB - Larsen Bay	MES - Mentasta Lodge
MET - Metlakatla	MOS - Mosquito Lake
NAK - Naknek	NEN - Nenana
NEW - Newhalen	NIK - Nikiski
NOA - Noatak	NOO - Noorvik
NPT - North Pole	NOW - Northway
NUI - Nuiqsut	OUZ - Ouzinkie
PEL - Pelican	PTA - Port Alexander
PTH - Point Hope	PTL - Port Lions
PTP - Port Protection	STP - Saint Paul
SAV - Savoonga	SLW - Selawik
SEW - Seward	SHS - Shishmaref
SHU - Shungnak	SKG - Skagway
SLA - Slana	TAT - Tatitlek
TKS - Tenakee Springs	TNB - Thorne Bay
TOG - Togiak	TOK - Tok
TSK - Toksook Bay	UNK - Unalakleet
UAK - Unalaska	WAI - Wainwright
WHT - Whittier	YAK - Yakutat

SUBJECT LINE TO READ: TC NO.; PL/FS; SHORT SUBJECT; DATE

T/C NO: 91-02-003
DATE: 2/5/91
SPONSOR: SENATE C&RA
SUBJECT: SB 2 - DEREGULATION OF GARBAGE
MODERATOR: MARY
SITE: MATSU

PARTICIPANT LIST

TESTIFIED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. NICK CARNEY	1101 W FISHHOOK WASIL	LA 99687	SB 2
2. TED SMITH	12010 105TH, WILLOW	9968 8	SB 2
3. MIKE DOWNS	BOX 872547, WASILLA	9 9687	SB 2
4.			
5.			

AGAINST
MATSU EXPOSURE
RAI/AL ENTERPRISES
FAVORS DEREGULATION

OBSERVED

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
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2.			
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TESTIFIED: 3

UNABLE: 0
OBSERVED: 0
TOTAL: 3

START TIME: 3:30PM

END TIME:

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 2

Revision Date: 2-5-91 Department Affected: Environmental Conservation
Title: Deregulation of Garbage Utilities BRU: Environmental Quality
Component: Hazardous and Solid Waste Management

Sponsor: Sen. Eliason
Requestor: Sen. Frank; Sen. C & RA

COMPONENT SERIAL NO.

1	0	1	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Janice Adair *Janice Adair* Phone: 465-2600

Division: Commissioner's Office Date: 2-5-91

Approved by Commissioner: *Jan A. Serles*

Agency: Department of Environmental Conservation Date: 2/5/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

02/05/91 11:12 0907 278 0180

AK PUB UTIL COMM

0002/002

STATE OF ALASKA
 1991 LEGISLATIVE SESSION

BILL VERSION: SB 2
 PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Deregulation of refuse
utilities
 Sponsor: Comm. & Reg. Affrs.
 Requestor: Comm. & Reg. Affrs.

Agency Affected: Commerce & Economic Dev.
 BRU: APUC
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0


FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

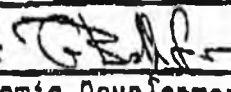
POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) No fiscal impact for FY 91.

Prepared by:  Ray Hipperman, Acting Exec. Dir
 Division: Alaska Public Utilities Commission

Phone: 276-6222
 Date: 2/5/91

Approved by Commissioner: Glenn A. Olds 
 Agency: Department of Commerce & Economic Development

Date: 2-5-91

Distribution (by preparer):
 Legislative Finance

of vessel traffic control and monitoring systems for oil barges and tank vessels carrying oil operating in or near the waters of the state. (§ 10 ch 74 SLA 1985; am § 1 ch 191 SLA 1990)

Effect of amendments. — The 1990 amendment, effective June 27, 1990, added subsection (d).

Sec. 29.35.030. Eminent domain.

NOTES TO DECISIONS

Municipal assembly's designation of land as a potential school site gave the owner of the land no right to compel a sale of the land, because the local school district had management authority over its budget as well as district operations, and the assembly could not force the district to spend money to acquire a particular site. *Homeward Bound, Inc. v. Anchorage School Dist.*, 791 P.2d 610 (Alaska 1990).

Municipal assembly's designation of property as a potential school site was not a taking for which the property owner could recover just compensation, where the assembly's mere designation was not a concrete indication that the municipality intended to condemn the property. *Homeward Bound, Inc. v. Anchorage School Dist.*, 791 P.2d 610 (Alaska 1990).

Sec. 29.35.050. Garbage and solid waste services. (a) A municipality may by ordinance

(1) provide for the establishment, maintenance, and operation of a system of garbage and solid waste collection and disposal for the entire municipality, or for districts or portions of it;

(2) require all persons in the municipality or district to use the system and to dispose of their garbage and solid waste as provided in the ordinance;

(3) award contracts for collection and disposal, or provide for the collection and disposal of garbage and solid waste by municipal officials and employees;

(4) pay for garbage and solid waste collection and disposal from available money;

(5) require property owners or occupants of premises to use the garbage and solid waste collection and disposal system provided by the municipality;

(6) fix charges against the property owners or occupants of premises for the collection and disposal; and

(7) provide penalties for violations of the ordinances.

(b) The governing body of a municipality may not prohibit a person holding a valid certificate from the Alaska Public Utilities Commission from continuing to collect and dispose of garbage, refuse, trash, or other waste material, or provide other related services in an area in the municipality if the certificate authorizes the collection and disposal of garbage, refuse, trash, or other waste material and providing of other services in the area, and the certificate was originally issued

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before the municipality provided similar services. Except as provided in (d) of this section, a municipality may not provide for a garbage, refuse, trash, or other waste material collection and disposal service in an area to the extent it lies in an area granted to a garbage, refuse, trash, or other waste material carrier by a certificate issued by the Alaska Public Utilities Commission to the carrier until it has purchased the certificate, equipment and facilities of the carrier, or that portion of the certificate that would be affected, at fair market value. A municipality may exercise the right of eminent domain to acquire the certificate, equipment, and facilities of the carrier, or that portion of the certificate that would be affected.

(c) A municipality may establish an intermediate transfer site for the collection and disposal of garbage, refuse, trash, or other waste material without purchasing the certificate, equipment, or facilities of a waste material carrier certificated by the Alaska Public Utilities Commission. The municipality may, without compensating a certificated waste carrier operating in the area, provide for or contract with a certificated or noncertificated entity to provide for the collection and disposal of waste material left at the intermediate transfer site.

(d) This section applies to home rule and general law municipalities. (§ 10 ch 74 SLA 1985; am §§ 1, 2 ch 176 SLA 1990)

Revisor's notes. — Subsection (c) was enacted as subsection (d) and relettered in 1990, at which time former subsection (c) was relettered as subsection (d).

Effect of amendments. — The 1990 amendment, effective June 22, 1990, in subsection (b), inserted "or other" before "waste material" in the first sentence, added the exception at the beginning of

the second sentence, and made a punctuation change in the third sentence; and added present subsection (c).

Editor's notes. — Section 4, ch. 176, SLA 1990 provides that the amendments made to this section by §§ 1 and 2, ch. 176, SLA 1990 do not apply to a municipality with a population of less than 50,000 until July 1, 1991.

Sec. 29.35.070. Public utilities. (a) The assembly acting for the area outside all cities in the borough and the council acting for the area in a city may regulate, fix, establish, and change the rates and charges imposed for a utility service provided to the municipality or its inhabitants by a utility that is not subject to regulation under AS 42.05 unless that utility is exempted from regulation under AS 42.05.711(a) or (d) — (k) or is exempted under regulations adopted under AS 42.05.810 from complying with all or part of AS 42.05.010 — 42.05.721.

(b) A municipality may provide for a reasonable deposit for meters and service to be given if interest is paid on the deposit.

(c) Unless the utility is owned by the municipality, all rates, charges, and regulations established under this section shall be established by ordinance and shall be reasonable and permit a fair return on invested capital.

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(4) "public utility" or "utility" includes every corporation whether public, cooperative, or otherwise, company, individual, or association of individuals, their lessees, trustees, or receivers appointed by a court, that owns, operates, manages or controls any plant, pipeline or system for

(A) furnishing, by generation, transmission or distribution, electrical service to the public for compensation;

(B) furnishing telecommunications service to the public for compensation;

(C) furnishing water, steam or sewer service to the public for compensation;

(D) furnishing by transmission or distribution of natural or manufactured gas to the Alaska public for compensation;

(E) furnishing for distribution or by distribution petroleum or petroleum products to the Alaska public for compensation when the consumer has no alternative in the choice of supplier of a comparable product and service at an equal or lesser price;

(F) furnishing collection and disposal service of garbage, refuse, trash or other waste material;

(5) "rate" includes each rate, toll, fare, rental, charge, or other form of compensation demanded, observed, charged or collected by a public utility for its services;

(6) "service" means, unless the context indicates otherwise, every commodity, product, use, facility, convenience or other form of service that is offered for and provided by a public utility for the convenience and necessity of the public;

(7) "tariff" means a rate, charge, toll, rule or regulation of a utility relating to services furnished by the utility to the general public for compensation and every map, page, adoption notice, instrument or other document filed with the commission setting out the terms and conditions under which utility services are offered to the public and instruments of concurrence and all other documents and data setting out the terms of a utility's business relations with another utility insofar as they affect the general public either directly or indirectly;

(8) "telecommunications" means 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. (§ 6 ch 113 SLA 1970; am § 2 ch 36 SLA 1971; am § 2 ch 76 SLA 1973)

Revisor's notes. — Formerly AS 42.05.701. Renumbered in 1983 and reorganized to alphabetize the defined terms.
Cross references. — For legislative

purpose of subparagraph (4)(E) of this section, see § 1, ch. 36, SLA 1971 in the Temporary and Special Acts.

Effect of amendments. — The 1990 amendment, effective June 22, 1990, substituted "municipality" for "city or borough" in the first sentence and made a series of minor punctuation changes in the second sentence.

Sec. 42.05.711. Exemptions. (a) The provisions of this chapter do not apply to a person who furnishes water, gas or petroleum or petroleum products by tank, wagon, or similar conveyance, unless the person is thereby supplying water, gas, petroleum or petroleum products to a public utility in which the person has an "affiliated interest."

(b) Except as otherwise provided in this subsection, public utilities owned and operated by a political subdivision of the state, or electric operating entities established as the instrumentality of two or more public utilities owned and operated by political subdivisions of the state, are exempt from this chapter, other than AS 42.05.221 — 42.05.281 and 42.05.385. However,

(1) the governing body of a political subdivision may elect to be subject to this chapter; and

(2) a utility or electric operating entity that is owned and operated by a political subdivision and that directly competes with another utility or electric operating entity is subject to this chapter and any other utility or electric operating entity owned and operated by the political subdivision is also subject to this chapter.

(c) The ownership in whole or part, of the corporate stock of a public utility does not make the owner a public utility.

(d) The commission may exempt a utility, a class of utilities, or a utility service from all or a portion of this chapter if the commission finds that the exemption is in the public interest.

(e) Notwithstanding any other provisions of this chapter, any electric or telephone utility that does not gross \$50,000 annually is exempt from regulation under this chapter unless 25 percent of the subscribers petition the commission for regulation.

(f) Notwithstanding any other provisions of this chapter, an electric or telephone utility that does not gross \$325,000 annually may elect to be exempt from the provisions of this chapter other than AS 42.05.221 — 42.05.281 under the procedure described in AS 42.05.712.

(g) A utility, other than a telephone or electric utility, that does not gross \$100,000 annually may elect to be exempt from the provisions of this chapter other than AS 42.05.221 — 42.05.281 under the procedure described in AS 42.05.712.

(h) A cooperative organized under AS 10.25 may elect to be exempt from the provisions of this chapter, other than AS 42.05.221 — 42.05.281, under the procedure described in AS 42.05.712.

(i) A utility which furnishes collection and disposal service of garbage, refuse, trash, or other waste material and has annual gross revenues of \$200,000 or less is exempt from the provisions of this chapter, other than the certification provisions of AS 42.05.221 —

42.05.281, unless sending 25 percent commission for regulation.

(j) The provision gifts of energy to when the energy waste heat, electric product of an industry is certificated for may be provided to area. A contract for this subsection does not transfer the regulated utility to another area.

(k) A utility which the provisions of this chapter unless 25 percent commission.

(l) A person, utility under (a) or (d) — municipality under

(m) The collection of waste material exempt from this chapter 1973; am § 8 ch 83 ch 59 SLA 1982; am § 1 ch 80 SLA 1984; § 3 ch 176 SLA 1985

Effect of amendments 1990 amendment, effective June 22, 1990, added

Article 10. Commission

- Section
- 800. Findings
- 810. Competition
- 820. No municipal regulation
- 830. Exchange access
- 840. Universal service

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42.05.281, unless 25 percent of the subscribers or subscribers repre-
sented 25 percent of the gross revenue of the utility petition the
commission for regulation.

(j) The provisions of this chapter do not apply to sales, exchanges or
gifts of energy to an electric utility certificated under this chapter
when the energy which is the subject of the sale, exchange or gift is
waste heat, electricity, or other energy which is surplus or the by-
product of an industrial process. In an area in which no electric utility
is certificated for service, energy provided by sale, exchange or gift
may be provided to any utility which is certificated for service to that
area. A contract for the sale, exchange or gift of energy exempt under
this subsection does not make the supplier a public utility, and does
not transfer the responsibility to provide utility services from a certifi-
cated utility to any other person.

(k) A utility which furnishes cable television service is exempt from
the provisions of this chapter other than AS 42.05.221 — 42.05.281,
unless 25 percent of the subscribers petition the commission for regu-
lation.

(l) A person, utility, or cooperative that is exempt from regulation
under (a) or (d) — (k) of this section is not subject to regulation by a
municipality under AS 29.35.060 and 29.35.070.

(m) The collection and disposal, under AS 29.35.050(c), by a municipi-
pality of waste material deposited at an intermediate transfer site is
exempt from this chapter. (§ 6 ch 113 SLA 1970; am § 3 ch 76 SLA
1973; am § 8 ch 83 SLA 1980; am §§ 7 — 9 ch 136 SLA 1980; am § 89
ch 59 SLA 1982; am § 1 ch 30 SLA 1983; am § 68 ch 74 SLA 1985; am
§ 1 ch 80 SLA 1985; am § 2 ch 107 SLA 1986; § 5 ch 93 SLA 1990; am
§ 3 ch 176 SLA 1990)

Effect of amendments. — The first
1990 amendment, effective June 7, 1990,
rewrote subsection (d).

The second 1990 amendment, effective
June 22, 1990, added subsection (m).

Editor's notes. — Section 4, ch. 176,
SLA 1990 provides that subsection (m)
does not apply to a municipality with a
population of less than 50,000 until July
1, 1991.

Article 10. Competitive Intrastate Long Distance Telephone Service.

Section

- 800. Findings
- 810. Competition
- 820. No municipal regulation
- 830. Exchange access charges
- 840. Universal service fund

Section

- 850. Exchange carrier association
- 860. Restrictions on resale of telecommu-
nications services prohibited
- 890. Definitions

Article 3. Water Pollution Control and Waste Disposal.

Section

100. Waste disposal permit

Sec. 46.03.090. Plans for pollution disposal.

NOTES TO DECISIONS

Quoted in *State v. Anderson*, 749 P.2d 1342 (Alaska 1988).

Sec. 46.03.100. Waste disposal permit. (a) A person who conducts an operation which results in the disposal of solid or liquid waste material or heated process or cooling water into the waters or onto the land of the state must procure a permit from the department before disposing of the waste material or water. The permit must be obtained for direct disposal and for disposal into publicly operated sewerage systems.

(b) A permit for disposal of a hazardous waste may not be issued under this section unless the applicant for the permit has furnished proof to the commissioner of financial ability to control the hazardous waste. Proof of financial responsibility may be demonstrated by self-insurance, insurance, surety, or guarantee, under regulations adopted by the department. Acceptance of proof of financial responsibility under this subsection expires

- (1) one year from its issuance for self-insurance;
- (2) on the effective date of a change in the surety bond, guarantee, or insurance agreement; or
- (3) on the expiration or cancellation of the surety bond, guarantee, or insurance agreement.

(c) This section does not apply to a person discharging only domestic sewage into a sewerage system.

(d) This section does not apply to injection projects permitted under AS 31.05.030(h).

(e) A person who applies for a solid waste permit under this section shall demonstrate to the satisfaction of the commissioner that the applicant has reasonably considered all solid waste management options and that the permit would be consistent with the practices and priorities established under AS 46.06.021. (§ 3 ch 120 SLA 1971; am § 3 ch 220 SLA 1976; am § 9 ch 93 SLA 1981; am § 4 ch 91 SLA 1984; am § 3 ch 88 SLA 1990)

Effect of amendments. — The 1990 amendment added subsection (e).

Article 5

Section

299. Regulation of
316. [Repealed]

Sec. 46.03.299. ment shall add (AS 44.62) for as defined by waste that ex nogenicity.

(b) Regulat their coverag tion, develop mal energy u completed. T ports of the

(c) The de thORIZATION f Agency to a cordance wi Recovery A

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(e) [Rep.

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Effect of 1989 amend in subsection lations und dure Act (A tions" and third sente

(8) "vessel" means any form or manner of watercraft, whether or not capable of self-propulsion, except offshore platforms. (§ 1 ch 129 SLA 1977; am §§ 1-3 ch 128 SLA 1978; am § 110 ch 59 SLA 1982; am § 19 ch 59 SLA 1986)

Revisor's notes. — In 1987, a reference in paragraph (b)(1) to "(3) of this subsection" was changed to "(2) of this subsection" to correct a manifest error.

Cross references. — For provision that actions brought under this section may be brought directly against insurers or other persons providing evidence of financial responsibility, see AS 46.04.040(e).

For schedule of civil penalties under (b) of this section, see 18 AAC 75.510 — 18 AAC 75.600.

Effect of amendments. — The 1986 amendment repealed subsection (k), concerning the "oil spill mitigation account."

Editor's notes. — The effective date (referred to in (e) of this section) of the regulation adopting the schedules is April 19, 1978.

Sec. 46.03.760. Civil action for pollution; damages. (a) A person who violates or causes or permits to be violated a provision of this chapter other than AS 46.03.250 — 46.03.314, or a provision of AS 46.04 or AS 46.09, or a regulation, a lawful order of the department, or a permit, approval, or acceptance, or term or condition of a permit, approval, or acceptance issued under this chapter or AS 46.04 or AS 46.09 is liable, in a civil action, to the state for a sum to be assessed by the court of not less than \$500 nor more than \$100,000 for the initial violation, nor more than \$5,000 for each day after that on which the violation continues, and that shall reflect, when applicable,

(1) reasonable compensation in the nature of liquidated damages for any adverse environmental effects caused by the violation, which shall be determined by the court according to the toxicity, degradability and dispersal characteristics of the substance discharged, the sensitivity of the receiving environment, and the degree to which the discharge degrades existing environmental quality;

(2) reasonable costs incurred by the state in detection, investigation, and attempted correction of the violation;

(3) the economic savings realized by the person in not complying with the requirement for which a violation is charged.

(b) Except as determined by the court under (f)(4) of this section, actions under this section may not be used for punitive purposes, and sums assessed by the court must be compensatory and remedial in nature.

(c) The court, upon motion of the department or upon its own motion, may defer assessment of all or part of that portion of the sum imposed upon a person under (a)(3) of this section conditioned upon the person complying, within the shortest feasible time, with the requirement for which a violation is shown.

(d) As used in this section, "economic savings" means that sum which a person would be required to expend for the planning, acquisi-

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(e) In ad who violate 46.03.740 — under AS 4 the state by ated with t restoration administrat

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The effective date
of this section) of the
schedules is April

res. (a) A per-
son who violates or
causes or permits to
be violated a provi-
sion of this section,
or a regulation, or a
permit, approval, or
acceptance issued
under AS 46.04 or AS
46.03.250 — 46.03.314,
is liable for the initial
violation, and for the
damages caused by the
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include the toxicity,
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tion is charged; and
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hanced civil penalty to
deter future noncom-
pliance. (§ 3 ch 120
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5 ch 266 SLA 1976;
am §§ 5, 6 ch 116
SLA 1980; am §§ 5 —
7 ch 77 SLA 1984;
am § 9 ch 59 SLA
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tion, siting, construction, installation and operation of facilities neces-
sary to effect compliance with the standard violated.

(e) In addition to liability under (a) — (d) of this section, a person
who violates or causes or permits to be violated a provision of AS
46.03.740 — 46.03.750 is liable to the state, in a civil action brought
under AS 46.03.822, for the full amount of actual damages caused to
the state by the violation, including direct and indirect costs associ-
ated with the abatement, containment or removal of the pollutant,
restoration of the environment to its former state, and all incidental
administrative costs.

(f) A person who violates or causes or permits to be violated a provi-
sion of AS 46.03.250 — 46.03.314, or a regulation, a lawful order of
the department, or a permit, approval, or acceptance, or term or condi-
tion of a permit, approval, or acceptance issued under AS 46.03.250 —
46.03.314 is liable, in a civil action, to the state for a sum to be as-
sessed by the court of not less than \$500 nor more than \$100,000 for
the initial violation, nor more than \$10,000 for each day after that on
which the violation continues, and that shall reflect, when applicable,

(1) reasonable compensation in the nature of liquidated damages
for any adverse environmental effects caused by the violation, that
shall be determined by the court according to the toxicity,
degradability and dispersal characteristics of the substance dis-
charged, the sensitivity of the receiving environment, and the degree
to which the discharge degrades existing environmental quality;

(2) reasonable costs incurred by the state in detection, investiga-
tion, and attempted correction of the violation;

(3) the economic savings realized by the person in not complying
with the requirement for which a violation is charged; and

(4) the need for an enhanced civil penalty to deter future noncom-
pliance. (§ 3 ch 120 SLA 1971; am § 9 ch 220 SLA 1976; am § 5 ch
266 SLA 1976; am §§ 5, 6 ch 116 SLA 1980; am §§ 5 — 7 ch 77 SLA
1984; am § 9 ch 59 SLA 1986)

Cross references. — For oil pollution
control, see AS 46.04. For provision that
actions brought under (a) and (e) of this
section may be brought direct against
insurers or other persons providing evi-
dence of financial responsibility, see AS
46.04.040(e).

Effect of amendments. The 1984
amendment substituted "other than AS
46.03.250 — 46.03.314, or a provision of"

for "or" in the introductory language of
subsection (a) and made a series of techni-
cal changes through the rest of this sub-
section, added "Except as determined by
the court under (f)(4) of this section" at
the beginning of subsection (b), and added
subsection (f).

The 1986 amendment in the introduc-
tory language of subsection (a) inserted
"or AS 46.09" in two places.

ch 164 SLA 1984; r § 5 ch 149 SLA 1980, § 9 ch 164 SLA 1984; am § 3 ch 37 SLA 1987)

Revisor's notes. — Enacted as AS 41.21.060. Renumbered in 1980.

Effect of amendments. — The 1984 amendment deleted "biodegradable" preceding "litter bag" in the first sentence, substituted "a" for "his" and "the person's" for "his" in the third sentence and "vehicle" for "automobile" in the last sentence, and rewrote the next-to-last sen-

tence, which formerly read "The department shall make litter bags available to all vessel owners and persons entering the state by automobile."

The 1987 amendment substituted "The" for "To the greatest extent practicable, the" at the beginning of the third sentence and substituted "may" for "shall" throughout the section.

Sec. 46.06.070. Litter patrol. (a) The department may establish a youth litter patrol program for the employment of young people on a seasonal basis. The department shall cooperate with federal, state or municipal programs that either employ young people or encourage their employment. The department may contract with other state agencies to provide administration and other support for the youth litter patrol established by this section.

(b) [*Repealed, § 6 ch 37 SLA 1987.*] (§ 2 ch 149 SLA 1980; am § 4 ch 164 SLA 1984; r § 5 ch 149 SLA 1980, § 9 ch 164 SLA 1984; am § 6 ch 37 SLA 1987)

Revisor's notes. — Enacted as AS 41.21.070. Renumbered in 1980.

Effect of amendments. — The 1984 amendment substituted "may" for "shall" in the first sentence in subsection (a).

The 1987 amendment repealed subsection (b), which read "The department may adopt regulations under the Administrative Procedure Act (AS 44.62) which are necessary to implement this section."

Sec. 46.06.080. Littering prohibited. (a) A person may not throw, drop, deposit, discard or otherwise dispose of litter from a vehicle or otherwise, on public or private property in the state or in waters in the state or under state jurisdiction unless

(1) the property is designated by a state agency or municipality as a site for the sanitary disposal of garbage or refuse, and the person is authorized to use the site for that purpose; or

(2) litter is placed in a litter receptacle so that the litter is prevented from being carried away or deposited by the elements upon public or private property or water in the state or under state jurisdiction.

(b) A vehicle may not be driven or moved on a public highway or right-of-way unless it is constructed, loaded or covered to prevent its load from dropping, sifting, leaking or otherwise escaping from the vehicle. This subsection does not apply to a vehicle used (1) to deposit salt or sand to secure traction, (2) by a public agency to clean or maintain highways, or (3) to transport agricultural, mining or timber products. A person who operates a vehicle from which an object has fallen or escaped which obstructs or endangers travel upon a public

highway or right-of-way shall immediately remove the object at the person's own expense or pay the cost of removal incurred by the state or by another person.

(c) A person who violates this section is guilty of a violation, and may be sentenced to pay a fine of not more than \$1,000. In addition, the court may order the person to gather and dispose of litter in an area and for a length of time determined by the court.

(d) A peace officer shall issue a citation as provided in AS 12.25.180 to a person who violates this section. If a citation is for a minor littering violation, then the person to whom the citation is issued may, within 15 days, mail or personally deliver to the clerk of the court in which the citation is filed

(1) a fine of \$50; and

(2) a copy of the citation indicating that the right to an appearance is waived and a plea of no contest is entered.

(e) If a \$50 fine has been paid under (d) of this section, then the court shall enter a judgment of conviction. Payment of the fine is a complete satisfaction for the violation.

(f) If a person cited under this section fails to pay the fine or to appear in court as required, the citation is considered a summons for a failure to obey a citation under AS 12.25.230, and the court may issue a bench warrant.

(g) Notwithstanding other provisions of law, if a person cited for a minor littering violation under this section appears in court and is found guilty, the penalty that is imposed for the violation may not exceed \$50.

(h) In this section "a minor littering violation" means a violation of (a) or (b) of this section involving littering having an aggregate weight of five pounds or less. (§ 2 ch 149 SLA 1980; am §§ 4, 5 ch 37 SLA 1987)

Revisor's notes. — Enacted as AS 41.21.080. Renumbered in 1980.

Effect of amendments. — The 1987 amendment in subsection (c) substituted "violation, and may be sentenced to pay a fine of not more than \$1,000. In addition" for "class B misdemeanor, and in addition to the punishment imposed by AS 12.55.035(b)(4) and 12.55.135(b)"; and added subsections (d) — (h).

Sec. 46.06.090. Prohibited beverage containers; packaging requirements. (a) Beginning October 1, 1981, a person may not sell or offer to sell a nonglass beverage container that is designed and constructed so that the container is opened by detaching a metal ring or tab. This section does not apply to a beverage container that is opened by a detachable piece of tape, foil, or other soft material.

(b) Beginning January 1, 1985, a person may not sell or offer to sell in this state beverage containers that are held together by plastic rings or similar plastic devices unless the rings or devices are degradable and bear a distinguishing mark furnished to the department by

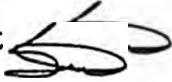


217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325. Fax (907) 463-5480

February 5, 1991

MEMORANDUM

TO: Senator Steve Frank, Chairman
Members of the Senate Community and Regional Affairs Committee

FROM: Scott A. Burgess, Executive Director 

SUBJECT: SB 2 - Deregulation of waste collection and disposal services

On behalf of the Alaska Municipal League and its 126 member municipalities, I support the concept of SB 2 and the provisions which would in effect deregulate waste collection and disposal services by the Alaska Public Utilities Commission (APUC) within municipal boundaries.

The collection and disposal of waste is a traditional municipal service, and municipalities have the power to provide garbage and solid waste services under AS 29.35.050. However, current law prevents a municipality from providing garbage and solid waste services in an area which is served by a person holding a current license without buying that person out directly or by through the power of eminent domain. The problem is that the community through its elected officials cannot define and require adequate service, APUC cannot or has not adequately enforced adequate service, there can be no private competition, and the municipality cannot provide the service, directly or by contract, without unnecessary cost. Other general provisions of Title 29, including providing for an elected governing body and public hearing, also make regulation by the APUC to protect the public from a monopoly unnecessary.

Solid waste is a growing environmental concern replete with increasing federal and state regulation and increasing costs to municipalities and private operators. A municipality must have adequate control over solid and hazardous waste collection and disposal in order to meet its responsibility to protect the public health, safety, and welfare. The legislation will enable municipalities to protect the health of its citizens and the environment and to keep the costs at the lowest possible level.

The AML supports SB^A 5.

cc: Senator Eliason

sab3:sb5.waste

STATE OF ALASKA

STEVE COWPER, GOVERNOR

ALASKA PUBLIC UTILITIES COMMISSION
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

420 "L" STREET
SUITE 100
ANCHORAGE, ALASKA 99501
(907) 276-6222

ALASKA PUBLIC UTILITIES COMMISSION

COMMENTS ON SB 298 - SB298 was
similar to SB2

April 26, 1989

The Commission supports SB 298. This legislation would deregulate garbage utilities in conformance with the recommendations in the 1979, 1985, and 1989 performance reviews (Sunset Audits) of the Commission by the Division of Legislative Audit. The Commission has consistently endorsed this recommendation both in its formal responses to these Sunset Audits and in its FY1988 Annual Report to the Legislature.

1 IN THE SENATE

2 SENATE BILL NO. 298

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 FOR AN ACT ENTITLED: "AN ACT RELATING TO DEREGULATION OF PUBLIC UTILITIES
7 FURNISHING COLLECTION AND DISPOSAL SERVICE OF WASTE
8 MATERIAL."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * SECTION 1. AS 38.05.810(F) IS AMENDED TO READ:

11 (F) THE COMMISSIONER SHALL LEASE STATE LAND FOR TELEPHONE OR
12 ELECTRIC TRANSMISSION AND DISTRIBUTION LINES FOR LESS THAN THE AP-
13 PRAISED VALUE OF THE LAND IF THE LESSEE IS A NONPROFIT COOPERATIVE
14 ASSOCIATION ORGANIZED UNDER AS 10.25. THE COMMISSIONER MAY LEASE
15 STATE LAND THAT IS NOT LOCATED WITHIN THE BOUNDARY OF A MUNICIPALITY
16 FOR THE DISPOSAL OF GARBAGE, REFUSE, TRASH, OR OTHER WASTE MATERIAL
17 FOR LESS THAN THE APPRAISED VALUE OF THE LAND IF THE LESSEE IS AP-
18 PROVED BY THE COMMISSIONER AND COLLECTS AND DISPOSES [A LICENSED
19 PUBLIC UTILITY AUTHORIZED TO COLLECT AND DISPOSE] OF GARBAGE, REFUSE,
20 TRASH, OR OTHER WASTE MATERIAL OUTSIDE THE BOUNDARIES OF A MUNICIPAL-
21 ITY. BEFORE DETERMINING THE ANNUAL RENTAL, THE COMMISSIONER SHALL
22 CONSIDER THE NATURE OF THE PUBLIC SERVICE RENDERED BY THE NONPROFIT
23 COOPERATIVE ASSOCIATION OR APPROVED LESSEE [LICENSED PUBLIC UTILITY]
24 AND THE TERMS OF THE GRANT UNDER WHICH THE LAND WAS ACQUIRED BY THE
25 STATE. A NONPROFIT COOPERATIVE ASSOCIATION MAY NOT CONSTRUCT IMPROVE-
26 MENTS OTHER THAN TRANSMISSION OR DISTRIBUTION LINES AND SUBSTATIONS ON
27 LAND LEASED UNDER THIS SUBSECTION. AN APPROVED LESSEE [A LICENSED
28 PUBLIC UTILITY] MAY NOT CONSTRUCT PERMANENT IMPROVEMENTS ON LAND
29 LEASED UNDER THIS SUBSECTION THAT ARE NOT RELATED TO THE PURPOSE OF
1 THE LEASE.

2 * SEC. 2. AS 29.35.050(B) AND AS 42.05.711(I) AND 42.05.720(4)(F) ARE
3 REPEALED.

Excerpts

A PERFORMANCE REPORT ON THE
DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT
ALASKA PUBLIC UTILITIES COMMISSION

February 14, 1989

Audit Control Number

08-1354-89-R

Commissioner, Department of
Commerce and Economic Development Larry Mercurieff

Deputy Commissioner, Department of
Commerce and Economic Development Jeffrey W. Bush

Members of the
Alaska Public Utilities Commission

Chairperson	Susan M. Knowles
Member	Carolyn S. Guess
Member	Peter Sokolov
Member	Louis E. Agi
Member	Kathleen L. Whiteaker

Further, overriding all the above considerations, the public interest being addressed must represent a substantial portion of the State's population; unique situations should be addressed at the local level.

While we acknowledge that not everyone will subscribe to this theory of regulation, we believe it to be fundamentally sound. Utilizing these principles, we analyzed APUC's jurisdiction and determined that governmental control in the following areas was unwarranted.

- A. Alaska Statute 42.05 should be amended to cease certification and regulation of companies furnishing collection and disposal service of garbage, refuse, trash, or other waste material.

Whether an individual considers refuse collection to be an essential service for modern living depends primarily on where they reside in the State. However, even essential services should generally not be regulated unless they are natural monopolies. For example, we do not believe that essentials such as food and clothing should be regulated.

Refuse collection, as with most enterprises, has certain economies of scale that affect its operations. However, these economies of scale are not such that one company can obviously provide the area-wide services for a significantly lower total cost than could several competitors. Relative to traditionally-regulated industries, refuse collection requires less capital, and thus they have a higher percentage of variable costs and less significant economies of scale. Further, the competition within service areas in several locations defeats the natural monopoly premise in the larger markets. We believe that a natural monopoly could occur in this industry in only the very small markets and that these do not warrant regulation due to the cost to benefit relationship.

Therefore, refuse collection should not be regulated unless there are overwhelming negative side effects present under competition in this industry. We acknowledge the possible negative effects of increased truck traffic, refuse pickup scheduled throughout the week in individual neighborhoods, and consistency problems as companies adjust to the economic realities of competition. However, these problems did not overwhelm the residents of the Mat-Su Borough as a result of the residential competition which began in 1985. Further, the Alaska Municipal League has adopted a resolution asking that refuse collection be de-regulated.

In response to our previous sunset audit recommendations to deregulate this industry, APUC expressed concern over the health and sanitation problems that could occur if these companies were removed from their jurisdiction. These health and sanitation issues are presently under the jurisdiction of local communities and also the Department of Environmental Conservation.

There are presently forty-three certificated refuse companies; nine of these are economically regulated under AS 42.05.711, as they have annual gross revenues of greater than \$200,000. Although APUC has no time sheet data upon which to estimate the cost to regulate these forty-three companies, the commission states in their FY 88 Annual Report that the time dedicated to refuse is excessive relative to agency resources and the resultant public benefit, and they recommend that this industry be deregulated.

B. Alaska Statute 42.05 should be amended to cease certification and regulation of radio common carriers.

There are currently ten certificated radio common carriers in Alaska. Radio Common Carrier (RCC) services include radio paging, mobile radiotelephone, and improved mobile telephone public utility services.

The commission opened an investigative docket on the subject of deregulation of RCCs in 1981 which resulted in a 1982 decision to cease economic regulation of this industry. The commission cited as justification, among other things, that RCC service was not an essential service. As RCC service is not essential to the average Alaskan, we concur with the commission that it should not be economically regulated. We further contend that services that are not essential should not be certificated.

In that 1982 decision, APUC stated that the certification process should be continued to monitor the interconnection to the telecommunications network and to prevent cross-subsidization of non-monopoly RCC services by monopoly local exchange telephone services. However, both these concerns can be monitored through the continuing processes of certification and economic regulation of local exchange services.

Cellular phones are relatively new to Alaska, and APUC has not yet decided if or how they should be regulated. We understand these phones provide a higher sound quality at a higher cost than conventional radio phones and over a shorter range; as such, they may be even less of an essential service to the average Alaskan.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

ALASKA PUBLIC UTILITIES COMMISSION DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

420 "L" STREET
SUITE 100
ANCHORAGE, ALASKA 99501
(907) 276-6222

MAR 10 1989

March 7, 1989

Mr. Randy Welker
Legislative Auditor
Division of Legislative Audit
State of Alaska
P. O. Box W
Juneau, Alaska 99811-3300

Re. Response to Preliminary Audit Report

Dear Mr. Welker:

The following is the response of the Commission to the preliminary audit report and recommendations submitted by the Division of Legislative Audit on February 14, 1989, as a result of its performance review of the Commission.

The Commission concurs with the fundamental conclusion of the report that the

Alaska Public Utilities Commission is operating in an efficient and effective manner and should continue to regulate public utilities and pipelines. (Page 5.)

The Commission does not agree with all of the statements of regulatory theory and philosophy in the preliminary audit report but has focused its comments on the actual recommendations.

Recommendation No. 1A

Alaska Statute 42.05 should be amended to cease certification and regulation of companies furnishing collection and disposal service of garbage, refuse, trash, or other waste material.

The Commission supports this recommendation as it did the identical recommendation made in the 1979 and 1985 Sunset Audits. The auditor's statement that the public health and sanitation aspects of this service are monitored by local governments and the Department of Environmental Conservation addresses the Commission's previous reservation on deregulation.

Recommendation No. 1B

Alaska Statute 42.05 should be amended to cease certification and regulation of radio common carriers.

The Commission concurs with this recommendation based on the character of radio common carrier (RCC) services and the current regulatory status of RCCs operating in the state. However, as noted in the Commission's response to the same recommendation in the 1985 Sunset Audit, future developments in the telecommunications industry may require reimposition of RCC regulation at some later time.

The Commission also believes that its authority to partially or fully deregulate a particular utility industry in response to current circumstances is a desirable and appropriate supplement to the legislative action advocated by the auditor. Accordingly, the Commission requests legislative guidance on the validity of its decision to economically deregulate the RCC industry in the event this recommendation is not implemented by statute.

Excerpts

A PERFORMANCE REPORT ON THE
DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT
ALASKA PUBLIC UTILITIES COMMISSION

October 18, 1985

Audit Control Number

08-4230-86-S

Commissioner, Department of
Commerce and Economic Development

Loren H. Lounsbury

Deputy Commissioners, Department of
Commerce and Economic Development

Greg Baker
Terry Elder

Members of the
Alaska Public Utilities Commission

Chairperson
Member
Member
Member
Member

Carolyn S. Guess
Marvin R. Weatherly
Susan M. Knowles
Louis E. Agi
Kathleen L. Whiteaker

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

Alaska Statute 42.05 should be amended 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 were under the jurisdiction of the Alaska Transportation Commission. There are currently 34 certificated refuse utilities, of which nine are economically regulated.

The recommendation to deregulate refuse utilities was made in a prior APUC sunset audit report dated August 1, 1979 with the following economic justification. The refuse industry is not capital intensive as are the fixed utility industries regulated by the APUC. Net plant investment per customer is significantly lower than for traditional fixed utilities. The majority of capital is mobile and there is no permanent physical connection of customer to utility. Refuse collection and disposal, therefore, more closely resembles a transportation service than a fixed utility. Economic theory in transportation regulation promotes restricting competition to encourage capital investment in a growing industry, not eliminating competition as is the theory in capital intensive, fixed utility regulation.

That economic justification is still valid. Additionally, several events have occurred since 1979 which further strengthen the argument for State deregulation at this time. The first event is the initiation of an investigation in 1983 by the APUC to determine whether public utility refuse collection services in the Matanuska-Susitna Borough should be deregulated. Commission staff supported the concept, but the Commission has been unable to reach a consensus of opinion on the question. This has resulted in no action being taken on a number of applications for certificates to provide service within the Matanuska-Susitna Borough during this time.

The second event, of much greater significance, was the termination of the Alaska Transportation Commission by public ballot in 1984. This resulted in de facto deregulation of all other transportation services in the State of Alaska.

We recommend that in densely populated regions where a potential public health hazard would occur from the interruption or cessation of refuse service, that local governments provide the necessary regulation to mitigate those problems. That authority is already provided at AS 29.48.033, but is currently superseded by the APUC.

Recommendation No. 2

Alaska Statute 42.05 should be amended to cease certification and regulation of radio common carriers.

There are currently seven certificated radio common carriers in Alaska. Radio common carriers (RCCs) are defined at 3 AAC 48.820(39) as a radio paging, mobile radiotelephone, or improved mobile telephone public utility services.

Regulation of radio common carriers has evolved substantially since the certification of the first RCC service in Alaska in 1965. The first evolutionary step came in 1976 when the Commission allowed competition between two radio common carriers in Fairbanks. During that hearing the following testimony was given by the area sales manager, Radio Common Carrier Market, Motorola Communications.

It has been my experience that competition per se in the area of radio communications has been beneficial, both to the public and to the common carriers themselves. Specifically, competition tends to expand the services offered to the public, and increases the public awareness of the radio common carrier paging services. In many cases, reduction of costs to the public in the form of lower service rates is as a result of competitive influences.

The Commission opened an investigative docket on the subject of deregulation of radio common carriers in 1981 which resulted in a 1982 decision to cease economic regulation in the industry. Cited by the Commission as major justification was:

- (1) RCC service is not an essential or necessary service.
- (2) Customer needs may be satisfied by competing firms since there is no physical connection between company and consumer.
- (3) A sufficient number of firms offer various types of RCC service and, because of the availability of close substitutes, elasticity of demand is high, thereby preventing unreasonable rates.

Excerpts
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

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.

Certificated Refuse and Garbage Utilities

- *All Alaska Enterprises,
Mike Downs d/b/a¹
- *Alma Corporation
- *Anchorage, Municipality of
Anchorage Refuse, Inc.
Andersen, Incorporated
- *Aniak Disposal Service,
Ronald N. Choate d/b/a
- *Beluga Environmental Services, Inc.
- *Bob's Disposal Service,
Bobby C. Pate d/b/a
- *C & S Enterprises²
Channel Sanitation Corporation³
- *Colville Environmental Services
- *Copper Valley Construction Company⁴
- *Cordova, City of
- *Delta Sanitation,
Joe Peters d/b/a
- *Dillingham Refuse, Inc.
Drake's Sanitation, Inc.

¹All Alaska Enterprises provides service to Lake Louise, Sutton, and Talkeetna.

²C & S Enterprises provides service to Kalifonsky, Kasilof, Kenai, Salamatof, Soldotna, and Sterling.

³Channel Sanitation Corporation provides service to Douglas, and Juneau.

⁴Copper Valley Construction Company provides service to Copper Center, Glennallen, and Lake Louise.

*Not regulated by Alaska Public Utilities Commission as to rates and services.

Certificated Refuse and Garbage Utilities (Cont.)

- Eagle River Refuse, Inc.⁵
- *Fairbanks, City of
 - Department of Public Works
- Far North Sanitation Service, Inc.⁶
- *Haines Sanitation,
 - Frank E. & Arla L. Shull d/b/a
- Interior Services,
 - Ralph E. Bartlett d/b/a
- *Irwin's Garbage Disposal,
 - Jennie Irwin d/b/a⁷
- *J. D. Refuse Service,
 - Delores R. Burnham d/b/a
- *Juneau Sanitation Corporation
- *Ketchikan, City of
- *Kodiak Island Borough
- *MacKenzie Refuse⁸
- *March Disposal,
 - Robert Marlow & George Chapman d/b/a
- *Matanuska-Susitna Borough
- *McGrath Trash and Refuse
- *Naabia Niign, Ltd.
- *North Slope Borough
- *Palmer, City of
- *Patterson Sanitation & Refuse Service, Inc., Earl

⁵Eagle River Refuse, Inc., provides service to Chugiak, Eagle River, and Peters Creek.

⁶Far North Sanitation Service, Inc., provides service to College and Fairbanks.

⁷Irwin's Garbage Disposal provides service to McKinley Park, Nenana, and Usibelli.

⁸MacKenzie Refuse provides service to Big Lake, Point MacKenzie, and Wasilla.

*Not regulated by Alaska Public Utilities Commission as to rates and services.

Certificated Refuse and Garbage Utilities (Cont.)

- Peninsula Sanitation Company, Inc.⁹
- *Petersburg, City of
- *Seward Service,
Herman E. Leirer d/b/a
- *Skagway, City of
- *Sitka, City and Borough of
- *Sutton Sanitation Services¹⁰
- *Thorne Bay, City of
Tongass Sanitation,
Wallace A. & Diana L. Crowe d/b/a
- *Valdez Alaska Terminals, Inc.
- *Valley Refuse, a General Partnership
Consisting of Timothy L. Atwood and
Michael D. Nosko¹¹
- Wasilla Refuse, Inc.¹²
- Williwaw Services, Inc.

⁹Peninsula Sanitation Company, Inc., provides service to Anchor Point, Bird/Indian, Clam Gulch, Cooper Landing, Girdwood, Homer, Hope, Kachemak, Kalifonsky, Kasilof, Kenai, Moose Pass, Nikiski, Portage, Salamatof, Soldotna, Sterling, and Sunrise.

¹⁰Sutton Sanitation Services provides service to Chikaloon, Sutton, and Wasilla.

¹¹Valley Refuse provides service to Big Lake, Houston, Knik, and Wasilla.

¹²Wasilla Refuse, Inc., provides service to Lake Louise, Palmer, Sutton, Talkeetna, Wasilla, and Willow.

*Not regulated by Alaska Public Utilities Commission as to rates and services.

REFUSE AND GARBAGE UTILITIES
(1989 Calendar Year)

Utility	Net Plant	Revenues		Customers
		Total Revenues	Net Income	
(Gross Operating Revenue Greater Than \$200,000)				
Anchorage Refuse, Inc.	\$2,723,306	\$10,690,689	\$382,791	24,183
Channel Sanitation Corporation	164,036	2,616,399	(277,102)	5,100
Drake's Sanitation, Inc. ¹	31,558	577,962	23,662	199
Eagle River Refuse, Inc.	139,029	1,069,221	27,636	3,853
Far North Sanitation, Inc.	1,584,716	877,255	1,973	714
Interior Services, Ralph E. Bartlett d/b/a	659,689	630,294	(46,416)	235
Peninsula Sanitation Company, Inc. ²		Not	Reported	
Tongass Sanitation, Wallace A. & Diana L. Crowe d/b/a	122,482	546,339	49,173	622
Wasilla Refuse, Inc. ²	65,899	543,583	24,847	828
Williwaw Services, Inc. ²	40,261	271,693	(46,903)	122
TOTAL	\$5,530,976	\$17,823,435	\$139,661	35,856

¹Information presented for year ending 4/30/90.

²Information presented for year ending 3/31/90.

SAMPLE MONTHLY RESIDENTIAL REFUSE RATES
(As of June 30, 1990)

COMMUNITY	1 RECEPTACLE 1 PICK-UP/ WEEK	2 RECEPTACLES 1 PICK-UP/ WEEK	UTILITY
Anchorage	\$ 14.04	\$ 14.04	Anchorage Refuse, Inc.
Eagle River	14.37	14.37	Eagle River Refuse, Inc.
Fairbanks	9.25	9.25	Far North Sanitation Service, Inc.
Fairbanks	12.00	12.00	Drake's Sanitation, Inc.
Fairbanks	8.05	8.05	Interior Services, Ralph E. Bartlett d/b/a
Girdwood/Alyeska	13.51	13.51	Peninsula Sanitation Company, Inc.
Homer	10.35	10.35	Peninsula Sanitation Company, Inc.
Hope-Turnagain Arm	13.51	13.51	Peninsula Sanitation Company, Inc.
Juneau	23.45	23.45	Channel Sanitation Corporation
Kenai	10.13	10.13	Peninsula Sanitation Company, Inc.
Kodiak	5.50	5.50	Kodiak Sanitation, Inc.
Mat-Su Valley	20.00	20.00	Wasilla Refuse, Inc.
Nome	15.00	15.00	Andersen, Inc.
Soldotna	10.13	10.13	Peninsula Sanitation Company, Inc.
Unalaska	15.00	30.00	Williwaw Services, Inc.

Alaska Municipal League

Policy Statement 1991

Adopted at the Business Meeting
of the 40th Anniversary Local Government Conference
of the
Alaska Municipal League
Anchorage, Alaska
November 16, 1990



PART VI

UTILITIES AND ENVIRONMENT

A. UTILITY REGULATION

1. **Alaska Public Utilities Commission:** The League supports the current statutory exemptions that allow municipal utilities to operate in the best interest of the consumer public without regulation by the Alaska Public Utilities Commission (APUC).

2. **Acquisition:** In order to eliminate service area conflicts between municipalities and utilities, the League supports legislation that would allow municipalities to acquire the facilities of a utility under specific terms that would fairly compensate the utility.

3. **Utility Relocation Costs:** The League opposes any effort to shift to municipalities the cost of utility relocations associated with municipal public works projects.

4. **Deregulation of Solid Waste:** The League supports statutory changes to eliminate APUC regulation of solid waste collection and disposal.

Solid waste collection and transport are essentially freight hauling issues and there is no need for APUC regulation. If regulation is needed, local government can focus on the needs at a local level. AS 29.35.060(b) should be repealed to make this deregulation complete and effective.

5. **Waste Disposal Sites:** The League encourages the State to hold local area public hearings concerning waste disposal sites and their locations.



Fairbanks North Star Borough Silver Anniversary

February 1, 1991

Honorable Dick Eliason
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Dear Senator Eliason:

I would like to thank you again for your support of the garbage deregulation bill of last year. I understand you were somewhat frustrated by our willingness to compromise. For the record, the Fairbanks North Star Borough is still interested in total deregulation. The bill last year helped quite a bit, but there is still a need for further deregulation.

From the point of view of the state regulators, certificated haulers are a headache. As long as there are no problems, it doesn't create too much of a workload. When there are problems, such as with one of our haulers, the time spent is counter productive. They are placed in a position of attempting to be contract managers at a distance, without the staffing or the hands-on information needed to adequately perform.

In our case, we are grappling with getting control of a service that has the potential of creating a great deal of liability to the borough taxpayers. With hazardous materials and other noxious wastes getting dumped in our dumpsters, we are forced to assume more control and accountability over our system. To do this cost effectively there are some areas outside our cities that could reasonably receive front door service. That is still a regulated service. The certificated hauler for most of those urban-like areas is unwilling to discuss a solution. Without his cooperation, we are unable to rationally and reasonably deal with a real solution to a major problem.

I understand you are sponsoring SB2 which asks for full deregulation. Please let the Fairbanks North Star Borough know what we can do to assist. SB2 has our support.

Good luck this year. It should prove to be a very interesting session.

Sincerely,

Juanita Helms
Borough Mayor

JH:rlf

cc: Senate CRA Committee

MATANUSKA-SUSITNA BOROUGH

Resolution Serial No. 90-027 AM

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH
SUPPORTING THE DEREGULATION OF SOLID WASTE COLLECTION AND DISPOSAL.

WHEREAS, the collection and disposal of municipal solid waste is a traditional police power function exercised to promote the public health, safety and welfare; and

WHEREAS, Alaska statutes currently require municipalities wishing to engage in solid waste collection and disposal to obtain a Certificate of Public Convenience and Necessity from the Alaska Public Utilities Commission (APUC); and

WHEREAS, the Alaska Public Utilities Commission has issued confusing orders regarding the regulatory scheme for solid waste collection and disposal; and

WHEREAS, the APUC statutes and its regulatory scheme for solid waste collection and disposal place an onerous burden on municipalities since it requires them to obtain special permission and to face legal challenges when attempting to implement the traditional police power function of solid waste collection and disposal; and

WHEREAS, SB 298 deregulates solid waste collection and disposal thereby eliminating the requirement that the Alaska Public Utilities Commission oversee municipal solid waste collection disposal; and

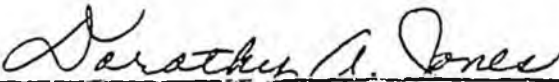
WHEREAS, SB 298 repeals a subsection of Title 29 which requires municipalities to purchase all or a portion of a Certificate of Public Convenience and Necessity of a utility

hauler if such certificate is affected by the municipality refuse collection and disposal services.

NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Matanuska-Susitna Borough supports the passage of legislation deregulating solid waste collection and disposal and repealing the onerous provisions of Title 29.

BE IT FURTHER RESOLVED that copies of this resolution be forwarded to Senator Eliason, Chairman of the State Labor and Commerce Committee; Representative Larson, Co-chairman of the Finance Committee; Representative Donley, Chairman of the House Labor and Commerce Committee; Senators Binkley, Fischer, Kerttula and Szymanski; and Representatives Menard, Kubina, Navarre, Swackhammer, Wallis and Zawacki; and all other members of the Alaska Legislature, and the Governor of the state of Alaska.

PASSED AND APPROVED by the Assembly of the Matanuska-Susitna Borough this 6 day of March, 1990.



Dorothy A. Jones, Mayor

ATTEST:



Linda Dahl, Borough Clerk

(SEAL)

Introduced by: Mayor
Date: March 6, 1990
Action: Adopted
Vote: Unanimous

KENAI PENINSULA BOROUGH

RESOLUTION 90-18

URGING THE STATE TO DEREGULATE THE TRANSPORTATION OF
MUNICIPAL SOLID WASTE TRANSFER SITES

WHEREAS, refuse haulers with a gross annual income greater than \$220,000 are regulated by the Alaska Public Utilities Commission; and

WHEREAS, in the 1970's the Kenai Peninsula Borough asserted that after refuse was placed in the "green boxes" or transfer stations it became the property of the borough and did not fall under the jurisdiction of the hauler's permit, thus allowing the borough to haul, or contract for hauling, the refuse to the landfill; and

WHEREAS, the court rejected that position and determined that hauling of transfer boxes was within the scope of an existing hauler's permit and was a service already provided by that hauler; and

WHEREAS, because of provisions of Title 29 of the Alaska Statutes, a municipality cannot initiate its own hauling if the area is already served by a certified hauler unless the municipality "buys out" that carrier; and

WHEREAS, through a commission decision, the rate structure for hauling in the central Kenai Peninsula area is exempt from PUC review, but obtaining a permit is still subject to PUC determination of public convenience and necessity; and

WHEREAS, these circumstances cause the creation of a monopoly in many communities that is not subject to regulation of rate; and

WHEREAS, this prevents the borough from entering into a contract with competitive bids which would ensure the lowest possible cost to the taxpayers; and

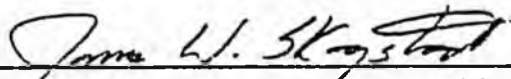
WHEREAS, legislation is before the Alaska State Legislature, which, if passed, would deregulate municipal transfer sites thus allowing the municipalities to competitively bid contracts for those hauling services;

NOW THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

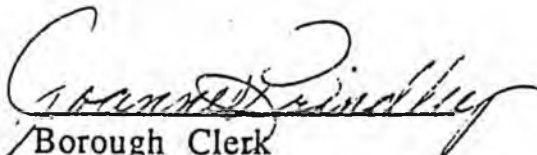
Section 1. That the Kenai Peninsula Borough supports legislation that would deregulate hauling of municipal "green boxes" or transfer site containers.

Section 2. That the clerk shall provided copies of this resolution to Senator Eliason, Chairman of the State Labor and Commerce Committee; Representative Donley, Chairman of the House Labor and Commerce Committee; Senators Binkley, Fischer, Kerttula and Szymanski; and Representatives Kubina, Navarre, Swackhammer, Wallis and Zawacki.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH ON THIS 6th DAY OF March, 1990.


James W. Skogstad, Assembly President

ATTEST:


Borough Clerk

UTILITIES

- *All Alaska Enterprises,
Mike Downs d/b/a¹
- *Alma Corporation
- *Anchorage, Municipality of
Anchorage Refuse, Inc.
- *Aniak Disposal Service,
Ronald N. Choate d/b/a
- *Beluga Environmental Services, Inc.
- *Bob's Disposal Service,
Bobby C. Pate d/b/a
- *C & S Enterprises²
Channel Sanitation Corporation³
- *Colville Environmental Services
- *Copper Valley Construction Company⁴
- *Delta Sanitation,
Joe Peters d/b/a
- *Dillingham Refuse, Inc.
Drake's Sanitation, Inc.
Eagle River Refuse, Inc.⁵
- *Fairbanks, City of
Department of Public Works
Far North Sanitation Service, Inc.⁶
- *Haines Sanitation,
Frank E. & Arla L. Shull d/b/a
Interior Services,
Ralph E. Bartlett d/b/a
- *Irwin's Garbage Disposal,
Jennie Irwin d/b/a⁷

*Not regulated by Alaska Public Utilities Commission as to rates and services.

¹All Alaska Enterprises provides service to Lake Louise, Sutton, and Talkeetna.

²C & S Enterprises provides service to Kallifonsky, Kasilof, Kenai, Sakanatof, Soldotna, and Sterling.

³Channel Sanitation Corporation provides service to Douglas, Juneau, and Sterling.

⁴Copper Valley Construction Company provides service to Copper Center, Glennallen, and Lake Louise.

⁵Eagle River Refuse, Inc., provides service to Chugiak, Eagle River, and Peters Creek.

⁶Far North Sanitation Service, Inc., provides service to College and Fairbanks.

⁷Irwin's Garbage Disposal provides service to McKinley Park, Menana, and Usibelli.

CERTIFICATED REFUSE AND GARBAGE UTILITIES (CONT.)

- *J. D. Refuse Service,
Delores R. Burnham d/b/a
- *Juneau Sanitation Corporation
- *Ketchikan, City of
Kodiak Sanitation, Inc.
- *MacKenzie Refuse⁸
- *March Disposal,
Robert Marlow & George Chapman d/b/a
- *Matanuska-Susitna Borough
- *McGrath Trash and Refuse
- *Nabla Wign, Ltd.
- *North Slope Borough
- *Palmer, City of
- *Paterson Sanitation & Refuse
Service, Inc., Earl
Peninsula Sanitation Company, Inc.⁹
- *Petersburg, City of
- *Seward Service,
Herman E. Leirer d/b/a
- *Skagway, City of
- *Sitka, City and Borough of
- *Sutton Sanitation Services¹⁰
- *Thorne Bay, City of
Tongass Sanitation,
Wallace A. & Diana L. Crowe d/b/a
- *Valdez Alaska Terminals, Inc.
- *Valley Refuse, Paul B. Robinson and
Shonda Robinson d, b/a¹¹
Wasilla Refuse, Inc.¹²
Williwaw Services, Inc.

*Not regulated by Alaska Public Utilities Commission as to rates and services.

⁸MacKenzie Refuse provides service to Big Lake, Point MacKenzie, and Wasilla.

⁹Peninsula Sanitation Company, Inc., provides service to Anchor Point, Bird, Clam Gulch, Cooper Landing, Girdwood, Homer, Hope, Indian, Kachemak, Kolifonsky, Kasilof, Kenai, Moose Pass, Nikiski, Nikoliski, Portage, Salamatof, Soldotna, Sterling, and Sunrise.

¹⁰Sutton Sanitation Services provides service to Chikilcon, Sutton, and Wasilla.

¹¹Valley Refuse provides service to Big Lake, Houston, Knik, and Wasilla.

¹²Wasilla Refuse, Inc., provides service to Lake Louise, Palmer, Sutton, Talkeetna, Wasilla, and Willow.

REFUSE AND GARBAGE UTILITIES
(1988 Calendar Year)

Utility	Net Plant	Revenues		Customers
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$200,000)</u>				
Anchorage Refuse, Inc.	\$2,587,932	\$ 9,990,365	\$925,355	25,283
Channel Sanitation Corporation	178,594	2,192,113	<538,207>	5,197
Drake's Sanitation, Inc. ¹	68,162	451,548	16,949	169
Eagle River Refuse, Inc.	152,613	1,907,437	<30,294>	4,074
Far North Sanitation, Inc.	1,471,763	881,540	155,525	654
Interior Services, Ralph E. Hartlett d/b/a	755,822	544,881	<144,663>	245
Kodiak Sanitation, Inc.		(Not Reported)		
Peninsula Sanitation Company, Inc. ²	49,650	1,300,312	<155,558>	1,359
Tongass Sanitation, Wallace A. & Diana L. Crowe d/b/a	58,334	525,940	67,041	516
Wasilla Refuse, Inc. ³	57,876	530,270	<31,076>	702
Williwaw Services, Inc. ⁴	20,295	341,732	2,519	67
TOTAL	\$5,411,141	\$17,565,938	\$167,591	33,466

¹Information presented for year ending 4/30/88.

²Information presented for year ending 3/31/89.

³See n. 2.

⁴See n. 2.

SAMPLE MONTHLY RESIDENTIAL REFUSE RATES
(As of June 30, 1988)

COMMUNITY	1 RECEPTACLE	2 RECEPTACLES	UTILITY
	1 PICK-UP/ WEEK	1 PICK-UP/ WEEK	
Anchorage	\$ 14.04	\$ 14.04	Anchorage Refuse, Inc.
Eagle River	14.37	14.37	Eagle River Refuse, Inc.
Fairbanks	9.25	9.25	Far North Sanitation Service, Inc.
Fairbanks	12.00	12.00	Drake's Sanitation, Inc.
Fairbanks	8.05	9.05	Interior Services, Ralph E. Bartlett d/b/a
Girdwood/Alyeska	13.23	13.23	Peninsula Sanitation Company, Inc.
Homer	10.28	10.28	Peninsula Sanitation Company, Inc.
Hope-Turnagain Arm	13.23	13.23	Peninsula Sanitation Company, Inc.
Juneau	21.85	21.85	Channel Sanitation Corporation
Kenai	10.13	10.13	Peninsula Sanitation Company, Inc.
Ketchikan	15.00	15.00	Tongass Sanitation, Wallace A. & Diana L. Crowe d/b/a
Kodiak	5.50	5.50	Kodiak Sanitation, Inc.
Mat-Su Valley	20.00	20.00	Wasilla Refuse, Inc.
Unalaska	15.00	15.00	Williwaw Services, Inc.

ALASKA PUBLIC UTILITIES COMMISSION

COMMENTS ON HB 499¹

February 26, 1990

The Commission reiterates its position in support of deregulation of the refuse industry and believes that local governments can adequately oversee this aspect of public health and sanitation.

Nonetheless, the Commission will offer the following notes on HB 499:

*Section 1, amendment to AS 29.35.050(b) - It is not clear to the Commission why the words "GARBAGE, REFUSE, TRASH, OR OTHER" are deleted on line 14 but not the three other times they appear within the same subsection.

*Section 2, amendment to AS 29.35.050 - The Commission believes that this section would have an impact on the existing market structure of the current industry. Undoubtedly the utilities and the local governments will argue about the merits of this proposed section. The Commission will be glad to provide an independent assessment of these arguments.

¹Commissioner Daniel Patrick O'Tierney was out of State and did not participate in the public meeting in which the Commission discussed this legislation.

*Section 3, amendment to AS 42.05.711(d) - The Commission opposes this amendment because it limits the flexibility of the exemption and hence, the Commission. To the Commission's knowledge, no refuse utility has ever been exempted from AS 42.05.221 - 281. Further, the Commission questions, as a matter of policy, why such a requirement should be placed only on the refuse industry.

*Section 4, amendment to AS 42.05.711 - To the extent that a regulated entity could contract with a municipal government, that portion of its business would be deregulated. Consequently, there would be a cost allocation issue between the regulated and nonregulated activities of the regulated entity, including the potential for cross-subsidization. There are further policy implications in allowing a municipality to service school districts. This would deprive some regulated entities of considerable revenues and thus impact the rates other customers pay.

1 IN THE HOUSE

2

HOUSE BILL NO. 499

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to waste collection."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 29.35.050(b) is amended to read:

9 (b) The governing body of a municipality may not prohibit a
10 person holding a valid certificate from the Alaska Public Utilities
11 Commission from continuing to collect and dispose of garbage, refuse,
12 trash, waste material, or provide other related services in an area in
13 the municipality if the certificate authorizes the collection and
14 disposal of [GARBAGE, REFUSE, TRASH, OR OTHER] waste material and
15 providing of other services in the area, and the certificate was
16 originally issued before the municipality provided similar services.
17 Except as provided in (d) of this section, a [A] municipality may not
18 provide for a garbage, refuse, trash, or other waste material collec-
19 tion and disposal service in an area to the extent it lies in an area
20 granted to a garbage, refuse, trash, or other waste material carrier
21 by a certificate issued by the Alaska Public Utilities Commission to
22 the carrier until it has purchased the certificate, equipment and
23 facilities of the carrier, or that portion of the certificate that
24 would be affected, at fair market value. A municipality may exercise
25 the right of eminent domain to acquire the certificate, equipment, and
26 facilities of the carrier, or that portion of the certificate that
27 would be affected.

28 * Sec. 2. AS 29.35.050 is amended by adding a new subsection to read:

29 (d) A municipality may establish an intermediate transfer site

1 for the collection and disposal of waste material without purchasing
2 the certificate, equipment, or facilities of a waste material carrier
3 certificated by the Alaska Public Utilities Commission. The municipi-
4 pality may, without compensating a certificated waste carrier operat-
5 ing in the area, provide for or contract with a certificated or non-
6 certificated entity to provide for the collection and disposal of
7 waste material

8 (1) left at the intermediate transfer site; or

9 (2) generated by the municipal government or by the municipi-
10 pal school district.

11 * Sec. 3. AS 42.05.711(d) is amended to read:

12 (d) The commission, on a finding that no legitimate public
13 interest will be served, may exempt a utility from all or any portion
14 of this chapter. However, the commission may not exempt a refuse
utility from AS 42.05.221 - 42.05.281.

6 * Sec. 4. AS 42.05.711 is amended by adding a new subsection to read:

7 (m) The collection and disposal, under AS 29.35.050(d), by a
municipality of waste material deposited at an intermediate transfer
site and of waste material generated by the municipality itself or by
the municipal school district is exempt from this chapter.

*why 'municipal' is present
oppose - limits 'S'
Commission
to our knowledge has been
an adequate
from other utilities*

*In writing, the
policy statement
for refuse utilities*

*your copy of AS 42.05.711
- abstract -*

ALASKA REFUSE UTILITIES ASSOCIATION

Suggested amendments to H.B. 499:

1. Page 2, line 9--delete the following:

"(2) generated by the municipal government, [OR
BY THE MUNICIPAL SCHOOL DISTRICT.]"

2. Page 2, line 19--delete the following:

"site and of waste material generated by the
municipality, [OR BY THE MUNICIPAL SCHOOL DISTRICT
IS EXEMPT FROM THIS CHAPTER.]"

3. Page 2, line 21--add the following:

"Sec. 5. AS 42.05.221 is amended by adding a new
section to read:

(g) The legislature finds that authorizing competing
public utilities for the collection and disposal of
garbage, refuse, trash, and other waste materials may
be injurious to the progress of waste recovery and
recycling of materials and is a policy matter reserved
for the legislature. The Alaska Public Utilities
Commission is instructed to not issue competing
certificates for the collection and disposal of
garbage, refuse, trash, or other waste materials
until the legislature finds that competition in this
service is in the public interest."

4. Page 2, line __, add the following:

"Sec. 6. Sections 1, 2 and 4 of this act take effect
on January 1, 1994."

A PERFORMANCE REPORT ON THE
DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT
ALASKA PUBLIC UTILITIES COMMISSION

February 14, 1989

Audit Control Number

08-1354-89-R

Commissioner, Department of
Commerce and Economic Development

Larry Mercurieff

Deputy Commissioner, Department of
Commerce and Economic Development

Jeffrey W. Bush

Members of the
Alaska Public Utilities Commission

Chairperson
Member
Member
Member
Member

Susan M. Knowles
Carolyn S. Guess
Peter Sokolov
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Kathleen L. Whiteaker

STATE OF ALASKA

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

February 21, 1989

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Titles 24 and 44 of the Alaska Statutes, the attached report is submitted for your review.

A PERFORMANCE REPORT ON THE
DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT
ALASKA PUBLIC UTILITIES COMMISSION

February 14, 1989

Audit Control Number

08-1354-89-R

The objectives of this audit were to examine the activities of the Alaska Public Utilities Commission to determine if there is a demonstrated public need for its continued existence and if the commission has been operating in an efficient and effective manner.

The audit was conducted in accordance with generally accepted governmental performance auditing standards. Audit scope and methodology are discussed in the Report Objectives, Scope, and Methodology section of this report. Audit results may be found in the Report Conclusions, Findings and Recommendations, and in the Analysis of Public Need sections of this report.

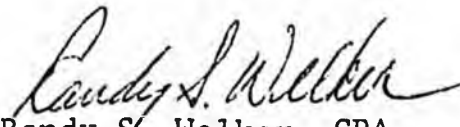

Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

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REPORT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes, we have examined the activities of the Alaska Public Utilities Commission (hereinafter referred to as APUC or the commission) to determine if there is a demonstrated public need for its continued existence and if the commission has operated in an efficient and effective manner.

Legislative intent requires consideration of this report during the legislative oversight hearings to determine whether APUC should be reestablished. The law now specifies that the commission will terminate June 30, 1989 and have one year from that date to conclude its affairs.

The policy and audit approach utilized by the Division of Legislative Audit for performance reports can best be described as "audit by exception." This methodology focuses audit effort on areas of an auditee's operations that have been identified by a preliminary survey as having a high degree of probability for needing improvements.

Therefore, by design, finite audit resources are used to identify where and how improvement can be made, and little time is devoted to reviewing well-run operations or programs. Consequently, this report highlights those areas needing improvement and does not emphasize those operations and programs that are properly functioning.

Discussion of the objectives, scope, and methodology of our review follows.

Objectives

APUC was created to regulate public utilities so that citizens could enjoy adequate service at the lowest reasonable rates. The primary objective of this audit, therefore, was to determine whether the public need for the commission continues to exist.

The secondary objective was to review the commission's major functions, namely certification of utilities, tariff actions, investigations, and complaint follow-up for effectiveness in meeting the public need. The tertiary objective was to evaluate these functions in particular, and the APUC's operations in general, for economy and efficiency of operation.

Our analysis of public need, findings and recommendations, and our conclusions have been summarized in the appropriate sections of this report.

Scope and Methodology

The primary emphasis of our audit was on the factors outlined in the Analysis of Public Need section of this report. Alaska Statute 44.66.050 requires that these factors be considered in the determination of the commission's continued existence. To address these areas, we analyzed the need for regulation of the various industries, reviewed pertinent academic literature, considered the regulatory status and trends nationwide, interviewed commissioners and staff, reviewed APUC's statutes and regulations, contacted the State Ombudsman and the Equal Employment Opportunity offices, analyzed consumer complaints against utilities filed with the commission, and reviewed decisions made by the commission.

The effectiveness and efficiency of the commission was addressed through the above procedures and also by contacting and requesting assistance from all certificated utilities and by reviewing individual files.

Our review of decisions, complaints, tariff actions, hearings, investigations, and certifications was performed primarily on a sample of FY 88 items. These were selected on a judgmental basis to allow us to focus on certain activities and industries.

ORGANIZATION AND FUNCTION

Public utility regulation in Alaska has evolved substantially since the creation of the Public Services Commission (PSC) in 1959. That three-member body had jurisdiction over electric power, heat, water, gas, oil or other petroleum products (except by pipeline), telephone or telegraph communications, and community sewer services. In 1960 PSC gained responsibility for transportation utilities which it regulated until the creation of the Alaska Transportation Commission in 1966.

PSC was replaced by a three-member Alaska Public Utilities Commission in 1970. Regulated industries then included electrical, telecommunications, water, steam, sewer, gas, and petroleum when no competition existed. A 1973 amendment added garbage, refuse, trash or other waste to the list. Amendments passed in 1980 provided exemptions from economic regulation for cable television services and other utilities with low annual gross revenues as well as establishing a provision allowing economic deregulation by consumer vote for certain utility groups. With abolition of the Alaska Pipeline Commission in 1981, jurisdiction over pipelines passed to APUC.

In addition to jurisdictional changes, composition of APUC also changed. Alaska Statute 42.05.040 originally required 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 were established. All members are appointed by the Governor and confirmed by the Legislature for six-year terms.

Under AS 42.05 and AS 42.06, APUC is charged with the responsibility to ensure the furnishing of adequate service to all public utility patrons, without discrimination, and at the lowest reasonable rates consistent with the interests of both 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. After issuance of this certificate the commission then regulates the rates, classifications, rules, regulations, practices, services, and facilities of a public utility, unless it is exempted or deregulated. The commission has the authority to adopt regulations and to hold formal, quasi-judicial hearings to accomplish these purposes.

The staff of APUC is divided into six major functions: administration, engineering, communications carriers, consumer protection, finance, and tariffs. In total, APUC employs 40 people with an operating budget for FY 89 of \$3,884,100. 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 a liaison between staff and commissioners and between the commission and legislature. He is responsible for records and document management, fiscal and personnel administration, and budget preparation and is assisted in these duties by an administrative assistant, document processing personnel, and other clerical support staff.

Engineering. This section is responsible for the 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. Their evaluations are presented 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.

Consumer Protection and Information. Major responsibilities for this section include investigation and resolution of consumer complaints, public relations, and information dissemination.

Finance. Activities carried out by this section include the examination, analysis, and evaluation of financial statements submitted for rate cases, audits of financial records of utilities, examination of financial information comprising historical operating year and pro forma adjustments, and the presentation of these analyses at proceedings before the commission.

Tariff. This section examines, analyzes, and investigates tariff filings and presents recommendations to the commission at biweekly tariff action meetings. Administrative functions include organizing those meetings, as well as meeting all public notice requirements on tariff filings and maintenance of current master tariffs for all utilities.

REPORT CONCLUSIONS

Policy Issues

This review contains policy issues raised as a result of our evaluation of various commission practices. The final policy decisions affecting those 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 recommendations presented in this report to assist them in evaluating the potential impact of any policy changes.

Report Conclusions

In our opinion, the Alaska Public Utilities Commission is operating in an efficient and effective manner and should continue to regulate public utilities and pipelines. We believe that the public interest is being served by requiring public utilities and pipelines to be certificated by APUC. This process stabilizes demand for the utility service by eliminating competition and thereby allowing economies of scale to operate. Economic regulation by the commission, in place of that competition, ensures that the utilities provide adequate service at the lowest reasonable rates.

Although this economic justification is valid for the majority of utilities regulated by APUC, we evaluated their jurisdiction for potential areas of deregulation for several major reasons: (1) to comply with the intent of sunset legislation which attributed public disenchantment with state government to a proliferation of that government; (2) in recognition of the fact that the cost of regulation may exceed its benefits; (3) the increased demands being placed on commission resources; and (4) the State's ability to provide those resources.

Our analyses revealed several industries where regulation could be eliminated with minimum negative public impact. Our initial criteria was whether the service was essential for modern living to the average Alaskan and, if so, whether the industry operated as a natural monopoly. Although it is uncertain whether rates under deregulation would be higher or lower, deregulation should provide benefits such as competitive alternatives to existing services and more innovative services and rate designs. Additionally, services may be provided in areas not previously served as a result of eliminating the barrier to entry into the marketplace that has been erected by certification and the cost of regulation. While refuse collection services may be considered essential by many, this industry is not a natural

monopoly and should not be regulated (See Recommendation No. 1A). Radio communication carriers do not provide an essential service and also should not be regulated (See Recommendation No. 1B). Cable television may be considered essential by many and may also be a natural monopoly in the small and medium size towns. However, the statutes have created state sanctioned monopolies without the companion public protection against unreasonable and discriminatory rates and services. Further, federal law prohibits full economic regulation. The State should cease cable certification (See Recommendation No. 1C).

We are also convinced that small utilities should be exempted from economic regulation on the basis that the cost of regulation likely exceeds its benefits to consumers. We further recommend that the consumers of these exempted utilities be allowed a reasonable opportunity to elect economic regulation (See Recommendation No. 1D).

We recommend that the utilities owned by the Municipality of Anchorage be exempted from economic regulation. This exemption and the companion opportunity to elect economic regulation should be available to Anchorage as it is to all other municipal governments in the State (See Recommendation No. 1E).

We believe that the commission's costs should be fully allocated to consumers, but only to those consumers of utilities who continue to be regulated. We consider this regulatory funding approach to be most equitable to all the State's citizens. It should also encourage the elimination of any unwarranted economic regulation when combined with consumer regulatory elections (See Recommendation No. 2).

We recommend that APUC develop a topical reference system for commission orders and court decisions (See Recommendation No. 3).

A review of commissioner appointments showed that appointment terms expire on the same date for the two consumer members. As this situation could cause a significant disruption of commission activity, we recommend that the statute be changed to require the staggering of these appointments (See Recommendation No. 4).

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

Alaska Statute 42.05 should be amended to eliminate certain unnecessary regulatory functions of APUC.

Public convenience and necessity require certain services to be provided. Such services have traditionally included electric, telephone, gas, water, and sewer. The nature of these businesses do not lend themselves to competition; they are capital intensive and have permanent physical connections to their customers. The economies of scale of these industries are such that one company may be able to serve an entire market at a lower cost than could two or more companies; therefore, competition could not decrease prices to consumers in the long run and would only result in wasted capital resources through duplicate facilities. Note that this "natural monopoly" relates not only to the relationship between fixed and variable costs but also to the characteristics of the market. As these services are considered essential and as the long-run cost is lowest if only one company is allowed to serve, a monopoly is awarded in the form of a Certificate of Public Convenience and Necessity to a company that is determined to be fit, willing, and able.

As these services are essential, the demand for them is relatively inelastic in terms of service price or available funds. A monopoly coupled with inelastic demand can result in excessively high prices as well as price and service discrimination between consumers. Uncontrolled economic power has been considered economically, politically, and socially unacceptable in a democratic society. The alternatives are to nationalize the utilities or to regulate their services as a substitute for effective competition, with regulation being the preferred method. Regulated public utilities are required to make specified service levels available at approved rates to all consumers in their designated service areas.

In addition to the concerns over economic power, the public interest may also serve to extend regulation into situations where competition would have significant undesirable side effects on the quality of life in the area. For example, competition could create a black forest of utility poles or the continual digging to bury cables or pipe.

However, it may not be appropriate to economically regulate all certificated utility companies. For example, the cost of regulation may outweigh its potential benefits or the consumer's control over service and rates that already theoretically exists in that the company is a member-owned cooperative or it is owned by a political subdivision.

Further, overriding all the above considerations, the public interest being addressed must represent a substantial portion of the State's population; unique situations should be addressed at the local level.

While we acknowledge that not everyone will subscribe to this theory of regulation, we believe it to be fundamentally sound. Utilizing these principles, we analyzed APUC's jurisdiction and determined that governmental control in the following areas was unwarranted.

- A. Alaska Statute 42.05 should be amended to cease certification and regulation of companies furnishing collection and disposal service of garbage, refuse, trash, or other waste material.

Whether an individual considers refuse collection to be an essential service for modern living depends primarily on where they reside in the State. However, even essential services should generally not be regulated unless they are natural monopolies. For example, we do not believe that essentials such as food and clothing should be regulated.

Refuse collection, as with most enterprises, has certain economies of scale that affect its operations. However, these economies of scale are not such that one company can obviously provide the area-wide services for a significantly lower total cost than could several competitors. Relative to traditionally-regulated industries, refuse collection requires less capital, and thus they have a higher percentage of variable costs and less significant economies of scale. Further, the competition within service areas in several locations defeats the natural monopoly premise in the larger markets. We believe that a natural monopoly could occur in this industry in only the very small markets and that these do not warrant regulation due to the cost to benefit relationship.

Therefore, refuse collection should not be regulated unless there are overwhelming negative side effects present under competition in this industry. We acknowledge the possible negative effects of increased truck traffic, refuse pickup scheduled throughout the week in individual neighborhoods, and consistency problems as companies adjust to the economic realities of competition. However, these problems did not overwhelm the residents of the Mat-Su Borough as a result of the residential competition which began in 1985. Further, the Alaska Municipal League has adopted a resolution asking that refuse collection be de-regulated.

In response to our previous sunset audit recommendations to deregulate this industry, APUC expressed concern over the health and sanitation problems that could occur if these companies were removed from their jurisdiction. These health and sanitation issues are presently under the jurisdiction of local communities and also the Department of Environmental Conservation.

There are presently forty-three certificated refuse companies; nine of these are economically regulated under AS 42.05.711, as they have annual gross revenues of greater than \$200,000. Although APUC has no time sheet data upon which to estimate the cost to regulate these forty-three companies, the commission states in their FY 88 Annual Report that the time dedicated to refuse is excessive relative to agency resources and the resultant public benefit, and they recommend that this industry be deregulated.

B. Alaska Statute 42.05 should be amended to cease certification and regulation of radio common carriers.

There are currently ten certificated radio common carriers in Alaska. Radio Common Carrier (RCC) services include radio paging, mobile radiotelephone, and improved mobile telephone public utility services.

The commission opened an investigative docket on the subject of deregulation of RCCs in 1981 which resulted in a 1982 decision to cease economic regulation of this industry. The commission cited as justification, among other things, that RCC service was not an essential service. As RCC service is not essential to the average Alaskan, we concur with the commission that it should not be economically regulated. We further contend that services that are not essential should not be certificated.

In that 1982 decision, APUC stated that the certification process should be continued to monitor the interconnection to the telecommunications network and to prevent cross-subsidization of non-monopoly RCC services by monopoly local exchange telephone services. However, both these concerns can be monitored through the continuing processes of certification and economic regulation of local exchange services.

Cellular phones are relatively new to Alaska, and APUC has not yet decided if or how they should be regulated. We understand these phones provide a higher sound quality at a higher cost than conventional radio phones and over a shorter range; as such, they may be even less of an essential service to the average Alaskan.

Alaska Statute 42.05.711(d) reads as follows: "The commission, on a finding that no legitimate public interest will be served, may exempt a utility from all or any portion of this chapter." [Emphasis added.] As the 1982 decision categorically deregulated an entire industry, not an individual utility, this order may be illegal. We are not recommending that this statute be amended to allow categorical deregulation, as this power should be retained by the Legislature. Rather, we are recommending that the statute be amended to specifically deregulate RCC services; this would incidentally resolve the question.

C. Alaska Statute 42.05 should be amended to cease certification of cable television.

We do not consider cable television an essential service, particularly in view of the large number of Alaskans who receive off-the-air network television or broadcasts from the Rural Alaska Television Network. The premise of "essential" is also defeated by a review of the cable television service in Anchorage in which large sections of the service area are not yet cabled 9 years after the certification was awarded. The 1988 service expansion added only 1 mile of cable for 83 homes and businesses. While we acknowledge that it takes years for a new utility to cover a service area, we submit that this standstill, even in consideration of the economic decline, indicates that this service has a higher elasticity of demand than would an "essential" service.

As it is not an essential service, it should not be regulated as a public utility. Although the statutes do not allow economic regulation, they do require certification of the companies. APUC has responded by issuing certifications for exclusive service areas. This has created state-sanctioned monopolies with legally protected service areas, yet the statutes do not provide the companion public protection against unreasonable and discriminatory rates and services. The statute should, therefore, be amended to remove the certification requirement.

However, there are many who believe that cable television is essential to modern living or that it is essential so that we may fully realize our First Amendment right of freedom of speech. If it is first decided that cable television is essential, then the natural monopoly issue must also be considered in the regulatory determination.

We believe that cable television may be a natural monopoly in the small and medium-sized towns. As such, these may be candidates for economic regulation. However, the cost of regulation may outweigh the benefits for these small markets. The economic regulation that is available is also limited to basic services, as the federal Cable Communications Policy Act of 1984 prohibits price regulation of the premium packages. In the largest cities, the competitive environment indicates that there is not a natural monopoly present for cable television, thus certification and economic regulation is inappropriate.

The federal Cable Act was designed to promote the expansion of cable television systems by promoting local franchising and limiting rate regulation. This law would not allow any rate regulation in Anchorage or Fairbanks but would allow basic service rates to be regulated in other areas such as Juneau or Homer. It does, however, appear to allow us control over the possible competitive side effect of duplicate cabling. By statute we could require the segregation of cable distribution companies and these could be fully regulated. The cable programming could then be opened to competition.

In summary, regardless as to whether or not cable television is viewed as essential, we recommended that the present certification requirement be deleted from the statute. To the extent that this service is deemed essential, municipal franchising or certification and regulation of distribution-only companies should be considered.

We also must point out a potential liability to the State under the Cable Act if this recommendation is implemented. The Cable Act outlines specific criteria which must be shown to deny a franchise and the proposed statute amendment would categorically retract the certificates (franchise) without this showing. However, the Attorney General's Office indicated to us that the State would prevail in court. We recommend that a formal opinion on this potential liability be obtained from the Attorney General before this statute is amended.

- D. Alaska Statute 42.05 should be amended to exempt the smaller utilities from economic regulation.

Electric, telephone, gas, water, and sewer utilities have traditionally been considered essential services and are often natural monopolies. Nevertheless, we should refrain from economic regulation if its cost

exceeds the benefits. However, this information is not available nor can it be reasonably generated. "Cost" would include incremental APUC and utility time and materials as well as the effect of project delays on long-term rates; this component of the equation could be studied and estimated. The "benefits" of regulation include a financially stable utility providing consistent service uniformly to customers who are assured of equitable rates and services now and in the future; this cannot be quantified.

Nevertheless, in consideration of the State's dwindling resources and the public's disenchantment with the proliferation of state government, we believe that it is appropriate for us to presume that the cost of regulation presently exceeds its benefits for many smaller utilities and that the gross revenue exemption levels provided in the statutes should be raised.

Alaska Statute 42.05.711 exempts electric and telephone utilities with gross revenues under \$50,000 from certification and economic regulation. It also allows a utility's consumers to elect economic deregulation for cooperatives, electric or telephone utilities with less than \$325,000 in annual gross revenues, and for any utility which does not gross \$100,000 annually. We propose that an across-the-board gross revenue-based exemption from economic regulation be established. Three options are presented in the following table. It was prepared based upon APUC's FY 88 Annual Report and represents all utilities that are currently economically regulated with the exclusion of the industries we have recommended for categorical deregulation.

Number of affected utilities and customers, based upon gross revenues:

Type	Under \$500,000		Under \$750,000		Under \$1,000,000	
	Util.	Customers	Util.	Customers	Util.	Customers
Electric	10	819	15	1,990	18	2,691
Telephone	-0-	-0-	1	343	2	863
Gas	-0-	-0-	-0-	-0-	1	908
Water	22	3,715	22	3,715	22	3,715
Sewer	2	15	3	382	3	382
Total	<u>34</u>	<u>4,549</u>	<u>41</u>	<u>6,430</u>	<u>46</u>	<u>8,559</u>
Percent	<u>40.5%</u>	<u>.8%</u>	<u>48.8%</u>	<u>1.1%</u>	<u>54.8%</u>	<u>1.5%</u>

The above percent calculations represent the reduction in the coverage of economic regulation under each revenue scenario; however, we caution the inference from the table that APUC's workload would decrease

proportionate to the decrease in the number of utilities. While there certainly should be some relationship, the commission has no time sheet data available to correlate these factors.

In concert with an amendment to exempt these smaller utilities, the following areas should also be addressed:

1. The petition provision which allows customers to request economic regulation of exempted utilities should be amended. Alaska Statute 42.05.711 presently requires 25% of an exempted utility's subscribers to sign the petition. We believe that this is much too great an obstacle to overcome and recommend that an election be called if APUC receives a petition demonstrating significant consumer interest. For example, the petition requirement could be set at the lesser of 5% or 500 customers.
2. This proposed gross revenue exemption statute should not take effect for 6 months to allow utility customers who wish to retain regulation to do so without interruption.
3. The results of past deregulation elections should be honored, thus not requiring a new vote on failed deregulation elections.
4. The customers who continue the benefits of APUC's economic regulatory oversight should be expected to pay for this service (See Recommendation No. 2).

E. Alaska Statute 42.05 should be amended to cease mandatory economic regulation of certain utilities owned by political subdivisions.

Alaska Statute 42.05.711(b) generally exempts utilities owned by political subdivisions from economic regulation, unless they so elect. However, it also provides that if any of a subdivision's utilities directly competes with any other certificated utility then all the subdivision's utilities shall be economically regulated. We presume the intent of this provision was to eliminate the wasting of resources from facility duplication resulting from the then ongoing electric service area dispute as well as preventing the cross-subsidization of rates which might accompany such a dispute. The only utilities falling under this provision, at present, are owned by the Municipality of Anchorage.

The Anchorage service area dispute has been resolved and the present day competition is in the form of economy energy sales of electricity and perhaps telephone communication systems. This type of competition does not encourage the massive facility duplication or the cross-subsidization of rates that a service area dispute might. Service area concerns can be adequately addressed through the certification process without economic regulation.

In conjunction with an amendment to delete this mandatory economic regulation, the following areas should also be addressed:

1. The utilities previously regulated by APUC due to competition should continue to be so regulated unless rejected by the governing body.
2. A governing body should be allowed to withdraw a previous election.
3. The consumers who, through their local government, have chosen to continue the benefits of APUC's economic regulatory oversight should be expected to pay for this service. Specifically, the Municipality of Anchorage Assembly should decide whether their utilities should be regulated locally or by APUC. If they choose to "hire" APUC to perform this regulatory function in their behalf, citizens from all across the State should not be forced to pay for that service with General Funds (See Recommendation No. 2).

Recommendation No. 2

Alaska Statute 42.05 and Alaska Statute 42.06 should be amended to more fully allocate the costs of regulation.

APUC is currently being funded primarily by General Funds with a program receipts supplement from partial direct allocations of cost. The statutes require the cost of investigations and hearings to be allocated among the parties, including the commission, as is just under the circumstances. The commission has traditionally not allocated costs to itself and has allocated only the hired consultant fees, attorney general services, and other incremental out-of-pocket costs. In a 1988 decision, the Alaska Supreme Court interpreted the present statutes on cost allocations to disallow attorney general services. The court also remanded the case back to the commission to determine what portion of the cost allocation they should absorb.

Basic fairness prescribes that only the consumers who benefit from the regulatory services provided by APUC should pay the cost of this service. This is the "user fee" concept of funding. A funding method should also be designed to allow responsive adjustments to be made in the level of regulation as desired by consumers. With these criteria in mind, we have briefly commented on three predominate alternatives.

To the extent of its general funding, any approach fails to equitably match the regulatory cost to the consumers who benefit. General funding may be viewed as a payment by all citizens all across the State, while the benefit may accrue primarily to consumers in Anchorage. The utilities owned by the Municipality of Anchorage have contributed greatly to the commission's workload, yet a significant portion of the total cost of the proceedings is paid out of General Funds.

General funding is also less responsive to appropriate regulatory levels; in fact, it probably wastes some of the State's dwindling resources. Given that there is a regulatory cost/benefit break-even point and that certain consumers are given the opportunity to elect full economic regulation, general funding will likely be perceived as payment by "someone else" with the result that regulation will always be extended past this break-even point. Thus, government is providing an unnecessary service.

Funding of APUC through a gross receipts tax levied against the utilities and pipelines that is passed through to consumers could provide a reasonable matching of costs to beneficiaries. This assumes tax rates were established by utility size, by industry, and by level of regulation. However, there would always be inequities.

This tax approach would be responsive to regulatory needs only to the extent that the matching is accurate. However, taxation has traditionally focused on ability to bear rather than resource utilization and, thus, such a funding approach may not be responsive. For example, if a tax was designed which levied 100% of the commission's costs against the pipeline companies and none to the utilities, this approach would do nothing to reduce unnecessary regulation of the utilities.

Full and direct allocation of the commission's costs provides the most accurate and defensible matching among the three alternatives. As such, it would not only be an effective method in eliminating unwarranted government regulation but it could also make the regulatory process more efficient by encouraging adequate and appropriate filings.

To administer this full allocation program would require time sheets for commission staff and attorney general

services, and the use of account codes to share docket proceeding costs among the parties and to allow recovery of general overhead. The administrative cost of this program should be less than with the tax approach but of course, greater than with the General Fund design. These costs could potentially be offset by increased staff efficiency through time sheet accountability. We believe the benefits of a full-cost allocation program would far outweigh a slightly higher administrative cost.

Based upon the above, we recommend that the statutes be amended to establish a full-cost allocation funding approach for APUC. In conjunction with this shift toward program receipts funding, AS 42.05.651 and AS 42.06.610 should be amended, as follows:

1. These statutes should be amended to specify that all costs of the commission may be allocated.
2. Alaska Statute 42.05.651 should be changed to require interim allocation, rather than awaiting completion of a proceeding. The commission has estimated their unbilled utility allocations at \$1.6 million with an average age of 3.0 years. We note that the related pipeline statute, at AS 42.06.610, already requires interim billings. However, APUC does not appear to be in compliance, with their estimated unbilled pipeline allocations at \$2.1 million with an average of 4.7 years. Further, APUC should amend their regulation at 3 AAC 48.157 which provides for cost allocations after pipeline hearings rather than on the required interim basis.
3. These statutes presently require allocation to the parties of a proceeding including the commission; these should be modified to exclude the commission. However, the provisions allowing the commission to allocate among the parties as is reasonable and just should be retained, thus the commission may occasionally absorb some costs indirectly and have a need for minimal General Fund monies.
4. For economically regulated companies, on a case-by-case basis, the commission should be allowed to determine whether the costs being allocated are to be passed through to the consumers.

Recommendation No. 3

APUC should develop a topical reference system for commission orders and court decisions.

The commission is a quasi-judicial agency which issues decisions based upon finding of fact and conclusions of law.

These decisions are in the form of written orders that have the effect of law and are subject to judicial review.

The commission's orders are filed chronologically and also within the docket (case) files. Decisions from the courts on appeals of commission orders are filed with the related docket. However, no topical cross-reference system is maintained.

At present, the best catalog of prior actions is institutional memory. Obviously, such a memory-based system cannot provide true access to precedent when needed by commissioners, staff, utilities, consultants, and attorneys. A cross-reference system would allow analysis by staff and decisions by the commission to be made consistently from case to case and in accordance with relevant court decisions. It would also aid utilities and their consultants and attorneys to adequately prepare for filings and hearings.

The Legislature, in conjunction with their FY 89 appropriation to APUC, provided the following: "It is the intent of the Legislature that the commission use the additional permanent part-time position to develop a keyword index filing system for all future commission orders and that prior year orders be incorporated into the system as possible." However, the part-time position was not actually authorized and the system has not yet been designed.

Recommendation No. 4

Alaska Statute 42.05.030 should be amended to stagger the appointments of the two consumer members of the commission.

In 1975 the commission was expanded from three to five commissioners. Appointments were made to both the new positions for the standard six-year terms with both terminating on the same date. All other APUC commissioner terms have been appropriately staggered. Because the potential for disruption of commission activity would be high with two new commissioners coming on at the same time, we recommend the terms of the consumer members be staggered.

Currently, the terms are scheduled to end as follows:

Consumer seats (2):	November 1, 1993
Engineering seat:	October 31, 1990
Finance seat:	October 31, 1992
Legal seat:	October 31, 1994

The statute required the governor to stagger the initial appointments. However, as this was not done for the consumer members, we recommend the statute be amended to also require the necessary staggering of subsequent appointments.

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ANALYSIS OF PUBLIC NEED

Limited Analysis

The following analyses of commission activities indicate both positive and negative factors as they relate to the public need factors defined in AS 44.66.050. These analyses were not intended to be all-inclusive, but address those areas we were able to cover within the scope of our review.

1. The extent to which the board, commission, or program has operated in the public interest.

The commission has conscientiously attempted to allow only qualified applicants to provide utility services and to regulate them in such a manner as to ensure adequate service at the lowest reasonable rates. In finding that no public interest would be served through regulation, APUC administratively exempted some utilities through the discretionary power granted at AS 42.05.711(d).

2. 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 Alaska Public Utilities Act (AS 42.05) and Pipeline Act (AS 42.06) provide broad discretionary power to the commission to carry out its mandated responsibilities. The jurisdiction provided under these statutes should be limited to require regulation only of industries where the greatest public interest may be served (See Recommendation No. 1).

The budgeting approach and the statutes should be modified to fully allocate the commission's costs to consumers, but only to those consumers of utilities who continue to be regulated. We consider this regulatory funding approach to be most equitable to all the State's citizens. It should also encourage the elimination of any unwarranted economic regulation when combined with consumer regulatory elections (See Recommendation No. 2).

The commission has not developed a topical reference system for commission orders and court decisions (See Recommendation No. 3). APUC has not been successful in obtaining additional personnel or funding for this task.

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

In their FY 88 Annual Report, APUC highlighted certain problems they perceive with the current statutes and also outlined options and recommended solutions.

APUC broached the question of who should pay the cost of regulation and also presented several options on a public policy level. However, they placed the emphasis on agency funding, rather than on equity to the State's citizens or on the potential elimination of unwarranted regulation (See Recommendation No. 2).

The commission recommended that the statutes be amended to allow interim billing of cost allocations for utilities, similar to that allowed for pipelines. We concur, however, we believe that these billings should be required, and we assert that they are in fact already required for pipeline cases (See Recommendation No. 2).

The commission recommended a statute change to allow them to increase certificate application fees to fully reflect the cost of processing these filings. We would concur if it were not for our recommendation which would effectively allocate these costs on a comprehensive basis (See Recommendation No. 2).

APUC also recommended that the exemption scheme at AS 42.05.711 be reviewed and revised. We agree and have outlined our suggestions at Recommendation No. 1. The commission specifically recommended the deregulation of refuse collection.

They requested clarification of AS 42.05.431 which establishes the power of the commission to fix rates. APUC is uncertain how the dispute resolution procedures under subsection (b) could be used to renegotiate wholesale power contract rates if the commission finds them to be unjust and unreasonable.

The commission suggested that, if the Legislature intended for utilities who are not economically regulated to pay interest on customer deposits, AS 42.05.711 should be amended to reflect this intent. They further recommended that unclaimed deposits not be escheated to the State. We disagree with this second recommendation, as it may provide a disincentive to locate the true owners of these funds.

4. 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.

Formal proceedings are properly and timely noticed and are 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. APUC also staffs a Consumer Protection and Information Section to resolve complaints and disseminate information.

5. The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

All formal proceedings, including hearings on proposed regulations, are noticed and open to the public. Any interested person or party may intervene in a formal proceeding if that intervention will benefit, but not unduly delay the proceeding. The commission has also held informal workshops with attorneys and utility representatives in an attempt to be more responsive to the needs and concerns of those groups.

The efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, to 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 has adopted regulations for informal and formal complaint procedures. Procedures 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 procedures, including an investigation, may be initiated. The Office of the Ombudsman also occasionally handles utility or APUC-related complaints. We found the complaint resolution process to be operating satisfactorily.

7. 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 service. APUC employs

utility financial analysts and utility engineers to perform the necessary analyses to make this determination.

8. 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 state personnel practices. No complaints have been filed with the Human Rights Commission or the Division of Equal Employment Opportunity.

9. 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.

Please refer to the previous section, Findings and Recommendations.

APPENDIX

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
ALASKA PUBLIC UTILITIES COMMISSION
SUMMARY OF APPROPRIATIONS AND EXPENDITURES
For Fiscal Years 1988 and 1989
(UNAUDITED)

<u>Category</u>	1988 <u>Authorized</u>	1988 Expenses and <u>Encumbrances</u>	1989 <u>Authorized</u>
Personal Services	\$2,113,600	\$2,103,406	\$2,113,600
Travel	28,660	27,423	57,100
Other Services	1,592,330	1,224,346	1,688,500
Supplies	21,000	20,800	22,000
Capital Outlay	<u>3,910</u>	<u>3,910</u>	<u>2,900</u>
<u>Total</u>	<u>\$3.759.500</u>	<u>\$3.379.885</u>	<u>\$3.884.100</u>

Note: The information included in this summary was obtained from APUC records and the state accounting system. This information has not been audited by us and, accordingly, we express no opinion on it.

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STATE OF ALASKA

STEVE COWPER, GOVERNOR

ALASKA PUBLIC UTILITIES COMMISSION DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

420 "L" STREET
SUITE 100
ANCHORAGE, ALASKA 99501
(907) 276-6222

MAR - 7 1989

March 7, 1989

Mr. Randy Welker
Legislative Auditor
Division of Legislative Audit
State of Alaska
P. O. Box W
Juneau, Alaska 99811-3300

Re. Response to Preliminary Audit Report

Dear Mr. Welker:

The following is the response of the Commission to the preliminary audit report and recommendations submitted by the Division of Legislative Audit on February 14, 1989, as a result of its performance review of the Commission.

The Commission concurs with the fundamental conclusion of the report that the

Alaska Public Utilities Commission is operating in an efficient and effective manner and should continue to regulate public utilities and pipelines. (Page 5.)

The Commission does not agree with all of the statements of regulatory theory and philosophy in the preliminary audit report but has focused its comments on the actual recommendations.

Recommendation No. 1A

Alaska Statute 42.05 should be amended to cease certification and regulation of companies furnishing collection and disposal service of garbage, refuse, trash, or other waste material.

The Commission supports this recommendation as it did the identical recommendation made in the 1979 and 1985 Sunset Audits. The auditor's statement that the public health and sanitation aspects of this service are monitored by local governments and the Department of Environmental Conservation addresses the Commission's previous reservation on deregulation.

Recommendation No. 1B

Alaska Statute 42.05 should be amended to cease certification and regulation of radio common carriers.

The Commission concurs with this recommendation based on the character of radio common carrier (RCC) services and the current regulatory status of RCCs operating in the state. However, as noted in the Commission's response to the same recommendation in the 1985 Sunset Audit, future developments in the telecommunications industry may require reimposition of RCC regulation at some later time.

The Commission also believes that its authority to partially or fully deregulate a particular utility industry in response to current circumstances is a desirable and appropriate supplement to the legislative action advocated by the auditor. Accordingly, the Commission requests legislative guidance on the validity of its decision to economically deregulate the RCC industry in the event this recommendation is not implemented by statute.

APPENDIX

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
ALASKA PUBLIC UTILITIES COMMISSION
SUMMARY OF APPROPRIATIONS AND EXPENDITURES
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Note: The information included in this summary was obtained from APUC records and the state accounting system. This information has not been audited by us and, accordingly, we express no opinion on it.

Commission Footnotes:

- 1/ The "Other Services" category is predominantly funded through program receipts which can only be expended for case related activities which are reimbursable by cost allocations. The difference between the 1988 authorization and expenditure in this category is because of a lapse in program receipts funds which were not required for case related expenses.
- 2/ Since FY1982, "Travel" and "Other Services" budget authorizations have been funded by both the General Fund and program receipts. For FY1989, the funding ratio is \$27,100 General Fund to \$30,000 program receipts for the "Travel" category and \$473,500 General Fund to \$1,215,000 program receipts for the "Other Services" category.

Appendix B

42.05.711 (b) is amended to read:

(b) Except as otherwise provided in this subsection, public utilities owned and operated by a political subdivision of the state, or electric operating entities established as the instrumentality of two or more public utilities owned and operated by political subdivisions of the state, are exempt from this chapter, other than AS 42.05.221 -- AS 42.05.281 and 42.05.385. However,

(1) the governing body of a political subdivision may elect to be subject to this chapter and may elect to revoke a previous election to be subject to this chapter; and

(2) a utility or electric operating entity that is owned and operated by a political subdivision and that directly competes with another utility or electric operating entity is subject to this chapter and any other utility or electric operating entity owned and operated by the political subdivision is also subject to this chapter; when the direct competition ends the governing body of the political subdivision may elect not to have one or more of the utilities or electric operating entities owned and operated by the political subdivision subject to this chapter.

(3) the cooperative files a rate case complying with the requirements of AS 42.05.411 and 3 AAC 48.275, and if 3 AAC 48.540(a) or (b) requires that cooperative to file a cost-of-service study. (EHC. 1/1/87, Register 100)

Authority: AS 42.05.141	AS 42.05.411
AS 42.05.151	AS 42.05.421
AS 42.05.301	AS 42.05.431

Article 6. Miscellaneous Provisions

Section	Section
800. General administrative provisions	810. Delegation of authority
805. Waivers	820. Definitions

3 AAC 48.800. GENERAL ADMINISTRATIVE PROVISIONS. (a) Each utility and pipeline carrier has the continuing responsibility to conform the language of its tariff with the definitions in 3 AAC 48 and 3 AAC 52. A definition that is not substantially the same must be revised by means of an appropriate tariff filing.

(b) Definitions contained in 3 AAC 52.080, 3 AAC 52.150 and 3 AAC 52.340 also apply to the defined words as they are used in 3 AAC 48.010 — 3 AAC 48.820. (EHC. 1/13/73, Register 44; am 6/29/84, Register 90)

Authority: AS 42.05.141	AS 42.06.140(a)
AS 42.05.151	AS 42.06.350

3 AAC 48.805. WAIVERS. (a) Except for those that are also required under AS 42.05, any requirement in 3 AAC 48 may be modified or waived, in whole or in part, by order of the commission upon application and a showing of good cause or on the commission's own motion.

(b) Application for waiver under this section must be in writing and must set out the pertinent facts in sufficient detail to support a finding by the commission that no legitimate public interest will be served by enforcing the requirement designated in the application. An application under this section may be made to the commission by motion, petition, or, where appropriate, by a tariff advice letter.

(c) If modification of a requirement in 3 AAC 48 cannot be granted without also exempting the applicant from a provision of AS 42.05, the application for the modification or waiver must include application for exemption from the provision of AS 42.05.

(d) The commission will grant or deny an application, in whole or in part. The commission's decision will be announced by order or in a letter written "By Direction of the Commission." (EHC. 6/29/84, Register 90)

3 AAC 48.770 ALASKA ADMINISTRATIVE CODE 3 AAC 48.790

(b) By petition separate from another proceeding under 3 AAC 48.700 — 3 AAC 48.790, a cooperative may request that a new Target TIER be set, based on consideration of the cooperative's present equity levels, optimum equity levels, cost of debt, growth rate and capitalization, mortgage covenants, the capital credits retirement program of the cooperative, and other relevant factors. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.301 AS 42.05.431

3 AAC 48.770. LIMITATIONS ON USE OF SIMPLIFIED PROCEDURE. (a) Rate adjustments allowed under 3 AAC 48.700 — 3 AAC 48.790 may not exceed a cumulative 20 percent increase in any three-year period, or a cumulative eight percent in any 12-month period, excluding purchased power and fuel costs rate adjustments.

(b) For good cause shown, the commission will, in its discretion, revoke or deny a cooperative's authority to request an increase under the simplified rate filing procedure in ~~3 AAC 48.700~~ = 3 AAC 48.790. (Eff. 1/1/87, Register 100) 3 AAC 48.700 - 3 AAC 48.790.

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.301 AS 42.05.431

3 AAC 48.780. APPLICATION OF RATE INCREASES. A rate increase granted under 3 AAC 48.700 — 3 AAC 48.790 must be applied as an across-the-board adjustment to all recurring charges, except the customer charge. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.301 AS 42.05.431

48.790

3 AAC 48.790. COST-OF-SERVICE FILINGS. To ensure that a cooperative's rates properly reflect the cost to serve the various classes of customers, a cost-of-service study in accordance with 3 AAC 48.540(c) — (h) must be filed if

(1) the residential class kilowatt-hour sales as a percentage of total kilowatt-hour sales, on an annual basis, changes by more than 5 percent from the percentage that existed when the cooperative last filed a cost-of-service study; or

(2) the retail kilowatt-hour sales as a percentage of total retail and wholesale kilowatt hour sales, on an annual basis, changes by more than 5 percent from the percentage that existed when the cooperative last filed a cost-of-service study; or

3 AAC 48.740 . COMMERCE AND ECON. DEV. 3 AAC 48.760

(3) acknowledgment that the major responsibility for rate adjustments under the simplified procedure will rest with the board of directors of the cooperative rather than with the commission.

(c) A cooperative shall provide its customers with reasonable notice of any rate adjustments approved by its board of directors either before or at the time the rate adjustment takes effect. (EIF. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
 AS 42.05.151 AS 42.05.421
 AS 42.05.381 AS 42.05.431

3 AAC 48.740. RATE ADJUSTMENTS. If a cooperative's TIER deviates from the cooperative's Target TIER, the cooperative may adjust rates in accordance with 3 AAC 48.700 — 3AAC 48.790 to achieve its Target TIER. If a cooperative's TIER is more than five percent above the cooperative's Target TIER, the cooperative shall reduce rates to achieve its Target TIER. (EIF. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
 AS 42.05.151 AS 42.05.421
 AS 42.05.381 AS 42.05.431

3 AAC 48.750. CALCULATION OF TIER. A cooperative's TIER is calculated for the most recent 12-month period, based on the information filed in accordance with 3 AAC 48.720 and on the following principles:

(1) the annualized long-term interest expense for the period must be used;

(2) the actual operating expenses for the period must be normalized to remove nonrecurring items and to adjust for items normally amortized for ratemaking purposes, and may also be normalized to reflect pro forma adjustments for known and measurable changes that are more than likely to continue through the period in which the rates will be in effect;

(3) interest income must be included in the determination of TIER to the extent that interest income exceeds short-term interest expense. (EIF. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
 AS 42.05.151 AS 42.05.421
 AS 42.05.381 AS 42.05.431

3 AAC 48.760. TARGET TIER DETERMINATION. (a) The Target TIER (Times Interest Earned Ratio) for a cooperative is the TIER approved by the commission in that cooperative's last general rate case or the TIER established under (b) of this section.

(6) a schedule showing the ratio of residential class kilowatt-hour sales to total kilowatt-hour sales for the current 12-month period and the ratio that existed when the cooperative last filed a cost-of-service study;

(7) if appropriate, a schedule showing the ratio of retail kilowatt-hour sales as a percentage of total retail and wholesale kilowatt-hour sales, and the ratio that existed when the cooperative filed its last cost-of-service study; and

(8) a copy of the cooperative's annual certified audit, including any adjusting journal entries.

(b) If a cooperative proposes to adjust rates in accordance with 3 AAC 48.740 based on its quarterly or semi-annual filing, the cooperative shall file with the commission the following additional information:

(1) tariff sheets showing any proposed adjustments to the cooperative's rates;

(2) if applicable, power cost equalization updates, including tariff sheets;

(3) a copy of the resolution of the board of directors of the cooperative authorizing the requested increase in rates; and

(4) a narrative description or evidence of the cooperative's actions taken to comply with the notice requirements in 3 AAC 48.730. (EFF. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.381 AS 42.05.431

48.730

3 AAC 45.730: NOTICE AND EFFECTIVE DATE. (a) A cooperative's rate adjustment filing under 3 AAC 48.700 — 3 AAC 48.790 is governed by 3 AAC 48.280 and will become permanent at the end of the notice period described in AS 42.05.411 unless the commission suspends the filing in accordance with AS 42.05.421. If the commission suspends the filing, the commission will, in its discretion, allow the filing to take effect on an interim basis, subject to refund.

(b) A cooperative shall provide to its customers prior individual notice of the intent of its board of directors to consider participation in the simplified rate filing procedure established in 3 AAC 48.700 — 3 AAC 48.790. That notice must include, at a minimum,

(1) the purpose of 3 AAC 48.700 — 3 AAC 48.790 and its possible effect on recurring electric rates on a quarterly or semi-annual basis, whichever is appropriate;

(2) the time and place of the board of director's meeting scheduled for consideration of the appropriateness and desirability of participation in the simplified rate procedure; and

3 AAC 48.700. APPLICATION AND PURPOSE. (a) The purpose of 3 AAC 48.700 — 3 AAC 48.790 is to implement AS 42.05.381(e) and to establish simplified, expedited filing and rate adjustment procedures for those nonprofit electric cooperatives organized under AS 10.25 and regulated by the commission.

(b) If allowed or required by 3 AAC 48.740, an electric cooperative organized under AS 10.25 may adjust rates no more than quarterly based on the filing requirements and other conditions set out in 3 AAC 48.710 — 3 AAC 48.790. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.381 AS 42.05.431

3 AAC 48.710. FILING REQUIREMENTS. (a) A rate adjustment filing under 3 AAC 48.700 — 3 AAC 48.790 is governed by 3 AAC 48.240 and 3 AAC 48.270.

(b) A cooperative that adjusts its rates under the authority of 3 AAC 48.700 — 3 AAC 48.790 shall then file all of the information required by 3 AAC 48.720 for whichever period is elected, quarterly or semi-annual, whether or not a change in rates is requested, until permission to discontinue the filing is granted by the commission or the cooperative submits a filing in accordance with AS 42.05.411 and 3 AAC 48.275. A cooperative that files the information required by 3 AAC 48.720 for each quarterly period shall file that information within 60 days after the end of each quarter, and a cooperative that files the information required by 3 AAC 48.720 for each semi-annual period shall file that information within 90 days after the end of the semi-annual period. (Eff. 1/1/87, Register 100)

Authority: AS 42.05.141 AS 42.05.411
AS 42.05.151 AS 42.05.421
AS 42.05.381 AS 42.05.431

3 AAC 48.720. SUPPORTING INFORMATION. (a) In accordance with 3 AAC 48.710(b), a cooperative shall file with the commission the following information for each quarterly or semi-annual period:

- (1) APUC Form 201 (Modified REA Form 7);
- (2) a schedule and explanation of all amortized expenses;
- (3) a schedule and explanation of all pro forma and normalizing adjustments;
- (4) a schedule and explanation of each line item on APUC Form 201 which has increased or decreased more than 10 percent from the previous 12-month period;
- (5) a schedule of the calculation of the cooperative's Times Interest Earned Ratio (TIER), calculated in accordance with 3 AAC 48.750;

explaining the reason for the action and stating that the action is without prejudice to refiling.

(b) If an application is found to be partially incomplete or defective, a letter may be written to the applicant containing the statement "By direction of the commission" in which attention is directed to the omitted material or defects and specifying a future date when the application may be dismissed unless satisfactory action is taken to correct the deficiencies of the application. If the applicant needs additional time to perfect his application, he may request an extension at least five days before the deadline date specified in the commission's letter. The commission may then by letter grant or deny the request or specify an alternative deadline date.

(c) If the commission's technical staff finds that an application, which is otherwise complete, lacks certain information needed to determine and fully evaluate its merits, the commission may request the applicant to furnish it, by a specified date, in a letter written "By direction of the commission" and the applicant shall supply it by the date specified as a condition precedent to any further action by the commission other than dismissing the application. (Eff. 1/13/73, Register 44)

Authority: AS 42.05.141(1)
AS 42.05.151

3 AAC 48.660. BURDEN OF PROOF. Every applicant shall have the burden of furnishing whatever information and data that may be required to prove to the commission's satisfaction that the applicant has, or will, comply with the governing law and the provisions of any applicable rule, regulation or order of the commission. When a governing law requires the commission to make a finding in regard to any application, the applicant shall, in each case, have the burden of furnishing whatever information, data, and documents may be required to prove to the commission's satisfaction that the finding is justified. (Eff. 1/13/73, Register 44)

Authority: AS 42.05.141
AS 42.05.151

**Article 5. Simplified Rate Filing Procedures
for Electric Cooperatives**

Section
700. Application and purpose
710. Filing requirements
720. Supporting information
730. Notice and effective date
740. Rate adjustments
750. Calculation of TIER

Section
760. Target TIER determination
770. Limitations on use of simplified procedure
780. Application of rate increases
790. Cost-of-service filings

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satisfies the requirements of the regulations. The commission may review implementation of the simplified rate filing procedure at reasonable intervals and may revoke permission to use the procedure or require modification of the rates to correct an error. (§ 6 ch 113 SLA 1970; am § 1 ch 86 SLA 1976; am § 5 ch 106 SLA 1977; am § 4 ch 45 SLA 1980; am § 3 ch 104 SLA 1986)

Effect of amendments. — The 1980 amendment added subsection (e).

NOTES TO DECISIONS

Lobbying expenses excluded from revenue requirement. — The commission acted reasonably and within its statutory authority in excluding lobbying expenses as part of a utility's revenue requirement. *Homer Elec. Ass'n v. State, Pub. Utils. Comm'n*, Sup. Ct. Op. No. 3327 (File No. S-1952), P.2d (1988).

Sec. 42.05.385. Charges for water and sewer line extensions.

(a) A water or sewer line extension may not be constructed unless the legislative body of each municipality through which the extension passes has approved the extension. This subsection does not apply to an extension that will not create any charges or assessments against the adjacent property.

(b) Except as provided in (e) of this section, when utility service is available to a property owner as a result of a water or sewer line extension, the utility offering the service through the extension shall notify the property owner, according to the procedure set forth for service of process in the Alaska Rules of Civil Procedure, of the charges and interest due the utility if the property owner elects to obtain the utility service through the extension. The property owner does not owe the charge for the extension until the property owner connects to the extension.

(c) Except as provided in (e) of this section, and unless the property owner connects to the extension,

(1) charges do not accrue against the property for construction of the extension;

(2) interest does not accrue against the property for the construction of the extension; and

(3) a lien or encumbrance may not be levied against the property for the construction of the extension.

(d) If the costs of constructing a water or sewer line extension have been paid by charges collected under this chapter, a utility may not charge for connection to the extension an amount greater than the actual cost of the connection.

(e) The provisions of this section do not apply to a water or sewer line extension constructed by a municipality under AS 29.46. (§ 1 ch 107 SLA 1986)

Sec. 42.05.365. Interest on deposits. (a) A public utility may collect and retain a deposit for contracted recurring monthly service. A public utility that collects and retains a deposit of over \$100 for recurring monthly service shall pay interest on that deposit at or before the time it is returned. Interest paid under this section shall be at the legal rate of interest at the time the deposit is made. However, if the deposit is placed in an interest bearing account, the utility shall pay the interest rate of the interest bearing account.

(b) If delinquent payments result in interruption of service, a public utility is not required to pay interest under (a) of this section for 12 months after reestablishment of service. (§ 1 ch 50 SLA 1986)

Cross references. — For legal rate of interest, see AS 45.45.010.

Sec. 42.05.381. Rates to be just and reasonable. (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, a rate may not 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) A utility, whether subject to regulation by the commission or exempt from regulation, may not 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.

(e) The commission shall adopt regulations for electric cooperatives setting a range for adjustment of rates by a simplified rate filing procedure. A cooperative may apply for permission to adjust its rates over a period of time under the simplified rate filing procedure regulations. The commission shall grant the application if the cooperative

(See attached regulations (3AAC 48.700 - 3AAC 48.790) pp. 428-433.)

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WATER UTILITIES (CONT.)
(1967 Calendar Year)

<u>Utility</u>	<u>Net Plant¹</u>	<u>Gross Revenues</u>	<u>Net Income</u>	<u>Users</u>
Potter Creek Water Company	\$ 128,642	500	<3,653>	9
Romig Park Improvement Company ²	- 0 -	12,350	<3,174>	05
Sandlake Services, R. J. & Clara Rhodes d/b/a	35,648	28,566	9,310	130
Settlers Day Properties, Inc.	- 0 -	8,670	<62,000>	62
South Central Utilities, Inc.	81,577	1,323	<22,183>	11
Southeast Utilities, Inc., Robert H. Scott, Evelyn V. Scott, Charles J. Schneider and Marlene C. Schneider, S & S Development d/b/a	214,912	116,983	30,415	638
Spensard Heights Water System, Wayne Cates d/b/a	5,742	4,857	<489>	40
Valley Water Company, Inc. ³	<u>230,175</u>	<u>157,600</u>	<u>54,568</u>	<u>265</u>
Subtotal	<u>\$ 2,536,656</u>	<u>\$ 1,041,128</u>	<u>\$ <5,460></u>	<u>3,715</u>
TOTAL	<u>\$97,209,702</u>	<u>\$21,969,687</u>	<u>\$984,935</u>	<u>46,008</u>

WATER UTILITIES
(1967 Calendar Year)

Utility	Net Plant ¹	Revenues		Users
		Gross Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,000,000)</u>				
Anchorage Water and Wastewater Utility, Municipality of Anchorage d/b/a	\$91,067,395	\$17,029,084	\$391,063	40,305
Barrow Utilities and Electric Cooperative, Inc.	----- ²	2,497,134	421,071	300
College Utilities Corp. ³	<u>3,605,731</u>	<u>1,402,341</u>	<u>178,270</u>	<u>1,600</u>
Subtotal	<u>\$94,753,126</u>	<u>\$20,928,559</u>	<u>\$990,403</u>	<u>42,293</u>

(Gross Operating Revenue Less Than \$250,000)

Alpat Water Utility Company	\$ 93,299	\$ 22,702	\$ 9,976	76
Alyeska Utilities, Inc. ⁴	85,689	102,143	20,522	526
Chuglak Utilities	247,418	51,919	20,454	195
Dawn Development Corporation		(Not Reported)		
Eagle Utilities, Inc.	- 0 -	29,459	7,868	03
Eklutna Utilities, Inc.	456,993	193,555	<66,475>	600
ERU, Inc.	66,600	9,727	<5,352>	34
Kwik Log Water System, Hyron Alton Newton d/b/a	- 0 -	2,688	890	18
Natanuska Utility Company, Inc.	69,689	12,443	<1,159>	12
McGahan Utilities, Inc.	22,801	23,046	2,683	11/1
McKinley Utilities, Inc. ⁵	69,742	9,924	1,635	34
Norfolk Utilities, Inc.	696,505	248,156	235	866
Omlin Water Utility, Paul Omlin d/b/a	31,216	4,437	533	15
Pelican Utility Company		(Not Reported)		

TELECOMMUNICATION UTILITIES
(Long Lines and Local Exchange Carriers)
(1987 Calendar Year)

Utility	Net Plant	Revenues		Main Access Lines
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$4,000,000)</u>				
Alascom, Inc.	\$329,029,964	\$201,030,131	\$42,456,392	0/A
Anchorage Telephone Utility, Municipality of Anchorage d/b/a	219,695,213	87,020,380	1,669,750	112,107
General Telephone Company of Alaska	12,884,609	8,255,030	1,002,776	10,602
Interior Telephone Company	8,837,986	4,407,591	8,605	1,965
Katanaska Telephone Association, Inc.	91,414,691	29,325,474	1,381,188	25,418
Telephone Utilities of Alaska, Inc.	94,008,561	43,760,048	6,850,419	34,031
Telephone Utilities of the Northland, Inc.	22,071,989	14,845,183	2,058,953	14,297
United Utilities, Inc.	<u>15,760,748</u>	<u>7,651,037</u>	<u>652,195</u>	<u>2,865</u>
Subtotal	<u>\$794,503,841</u>	<u>\$476,294,874</u>	<u>\$56,080,292</u>	<u>201,205</u>
<u>(Gross Operating Revenue Greater Than \$1,000,000 but Less Than \$4,000,000)</u>				
Arctic Slope Telephone Association Cooperative, Inc.	\$ 3,429,404	\$ 3,828,686	\$ 564,797	855
Bristol Bay Telephone Cooperative, Inc.	3,073,711	1,517,469	150,112	942
Copper Valley Telephone Cooperative, Inc.	10,453,257	3,432,288	696,218	2,795
Hukluk Telephone Company, Inc.	2,731,542	1,363,916	347,815	642
National Utilities, Inc.	1,670,124	1,419,241	208,968	1,571
Hushagak Telephone Cooperative, Inc.	3,416,799	1,754,223	304,736	1,286
OTZ Telephone Cooperative, Inc.	<u>3,900,178</u>	<u>2,001,821</u>	<u>349,989</u>	<u>1,540</u>
Subtotal	<u>\$ 28,695,015</u>	<u>\$ 15,317,644</u>	<u>\$ 2,622,635</u>	<u>9,611</u>
<u>(Gross Operating Revenue Less Than \$1,000,000)</u>				
Bush-Tell, Incorporated	\$ 2,334,383	\$ 814,510	\$ <14,506>	520
Yukon Telephone Company, Inc.	<u>684,335</u>	<u>644,904</u>	<u><63,290></u>	<u>343</u>
Subtotal	<u>\$ 3,060,718</u>	<u>\$ 1,459,414</u>	<u>\$ <77,796></u>	<u>863</u>
TOTAL	<u>\$826,267,574</u>	<u>\$493,071,932</u>	<u>\$ 58,625,131</u>	<u>211,779</u>

GENERAL (WASTEWATER) UTILITIES
(1967 Calendar Year)

Utility	Net Plant ¹	REVENUES		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,000,000)</u>				
Anchorage Water and Wastewater Utility, Municipality of Anchorage d/b/a	\$54,302,553	\$10,099,805	\$<1,208,190>	49,140
College Utilities Corp. ²	<u>2,281,975</u>	<u>1,366,995</u>	<u>101,412</u>	<u>1,554</u>
Subtotal	<u>\$56,584,528</u>	<u>\$19,466,800</u>	<u>\$<1,106,778></u>	<u>50,694</u>
<u>(Gross Operating Revenue Less Than \$750,000)</u>				
Harrow Utilities and Electric Cooperative, Inc.	\$----- ³	\$ 554,500	\$ 3,333	367
Salmantof Utilities, Inc.	50,000	804	514	3
Settlers Bay Properties, Inc.	<u>- 0 -</u>	<u>5,045</u>	<u><159,390></u>	<u>12</u>
Subtotal	<u>\$ 50,000</u>	<u>\$ 560,509</u>	<u>\$ <155,543></u>	<u>382</u>
TOTALS	<u>\$56,634,528</u>	<u>\$20,027,309</u>	<u>\$<1,342,321></u>	<u>51,076</u>

GAS UTILITIES
(1987 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$5,000,000)</u>				
ENSTAR Natural Gas Company ¹ (a division of Seagull Energy Corporation)	\$157,479,366	\$99,956,451	\$15,855,146	78,223
Subtotal	\$157,479,366	\$99,956,451	\$15,855,146	78,223
<u>(Gross Operating Revenue Greater Than \$500,000 but Less Than \$1,500,000)</u>				
Darrow Utilities and Electric Cooperative, Inc.	\$----- ²	\$ 804,907	\$ 74,685	908
Subtotal	\$----- ²	\$ 804,907	\$ 74,685	908
TOTALS	<u>\$157,479,366</u>	<u>\$100,761,430</u>	<u>\$15,929,831</u>	<u>79,131</u>

REFUSE AND GARBAGE UTILITIES
(1987 Calendar Year)

Utility	Net Plant	Revenues		Customers
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$200,000)</u>				
Anchorage Refuse, Inc.	\$2,458,804	\$ 9,210,396	\$163,811	26,076
Channel Sanitation Corporation	276,894	2,132,305	<390,404>	4,920
Drake's Sanitation, Inc. ¹	132,400	454,641	<8,716>	165
Eagle River Refuse, Inc.	185,610	932,965	32,697	4,110
Far North Sanitation, Inc.	1,569,616	1,214,258	133,867	712
Interior Services, Ralph E. Bartlett d/b/a	788,822	519,916	<23,940>	262
Kodiak Sanitation, Inc.	82,437	820,551	70,322	182
Peninsula Sanitation Company, Inc. ²	252,395	1,350,321	85,804	1,340
Wasilla Refuse, Inc. ³	130,700	541,037	74,504	702
TOTAL	<u>\$5,877,846</u>	<u>\$17,176,390</u>	<u>\$137,937</u>	<u>38,177</u>

ELECTRIC UTILITIES (CONT.)
(1987 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Less Than \$500,000)</u>				
Andreanof Electric Corporation ¹	\$ 129,345	\$ 79,872	\$ 15,293	37
Bettles Light & Power, Inc.	316,722	373,529	<47,841>	49
Far North Utilities	355,414	112,315	<6,110>	44
Lovelock Electric Cooperative, Inc. ²	75,534	144,844	20,344	69
Hanley Utility Company, Inc.	266,322	111,344	<66,862>	84
Middle Kuskokwim Electric Cooperative, Inc.	1,714,495	375,093	<21,233>	152
Hapaklak Ircinaq Power Company ³	141,137	275,343	61,212	81
Northway Power & Light, Inc.	327,927	366,442	39,759	110
Pelican Utility Company	584,202	394,794	106,033	107
Teller Power Company	96,429	305,680	71,561	86
Subtotal	\$ 4,007,607	\$ 2,539,256	\$ 252,066	819
TOTALS	<u>\$1,002,835,911</u>	<u>\$357,450,846</u>	<u>\$25,159,293</u>	<u>195,650</u>

ELECTRIC UTILITIES (CONT.)
(1967 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,500,000 but Less Than \$5,000,000)</u>				
Alaska Power & Telephone Company	\$ 3,354,850	\$ 3,164,175	\$ 500,190	1,716
Arctic Utilities, Inc. ¹	2,152,979	3,146,571	249,226	26
Barrow Utilities and Electric Cooperative, Inc.	-----2	1,686,884	229,661	1,246
Bethel Utilities Corporation, Inc.	2,836,580	4,277,113	136,114	1,691
Kotzebue Electric Association, Inc.	6,449,884	2,798,398	420,487	973
Hushagak Electric Cooperative, Inc. ³	4,771,174	2,498,707	260,577	1,084
Tlingit-Haida Regional Electrical Authority	<u>5,628,503</u>	<u>2,986,005</u>	<u>480,024</u>	<u>975</u>
Subtotal	<u>\$ 25,193,978</u>	<u>\$ 20,557,933</u>	<u>\$ 2,356,279</u>	<u>7,711</u>

(Gross Operating Revenue Greater Than \$500,000 but Less Than \$1,500,000)

Aniak Light and Power Company, Inc.	\$ 526,320	\$ 741,912	\$ 119,449	150
G & K, Inc.	H/A	895,814	H/A	70
Gwitchyaa Zhee Utility Company ⁴	690,130	578,608	<110,310>	297
Haines Light & Power Company, Inc.	1,206,793	1,162,049	97,064	750
I-H-H Electric Cooperative, Inc.	1,522,832	695,272	<1,032>	259
McGrath Light & Power Company ⁴	1,069,476	837,306	143,931	231
Sand Point Electric, Inc. ⁵	438,301	939,039	2,132	400
Tanana Power Company, Inc.	751,797	551,930	81,258	184
Yakutat Power, Inc.	<u>674,831</u>	<u>693,338</u>	<u>45,659</u>	<u>281</u>
Subtotal	<u>\$ 6,800,480</u>	<u>\$ 7,095,268</u>	<u>\$ 377,343</u>	<u>2,622</u>

**ELECTRIC UTILITIES
(1987 Calendar Year)**

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$5,000,000)</u>				
Alaska Electric Generation & Transmission Cooperative, Inc.	\$ 17,139,417	\$ 16,256,727	\$ 86,170	1
Alaska Electric Light and Power Company	34,739,603	15,009,700	1,360,002	10,370
Alaska Village Electric Cooperative, Inc. ¹	27,210,242	11,405,183	1,016,263	4,970
Chugach Electric Association, Inc.	366,771,700	93,533,908	5,394,175	60,807
Copper Valley Electric Association, Inc.	14,053,824	7,171,696	806,209	2,350
Golden Valley Electric Association, Inc.	138,156,431	39,115,609	3,173,267	26,704
Homer Electric Association, Inc.	82,327,628	31,160,368	2,551,630	17,239
Kodiak Electric Association, Inc.	32,519,997	14,044,493	2,325,809	4,354
Natanuska Electric Association, Inc.	106,672,760	37,879,553	4,648,728	27,479
Municipal Light & Power Department, Municipality of Anchorage d/b/a	<u>146,962,166</u>	<u>61,594,072</u>	<u>722,462</u>	<u>30,048</u>
Subtotal	<u>\$966,553,048</u>	<u>\$327,258,309</u>	<u>\$22,173,595</u>	<u>184,506</u>

(This Appendix contains excerpts from the Commission's FY88 Annual Report to the Legislature; footnotes are omitted.)

1R-89-1(1)
APPENDIX 1

1 11. What level of support have small utilities been provided
2 by Commission Staff for ratemaking or other regulatory require-
3 ments? (Individual utilities should be as specific as possible.)

4 12. What level of support, guidance, or assistance is neces-
5 sary for the Commission to provide to small utilities?

6 In conclusion, the Commission is issuing this NOI to
7 solicit comments on and suggestions for simplification of the
8 regulation of small utilities consistent with the Commission's
9 responsibilities under the law. Written responses to this NOI
10 should be filed no later than April 3, 1989, with reply comments
11 due no later than May 1, 1989. Further procedures and schedules
12 will be established upon review of those comments.

13 ORDER

14 THE COMMISSION FURTHER ORDERS:

15 1. By issuance of this notice of inquiry, a proceeding
16 is opened for the purpose of considering simplification of reg-
17 ulation of small utilities.

18 2. All interested persons may submit comments in
19 response to the notice of inquiry no later than 4 p.m.,
20 April 3, 1989.

21 3. All interested persons may submit reply comments no
22 later than 4 p.m., May 1, 1989.

23 DATED AND EFFECTIVE at Anchorage, Alaska, this 3rd day of Febru-
24 ary, 1989.

25 BY DIRECTION OF THE COMMISSION
(Commissioner Louis E. Agi, not participating)
26 (S E A 'L)

1 c. Should some other alternative to traditional rate
2 base/rate of return regulation be implemented such as a ratio of
3 operating expenses to revenues?

4 4. What is the minimum amount of information needed to per-
5 form the type of small utility regulation which is proposed?

6 5. What additional information (above that suggested in
7 response to question 4) would be desirable or necessary to in-
8 crease the accuracy or accountability of small utility regula-
9 tion; what is the cost/benefit of acquiring that information?

10 6. What, if any, forms or information are provided to other
11 state or federal agencies by small utilities which could be sub-
12 stituted for some or all of the forms required for rate cases or
13 Commission annual reports? (Please provide a sample.)

14 7. Is it possible to develop a substantially similar set of
15 forms to be used for both rate case filings and annual reports by
16 small utilities? (Please provide examples of proposed forms.)

17 8. What are the most difficult sections of the annual re-
18 port forms for small utilities to complete? Why?

19 9. What are the most useful and the least useful sections
20 of the annual report? Why?

21 10. What, if any, changes should be made in the procedures
22 for processing small utility rate filings in order to minimize
23 their administrative complexity and cost? (Please provide an
24 example.)

25

26

1 Interested persons are encouraged to provide the Com-
2 mission any and all information and suggestions which they
3 believe are relevant to this inquiry. However, to facilitate
4 comments to the NOI, the list of questions which follow includes
5 issues which the Commission believes should be considered. Some
6 questions are more relevant for utilities or their representa-
7 tives responding to this inquiry, while others may be more ap-
8 propriate for a response from Staff or other interested parties
9 such as the Alaska Consumer Advocacy Program, the Alaska Rural
10 Electric Cooperative Association, or the Alaska Telephone As-
11 sociation. All respondents are encouraged to be as specific as
12 possible and, where appropriate, to detail the content and format
13 of any forms which may be proposed.

14 1. What should be the objectives of any procedures for
15 simplifying ratemaking and reporting functions for small
16 utilities?

17 2. What should be the criteria for being designated a
18 "small" utility which is eligible for participation in simplified
19 ratemaking procedures?

20 3. What approach should be used to simplify the ratemaking
21 process for small utilities? For example,

22 a. Should the emphasis be on making periodic rate case
23 filings easier?

24 b. Should a simplified rate filing procedure similar to
25 that found in AS 42.05.381(e) and 3 AAC 48.700 -- 3 AAC 48.790 be
26 adopted? (A copy of these provisions is attached as Appendix 2.)

1 implement this policy for small utilities by examining the cur-
2 rent approach to regulation and by developing simplified pro-
3 cedures for that regulation which minimize administrative and
4 regulatory burdens and costs for utilities and regulators. It is
5 the Commission's intent to solicit input from all interested per-
6 sons on this subject by issuing this NOI and to use that input
7 for drafting regulations. The regulations would, in turn, be
8 noticed for comment and suggested changes prior to being
9 promulgated.

10 While there are many facets of small utility regulation
11 which are worthy of reassessment and refinement, the Commission
12 believes that its initial focus should be on the ratemaking pro-
13 cess. For the reasons discussed earlier in this Order, ratemak-
14 ing is perhaps the least discretionary and most critical of the
15 regulatory functions for small utilities. As a corollary to its
16 ratemaking review, the Commission intends to examine the annual
17 report forms currently used by small utilities for simplifica-
18 tion, wherever possible, and for maximum coordination with the
19 supporting information requirements of rate cases. The Commis-
20 sion understands that there are also opportunities for simplify-
21 ing other areas of small utility regulation, such as the prepara-
22 tion and processing of miscellaneous tariff filings. While com-
23 ments are welcome on the full range of regulatory reform for
24 small utilities, the Commission's anticipated order of priority
25 in this inquiry is: (1) ratemaking; (2) annual report forms; and
26 (3) other matters.

1 service with existing resources. Therefore, other mechanisms
2 must be developed to simplify the regulatory process for small
3 utilities and to reduce their reliance on individualized support.

4 The above discussion of small utility regulation should
5 not be read to imply that consumers of small utilities require
6 less protection than those of large utilities. In fact, ex-
7 perience may suggest that the need is greater. Similarly, the
8 above problems with regulation of small utilities in no manner
9 diminish the Commission's statutory obligation to assure that
10 consumers of economically regulated small utilities are protected
11 with respect to the cost, terms, and conditions of service they
12 receive and the reliability and safety of facilities that are
13 providing those services. The statute is relatively indifferent
14 to utility size in prescribing the general duties and respon-
15 sibilities of both the regulators and regulated but allows the
16 Commission through the promulgation of regulations to implement
17 the law in its specifics.

18 Discussion

19 It is the policy of the Commission to minimize the bur-
20 dens and costs of regulation for utilities to the greatest extent
21 possible. However, balance is required in order to both assure
22 the protection of customers of a monopoly providing an essential
23 service and to assure the continued financial and operational
24 viability of these utilities. The goal of this proceeding is to
25
26

1 development (e.g., water utilities); or the utility owner has
2 contributed substantial "sweat equity" in one or more years of
3 the utility's operation which is not reflected in booked capital
4 investment (e.g., all small utilities). Minor fluctuations in
5 revenues and expenses have significant consequences for the
6 financial condition of small utilities with higher ratios of
7 revenues to assets. Predictable fixed charges are a low portion
8 of these utilities' expenses, and they may not have the cash flow
9 cushion provided by depreciation expense and return on investment
10 (as compared to operating expenses) which is available to more
11 capital intensive industries. The lead time and requirements of
12 regulation may be particularly critical to these small utilities.

13 Fifth, one of the consequences of the decrease in Com-
14 mission resources without a corresponding decrease in statutory
15 responsibilities and workload is that it is increasingly dif-
16 ficult for the Commission to provide the necessary level of as-
17 sistance to small utilities. For example, there have been a num-
18 ber of instances in the past where Staff has essentially prepared
19 and processed a small utility's rate case, in particular, where
20 the financial health of the business depended on rate relief.
21 For some, it is the Staff's analysis which provides the utility
22 with the input to determine the level of rate adjustment it needs
23 to meet its operating costs. The Staff routinely provides
24 guidance and assistance on other regulatory matters as well.
25 While the need for and interest in providing this type of support
26 still exists, it is not possible to continue the past level of

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1 Third, the costs of compliance with standardized infor-
2 mation and recordkeeping requirements may be high relative to
3 other costs and revenues for small utilities. Absent in-house
4 expertise, the small utility is often put in a position where it
5 must contract for outside assistance to fulfill its regulatory
6 needs. The costs incurred for attorneys, accountants, and en-
7 gineers, as well as for hearings before the Commission, can have
8 a direct and material effect on the rates paid by consumers.
9 While regulatory costs may be a relatively small portion of over-
10 all costs for larger utilities, they may actually be a signifi-
11 cant contributor to the rate increases required by smaller utili-
12 ties. As a result, small utilities may not be able to afford the
13 unavoidable costs of exercising their rights and fulfilling their
14 responsibilities under regulation. This problem is multiplied
15 for those small utilities operating in remote locations.

16 Fourth, small utilities may have financial characteris-
17 tics which differ from those traditionally identified with
18 economically regulated utilities. In particular, some of these
19 utilities have a small investment in rate base (plant investment)
20 relative to revenues and expenses in contrast to utilities which
21 require large investments of fixed assets in relation to revenues
22 generated. There are a number of reasons for this difference,
23 including, the utility may not be capital intensive by nature
24 (e.g., refuse utilities); the utility has received government
25 grants to finance its plant (e.g., water or electric utilities);
26 the utility was initiated with and financed by a real estate

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1 Second, small utilities, because of their geographic
2 locations and higher costs of operation, find personnel special-
3 ized in regulatory matters unavailable or extremely costly. Many
4 of the smaller utilities are basically one-person operations or
5 have few employees. As a result, they must be "jacks of all
6 trades" specializing in maintaining adequate service above all
7 else. Their skills are focused in the area of operations, which
8 are especially critical and challenging in rural Alaska, not in
9 the particular aspects of engineering, accounting, and record-
10 keeping which are typically required in the regulatory process.
11 As a result, small utilities may find the complexities of the
12 regulatory process disinviting, if not overwhelming; may not
13 maintain records in accordance with regulatory requirements; and
14 may find it difficult, without some guidance and assistance, to
15 provide the information necessary to meet the same standards of
16 proof for rate and other tariff revisions which are required of
17 larger utilities. This, coupled with a natural reluctance to
18 raise rates to their neighbors, can jeopardize the long-term
19 operation and existence of a utility. Furthermore, individuals
20 who are struggling to maintain viable utility operations in a
21 harsh environment or are otherwise independent-minded Alaskan
22 entrepreneurs may have little time or use for the complexities
23 and requirements of regulation. Regulation is more likely to be
24 ignored and less likely to fulfill its stated public purposes
25 under these circumstances.

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1 certain recordkeeping requirements are less complex for smaller
2 sized utilities.) Since the Commission's statute is modeled
3 after a "Lower 48" average-size utility, a number of real or
4 potential problems exist with the present regulation of small
5 utilities.³

6 First, by its nature, regulation is a complex, techni-
7 cal process. The basic ground rules for utility regulation in
8 Alaska are set forth in statute and regulations which exceed 150
9 pages in length and are written in the terminology (both legal
10 and technical) which is peculiar to these documents as well as to
11 utility regulation. State regulation is also influenced by, and
12 at times dictated by, national trends and developments. An ex-
13 tensive bibliography of regulatory texts, periodicals, and court
14 and commission cases have been applied to and interpreted in
15 hundreds of Commission decisions. Additionally, there is no in-
16 dex of Commission decisions,⁴ further complicating the process
17 for small, less experienced and sophisticated utilities. Thus,
18 small utilities face a formidable challenge in acquiring a work-
19 ing understanding of the rules, vocabulary, and formulas of the
20 process sufficient to operate as regulated businesses.

21 _____
22 ³The substantial assistance provided in regulatory matters
23 by Commission Staff (Staff) to smaller utilities attests to the
24 very real circumstances that face both these utilities and the
25 Commission under the traditional regulatory scheme.

26 ⁴Beginning in 1979, with support of Legislative Audit recom-
mendations, the Commission has unsuccessfully sought funding for
development of an index of its decisions.

1 which are economically regulated,¹ the following chart indicates,
 2 by gross revenues and type of service, utilities that could be
 3 proposed within a definition of a small utility. (Financial and
 4 customer information for all economically regulated utilities is
 5 provided on Appendix 1, an extract from the Commission's FY 1988
 6 Annual Report.)

7 UTILITY	8 GROSS REVENUES				
	9 Less than ² \$1,000,000	10 Less than \$ 500,000	11 Less than \$ 250,000	12 Less than \$ 100,000	13 Less than \$ 50,000
14 Electric	18	10	4	1	0
15 Gas	1	--	--	--	--
16 Refuse	5	1	--	--	--
17 Sewer	3	2	2	2	2
18 Telephone	2	--	--	--	--
19 Water	<u>22</u>	<u>22</u>	<u>22</u>	<u>15</u>	<u>14</u>
20 TOTAL	51	35	28	18	16

21 For utilities subject to economic regulation, the reg-
 22 ulatory scheme that exists applies uniformly to both large and
 23 small utilities with relatively few exceptions. (For example,

24 ¹per 3 AAC 48.820(43), "'economic regulation' means that the
 25 commission's jurisdiction extends to matters concerning rates and
 26 charges for public utility or pipeline carrier services, quality
 of service provided by the utility or pipeline carrier to its
 customers or shippers, management practices of the utility or
 pipeline carrier, and customer or shipper complaints concerning
 the services furnished by a utility or pipeline carrier."

²CS for SB369 (L&C), which was introduced in the last ses-
 sion of the Legislature, proposed a simplified scheme of rate
 regulation for utilities with annual gross revenues of \$1,000,000
 or less.

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners: Susan M. Knowles, Chairman
Carolyn S. Guess
Louis E. Agi
Kathleen L. Whiteaker
Peter Sokolov

In the Matter of the Consideration of Simplification of Small Utility Regulation) R-89-1
) ORDER NO. 1
)

ORDER ISSUING NOTICE OF INQUIRY FOR SIMPLIFICATION OF SMALL UTILITY REGULATION

BY THE COMMISSION:

Introduction

A longstanding objective of the Commission and a subject of frequent legislative interest is simplification of regulation of small utilities. As a result, the Commission identified this as one of its program priorities for the current fiscal year. At its Public Meeting on November 22, 1988, the Commission adopted a work plan for addressing this objective, the first step of which is issuance of this notice of inquiry (NOI).

Background

A substantial number of the public utilities operating in Alaska are businesses providing service in small, geographically dispersed areas of the state; almost all of these operate outside the major urban areas of the state. Of the 94 utilities

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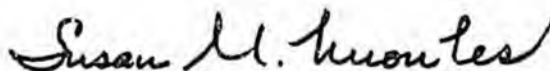
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Appendix

The Commission also finds that the Appendix at page 23 of the preliminary audit report which summarizes Commission appropriations and expenditures for FY1988 and FY1989 is somewhat misleading because of the current sources and uses of funding from the General Fund and program receipts. Accordingly, attached to this response as Appendix C is a copy of page 23 with suggested footnotes to explain the variations in amounts presented.

While it disagrees with some of the specific findings and recommendations in the preliminary audit report, the Commission supports the auditor's underlying objective of matching the duties and the resources of the agency (and the state) and looks forward to working with the Legislature in its consideration of the audit report. Please feel free to contact me if you have any questions about this response.

Sincerely,



Susan M. Knowles
Chairman

Attachments

Recommendation No. 3

APUC should develop a topical reference system for commission orders and court decisions.

The Commission supports this recommendation, which was previously made in the 1979, 1984, and 1985 Sunset Audits. The Commission also reiterates that funding is essential to the implementation of this recommendation.

The almost-realized funding in the Commission's FY89 budget would have provided a part-time person to reference current decisions. However, the historical decisions made during the past 18 years, with particular emphasis on the last 12 years, are an integral and equal, if not more important, component of a reference system which would serve all who are directly and indirectly affected by Alaska utility regulation. The Commission believes the historical reference system could be developed through a one-time capital appropriation and that the current reference system could be maintained with a part-time person.

Recommendation No. 4

Alaska Statute 42.05.030 should be amended to stagger the appointments of the two consumer members of the commission.

The Commission supports this recommendation.

and the "user fee" concept of funding.² To paraphrase what the Commission stated on page 85 of its FY1988 Annual Report to the Legislature, the issue is:

Who should pay for regulation: taxpayers (general fund) or ratepayers (user fees)? There are advantages and disadvantages to each approach. However, a preference for the former is largely based on a policy premise that regulation is a responsibility of government and a right to which all citizens are entitled, while the latter may best be supported on a policy premise that the cost-causer should be the cost-payer. In the end, the policy that is adopted may depend on balancing those objectives as well as the budget itself.

The Commission is prepared to respond to specific questions about each of these funding options and will work with all interested persons in determining the optimum funding methodology to enable the Commission to carry out its public protection function.

²Under a user fee approach, certificated and regulated utilities and pipelines are directly assessed fees usually based on gross revenues, which approximate the Commission's budget approved by the Legislature.

availability of regulation for all certificated and regulated entities. The alternative to this imprecise, inequitable allocation of indirect costs is to continue to provide a significant portion of the Commission's ongoing budget from the General Fund, which conflicts with the objective of the "full allocation" scheme.

Third, the "full allocation" approach is contrary to the auditor's underlying economic thesis that utility consumers are motivated by (or should be motivated by) the cost of regulation when choosing the appropriate amount of regulation. In particular, the allocation of indirect costs suggested by the auditor bears no real relationship to the direct costs which are allocated, thus inflating the cost of regulation and sending an incorrect economic signal. It will also be much more difficult for utilities and pipeline carriers to budget for, and incorporate in rates, the cost of regulation than it would be under other alternative funding approaches.

Lastly, a "full allocation" program does not address the legal concern of incurring costs, through the program receipts process, in one fiscal year and recovering them through the allocation process until subsequent fiscal years. In addition, this recommendation appears to conflict with recent administration and legislative discussions on the resolution of the Commission's financial exposure for program receipts payments as a result of a 1988 Supreme Court decision.

The Commission believes that the focus of the funding discussion should be on the other options: Continuation of general funding

The Commission opposes the auditor's "full and direct allocation of the Commission's costs" approach to funding for several reasons. First, the Commission believes that this is the most costly and cumbersome funding option from an administrative perspective. In order to allocate all costs, it would be necessary to develop an extensive cost accounting system to track direct costs and to allocate indirect costs to each utility or pipeline carrier. It would also be necessary to establish an accounting staff and procedures to bill, audit, and collect cost allocations on a regular basis. The costs to design and to provide the personnel and other resources required to implement a system to recover the Commission's budget would be substantial. The Commission also anticipates that its energies would be diluted from substantive regulatory responsibilities to accounting and auditing of cost allocations.

Second, the "full allocation" approach does not accurately and equitably allocate indirect costs. A number of Commission activities do not fall within categories that are readily allocable to specific cases in the manner suggested in the audit. These include: administrative duties such as preparation of the annual budget or responses to administration, legislative, or other agency (both state and federal) requests; generic cases; requests from consumer and utility groups to participate in educational efforts; training; regulations proceedings; court appeals; Commissioner time; all non-regulatory briefings and meetings. In addition, there are a number of Commission activities where the cost-benefit of maintaining individual time records for cost allocation purposes may not be justified. Under the auditor's recommendation, all indirect costs would apparently be assigned to utilities and pipeline carriers on the same basis as the direct cost assignments they have received. The effect of this approach is to shift the cost of statewide regulation to those entities who happen to have proceedings during the year and to ignore the public protection benefits associated with the

Rather than eliminating AS 42.05.711(b)(2), as the auditor appears to suggest, AS 42.05.711(b) should be expanded to provide for deregulation of a municipal entity if its governing body so elects, once competition no longer exists between it and other utilities, and to allow the governing body of a political subdivision to revoke a previous election. The Commission believes it is desirable to continue a protective mechanism for regulated utilities in the event a future situation arises involving competition with a municipal utility. Proposed language is attached. (See Appendix B.)

Recommendation No. 2

Alaska Statute 42.05 and 42.06 should be amended to more fully allocate the costs of regulation.

The Commission concurs in part, and opposes in part, this recommendation. The Commission agrees with the auditor's suggestion that, in light of the current economic climate as well as a recent court decision, discussion should be focused on the appropriate method to fund this agency. Clearly, the time is ripe to evaluate funding options; however, the Commission disagrees with the method of funding advocated by the auditor. Regardless of the outcome of the broader funding discussion, the Commission concurs that AS 42.05.651(a) should be amended to allow interim allocations during a proceeding and to exclude the Commission from bearing any costs of a hearing or investigation.

political subdivision, thus giving affected consumers a forum and recourse for concerns and complaints.

The Commission recognizes that this recommendation presently affects only the Municipality of Anchorage. It is pertinent to consideration of this recommendation that, at the present time, there are a number of outstanding issues before, and outstanding requirements by, the Commission for the Anchorage Water and Wastewater Utility (sewer), the Anchorage Telephone Utility, and the Anchorage Municipal Light and Power Department.¹ It is reasonable to assume that the Anchorage Assembly would take into consideration the status and results of proceedings before the Commission at such time as it considers any decision to end economic regulation by the Commission.

¹Docket U-87-47 is an investigation into the general management practices of Anchorage's sewer utility. In Dockets U-88-18 and U-87-61 the Anchorage Telephone Utility is before the Commission requesting a 54.83% rate increase and responding to an investigation into the general and financial management practices of the utility. Commission decisions are currently pending in these sewer and telephone cases. At the present time, the Municipal Light and Power Department is required to provide an equity management plan and obtain Commission approval before further debt refunding is issued because of its poor financial condition.

All utilities which have gross revenues of \$500,000 or less may elect to be exempt from the provisions of AS 42.05, other than AS 42.05.221-42.05.281, under the procedures described in AS 42.05.712.

This approach conforms with the Commission's position that regulation for utilities that heretofore have been regulated should be continued unless the people most affected, the consumers, vote to become deregulated.

The Commission also concurs with the auditor's suggestion that consideration be given to reducing the number of customers required to petition for regulation under AS 42.05.711.

Recommendation No. 1E

Alaska Statute 42.05 should be amended to cease mandatory economic regulation of certain utilities owned by political subdivisions.

The Commission supports the philosophy underlying this recommendation. However, the Commission does not believe that elimination of AS 42.05.711(b)(2) is necessary to achieve the auditor's objective and has proposed an alternative legislative approach and language.

It is reasonable that if regulation is elected at one time by a governing body as currently provided under AS 42.05.711(b)(1), then a future governing body should have similar authority to vote to revoke that election. If such revocation is exercised, it is presumed that the public protection function provided by the Commission will be assumed by the governing body of the

Although the reduction in workload would be approximately commensurate with the loss of Commission staff over the past three years if this recommendation were enacted, and from that standpoint may be appealing, the Commission does not believe that the public interest would be served by wholesale deregulation of utilities serving perhaps the most (or one of the more) vulnerable segment(s) of the ratepaying public.

The Commission believes that the concern about the cost of regulation that has been voiced by the auditor as well as others, for the most part, is directed at the expense (both in time and dollars) associated with regulatory requirements when a utility desires or needs to change its rates. The Commission has recognized for some time that the regulatory scheme that exists and has been applied to both large and small utilities should be examined. To that end, on February 3, 1989, the Commission has issued a Notice of Inquiry. The purpose of the Inquiry is to receive information which would assist the Commission in proposing regulations to simplify rate and other regulatory proceedings for smaller utilities. A copy of this order is attached. (See Appendix A.)

In summary, the Commission believes that the issue of the cost of regulation as it relates to the smaller-sized utilities can be substantially mitigated through administrative procedures rather than legislation which would eliminate the important public protection function today provided by economic regulation.

However, if the Legislature believes public policy is better served by deregulating smaller utilities, the Commission would propose, as it did in response to the 1985 Sunset Audit, the following amendment to AS 42.05.711 to expand the deregulation election process found in AS 42.05.712 which would replace the provisions of AS 42.05.711(e), (f), (g), and (i):

that regulation of small utilities is at the core of its public protection function, especially given the geographic and demographic characteristics of Alaska. The Commission also believes that the burden and cost of regulation on smaller utilities can and should be reduced administratively, and it is currently addressing this issue.

As the auditor points out, it is extremely difficult to quantify the cost of regulation, both to the regulated and to the regulator. At the same time, it is relatively easy to inflate or deflate cost figures to support a given predisposition for or against regulation. Regardless of amount, costs are relatively meaningless unless they are compared to benefits.

The Commission agrees with the auditor that the primary benefits of regulation are a financially stable utility which provides reliable, safe service to all customers at reasonable, non-discriminatory rates. With the exception of 22 water companies, the utilities affected by this recommendation are providing service in rural Alaska and are predominantly electric utilities. It has been the Commission's experience that the need for regulation and the potential benefits provided by regulation are frequently greater for smaller utilities than for larger utilities for many reasons, including, the logistical challenge of operating in remote locations; inexperienced personnel; unsafe facilities as a result of non-compliance with the National Electric Safety Code; lack of familiarity with utility management, maintenance, and accounting procedures; discriminatory actions by utility management; failure to request rate increases when needed; and procurement of wrong equipment. In addition, it can be argued that the consumers in rural Alaska are even more captive than those in the urban areas, and, therefore, are particularly dependent on a high level of protection.

Recommendation No. 1C

Alaska Statute 42.05 should be amended to cease certification of cable television.

The Commission concurs with this recommendation with some qualifications, as it did with the same recommendation in the 1985 Sunset Audit. The recommendation appropriately eliminates the anomaly in the current regulatory scheme for cable television (CATV) service whereby CATV providers hold monopoly certificates but are economically deregulated. However, the Commission would encourage the Legislature to use its legal and research staffs to examine the implications of the following on full CATV deregulation: (1) the Cable Communications Policy Act of 1984, (2) the Federal Communications Commission's recent initiatives to eliminate the existing ban on cross-ownership of CATV and telephone companies, (3) the availability and status of local government oversight, (4) shared use of rights-of-way, (5) community access and institutional network use of CATV systems, and (6) disposition of certificates held by existing CATV providers. In any event, as noted in response to the 1985 Sunset Audit recommendation, CATV certification is not a large element of the Commission's workload.

Recommendation No. 1D

Alaska Statute 42.05 should be amended to exempt smaller utilities from economic regulation.

The Commission opposes this recommendation because it disagrees with the auditor's unsupported presumption that the cost of economic regulation presently exceeds its benefits for smaller utilities. Rather, the Commission concludes from its experience

GENERAL INFORMATION UPDATE FORM

NAME OF UTILITY: Interior Services Inc.

ADDRESS: 400 Sanduir Rd. Fairbanks, Alaska 99701

TELEPHONE NO.: (907) 452-1517 CERTIFICATE NO.: 315

MANAGEMENT

List all principal management personnel:

	<u>NAME</u>	<u>ADDRESS</u>	<u>PHONE NO.</u>
President:	<u>Ralph E. Bartlett</u>	<u>400 Sanduri Rd.</u>	<u>(907) 452-1517</u>
General Manager:	<u>Ralph E. Bartlett</u>	<u>400 Sanduri Rd.</u>	<u>(907) 452-1517</u>
Principal Attourney(s):	<u>Robert Sparks</u>	<u>709 4th Ave</u>	<u>(907) 452-4454</u>
Accountant:	<u>Larry Hendricks</u>	<u>136 E So Temple # 1450 Salt Lake City Utah</u>	<u>(801) 524-2024</u>
Engineer:			

SERVICE AREA INFORMATION

For each location served by the utility list the following:

<u>Location</u>	<u>Local Address</u>	<u>Local Manager</u>	<u>Phone No.</u>
<u>Fairbanks</u>	<u>400 Sanduri Rd.</u>	<u>Ralph E. Bartlett</u>	<u>(907) 452-1517</u>

ATTESTATION

This report must be attested to by an officer of the company.

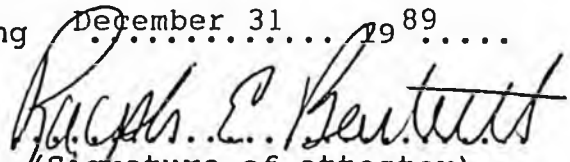
..... Ralph E. Bartlett certifies that
(Insert name of attester)

he/she is President
(Insert here the official title of the attester)

of Interior Services Inc.
(Insert here the exact legal title or name of the respondent).

that he/she has examined this report; that to the best of his/her
knowledge, information , and belief, all statements of fact
contained in the said report are true and the said report is a
correct statement of the business and affairs of the above-named
respondent in respect to each and every matter set forth therein
during the period from and including January 1..... 19⁸⁹.....,

to and including December 31..... 19⁸⁹.....


(Signature of attester)

UTILITY NAME Interior Services Inc. YEAR ENDED 12 / 31 / 89

COMPARATIVE BALANCE SHEET

<u>ASSETS AND OTHER DEBITS</u>	<u>Balance Beginning Of Year</u>	<u>Balance End Of Year</u>	<u>Increase Or (Decrease)</u>
<u>Utility Property</u>			
Intangible Property	\$1,317,817	\$1,317,817	\$ 0
Collection Utility Property			
General Utility Property			
Accumulated Provision For Depreciation (Credit)	(561,995)	(658,128)	(96,133)
Net Utility Property	<u>\$ 755,822</u>	<u>\$659,689</u>	<u>\$ (96,133)</u>
<u>Current and Accrued Assets</u>			
Cash	\$ 8,499	\$ 1,586	\$ (6913)
Notes & Accounts Recv.	13,703	13,482	(221)
Materials & Supplies	25,000	9,082	(15,918)
Prepayments			
Other Current & Accrued Assets (Sched. Pg.11)			
Total Current & Accrued Assets	<u>\$47,202</u>	<u>\$24,150</u>	<u>\$(23,052)</u>
Misc. Assets & Other Debits (Scheduled Pg. 11)	<u>\$</u>	<u>\$</u>	<u>\$</u>
TOTAL ASSETS & OTHER DEBITS	<u><u>\$ 803,024</u></u>	<u><u>\$683,839</u></u>	<u><u>\$(119,185)</u></u>
<u>LIABILITIES & OTHER CREDITS</u>			
<u>Current & Accrued Liab.</u>			
Notes Payable-Short Term	\$ 45,000	\$ 109,018	\$ 64,018
Accounts Payable			
Other Current & Accrued Liab. (Sched. Pg.11)			
Total Current & Accrued Liabilities	<u>\$45,000</u>	<u>\$109,018</u>	<u>\$ 64,018</u>
Other Misc. Liab. & Other Credits (Sch. Pg 11)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Long Term Debt (Scheduled Pg. 9)	<u>\$ 524,000</u>	<u>\$ 390,213</u>	<u>\$(133,787)</u>
<u>Proprietary Capital</u>			
Common Stock Issued			
Retained Earnings			
Proprietary Capital			
Total Capital	<u>\$ 234,024</u>	<u>\$ 184,608</u>	<u>\$ (49,416)</u>
TOTAL LIABILITIES & OTHER CREDITS	<u><u>\$ 803,024</u></u>	<u><u>\$683,839</u></u>	<u><u>\$(119,185)</u></u>

UTILITY NAME Interior Services Inc.YEAR ENDED 12 / 31 / 89

STATEMENT OF INCOME FOR THE YEAR

	<u>Amount For The Year</u>	<u>Increase Or (Decrease)</u>
<u>Operating Revenues</u> (Scheduled Pg. 12)	<u>\$ 630,294</u>	<u>\$ 85,413</u>
<u>Operating Expenses</u>		
Equipment Operating Expenses (Scheduled Page 10)	\$ 151,879	\$ 20,623
Equipment Maintenance & Garage Expense (Scheduled Page 10)	202,804	29,293
Traffic Solicitation & Advertising	441	(229)
Insurance & Safety Expense	57,361	23,512
Office Salaries & Expense	27,192	(19,096)
Depreciation & Amortization (Scheduled Page 13)	96,133	(39,384)
Taxes Other Than Income Taxes	11,065	11,065
Income Taxes-Federal		
Income Taxes-State		
Licences		
Lease of Equipment		
Other Operating Exp. (Scheduled Page 10)	<u>93,814</u>	<u>(3,029)</u>
Total Operating Expenses	<u>\$ 640,689</u>	<u>\$ 3,545</u>
<u>Net Utility Operating Income</u>	<u>\$ (10,395)</u>	<u>\$ 81,868</u>
<u>Interest Charges</u>		
Interest on Long Term Debt	\$ 39,021	\$(13,379)
Other Interest Expense		
Total Interest Charges	<u>\$ 39,021</u>	<u>\$(13,379)</u>
<u>Non-Utility Income</u> (Scheduled Page 10)	<u>\$</u>	<u>\$</u>
<u>Non-Utility Deductions</u> (Scheduled Page 10)	<u>\$</u>	<u>\$</u>
NET INCOME	<u><u>\$ (46,416)</u></u>	<u><u>\$ 95,247</u></u>

UTILITY NAME Interior Services Inc. YEAR ENDED 12 / 31 / 89

SUMMARY OF EQUIPMENT OPERATING EXPENSE

Dumping Fees	\$ 31,752
Drivers, Helpers, and Other Wages	106,147
Gas and Oil	13,523
Other Expense	457
Total Equipment Operating Expense	<u>\$ 151,879</u>

SUMMARY OF EQUIPMENT MAINTENANCE EXPENSE

Mechanics and Helpers Wages	\$ 17,781
Parts, Labor, Materials and Supplies	74,672
Tires, Tubes, Repairs and Maintenance	33,175
Other Garage and Shop Expenses	69,710
Other Expense	7,466
Total Equipment Maintenance Expense	<u>\$ 202,804</u>

PARTICULARS CONCERNING OTHER OPERATING EXPENSES

<u>ITEM</u>	<u>AMOUNT</u>
Phone & Electric	\$ 8,083
Propane	8,056
Attourney fees	57,732
Consultant fees	2,758
CPA	20,185
	<u>\$ 93,814</u>

PARTICULARS CONCERNING NON-UTILITY INCOME ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
	<u>\$</u>

PARTICULARS CONCERNING NON-UTILITY DEDUCTIONS ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
	<u>\$</u>

UTILITY NAME Interior Services Inc.

YEAR ENDED 12/ 31/ 89

SALES DATA FOR THE YEAR

<u>Class of Service</u>	<u>Revenues</u>	<u>Average # of Customers</u>
Residential Sales	\$ 10,769	160
Commercial and Industrial		
Small (or Commercial)	63,035	70
Large (or Industrial)	556,490	5
Total Sales		
Other Sales Revenues		
Total Operating Revenue	<u>\$ 630,294</u>	<u>235</u>

NUMBER OF EMPLOYEES

Total Regular Full Time Employees	6
Total Part-Time and Temporary Employees	3
Total Employees	<u>9</u>

UTILITY CONTRACTS

<u>Customer</u>	<u>Contract Dates</u>		<u>Amount</u>
	<u>Beginning</u>	<u>Ending</u>	
			\$

\$

UTILITY NAME Interior Services Inc.

YEAR ENDED 12 / 31 / 89

SUMMARY OF UTILITY PLANT

Intangible Plant	\$
Collection Utility Property	
Structures and Improvements	27,590
Rolling Equipment (Mobile)	489,474
Containers, Bins, etc.	166,758
Other Collection Property	104,000
General Utility Property	529,995
Construction Work In Progress	<u> </u>
Total Utility Plant	1,317,817
Less: Accumulated Provision for Depr & Amort.	<u>658,128</u>
NET UTILITY PLANT	<u>\$ 659,689</u>

DEPRECIATION & AMORTIZATION OF REFUSE PLANT

<u>Functional Classification</u>	<u>Depreciation Expense</u>
Intangible Plant	\$
Collection Utility Property	
Structures and Improvements	1,104
Rolling Equipment (Mobile)	61,184
Containers, Bins, etc.	20,845
Other Collection Property	13,000
General Utility Property	<u>0</u>
Total	<u>\$ 96,133</u>

FACTORS USED IN ESTIMATING DEPRECIATION CHARGES

<u>Type Plant</u>	<u>Depreciable Plant Base</u>	<u>Estimated Avg Service Life</u>	<u>Deprec Rate %</u>	<u>Avg. Remain. Life</u>
Buildings	27,590	25	4%	
Rolling Equipment	489,474	8	12.5%	
Containers	166,758	8	12.5%	
Other Equipment	104,000	8	12.5%	
Property	529,995	Land		

\$

UTILITY NAME Interior Services Inc.

YEAR ENDED 12 / 31 / 89

SUMMARY OF OFFICER'S/OWNER'S COMPENSATION

<u>Name</u>	<u>Title</u>	<u>Salary</u>
Construction Supervision:		\$
Total		<u>\$</u>
Operation Supervision:		\$
Total		<u>\$</u>
Maintenance Supervision:		\$
Total		<u>\$</u>
Administrative and General Salaries:		\$ 147,334
Total		<u>\$ 147,334</u>
Total Officers/Owners Compensation		<u>\$</u>

ATTESTATION

The foregoing report must be attested by an officer of the company.

.....Harvey Drake..... certifies that
(Insert here the name of the attester)
he is.....President.....
(Insert here the official title of the attester)
of.....DRAKE SANITATION, INC.....
(Insert here the exact legal title or name of the respondent)

that he has examined the foregoing report; that to the best of his knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from and including

...May 1.....19 89..... to and including...April 30.....1990.....

Harvey Drake
.....
(Signature of attester)

GENERAL INFORMATION UPDATE FORM

NAME OF UTILITY: DRAKE SANITATION, INC.

ADDRESS: P.O. Box 55087, North Pole, AK 99705

TELEPHONE NO.: (907) 488-6435 CERTIFICATE NO.: 220

MANAGEMENT

List all principal management personnel:

	<u>Name</u>	<u>Address</u>	<u>Phone No.</u>
President:	<u>Harvey Drake</u>	<u>P.O. Box 55087 North Pole, AK 99705</u>	<u>907-488-6435</u>
General Manager:	_____	_____	_____
Principal Attorney(s):	<u>B. Richard Edwards</u>	<u>550 W. 7th Ave. Anchorage, AK 99501</u>	<u>907-276-5552</u>
	_____	_____	_____
	_____	_____	_____
Accountant:	<u>Richards, Johnson & Granberry</u>	<u>1100 W. Burnette #102 Fairbanks, AK 99701</u>	<u>907-452-4156</u>
Engineer:	_____	_____	_____

SERVICE AREA INFORMATION

For each location served by the utility list the following:

<u>Location</u>	<u>Local Address</u>	<u>Local Manager</u>	<u>Phone No.</u>
<u>North Pole & Vicinity</u>	<u>P.O. Box 55087 North Pole, AK 99705</u>	<u>Harvey Drake</u>	<u>907-488-6435</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

UTILITY NAME DRAKE SANITATION, INC. YEAR ENDED 04 / 30 / 90

COMPARATIVE BALANCE SHEET

<u>ASSETS AND OTHER DEBITS</u>	<u>Balance Beginning Of Year</u>	<u>Balance End Of Year</u>	<u>Increase Or (Decrease)</u>
<u>Utility Property</u>			
Land and Buildings	\$	\$	\$
Trucks and Automobiles	198,852	198,852	Ø
Machinery, Tools, Furn. and Fixtures	20,016	20,016	Ø
Accumulated Provision For Depreciation (Credit)	<u>(176,016)</u>	<u>(187,310)</u>	<u>(11,294)</u>
Net Utility Property	<u>\$ 42,852</u>	<u>\$ 31,558</u>	<u>\$ (11,294)</u>
<u>Current and Accrued Assets</u>			
Cash	\$ 114,280	\$ 218,947	\$ 104,667
Notes & Accounts Recv.	52,173	57,233	5,060
Materials & Supplies			
Prepayments	26,128	11,209	(14,919)
Other Current & Accrued Assets (Schedule Pg.5)	<u>30,000</u>	<u>Ø</u>	<u>(30,000)</u>
Total Current & Accrued Assets	<u>\$ 222,581</u>	<u>\$ 287,389</u>	<u>\$ 64,808</u>
Misc. Assets & Other Debits (Scheduled Pg. 5)	<u>\$ 44,858</u>	<u>\$ 27,154</u>	<u>\$ (17,704)</u>
TOTAL ASSETS & OTHER DEBITS	<u><u>\$ 310,291</u></u>	<u><u>\$ 346,101</u></u>	<u><u>\$ 35,810</u></u>
<u>LIABILITIES & OTHER CREDITS</u>			
<u>Current & Accrued Liab.</u>			
Notes Payable-Short Term	\$	\$	\$
Accounts Payable	2,064	15,617	13,553
Other Current & Accrued Liab. (Scheduled Pg.5)	<u>6,094</u>	<u>7,415</u>	<u>1,321</u>
Total Current & Accrued Liabilities	<u>\$ 8,158</u>	<u>\$ 23,032</u>	<u>\$ 14,874</u>
Other Misc. Liab. & Other Credits (Sch. Pg 5)	<u>\$ 12,308</u>	<u>\$ 9,582</u>	<u>\$ (2,726)</u>
Long Term Debt	<u>\$ Ø</u>	<u>\$ Ø</u>	<u>\$ Ø</u>
<u>Proprietary Capital</u>			
Common Stock Issued	10,000	10,000	Ø
Retained Earnings	279,825	303,487	23,662
Proprietary Capital	Ø	Ø	Ø
Total Capital	<u>\$ 289,825</u>	<u>\$ 313,487</u>	<u>\$ 23,662</u>
TOTAL LIABILITIES & OTHER CREDITS	<u><u>\$ 310,291</u></u>	<u><u>\$ 346,101</u></u>	<u><u>\$ 35,810</u></u>

UTILITY NAME DRAKE SANITATION, INC. YEAR ENDED 04/30/90

STATEMENT OF INCOME FOR THE YEAR

	<u>Amount For The Year</u>	<u>Increase Or (Decrease)</u>
<u>Operating Revenues</u>	<u>\$ 577,962</u>	<u>\$ 76,478</u>
<u>Operating Expenses</u>		
Equipment Operating Expenses (Scheduled Page 4)	\$ 279,133	\$ (28,492)
Equipment Maintenance & Garage Expense (Scheduled Page 4)	115,694	(7,750)
Traffic Solicitation & Advertising	733	(2,733)
Insurance & Safety Expense	22,381	(7,828)
Office Salaries & Expense	89,802	15,949
Depreciation & Amortization	11,294	1,119
Taxes Other Than Income Taxes	8,195	(440)
Income Taxes-Federal	4,136	9,162
Income Taxes-State	1,049	1,049
Licences	Ø	Ø
Lease of Equipment	46,200	(425)
Other Operating Exp. (Scheduled Page 4)	12,833	(11,380)
<u>Total Operating Expenses</u>	<u>\$ 591,450</u>	<u>\$ (31,769)</u>
<u>Net Utility Operating Income</u>	<u>\$ (13,488)</u>	<u>\$ 108,247</u>
<u>Interest Charges</u>		
Interest on Long Term Debt	\$	\$
Other Interest Expense		
<u>Total Interest Charges</u>	<u>\$ Ø</u>	<u>\$ Ø</u>
<u>Non-Utility Income</u> (Scheduled Page 4)	<u>\$ 86,510</u>	<u>\$ (47,076)</u>
<u>Non-Utility Deductions</u> (Scheduled Page 4)	<u>\$ 49,360</u>	<u>\$ 31,471</u>
<u>NET INCOME</u>	<u>\$ 23,662</u>	<u>\$ 29,700</u>

UTILITY NAME DRAKE SANITATION, INC. YEAR ENDED 04/30 / 90

CHANGES IN RETAINED EARNINGS (OR CAPITAL) DURING THE YEAR

Balance at Beginning of Year		\$ 279,825
Add: Net Income From Current Year	\$ 23,662	
Other Additions		
Total Additions	<u> </u>	<u>\$ 23,662</u>
Deductions:		
Dividends Declared	\$	
Withdrawals		
Other Deductions		
Total Deductions	<u> </u>	<u>\$ 0</u>
Balance at End of Year		<u><u>\$ 303,487</u></u>

REMUNERATION OF PROPRIETORS, PARTNERS, STOCKHOLDERS AND OFFICERS

<u>Name</u>	<u>Address</u>	<u>Title</u>	<u>Number of Shares Owned or Percent of Ownership</u>	<u>Salary and Other Remuneration</u>
Harvey Drake	P.O. Box 55087 North Pole, AK	Pres.	90%	\$ 90,000
Linda Leonard	P.O. Box 55087 North Pole, AK	Sec/Treas.	5%	24,000
		Total	<u>95%</u>	<u>\$114,000</u>

UTILITY NAME DRAKE SANITATION, INC. YEAR ENDED 04 / 30 / 90

SUMMARY OF EQUIPMENT OPERATING EXPENSE

Dumping Fees	\$ 56,034
Drivers, Helpers, and Other Wages	182,713
Gas and Oil	40,386
Other Expense	
Total Equipment Operating Expense	<u>\$ 279,133</u>

SUMMARY OF EQUIPMENT MAINTENANCE EXPENSE

Mechanics and Helpers Wages	\$ 38,287
Parts, Labor, Materials and Supplies	11,641
Tires, Tubes, Repairs and Maintenance	23,766
Other Garage and Shop Expenses	42,000
Other Expense	
Total Equipment Maintenance Expense	<u>\$ 115,694</u>

PARTICULARS CONCERNING OTHER OPERATING EXPENSES

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Telephone/Utility Expense	6,054
Legal & Professional Fees	5,715
Office Supplies	1,064
	<u>\$ 12,833</u>

PARTICULARS CONCERNING NON-UTILITY INCOME ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Container Rental Revenue	80,570
Interest Income	5,940
	<u>\$ 86,510</u>

PARTICULARS CONCERNING NON-UTILITY DEDUCTIONS ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Container Depreciation Expense	11,765
Container Maintenance Expense	31,655
Loss on Disposal of Containers	5,940
	<u>\$ 49,360</u>

UTILITY NAME DRAKE SANITATION, INC.

YEAR ENDED 04 / 30 / 90

PARTICULARS CONCERNING OTHER CURRENT AND ACCRUED ASSETS

<u>ITEM</u>	<u>AMOUNT</u>
None	\$
	<u>\$ 0</u>

PARTICULARS CONCERNING MISCELLANEOUS ASSETS AND OTHER DEBITS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Non-Utility Property	191,804
Less: Accumulated Depreciation	(164,650)
	<u>\$ 27,154</u>

PARTICULARS CONCERNING OTHER CURRENT AND ACCRUED LIABILITIES

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Income Taxes Payable	544
Wages Payable	4,369
Payroll Taxes Payable	2,502
	<u>\$ 7,415</u>

PARTICULARS CONCERNING MISCELLANEOUS LIAB. AND OTHER CREDITS

<u>ITEM</u>	<u>AMOUNT</u>
	\$
Deferred Income Taxes	7,402
Deferred Investment Tax Credit	2,180
	<u>\$ 9,582</u>

UTILITY NAME DRAKE SANITATION, INC.

YEAR ENDED 04 / 30 / 90

NUMBER OF CUSTOMERS

Number at Beginning of Year	185
Additions (Reductions) During Year	<u>14</u>
Number at End of Year	<u><u>199</u></u>

NUMBER OF EMPLOYEES

Total Regular Full Time Employees	5
Total Part-Time and Temporary Employees	<u>2</u>
Total Employees	<u><u>7</u></u>

UTILITY CONTRACTS

<u>Customer</u>	<u>Contract Dates</u>		<u>Amount</u>
	<u>Beginning</u>	<u>Ending</u>	
Fairbanks North Star Borough	1987	1995	\$ Tariff Rates

\$

ATTESTATION

This report must be attested to by an officer of the company.

..... BERNARD KOPFcertifies that
(Insert name of attester)

he/she is PRESIDENT/GENERAL MANAGER
(Insert here the official title of the attester)

of FAR NORTH SANITATION SERVICES, INC.
(Insert here the exact legal title or name of the respondent).

that he/she has examined this report; that to the best of his/her
knowledge, information , and belief, all statements of fact
contained in the said report are true and the said report is a
correct statement of the business and affairs of the above-named
respondent in respect to each and every matter set forth therein
during the period from and including .January.1... 19 89...
to and including .December.31.. 19 90...

.....
(Signature of attester)

UTILITY NAME FAR NORTH SANITATION YEAR ENDED 12/ 31/ 89
SERVICES, INC.

COMPARATIVE BALANCE SHEET

	Balance Beginning Of Year	Balance End Of Year	Increase Or (Decrease)
<u>ASSETS AND OTHER DEBITS</u>			
<u>Utility Property</u>			
Land and Buildings	\$ 1,292,460	\$ 1,292,460	\$ -
Trucks and Automobiles	677,057	657,075	(19,982)
Machinery, Tools, Furn. and Fixtures	117,506	271,559	154,053
Accumulated Provision For Depreciation (Credit)	(615,260)	(636,379)	(21,119)
Net Utility Property	<u>\$ 1,471,763</u>	<u>\$ 1,584,715</u>	<u>\$ 112,952</u>
<u>Current and Accrued Assets</u>			
Cash	\$ 15,808	\$ 38,740	\$ 22,932
Notes & Accounts Recv.	191,515	246,894	55,379
Materials & Supplies	-	-	-
Prepayments	29,743	36,026	6,283
Other Current & Accrued Assets (Scheduled)	4,635	27,491	22,856
Total Current & Accrued Assets	<u>\$ 241,701</u>	<u>\$ 349,151</u>	<u>\$ 107,450</u>
Misc. Assets & Other Debits (Scheduled)	<u>\$ 693,281</u>	<u>\$ 697,187</u>	<u>\$ 3,906</u>
TOTAL ASSETS & OTHER DEBITS	<u>\$ 2,406,745</u>	<u>\$ 2,631,053</u>	<u>\$ 224,308</u>
<u>LIABILITIES & OTHER CREDITS</u>			
<u>Current & Accrued Liab.</u>			
Notes Payable-Short Term	\$ -	\$ -	\$ -
Accounts Payable	18,355	346,481	328,126
Other Current & Accrued Liab. (Scheduled)	437,017	611,908	174,891
Total Current & Accrued Liabilities	<u>\$ 455,372</u>	<u>\$ 958,389</u>	<u>\$ 503,017</u>
Other Misc. Liab. & Other Credits (Scheduled)	\$ 445,040	\$ 351,519	\$ (93,521)
Long Term Debt	<u>\$ 1,313,464</u>	<u>\$ 1,001,702</u>	<u>\$ (311,762)</u>
<u>Proprietary Capital</u>			
Common Stock Issued	16,432	16,432	-
Retained Earnings	188,628	316,446	127,818
Proprietary Capital	(12,191)	(13,435)	(1,244)
Total Capital	<u>\$ 192,869</u>	<u>\$ 319,443</u>	<u>\$ 126,574</u>
TOTAL LIABILITIES & OTHER CREDITS	<u>\$ 2,406,745</u>	<u>\$ 2,631,053</u>	<u>\$ 224,308</u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC.

YEAR ENDED 12 / 31 / 89

STATEMENT OF INCOME FOR THE YEAR

	<u>Amount For The Year</u>	<u>Increase Or (Decrease)</u>
<u>Operating Revenues</u>	\$ <u>877,255</u>	\$ <u>(4,285)</u>
<u>Operating Expenses</u>		
Equipment Operating Expenses (Scheduled)	\$ 680,371	\$ 187,482
Equipment Maintenance & Garage Expense (Scheduled)	110,632	(57,675)
Traffic Solicitation & Advertising	7,054	2,150
Insurance & Safety Expense	49,732	(45)
Office Salaries & Expense	64,346	(1,418)
Depreciation & Amortization	84,625	(433)
Taxes Other Than Income Taxes	49,777	16,531
Income Taxes-Federal	(85,263)	(23,349)
Income Taxes-State	(21,307)	(5,408)
Licences	-	-
Lease of Equipment	3,580	(2,420)
Other Operating Exp. (Scheduled)	-	-
 Total Operating Expenses	 \$ <u>943,547</u>	 \$ <u>115,415</u>
<u>Net Utility Operating Income</u>	<u>\$ (66,292)</u>	<u>\$ (119,700)</u>
<u>Interest Charges</u>		
Interest on Long Term Debt	\$ 116,461	\$ (9,613)
Other Interest Expense	-	-
Total Interest Charges	<u>\$ 116,461</u>	<u>\$ (9,613)</u>
<u>Non-Utility Income</u> (Scheduled)	<u>\$ 366,465</u>	<u>\$ (98,271)</u>
<u>Non-Utility Deductions</u> (Scheduled)	<u>\$ 185,685</u>	<u>\$ (50,860)</u>
 NET INCOME (LOSS)	 <u>\$ (1,973)</u>	 <u>\$ (157,498)</u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC.

YEAR ENDED 12 / 31 / 89

CHANGES IN RETAINED EARNINGS (OR CAPITAL) DURING THE YEAR

Balance at Beginning of Year		\$ 188,628
Add: Net Income From Current Year	\$ (1,973)	
Other Additions*	<u>129,791</u>	
Total Additions		\$ <u>127,818</u>
		316,446
Deductions:		
Dividends Declared	\$ -	
Withdrawals	-	
Other Deductions	<u>-</u>	
Total Deductions		\$ <u>-</u>
Balance at End of Year		\$ <u><u>316,446</u></u>

*Prior period adjustments

REMUNERATION OF PROPRIETORS, PARTNERS, STOCKHOLDERS AND OFFICERS

<u>Name</u>	<u>Address</u>	<u>Title</u>	<u>Number of Shares Owned or Percent of Ownership</u>	<u>Salary and Other Remuneration</u>
Bernard Kopf	P.O. Box 289 Fairbanks, Alaska 99707	President and General Manager	100%	\$ 110,000
		Total	<u>100%</u>	\$ <u>110,000</u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC.

YEAR ENDED 12 / 31 / 89

SUMMARY OF EQUIPMENT OPERATING EXPENSE

Tipping Costs in Excess of Billing	\$ 128,384
Drivers, Helpers, and Other Wages	329,630
Gas and Oil	32,866
Other Expense	189,491
Total Equipment Operating Expense	<u>\$ 680,371</u>

SUMMARY OF EQUIPMENT MAINTENANCE EXPENSE

Mechanics and Helpers Wages	\$ -
Parts, Labor, Materials and Supplies	-
Tires, Tubes, Repairs and Maintenance	101,594
Other Garage and Shop Expenses	9,038
Other Expense	-
Total Equipment Maintenance Expense	<u>\$ 110,632</u>

PARTICULARS CONCERNING OTHER OPERATING EXPENSES

<u>ITEM</u>	<u>AMOUNT</u>
	\$
	<u>\$</u>

PARTICULARS CONCERNING NON-UTILITY INCOME ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
Equity in partnership income	\$ 19,529
Interest income	11,222
Rental income, buildings	15,900
Rental income, dumpsters	329,640
Loss on disposition of assets	(9,826)
	<u>\$ 366,465</u>

PARTICULARS CONCERNING NON-UTILITY DEDUCTIONS ACCOUNTS

<u>ITEM</u>	<u>AMOUNT</u>
Salaries and wages	\$ 3,000
Depreciation	32,100
Equipment rental	32,930
Other expenses	21,038
Income tax expense	96,617
	<u>\$ 185,685</u>

FAR NORTH SANITATION
 UTILITY NAME SERVICES, INC. YEAR ENDED 12 / 31 / 89

PARTICULARS CONCERNING OTHER CURRENT AND ACCRUED ASSETS

<u>ITEM</u>	<u>AMOUNT</u>
Accounts receivable - employees	\$ 5,441
Inventory - Copper	7,000
Mortgage reserves	719
Income tax refunds receivable	14,331
	<u>\$ 27,491</u>

PARTICULARS CONCERNING MISCELLANEOUS ASSETS AND OTHER DEBITS

<u>ITEM</u>	<u>AMOUNT</u>
Non-utility land, building and equipment net of accumulated depreciation of \$181,992	\$ 609,479
Cash surrender value of life insurance	25,345
Investments in gold and silver	48,644
Other assets	13,719
	<u>\$ 697,187</u>

PARTICULARS CONCERNING OTHER CURRENT AND ACCRUED LIABILITIES

<u>ITEM</u>	<u>AMOUNT</u>
Current portion of long-term debt	\$ 561,504
Income taxes payable	-
Refund payable current portion	18,000
Accrued liabilities	16,667
Current portion of deferred taxes	15,737
	<u>\$ 611,908</u>

PARTICULARS CONCERNING MISCELLANEOUS LIAB. AND OTHER CREDITS

<u>ITEM</u>	<u>AMOUNT</u>
Deferred income taxes	\$ 211,574
Loans payable, stockholder	139,945
	<u>\$ 351,519</u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC. YEAR ENDED 12/ 31/ 89

NUMBER OF CUSTOMERS

Number at Beginning of Year	622
Additions (Reductions) During Year	<u>92</u>
Number at End of Year	<u><u>714</u></u>

NUMBER OF EMPLOYEES

Total Regular Full Time Employees	18
Total Part-Time and Temporary Employees	<u>-</u>
Total Employees	<u><u>18</u></u>

UTILITY CONTRACTS

<u>Customer</u>	<u>Contract Dates</u> <u>Beginning</u> <u>Ending</u>	<u>Amount</u>
	N/A	\$
		<u><u>\$</u></u>

UTILITY NAME FAR NORTH SANITATION SERVICES, INC.

YEAR ENDED 12/ 31/ 89

SUMMARY OF OFFICER'S/OWNER'S COMPENSATION

	<u>Name</u>	<u>Title</u>	<u>Salary</u>
Construction Supervision:	N/A		\$
Total			<u>\$ -0-</u>
Operation Supervision:	Bernard Kopf	President and General Manager	\$ 110,000
Total			<u>\$ 110,000</u>
Maintenance Supervision:			\$
	N/A		
Total			<u>\$ -0-</u>
Administrative and General Salaries:			\$
	N/A		
Total			<u>\$ -0-</u>
Total Officers/Owners Compensation			<u>\$ 110,000</u>

ATTESTATION

This report must be attested to by an officer of the company.

.. Thomas R. Culhanecertifies that
(Insert name of attester)

he/she is ... Vice President
(Insert here the official title of the attester)

of Anchorage Refuse, Inc.
(Insert here the exact legal title or name of the respondent).

that he/she has examined this report; that to the best of his/her knowledge, information , and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from and including ..January..... 19⁸⁹....,

to and including ..January..... 19⁸⁹....

Thomas R. Culhane
.....
(Signature of attester)

UTILITY NAME Anchorage Refuse, Inc. YEAR ENDED 12 / 31 / 89

COMPARATIVE BALANCE SHEET

	Balance Beginning Of Year	Balance End Of Year	Increase Or (Decrease)
ASSETS AND OTHER DEBITS			
<u>Utility Property</u>			
Intangible Property	\$	\$ 12,000.	\$ 12,000.
Collection Utility Property	4,209,706.	6,030,751.	1,821,045.
General Utility Property	493,045.	517,438.	24,393.
Accumulated Provision For Depreciation (Credit)	(2,114,919.)	(3,836,883.)	((1,721,964.))
Net Utility Property	<u>\$ 2,587,832.</u>	<u>\$ 2,723,306.</u>	<u>\$ 135,474.</u>
<u>Current and Accrued Assets</u>			
Cash	\$ 654,307.	\$ 823,036.	\$ 168,729.
Notes & Accounts Recv.	1,201,302.	861,928.	(339,374.)
Materials & Supplies	40,328.	45,319.	4,991.
Prepayments	92,418.	155,006.	62,588.
Other Current & Accrued Assets (Sched. Pg.11)	93,876.	583,927.	490,051.
Total Current & Accrued Assets	<u>\$ 2,082,231.</u>	<u>\$ 2,469,216.</u>	<u>\$ 386,985.</u>
Misc. Assets & Other Debits (Scheduled Pg. 11)	<u>\$ 1,236,481.</u>	<u>\$ 1,150,728.</u>	<u>\$ (85,753.)</u>
TOTAL ASSETS & OTHER DEBITS	<u><u>\$ 5,906,544.</u></u>	<u><u>\$ 6,343,250.</u></u>	<u><u>\$ 436,706.</u></u>
<u>LIABILITIES & OTHER CREDITS</u>			
<u>Current & Accrued Liab.</u>			
Notes Payable-Short Term	\$ N/A	\$ N/A	\$ 0
Accounts Payable	529,155.	849,514.	320,359.
Other Current & Accrued Liab. (Sched. Pg.11)	510,464.	345,655.	(164,809.)
Total Current & Accrued Liabilities	<u>\$ 1,039,619.</u>	<u>\$ 1,195,169.</u>	<u>\$ 155,550.</u>
Other Misc. Liab. & Other Credits (Sch. Pg 11)	\$ 252,000.	\$ 264,000.	\$ 12,000.
Long Term Debt (Scheduled Pg. 9)	<u>\$. 978,461.</u>	<u>\$ 978,276.</u>	<u>\$ (185.)</u>
<u>Proprietary Capital</u>			
Common Stock Issued	38,700.	38,700.	0
Retained Earnings	(121,000.)	(121,000.)	0
Proprietary Capital	3,718,764.	3,988,105.	269,341.
Total Capital	<u>\$ 3,636,464.</u>	<u>\$ 3,905,805.</u>	<u>\$ 269,341.</u>
TOTAL LIABILITIES & OTHER CREDITS	<u><u>\$ 5,906,544.</u></u>	<u><u>\$ 6,343,250.</u></u>	<u><u>\$ 436,706.</u></u>

UTILITY NAME Anchorage Refuse, Inc.

YEAR ENDED 12/ 31/ 89

STATEMENT OF INCOME FOR THE YEAR

	<u>Amount For The Year</u>	<u>Increase Or (Decrease)</u>
<u>Operating Revenues</u> (Scheduled Pg. 12)	\$ 10,690,689.	\$ 700,324.
<u>Operating Expenses</u>		
Equipment Operating Expenses (Scheduled Page 10)	\$ 7,294,249.	\$ 903,709.
Equipment Maintenance & Garage Expense (Scheduled Page 10)	1,493,677.	(36,495.)
Traffic Solicitation & Advertising	118,210.	1,945.
Insurance & Safety Expense	398,348.	(55,699.)
Office Salaries & Expense	449,930.	28,345.
Depreciation & Amortization (Scheduled Page 13)	328,246.	64,724.
Taxes Other Than Income Taxes	318,917.	21,904.
Income Taxes-Federal	226,936.	27,499.
Income Taxes-State	64,008.	7,757.
Licences	7,969.	(53.)
Lease of Equipment	(21,448.)	(3,024.)
Other Operating Exp. (Scheduled Page 10)	<u>212,427.</u>	<u>121,405.</u>
Total Operating Expenses	<u>\$ 10,891,469.</u>	<u>\$ 1,082,017.</u>
<u>Net Utility Operating Income</u>	<u>\$ (200,780.)</u>	<u>\$ (381,693.)</u>
<u>Interest Charges</u>		
Interest on Long Term Debt	\$ 114,358.	\$ (4,387.)
Other Interest Expense		
Total Interest Charges	<u>\$ 114,358.</u>	<u>\$ (4,387.)</u>
<u>Non-Utility Income</u> (Scheduled Page 10)	<u>\$ 3,610,292.</u>	<u>\$ 516,352.</u>
<u>Non-Utility Deductions</u> (Scheduled Page 10)	<u>\$ 2,912,363.</u>	<u>\$ 581,610.</u>
NET INCOME	<u>\$ 382,791.</u>	<u>\$ (442,564.)</u>

UTILITY NAME Anchorage Refuse, Inc.

YEAR ENDED 12 /31 /89

CHANGES IN RETAINED EARNINGS (OR CAPITAL) DURING THE YEAR

Balance at Beginning of Year		\$ 3,718,764.
Add: Net Income From Current Year	\$ 382,791.	
Other Additions		
Total Additions		<u>\$ 382,791.</u>
Deductions:		
Dividends Declared	\$ 0	
Withdrawals	33,450.	
Other Deductions	80,000.	
Total Deductions		<u>\$ 113,450.</u>
Balance at End of Year		<u><u>\$ 3,988,105.</u></u>

REMUNERATION OF PROPRIETORS, PARTNERS, STOCKHOLDERS AND OFFICERS

<u>Name</u>	<u>Address</u>	<u>Title</u>	<u>Number of Shares Owned or Percent of Ownership</u>	<u>Salary and Other Remuneration</u>
John P. Culhane	Anchorage, AK	Pres.	17%	\$ 84,508.
Thomas R. Culhane	" "	V. Pres.	17%	91,753.
Gerald J. Culhane	" "	Sec/Treas.	17%	76,720.
Tom Culhane	" "	Director	49%	0
Total			<u>100%</u>	<u>\$ 252,981.</u>

LONG TERM DEBT

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Issued To</u>	<u>Interest Rate</u>	<u>Original Issued Amount</u>	<u>Balance</u>
Jan 75	02/90	NBoFA	10.75%	\$690,000.	\$ 15,108.
Feb 77	03/97	NBoFA	10.50%	625,000.	377,697.
Oct 82	10/2002	NBoFA	14.00%	350,000.	239,167.
Jun 84	06/1999	Clayton	10.00%	175,000.	137,708.
Jun 88	07/2003	Key Pacific	8.00%	220,000.	208,596.
				<u>\$ 2,060,000.</u>	<u>\$ 978,276.</u>

UTILITY NAME Anchorage Refuse, Inc.

YEAR ENDED 12 / 31 / 89

SUMMARY OF EQUIPMENT OPERATING EXPENSE

Dumping Fees	\$ 5,033,234.
Drivers, Helpers, and Other Wages	2,012,513.
Gas and Oil	241,860.
Other Expense	6,642.
Total Equipment Operating Expense	<u>\$ 7,294,249.</u>

SUMMARY OF EQUIPMENT MAINTENANCE EXPENSE

Mechanics and Helpers Wages	\$ 988,324.
Parts, Labor, Materials and Supplies	315,349.
Tires, Tubes, Repairs and Maintenance	77,608.
Other Garage and Shop Expenses	98,687.
Other Expense	13,709.
Total Equipment Maintenance Expense	<u>\$ 1,493,677.</u>

PARTICULARS CONCERNING OTHER OPERATING EXPENSES

<u>ITEM</u>	Loan Fees	50.	
	Prof. Exp	56,183.	<u>AMOUNT</u>
	Off. Exp	52,127.	\$
	Bad Debt	43,996.	
	Travel	4,203.	
	Donation	11,743.	
	Dues & Subs	7,874.	
	Misc. Emp.	31,918.	<u>\$ 212,427.</u>
	Misc.	4,333.	

PARTICULARS CONCERNING NON-UTILITY INCOME ACCOUNTS

<u>ITEM</u>	Container Sales & Rent	349,671.	<u>AMOUNT</u>
	Recycling	2,670,991.	\$
	Rental	4,800.	
	Int. Income	34,280.	
	Gain on Sale of Eqp.	14,324.	
	Misc.	11,226.	
	Emerson Bldg	12,000.	<u>\$3,610,292.</u>
	Freightliner	113,000.	

PARTICULARS CONCERNING NON-UTILITY DEDUCTIONS ACCOUNTS

<u>ITEM</u>	Cost of Sales - Containers	18,084.	<u>AMOUNT</u>
	Emerson Bldg Depr	33,461.	
	Other Emerson Bldg Exp	17,535.	\$
	Trlr House Depr.	322.	
	Other Trlr House Exp	818.	
	Other Income Ded.	45,600.	
	Recycle Eqp. Depr.	31,782.	
	Recycle Exp.	2,627,020.	<u>\$2,912,363.</u>
	FLA Exp.	137,741.	

UTILITY NAME Anchorage Refuse, Inc. YEAR ENDED 12 / 31 / 89

PARTICULARS CONCERNING OTHER CURRENT AND ACCRUED ASSETS

<u>ITEM</u>	<u>AMOUNT</u>
NBA Reserve for mortgage #18449	\$ 10,784.
NBA Reserve for Mortgage #33758	15,017.
Utility Deposit	1,115.
Stock E.R.R. Inc.	15,000.
Recycling Inv.	81,729.
FLA Inv.	81,729.
Reserve	4,156.
	<u>\$ 583,927.</u>

PARTICULARS CONCERNING MISCELLANEOUS ASSETS AND OTHER DEBITS

<u>ITEM</u>	<u>AMOUNT</u>
Trailer	707.
Emerson Bldg	787,272.
Sewer	4,406.
Water	1,666.
Emerson Land	23,182.
Recycle Eqp.	304,368.
FLA Eqp.	29,127.
	<u>\$1,150,728.</u>

PARTICULARS CONCERNING OTHER CURRENT AND ACCRUED LIABILITIES

<u>ITEM</u>	<u>AMOUNT</u>
Accrued Salaries	\$ 73,196.
Accrued Annual Leave	134,984.
Accrued Expense	76,962.
Income Tax	60,513.
	<u>\$ 345,655.</u>

PARTICULARS CONCERNING MISCELLANEOUS LIAB. AND OTHER CREDITS

<u>ITEM</u>	<u>AMOUNT</u>
Deferred Taxes	\$ 264,000.
	<u>\$ 264,000.</u>

UTILITY NAME Anchorage Refuse, Inc.

YEAR ENDED 12 / 31 / 89

SALES DATA FOR THE YEAR

<u>Class of Service</u>	<u>Revenues</u>	<u>Average # of Customers</u>
Residential Sales	\$ 3,647,764.	20,977
Commercial and Industrial		
Small (or Commercial)	4,090,677.	2,976
Large (or Industrial)	2,952,248.	230
Total Sales	<u>10,690,689.</u>	<u>24,183</u>
Other Sales Revenues	Ø	
Total Operating Revenue	<u>\$ 10,690,689.</u>	

NUMBER OF EMPLOYEES

Total Regular Full Time Employees	112
Total Part-Time and Temporary Employees	<u>5</u>
Total Employees	<u><u>117</u></u>

UTILITY CONTRACTS

<u>Customer</u>	<u>Contract Dates</u>	<u>Amount</u>
	<u>Beginning</u> <u>Ending</u>	
	N/A	\$

\$

UTILITY NAME Anchorage Refuse, Inc.

YEAR ENDED 12 / 31 / 89

SUMMARY OF UTILITY PLANT

Intangible Plant	\$ 12,000.
Collection Utility Property	
Structures and Improvements	1,702,744.
Rolling Equipment (Mobile)	2,677,249.
Containers, Bins, etc.	1,650,758.
Other Collection Property	Ø
General Utility Property	517,438.
Construction Work In Progress	Ø
	<hr/>
Total Utility Plant	6,560,189.
Less: Accumulated Provision for Depr & Amort.	<u>3,836,883.</u>
NET UTILITY PLANT	<u><u>\$2,723,306.</u></u>

DEPRECIATION & AMORTIZATION OF REFUSE PLANT

<u>Functional Classification</u>	<u>Depreciation Expense</u>
Intangible Plant	\$ Ø
Collection Utility Property	
Structures and Improvements	37,686.
Rolling Equipment (Mobile)	187,830.
Containers, Bins etc.	59,092.
Other Collection Property	Ø
General Utility Property	<u>43,038.</u>
Total	<u><u>\$ 328,246.</u></u>

FACTORS USED IN ESTIMATING DEPRECIATION CHARGES

<u>Type Plant</u>	<u>Depreciable Plant Base</u>	<u>Estimated Avg Service Life</u>	<u>Deprec Rate %</u>	<u>Avg. Remain. Life</u>
Structurs & Improv.	726,524.	5 - 40	7.7%	11 1/2 yrs.
Rolling Eqp.	1,086,563.	10	10.0%	4 3/4 "
Containers & Bins	40,294.	5	20.0%	2 1/2 "
General Utility	101,739.	5 - 8	20.0%	2 1/3 "

\$

UTILITY NAME Anchorage Refuse, Inc.

YEAR ENDED 12 / 31 / 89

SUMMARY OF OFFICER'S/OWNER'S COMPENSATION

<u>Name</u>	<u>Title</u>	<u>Salary</u>
Construction Supervision:		\$
Total		<u>\$</u>
Operation Supervision:		\$
Thomas R. Culhane		91,753.
Total		<u>\$ 91,753.</u>
Maintenance Supervision:		\$
Gerald J. Culhane		76,720.
Total		<u>\$ 76,720.</u>
Administrative and General Salaries:		\$
John P. Culhane - President		84,508.
Total		<u>\$ 84,508.</u>
Total Officers/Owners Compensation		<u>\$ 252,981.</u>



Anchorage Refuse, Inc.

PHONE 563-3717 — 6301 ROSEWOOD ST.

ANCHORAGE, ALASKA 99518

ANCHORAGE REFUSE, INC.

YEAR END 12/31/89

Number of Customers

Residential Customers	21,098
Commercial Customers (small)	3,004
Commercial Customers (large)	<u>225</u>
TOTAL:	<u><u>24,327</u></u>



Anchorage Refuse, Inc.

PHONE 563-3717 — 6301 ROSEWOOD ST.

ANCHORAGE, ALASKA 99518

1. Anchorage Refuse, Inc. leases vehicles from a shareholder in the amount of \$3,512.00 per month.
2. Anchorage Refuse, Inc. leases a lot from the shareholders in the amount of \$3,800.00 per month.



Anchorage Refuse, Inc.

PHONE 563-3717 — 6301 ROSEWOOD ST.

ANCHORAGE, ALASKA 99518

Anticipated Expenditures for 1990:

Trucks & Equipment	\$175,000.00
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SB 2: - SUPPORTERS WHO WILL TESTIFY

JUNEAU:

Dick Eliason - Senator

Scott Burgess - AML

Randy Walker - leg. Audit

FAIRBANKS:

Kelly McMullin - FNSB Environmental Services

ANCHORAGE:

Don May - APUC

KENAI:

Mayor Gillman or designee

WASILLA:

Mayor Jones or designee

Ref # 91-02-003

C&RA COMMITTEE CHECK LIST

TCF
Not-Su
Anch
Kearney
Fb/S

Bill: SB 2
Sponsor: Elison
Date In: 1/21/91
Schedule Memo: _____

1) Agency Position Papers:

✓ APAC - last year's : HB 499

2) Fiscal Notes:

3) Sectional Analysis:

4) Other Backup:

2/1 - requested AFAC to testify
- set up TCF