

**ALASKA LEGISLATURE**

**2441**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

1/29/03



# Alaska Science & Technology Foundation

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## Presentation to the House Finance Committee

Hans Roeterink – Executive Director

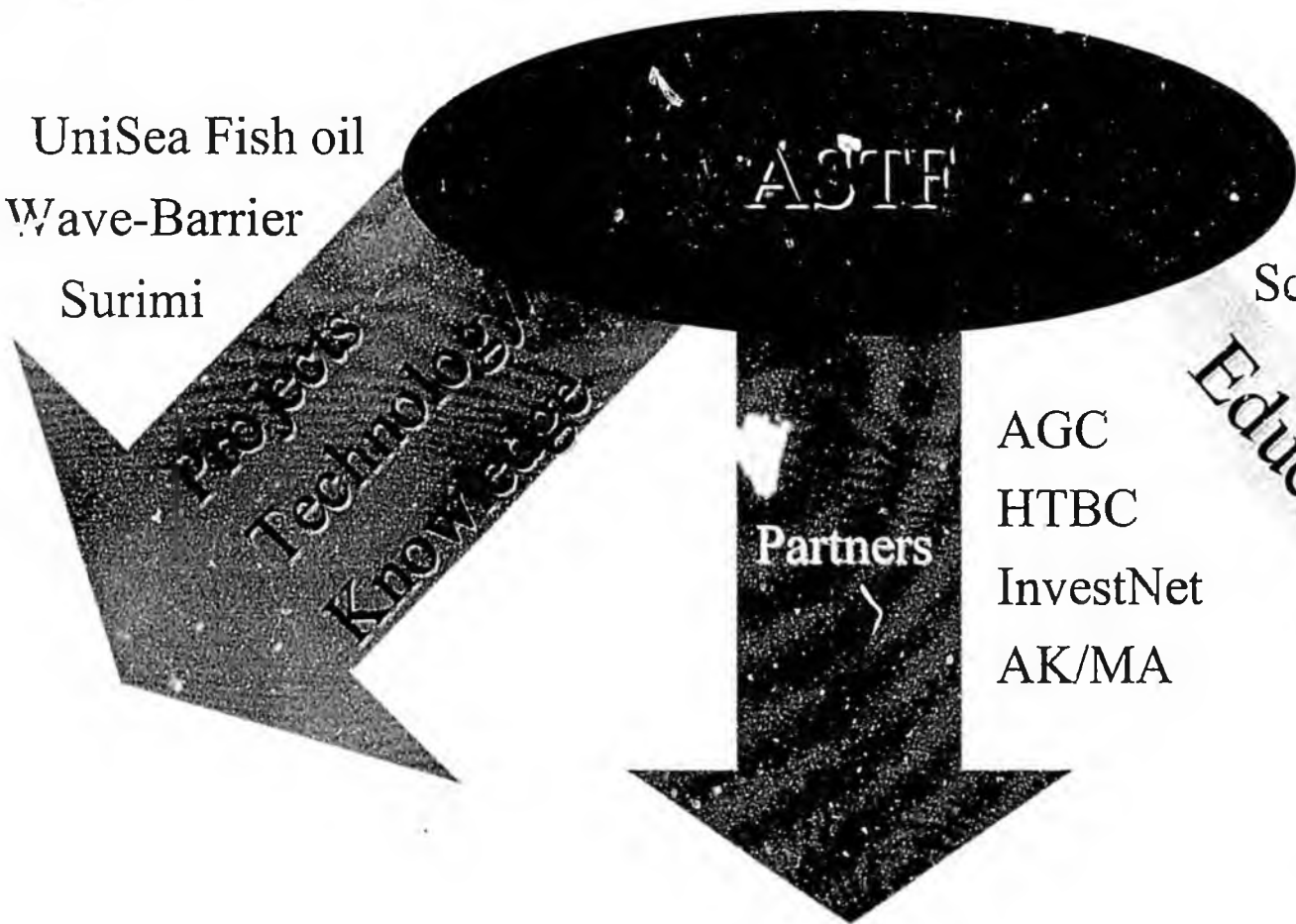
January 29<sup>th</sup>, 2003



# ASTF, who are we?

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UniSea Fish oil  
Wave-Barrier  
Surimi



Science Lecture Series

Internet @ schools

AGC

HTBC

InvestNet

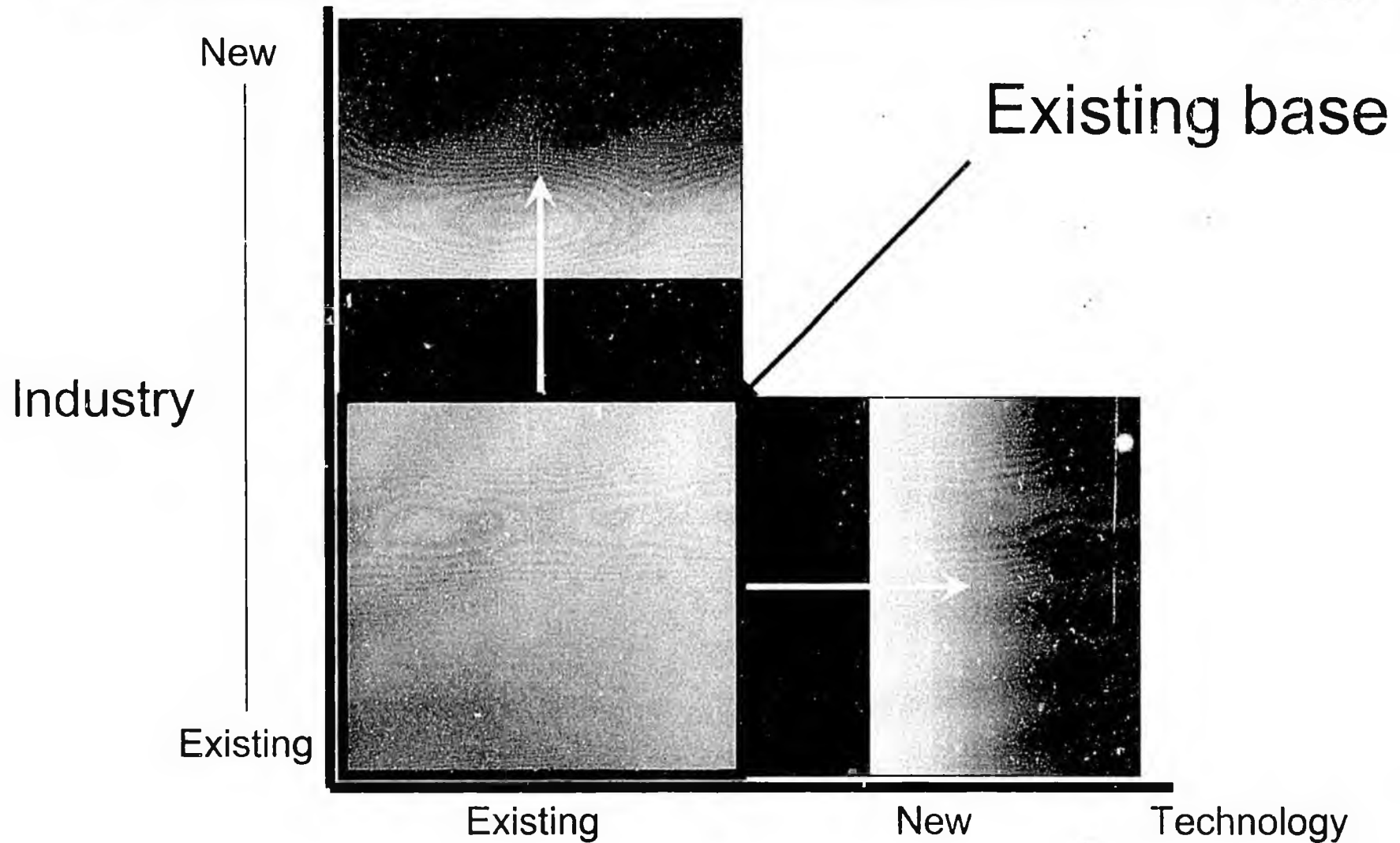
AK/MA

K12

Education

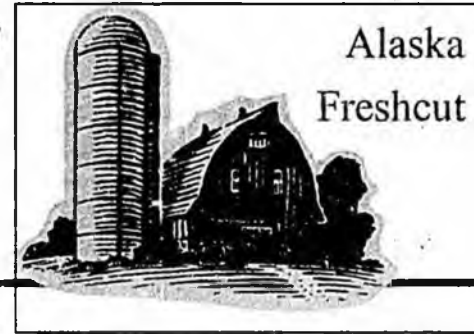


# ASTF's goal Growing Alaska's Economic Base





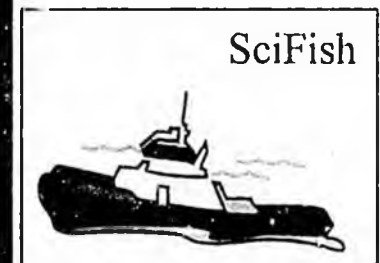
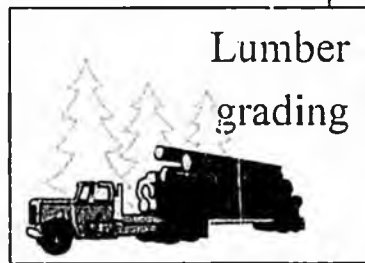
# Examples



New

New base

Industry

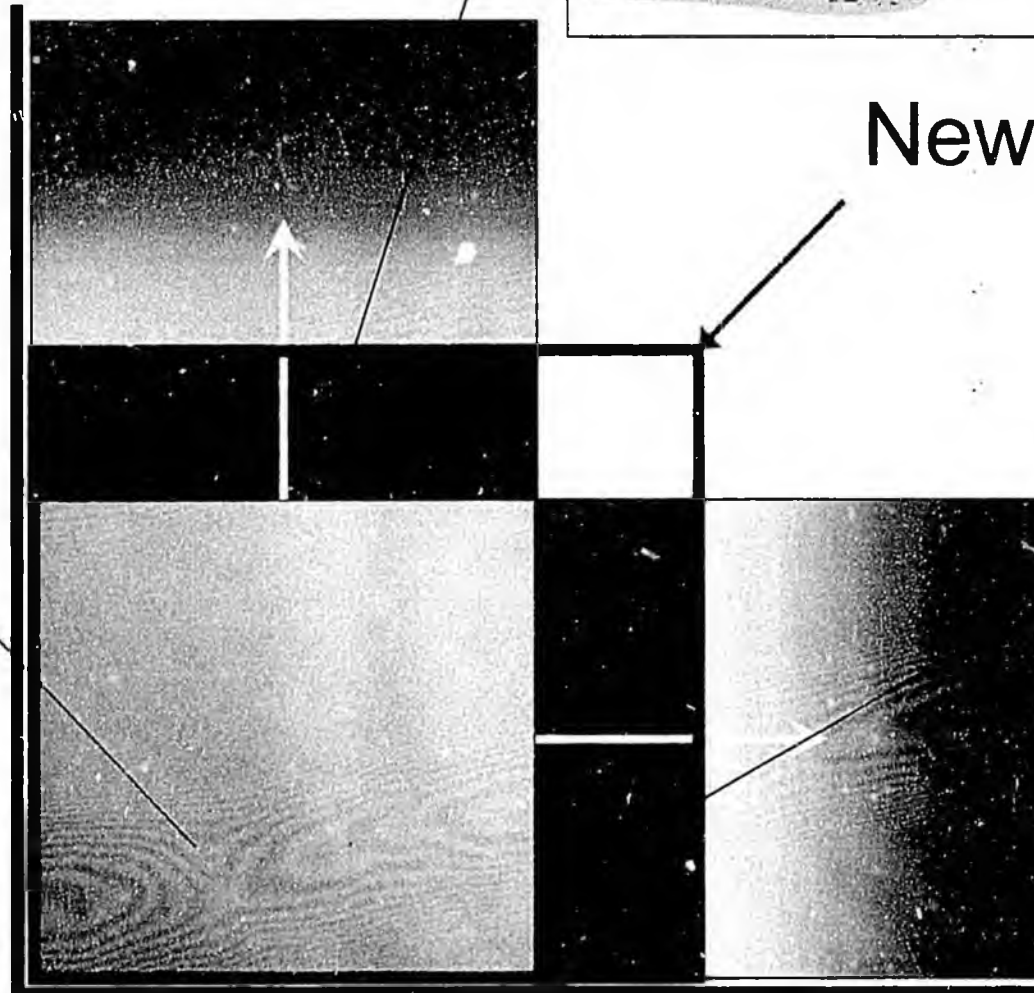


Existing

Existing

New

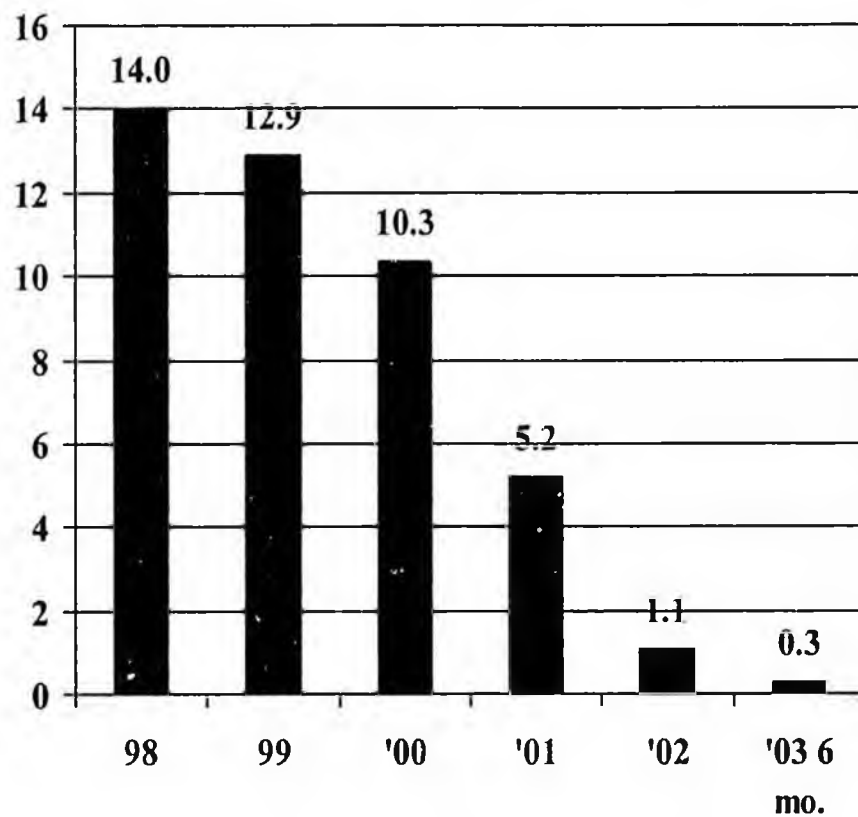
Technology





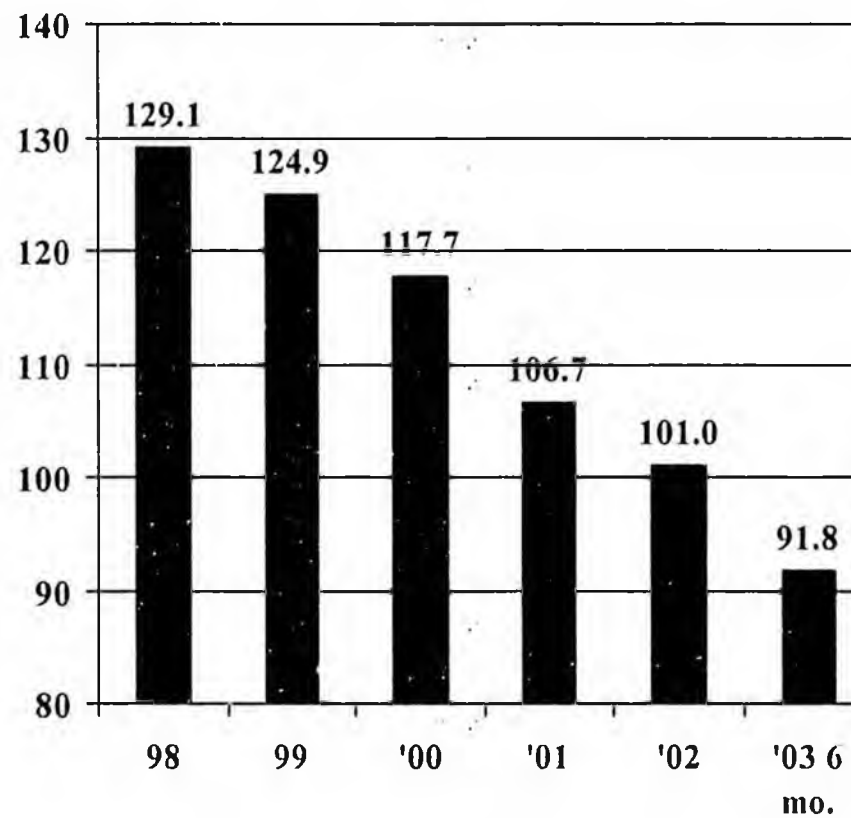
# Alaska Science & Technology Endowment Fund

Statutory Net Income (\$MM)



FY

Fund Balance (\$MM)



FY



# ASTF Funding

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- Feb. 2002 ASTF Board approved 5% of market value concept to limit distributions:
  - Smooth year-to-year distributions
  - Inflation proof the endowment over long-term
- Adjustments need to be made in the budget and statutes to address this issue
- Legislature should fund UA appropriation from other sources

1/29/03

ALASKA MANUFACTURERS' ASSOCIATION  
Outline of 2003 Alaska Quality Seafood Program  
15 January 2003

The 2002 salmon fishing season was a period of accomplishment for the Alaska Manufacturers' Association's (AKMA's) Alaska Quality Seafood Program (AQSP). The Program, which AKMA began in Cordova in 2000, with two small processors, expanded last year --

- \* Cordova: the two small processors continued in the Program, and two of Cordova's large processors joined up; of these big firms, one has already achieved AQSP-certified status
- \* Kenai: three processors underwent their first year of AQSP, and it was a fruitful season of experience and training
- \* Naknek: one small processor participated in AQSP; this was important, because Bristol Bay has the largest sockeye salmon fishery in the world, but it has some of the more difficult quality-related problems; AQSP now has a toehold in the Bay

Some of the findings of the 2002 AQSP were --

- \* a typical salmon processing company will require two years of intensive AKMA assistance, in order to achieve AQSP-certified status; some companies might require more assistance, others less
- \* in order to ensure that the customers receive top-quality seafood, it is necessary to monitor the temperature of the products in transit to the customers
- \* the parameters for the AQSP product grades might require some modification, based on product form and intended market; for example, skin color and scale retention are important to the buyer of H&G salmon, but not to the buyer of fillets
- \* industry interest in AQSP is growing all throughout coastal Alaska; AKMA has received inquiries from Chignik, Kodiak, and Southeast, as well as other companies in Bristol Bay
- \* because of that expanding industry interest, and the finite nature of AKMA funds, it will be necessary to require that participating processors share in the cost of AQSP

One of the primary principles of AQSP is that there exists in the USA a significant market for premium-quality Alaska salmon, and that this market is less price-sensitive than are the traditional markets. That is, this "high-end" market is quality-driven, rather than price-driven. This principle was supported by AKMA investigations during 2002, and by the members of AQSP's Advisory Group. AKMA formed the Advisory Group in the second half of 2002 -- its members include a harvester, a small processor, a large processor, and representatives of companies that are successful in premium-level food marketing.

Finally, AKMA's AQSP website is about to be launched -- it will serve both the producing and consuming ends of the salmon food chain. This combination of "push" and "pull" mirrors the overall approach of AQSP itself, and maximizes its visibility, utility, and chances of success.

In the upcoming 2003 season, AKMA intends to adjust AQSP, to better meet the needs of the industry --

- \* Slightly less assistance to Cordova processors
- \* Increased assistance to Cook Inlet processors
- \* Increased assistance to Bristol Bay processors
- \* Start-up of AQSP in Chignik
- \* Possible start-up of AQSP in Kodiak, Southeast, and/or other areas
- \* Expansion of AQSP to include harvesters who process and market their own catch
- \* Combined technical & market research, to address possible modification of product grades, depending on product form and market
- \* Experiments in tracking of temperature of products in transit; AKMA will work closely with Mark Buckley of Kodiak, who has important experience
- \* Promote AQSP among the premium-level American seafood markets, both retail and foodservice, in order to generate demand

AKMA is currently --

- \* Quantifying the 2003 demand for AQSP within the Alaska industry, so that we can use grant funds most effectively, and require an appropriate amount of cost-sharing from the participants
- \* Designing AQSP's 2003 performance measures, which might include -- increased number of harvesters, increased number of processors, more fisheries participating in AQSP, improved capabilities among companies that have some AQSP experience, finding solutions to new questions (e.g. - product standards), examining the temperature effects of shipping, and generating awareness and value of AQSP in the marketplace

Therefore, AKMA perceives a clear and definite need for at least the same amount of funding that we received in 2002, and if at all possible, an increase.

Alaska Manufacturers' Association  
ALASKA QUALITY SEAFOOD PROGRAM

aggregate statistics from the 2002 season

regions: Copper River (CR), Cook Inlet (CI), Bristol Bay (BB)

plants: 9

tenders or buying stations: 6

fishermen: 66

round pounds delivered: 306,134

finished pounds certified: 96,137

*Notes --*

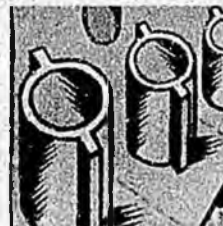
- (1) Tenders are used in CR and BB, buying stations are used in CI.
- (2) Finished pounds include both H&G and fillets, which have very different yields.
- (3) 2002 was AKMA/AQSP's third year in CR, and its first year in CI and BB.
- (4) In CR (Cordova), 2002 was the third year for the two small processors, but only the first year for the two large processors.

After the 2002 fishing season had ended, AKMA began an aggressive effort to promote AQSP in the marketplace. This is because the previous years (with only two small processors in Cordova) did not yield a volume of product sufficient to begin credible contacts with customers. In fact, even the 2002 volume can be considered useful only for a qualitative (vs. quantitative) market assessment.

This is not surprising. AKMA expects that almost every company will have start-up difficulties in their first season of AQSP. Also, the Program must be tailored to meet the characteristics of each region's fishery.

To date, not all certified product has been sold. Anecdotal reports suggest that customers are willing to pay a 0-5% premium for certified product. AKMA maintains active contact with its participating processors, in order to monitor the market.

AKMA fully anticipates that, as (a) the Alaska industry generates an increasing amount of certified product, and (b) the seafood marketplace begins to recognize the value of AQSP, then the monetary value of AQSP-certified seafood will be easily demonstrated. AKMA continues to work to achieve both goals.



## Alaska's Natural Resource For Manufacturers

Alaska Manufacturers' Association Volume 2, Issue 1

New Year Edition, 2003

### NEW STANDARD

## Alaska Quality Seafood™ Program Targets Buyers

The market for Alaska salmon is changing. Many large Japanese or European buyers of Alaska fresh or frozen salmon are switching to farmed fish. Continually dropping salmon prices reflect both the increasing supply of farmed fish and a market demand that, while increasing, is growing too slowly to use up the supply.

Yet, at the same time there is a substantial and growing market for high quality fresh fish. While price is

always important, for many buyers it is a lesser consideration than quality.

**Reducing buyers' uncertainty will make the salmon more valuable to them and allow processors and fishermen to get higher prices. The quality seal reduces the amount of effort for buyers and consumers.**

"More and more people are recognizing that seafood quality is key to marketing," says Tom Gemmell, Executive Director of United Fishermen of Alaska. "We've seen some good progress this year in terms of quality, but imported farmed Atlantic salmon has established a benchmark for quality that we need to meet."

Scott Miller of the McDowell Group, a

Juneau research firm, indicates that sales are often lost because buying Alaska salmon is just too difficult. The nature of buyers has also changed: the primary market is now thousands of small buyers who do not understand the market and have

*Continued on page 4*



## Delivering Freshness: Smart Tag Project Studies Fish Transit Temperatures

by Mark K. Buckley, Managing Partner, Digital Observer LLC, Kodiak

Alaska Manufacturers' Associations' (AKMA) Alaska Quality Seafood™ Program is the statewide program designed to ensure that fish leaving Alaska seafood processing plants are high quality. Alaska, however, is situated far from Lower 48 and other global markets and many things can go wrong between the time the fish exits the plant and when it arrives at its destination.

The Smart Tag Project, a study using computer-driven waterproof temperature loggers, undertaken by

Digital Observer, LLC, of Kodiak in coordination with AKMA, tracked fish caught in several Alaska locations, following them through processing plants and the airfreight system to a distributor in Chicago. Project funding from the United States Department of Agriculture was funneled through the University of Alaska Fairbanks Fishery Industrial Technology Center in Kodiak.

Volunteer fishermen attached sturdy, waterproof temperature loggers, or smart tags, to fish at the

point of catch. Each computer-driven tag was programmed with names of fisherman, processor and buyer. The tags stayed attached to the fish and recorded temperatures at pre-set intervals until the data download in Chicago. The research yielded some surprising results: one shipment of prized Copper River salmon, for example, actually warmed up as it flew at 35,000 feet and then reached 62° F as it sat under the hot June sun.

*Continued on page 2*

# Ocean Beauty Gains Quality Certification in Record Time

**"A**nthing that can be done by the salmon industry in Alaska to promote consistent high quality product in the marketplace is a positive for wild Alaska salmon," says Hap Symmonds, Plant Manager, Ocean Beauty Seafoods of Cordova. The Alaska Seafood Quality™ Program is definitely a positive project, but must be looked at as a long-term program. It will take time for the consumer to come to the retailer and specify that they want salmon with the Alaska Quality seal."

Alaska Manufacturers' Association approached Ocean Beauty Cordova in the spring of 2002 to become involved in the program. "We were a good choice — with the current quality control

programs in place at the OB Cordova plant it was evident that few if any alterations would need to take place," Symmonds explains. "Our existing programs already covered boats, dock, production lines and shipping."

Fishermen signed agreements with AKMA to follow program quality guidelines on the fishing grounds and for delivery to the plant. Once product was delivered, it was separated into program and non-program fish and run separately down the production line and through the distribution system.

**... consistent high quality product in the marketplace is a positive for wild Alaska salmon ...**

Symmonds observes that better communication between fishermen and dock regarding program fish would be desirable, and that a system for tagging fish to follow them through the entire distribution system is needed — a challenge that AKMA is researching.

Ocean Beauty Seafoods became a stand-alone Alaska Quality Seafood (AQS) Certified Processor in one year instead of the usual three because they had already addressed core quality concerns before entering the program. Congratulations, Ocean Beauty Seafoods! ■

## Freshness continued from page 1

Before discussing the project's results in detail, it is important first to understand how the seafood market defines quality. To fish buyers around the world, quality is

**To fish buyers around the world, quality is comprised of three factors: shelf life, appearance and taste or dining experience ...**

comprised of three factors: shelf life, appearance and taste or dining experience, all working together to minimize the buyer's risk. Our findings indicate that buyers place a very high value on shelf life, the piece of the equation that answers the question of how long a buyer can hold a fish before he needs to drop the price to move it, process it into a lower-valued

product or in the worst case scenario — throw it out. Project researchers

indicate that shelf life accounts for 45 percent of the buyer's quality quotient; that appearance counts for another 45 percent and that taste and dining experience account for the remaining 10 percent of the buyer's quality equation. The Smart Tag project focused primarily on shelf life, containing a traceability component.

Smart tags are remarkable and indestructible devices, costing about \$100 each. Weighing in at about one ounce each, the tags are roughly the diameter of a quarter and are about three-quarters of an inch thick. Sealed in plastic, they are programmed and

read by an infrared coupler that can be attached to almost any PC. They are waterproof to 1,000 feet, reusable, with batteries lasting about five years and have enough memory to store temperatures taken once every 30 minutes for up to 667 days.



Completely Sealed Underwater Temperature Logger

Using standard electrician's zip ties to secure the tags to the fish tails, we asked our fishermen to tag about a half dozen fish in one fishing trip. Then we followed the fish through seafood plants, seeing to it that the tagged fish were distributed among the boxes of fresh fish air freighted to Chicago.

In 2002 we studied gillnet-caught salmon in the Copper River and Bristol Bay areas and troll-caught salmon caught in Southeast Alaska

Continued on page 5

# Business Heats Up For Equipment Source, Inc.

Farm life requires a good mix of ingenuity, perseverance and determination — qualities that Terry Wornath, owner of Equipment Source, Inc., carries with him from his childhood experiences in Montana. Landing in Fairbanks in 1982, he worked as a welder and mechanic for several years, then in the mid-'80s he started a heavy equipment repair business that lasted for eight years.

"I left that business with no money but did get a very expensive education in pricing,

reconditioned 60 heaters. That fall however, a glitch in the smooth running machine occurred when the partner decided to leave Alaska. Without missing too many beats, Wornath's farmer-determination kicked in, he bought out the shares and restructured the business into Equipment Source, Inc. and kept the momentum.

"When you tear apart 60 units of someone else's product and rebuild them, you start to see things that could be improved or changed," says Wornath. "So that fall I built a heater with the improvements both I and the end users wanted. Alyeska Pipeline Service Company set up the original prototype to heat a portable building here in Fairbanks and allowed me to do testing. After 3,000 hours of run time we tore down the heater and did some redesign work. I enjoy designing and testing the new heaters and my crew loves working on 'new iron' instead of the rusty, oily older machines."

## Build & rebuild

In 2001 the company reconditioned 40 more heaters and built 10 new heaters for additional testing. This year the reconditioning part of the business is down to 10 units, and new heater sales should reach 20 machines. During the first year, reconditioned heaters accounted for 100 percent of sales; in the second year that service was 60 percent; and this year it will total less than 10 percent of sales. Total revenues have been flat, but next year the company expects new heater sales to continue to grow, resulting in significant revenue growth for 2003.

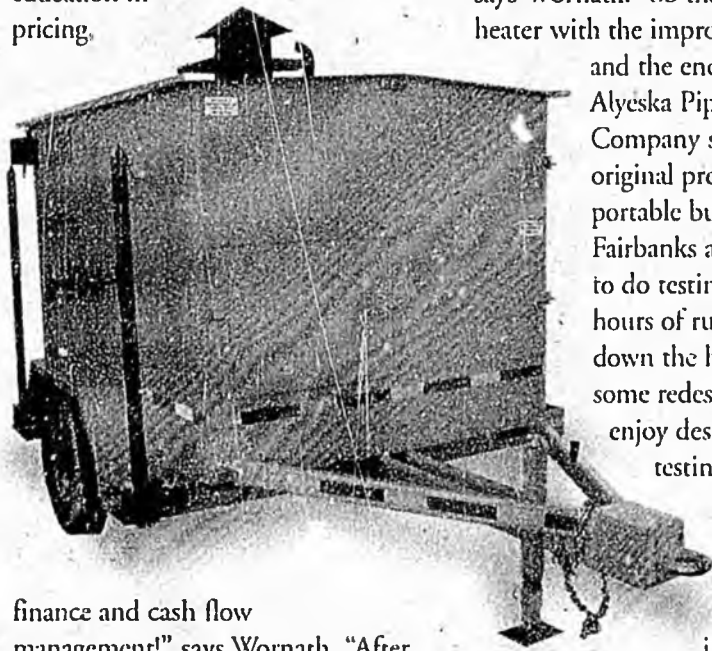
"Building a manufacturing business in Fairbanks is a challenge; very few people think it is possible. Our fuel, labor, utilities, property taxes and freight costs are all higher than Lower 48 competitors' who are able to out-source many of the processes involved in manufacturing. If I want to use laser cutting, metal stamping or powder coating I need to buy equipment, as these manufacturing support services are not available in Alaska. My competitors just go out to bid," says the far North entrepreneur. "The only way we will succeed is to continue building a superior product. Our competitors' heaters require 12 engine services for every one with our machines. And our heaters have containment for fluid spills built into each machine. No other heater that I am aware of has either of these features."

In-state manufacturing does have some advantages according to Terry: proximity to customers, knowing the environment, and surprisingly, freight costs. "I know what my customers want and when there is a problem I can go out and address it. I live in the middle of one of the largest markets for my products in the world and that is a huge advantage for me. Plus, I can ship enough material on one trailer to build 14 heaters. It takes my competitors four trailers to ship the same number of heaters to Alaska."

## Financing and the future

As company owner, Wornath considers himself fortunate in the funding arena. "No one in Alaska was repairing heaters the way they wanted so ARCO helped get me going, providing me with a substantial deposit for start-up. Later as I developed receivables and sales history, First National Bank of

*Continued on page 4*



finance and cash flow management!" says Wornath. "After that I worked as the service manager for an equipment distributor, so switching to manufacturing was easy as far as the work goes."

Not easily daunted, he and a partner formed Equipment Source, LLC in March of 2000. At that time, ARCO Alaska had 100 tired and worn 600,000 BTU indirect fired heaters. With the possible buy-out with British Petroleum and other budget issues pending, the company decided to recondition their existing heater fleet rather than purchase new. The newly formed venture won the project bid, so in its first year of operations, Equipment Source, LLC

## Alaska Quality Seafood™ Program Targets Buyers continued from page 1

neither the time nor the money to learn about it and find reliable suppliers. In aggregate, these small buyers comprise a substantial market. A typical small buyer might be a regional supermarket chain of 15 stores.

### Making it easier to buy

Alaska Manufacturers' Association (AKMA) is working hard to both close this information gap and to ensure quality. The goal is to make it as easy as possible for buyers to find reliable high quality suppliers of Alaska salmon and to reduce their level of uncertainty.

"Variation and uncertainty costs money," says AKMA president Dave Arnsdorf. "Reducing buyers' uncertainty will make the salmon more valuable to them and allow processors and fishermen to get higher prices. The quality seal reduces the amount of effort for buyers and consumers."

The first and most important step is the statewide standardized grading and handling certification

program, the Alaska Seafood Quality Program. The goal is for any buyer to be able to source product from any certified supplier and be sure of the seafood's quality and grade.

According to industry consultant Steve Grabacki, President of Graystar Pacific Seafood, Ltd., salmon quality is defined by both extrinsic and intrinsic factors. "Intrinsic qualities include oil content, color and taste, while extrinsic qualities are more visual, like scale loss, bruising, gaping, firmness and shelf life. Alaska salmon has a higher intrinsic quality than farmed salmon, but the market does not recognize this because of our poor record of extrinsic quality control."

AKMA is aggressively marketing the grading and certification program to buyers through mailings, publicity and trade shows, plus an informational website, scheduled to launch in March 2003, where sellers can advertise their quality-certified salmon.

### Program progress

During the 2002 fishing season, Naknek (Bristol Bay) and Kenai joined Cordova in the grade-certifying effort. "It is highly likely that the program will expand further in this, our fourth, season," reports Arnsdorf. "We've been talking to Kodiak, Southeast, Chignik and more sites in Bristol Bay. We're moving out of the experimental phase and doing what we had hoped — fixing quality. Now we're at the stage of convincing new markets to try the fish and to actively market the product."

Expectations are that by the end of the decade the Program efforts to elevate quality will extend to halibut and sablefish, as farming in these sectors increase. "Farming halibut, however, won't be as easy as salmon because the fish aren't as distributed in the water column," according to Grabacki. "It will take underwater real estate . . . these fish grow slower than salmon, plus the salmon are tough fish that can take more crowding and temperature variations.

## Equipment Source, Inc. continued from page 3

Alaska stepped in and helped fund our facility and the construction of the new heaters."

The future of Equipment Source, Inc. looks very good. Companies on the North Slope have been very supportive; because we reduce their current and potential costs dramatically, our customers are very willing to pay the premium I need to run my business in Fairbanks. This season I sold several heaters that went to Russia and I have had some serious inquiries from Canada. I am confident sales will grow in both of these markets. Next year I am building an alternative-fuel prototype that will be tested by an oil producer. I am also building a smaller heater that will target the airport market."

### Support along the way

Alaska Manufacturers' Association is top on this manufacturer's list of most important contacts. "The most valuable service I have received from AKMA is having Jim Wamberg as my mentor. If I need a contact or advice he always seems to find the information I need. For that alone AKMA is invaluable to me. I've learned how to develop my floor layout and bill of materials, but my single largest downfall has been not taking time to implement all of the programs they have made available," reflects Wornath. "I want to be able to tell a customer the day their heater will be delivered and tell my accountant exactly what it cost. Jim has already done the groundwork to help me implement these systems. After we



finish the run of heaters for this season I will implement these new programs."

For those starting on their own adventure in business, Terry suggests first getting your personal finances in order, then being honest with all your partners (wife, husband, banker, vendors, customers) because you will need their help, and support sooner or later. "Then: find a mentor" advises Terry. "I suggest the people at AKMA." ■

We have a chance to get ahead of the curve with halibut and sablefish.”

An advisory committee works with program managers to define problems, find workable solutions and plan for future challenges. The committee includes two processors, one fisherman and two buyers — one national and one regional.

### Program participation

Program participants, all voluntary, include fishermen, tender vessel owners and processors, working together to institute statewide handling procedures and grade specifications. Not all of a processor's fishermen, however, need to sign up for a processor to participate, but eventually fishermen will see financial rewards as a result of the grade certification.

Processors wishing to participate in the program write and submit a proposal to AKMA, detailing how they intend to follow the program's quality control guidelines. Each plan is individually reviewed and approved by an outside contractor before AKMA goes into action.

“Now we have more processors wanting to participate than we have dollars. We'll need to start charging them something to participate, probably around \$10,000 -15,000 a year,” explains Arnsdorf.

During years one and two of the certification process, a third party works with the processor and observes plant and boat operations. AKMA has contracted with Surefish Seafood Quality Specialists to provide training, inspection and certification services. The goal is for a processor to work as a stand-alone Alaska Quality Seafood (AQS) Certified Processor by year three, continuing to work under the program, subject to random audits to verify compliance. One exception to the three-year process is Ocean Beauty Seafoods of Cordova. Because it already had a solid quality control process in place when it joined the program, the company was able to certify in one year.

Besides working with established seafood processors, AKMA is researching a way to include harvesters who process and sell their own catch.

Alaska has seen an increase in harvesters applying for processor permits. According to the Alaska Department of Fish and Game, the number of catcher-sellers grew from 528 in 2001 to 706 in 2002, a 34 percent increase.

According to UFA's Gemmell, though, time will tell how well this level of participation by catcher-sellers will work out. “With the increased time and extra steps it takes to process and the time needed to market, no one is sure how it will pencil out.”

The Business of SeaFOOD Forum scheduled for next March will bring together harvesters with national retail and foodservice buyers to learn firsthand what the market expects in terms of product and quality. World Trade Center Alaska, organizers of The Business of SeaFOOD has invited transportation and value-added packaging experts to share their knowledge and ideas. See [www.wtcak.org](http://www.wtcak.org) for more details. ■

## Freshness continued from page 2

and looked at several shipments of longline-caught halibut landed at Kodiak. For fish delivered ungutted, such as those commonly produced in the Copper River and Bristol Bay areas, each fish passing through a plant was handled 20+ times by people and several times by machines. Although the fish pass through the process line quickly — typically about 20 minutes, all that handling tends to warm the fish and to affect its appearance. Additionally, on warm summer days water coming into some plants can exceed 50° F.

In Southeast Alaska, where troll fishermen gut and ice their catch shortly after harvest, the fish are quickly moved into more ice once they are ashore. Because the fish are already gutted, each fish is handled only six times at the plant — never

by machines — before it goes into a shipping box. The resulting fish temperature is considerably more stable for a troll-caught salmon than for its gillnet-caught cousins.

No matter how the fish are caught or processed, they must still move to market through existing distribution systems. Assuming that fish will cool in the cargo holds of jetliners can be a mistake. Sometimes air freight crews, for reasons of weight and balance, will load fish boxes in the compartment under the cockpit, an area that stays warm due to the presence of heat-producing hydraulic and electric equipment. Fish that warmed up at 36,000 feet were probably loaded into the forward cargo hold. Additionally, once the fish arrive at a destination, it can be folly to assume cargo crews

will automatically move the boxes into a cooler. Airfreight handlers report that fresh seafood gets their attention only after they deal with passenger luggage, mail, time-sensitive medical supplies and, if present, human remains. Our hapless shipment from Copper River sat for 90 minutes in 80-degree Chicago temperatures before the freight crew placed the boxes in a cooler. As a result the fish reached 62°, but the buyer, whose truck did not arrive to collect the shipment until hours after the fish were chilling in the cooler, was unaware that the shipment had suffered such temperature abuse in transit.

Contact Mark Buckley at 907-486-4680 or [mkbuckley@alaska.com](mailto:mkbuckley@alaska.com) ■

# Making Affiliation Work for You

**W**ant to improve your business and increase your contacts? Become an AKMA Affiliate and benefit from the collective knowledge of Alaska's manufacturing companies and access the specific

resources you need to help your business grow and prosper.

- Seminar and training discounts
- Online notification of events and Manufacturing Wanted postings
- Topical forums for businesses with common issues

- Peer recognition
- Excellent networking opportunities & site tours
- Legislative advocacy

Download the Affiliate application by visiting our website at [www.alaskamfg.com](http://www.alaskamfg.com). ■

## SERVICES

# SIGs and CIGs: a Meeting of the Minds

**A**n entrepreneur's independent mindset, often a business strength, can sometimes be a detriment. Establishing a support network and sharing concerns with other business professionals can be invaluable to business growth and reduce feelings of alienation.

Alaska Manufacturers' Association (AKMA) provides forums for like-minded individuals to discuss common business problems within narrow frameworks, like taxes, insurance, the process of qualifying suppliers and a variety of other concerns.

"The meetings are highly-focused problem-solving forums that can be either SIGs, or special interest groups facing common challenges, or

CIGs, continuous improvement groups finding better ways to do things. SIGs often become CIGs," explains Jim Wamberg, AKMA

**Coming together is a beginning, staying together is progress, and working together is success.**

*Henry Ford*

Senior Project Manager. "Either way, they help reduce the randomness and variability within these problems by using proven tools and techniques including: Benchmarking, Root Cause Analysis, Failure Mode and Effect Analysis, Six Sigma and computer simulations.

The groups can have significant legislative impacts on industry. AKMA will keep Alaska lawmakers and communities informed and advocate for you with information gathered from these discussions. Like minds affect change.

AKMA plans forums for late winter and early spring of 2003. Contact Cheryl Cummings or Jim Wamberg at 907-565-5655 with topics of interest. Possible topics might be: employee retention, quality systems, workers compensation, insurance issues, training, transportation and other topics that make sense to you, the business owner.

In addition, Bill Webb, representative for Made in Alaska, will be conducting SIGs around the state in January and February. Contact Bill at: 907-272-5634 or go to their website at [www.madeinalaska.org/mia/](http://www.madeinalaska.org/mia/)

*Please take time to fill out the enclosed mailer regarding future forum topics.* ■

## TIPS

# Finding Financing

**B**anks like collateral – a hard fact of business life. If you've been in business for less than three years or have nothing to offer as collateral, you might find traditional lending institutions reluctant or unwilling to finance your business.

"The way we raise money has direct impact on the future of the business," says Deborah Marshall, Director of Alaska InvestNet. "Becoming bankable is the goal; banks loan against your ability to take on debt."

Stabilizing your intellectual capital, however, is often more important than actually raising the money, according to Marshall. "Having a good management team and advisory board in place is key, because investors look at how the business will be run."

Funding sources, listed from easiest to hardest to secure:

- Out-of-pocket, or Bootstrapping
- Friends & Family
- Angel Investors
- BIDCOs (high risk lenders)
- Banks

Being informed and becoming bankable go hand in hand. Any business, start-ups especially, can take advantage of educational seminars and technical assistance from Alaska Manufacturers' Association, Alaska InvestNet, Alaska Growth Capital or the Small Business Development Center.

ManuFACTS will discuss funding sources in more depth in future issues. ■

# The Entrepreneurial Process

**E**ntrepreneur: a person who organizes, operates and assumes the risk for business ventures.

Entrepreneurship is a major contributing factor to the economic well being of a country, both in terms of economic growth and job creation. One in 10 adults in the US today is an entrepreneur. The leading country for entrepreneurship is Brazil, where one in eight adults venture out into business, according to the Global Entrepreneurship Monitor, [www.gemconsortium.org](http://www.gemconsortium.org). In contrast, only one in 25 adults become entrepreneurs in Germany, one in 50 in Finland and Sweden and less than one in 100 in Japan and Ireland.

Some business theorists believe that natural born entrepreneurs exist, but that their behavioral qualities can be learned and cultivated through practice and application. With expanding technology and business downsizing, requirements for doing business are constantly changing, forcing existing businesses to take on entrepreneurial challenges.

Although he agrees to a certain extent that behavioral characteristics

are integral to entrepreneurship, Dr. Jeffrey Shuman, Director of Entrepreneurial Studies at the Bentley College Graduate School of Business in Waltham, Mass., also recognizes an intuitive process that natural born entrepreneurs use to start, build and run a business, dubbing it the Rhythm of Business. "The key is to understand that there is a process and that venture creation is not a straight line."

Shuman looks at how entrepreneurs do what they do, and the sequence of what they do.

"Most people who start businesses start it with a vision of the entity and what it's going to be" he explains. "Natural born entrepreneurs don't do that. They start a process that will manifest itself at various times as different business configurations. It's a continuous never ending process."

## The process:

- Start with a market opportunity
- Develop the business concept to respond to that opportunity
- Assess and gain access to the resources required

- Apply those resources
- Manage the business (and don't expect to get it right the first time)

The key to entrepreneurial and business success is very simple, according to the author: "The ability to satisfy the needs and wants of your customers better than anyone else in the world ... get feedback and continually tweak to satisfy the needs of the customer. You have to continue this dance. It's a continuous process and if you're lucky enough to ever obtain success it is often never final. The process continues because the customers' needs constantly change ... the answer is exactly the same whether you are a brand new start-up or an established billion dollar company."

Shuman has started four companies, with two becoming multi-million dollar ventures, and has taught graduate level courses and two different business schools. His book, *The Rhythm of Business: The Key to Building and Running Successful Companies*, is scheduled for publication this year. ■

## NEWS TO USE

# Entrepreneur University Alaska

**W**hat stage is your business at today? Where do you envision your business to be in the future? How will you manage needed business transitions and realize this vision?

You may be asking yourself some of these very same questions, and many others. Find some answers at Entrepreneur University Alaska, a one-day intensive seminar on the business life cycle in Anchorage, February 6, 2003. This seminar will provide you with an understanding of the different stages of the cycle, where your business fits and what actions are needed to transition your business.

Entrepreneurs, management and marketing experts, along with funders and investors will share their

knowledge and experience in a series of related courses. Whether you are a start-up, early-stage or established business, you will learn: the fundamental elements and activities involved in executing a realistic business plan; how to integrate your company's message into everything you do, from marketing and sales to hiring and billing; setting prices that balance covering costs and making a profit; how to identify the kind of money you need and where to find it; and a lot more ...

Learn about our offered courses and the keynote and guest speakers by visiting our website at [www.eualaska.com](http://www.eualaska.com). (907) 565-5655

## SUCCESSFUL ENTREPRENEURS:

- **Have a Vision:** Attend Entrepreneur University Alaska
- **Plan:** Learn what it takes to manage and grow a successful business
- **Take action:** Use new knowledge to transition to the next business stage
- **Succeed:** Move your business forward and achieve success ■

ENTREPRENEUR UNIVERSITY  
A L A S K A

Anchorage Marriott Downtown,  
February 6, 2003

Collaboration by AKMA & Alaska InvestNet

**ALASKA MANUFACTURERS' ASSOCIATION**

**President**  
Dave R. Arnsdorf

**BOARD OF DIRECTORS**  
**Board President**

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President, Alaska Furniture  
Manufacturers

**Joseph W. Van Treeck**  
President, Matanuska Maid  
Dairy

**Jim Cox**  
Manager Contracts, bp  
Exploration Inc. (Alaska)

**Rick Harris**  
Senior VP Natural Resources,  
Sealaska

**Ruth Benedict**

**Terry Wornath**  
President, Equipment  
Source Inc.

**EX-OFFICIO MEMBERS:**

**Hans Roeterink**  
Director, Alaska Science and  
Technology Foundation

**John Hargesheimer**  
PE, CIH, NORTECH

**Newsletter Production**

Firestar Media Services - Content  
K&H Graphics - Design



# The Business of SeaFOOD

World Trade Center Alaska announces  
**Second Annual Business  
of SeaFOOD Forum**  
at the Hospitality and Food  
Service Trade Show

**March 4-5, 2003**  
**Egan Civic & Convention Center,**  
**Downtown Anchorage**

Business of SeaFOOD Forum 2003  
connects global leaders in FOOD  
production and marketing with  
Alaska's harvesters and processors to  
explore diverse food development and  
distribution models.

**Main topics:**

- What is the Business of FOOD?
- Buyers Defining their Standards
- Responding to Buyers/Best Practices
- Value-Added/Innovating
- Quality Transportation Solutions for Perishables

**NEW FEATURE**

## SeaFOOD Pavilion

A prominent area on the exhibit floor has been set aside to showcase the latest technologies, products, services and expertise to support food processing businesses in Alaska with special concentration on SeaFOOD.

**For more details visit**  
**[www.wtckak.org](http://www.wtckak.org) or call**  
**Vanessa Norman at 907-278-7233.**

**ak/ma**

**Alaska Manufacturers' Association**

3201 C Street, Suite 406  
Anchorage, AK 99503

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# **REGULATORY COMMISSION OF ALASKA (RCA)**

## **AT A GLANCE**

**\*Mission Statement:** To protect consumer interests by ensuring affordable, reliable utility and pipeline services and ensuring that the utility and pipeline infrastructure is adequate to support community needs.

**\*Funding:** There are no general funds appropriated to the RCA. The agency is funded by a Regulatory Cost Charge, a capped surcharge assessed to all regulated utility and pipeline customers.

**\*Budget:** FY03 - \$6.04 million.

**\*Staffing:** 62 positions, including five Commissioners, appointed by the Governor for six-year terms; hearing examiners; paralegals; common carrier specialists; financial, engineering, and tariff analysts; consumer protection and information officers; and various administrative personnel.

**\*Workload:** The RCA workload includes formal cases (dockets), informal cases (consumer complaints), and tariff filings (changes to the rates, terms, and conditions of utility and pipeline services).

-**Current Docket Caseload: 214** (versus approximately 550 in 1999)

-**Dockets Opened each year: 160** (5-year average)

-**FY02 Consumer Complaints Handled: 664** (663 closed by 10/15/02)

-**FY02 Tariff Filings: 536** (455 processed routinely; 50 suspended into dockets; 9 withdrawn; 22 pending at year end)

-**Substantive Orders (Decisions) Issued: 608 each year** (3-year average)

-**Appeals: 16** (out of nearly 2,000 substantive decisions)

**\*To reach us:** By phone – (907) 276-6222. By fax – (907) 276-0160. By email – [rca\\_main@rca.state.ak.us](mailto:rca_main@rca.state.ak.us). In person: 701 West Eighth Avenue, Suite 300, Anchorage, Alaska 99501. Visit our website:

[www.state.ak.us/rca](http://www.state.ak.us/rca).

# *Regulatory Commission of Alaska*



*2002 Annual Report*



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## ***Regulatory Commission of Alaska***

***701 West Eighth Avenue, Suite 300  
Anchorage, Alaska 99501-3469***

PHONE: (907) 276-6222

FAX: (907) 276-0160

TTY: (907) 276-4533

***<http://www.state.ak.us/rca>***

*Fiscal year 2002 statistical data will be available at the RCA's  
web site shortly after the release of this printed volume.*



# STATE OF ALASKA

DEPARTMENT OF COMMUNITY  
AND ECONOMIC DEVELOPMENT

## REGULATORY COMMISSION OF ALASKA

FRANK H. MURKOWSKI,  
GOVERNOR

701 WEST EIGHTH AVENUE, SUITE 300  
ANCHORAGE, ALASKA 99501-3469  
PHONE: (907) 276-6222  
FAX: (907) 276-0160  
TTY: (907) 276-4533  
WEB SITE: <http://www.state.ak.us/rca>

January 2, 2003

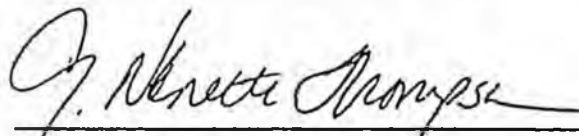
Honorable Pete Kott, Speaker of the House  
and  
Honorable Gene Therriault, President of the Senate

Dear Speaker Kott and President Therriault:

On behalf of the Regulatory Commission of Alaska we are pleased to submit to the Alaska State Legislature the Thirty-third Annual Report of the Regulatory Commission of Alaska, covering the fiscal year ending June 30, 2002. This is filed pursuant to AS 42.05.211 and AS 42.06.220.

Respectfully yours,

REGULATORY COMMISSION OF ALASKA



Chair



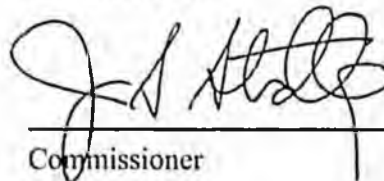
Commissioner



Commissioner



Commissioner



Commissioner



## MISSION STATEMENT

*"To protect consumer interests by ensuring affordable, reliable utility and pipeline services and ensuring that the utility and pipeline infrastructure is adequate to support community needs."*



Chair Thompson (center) is flanked (left to right) by Commissioners Abbott, Smith, DeMarco, and Strandberg.



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Fiscal year 2002 was the third year of operation for the Regulatory Commission of Alaska (RCA). It was another year of significant progress for the agency.

The Regulatory Commission of Alaska significantly reduced the backlog inherited from the Alaska Public Utilities Commission. Since the RCA's inception in 1999, we have closed over 700 dockets, while opening an average of 175 new dockets each year. The number of pending dockets has been substantially reduced, and our active caseload is stabilizing at less than 350 dockets. Overall, the Commission decreased the number of pending cases by 11-percent from fiscal year 2001.

To improve the Commission's operations, we implemented a computerized management information system designed to improve our efficiency. The Commission electronically records all filings submitted to the Commission and links these filings to a daily Mailsheet that is available electronically to the public. This system has increased the agency's productivity and allows the public to access data quickly. We continue to increase the amount and type of information available on our website. In fiscal year 2003, the Commission will begin to incorporate the statutory deadlines and reporting requirements established by the Legislature at the end of the last session.

We held several significant hearings, including proceedings on rate change requests from Golden Heart Utilities, Inc., College Utilities Corporation, Alaska Communications Systems, Inc., ENSTAR Natural Gas Company, a Division of SEMCO, and Chugach Electric Association, Inc. As with all rate cases, we review economically regulated utility's rates to allow providers to recover reasonable costs while protecting consumers' interests.

The telecommunications industry has seen dynamic changes occur at a national level, and in our own Alaskan market. The Commission continues to be actively involved in the federal regulatory process advocating for the interests

of Alaskan telecommunications carriers that deliver services to high cost areas with federal support. By our efforts to balance the Telecommunications Act's dual goals of competition and universal service, we assure that Alaskans have affordable and reliable telecommunications options. During the fiscal year, the agency submitted a successful application to the U.S. Department of Agriculture for a grant program to spread broadband Internet access to Alaskan communities not yet connected to the Internet.

In fiscal year 2002, the Commission adopted several significant sets of regulations. These regulation projects included restructuring long distance telecommunications to protect telephone consumers from slamming (the unauthorized switching of a consumer's long distance or local phone service provider); adopting rules to clarify how utilities compensate each other for pole attachments; and defining the role of the Public Advocacy Section. The Commission started several new regulatory projects during the year, including drafting a new regulatory framework for small rural water and wastewater utilities and considering revisions to the telecommunications access charge process.

The 2001 Legislative Audit analysis stated the Commission operates effectively and efficiently and therefore, recommended that we continue to regulate public utilities and pipeline carriers for the next four fiscal years. After a special session, the Legislature extended the agency and operations for one year and adopted deadlines for the Commission to resolve filings. Legislators also changed the process for nomination of the Commission chair to allow Commissioners to elect a chairperson every year.

The Commission is proud of its accomplishments in fiscal year 2002 and will continue to strive to improve the way the agency conducts business.

Sincerely,

G. Nanette Thompson  
Chair



*CHAIR G. NANETTE THOMPSON*



*Chair G. Nanette Thompson* was appointed to the Regulatory Commission of Alaska on July 1, 1999, with a term expiring June 30, 2004. Ms. Thompson served on the Alaska Public Utilities Commission from 1995 to 1996.

Ms. Thompson is admitted to the practice of law in Alaska, since 1983, and Washington, since 1982. She has seventeen-years of experience as a lawyer in private practice representing business and individual clients and as an Assistant Attorney General for the State of Alaska. After graduating with honors in International Relations from Stanford in 1978, she earned her law degree from the University of Washington in 1982.

Ms. Thompson is an active member of the National Association of Regulatory Utility Commissioners Committee on Telecommunications and was appointed to the Board of Directors in October of 2002, for a two-year term. She was appointed by the Federal Communications Commission (FCC) to serve on the Federal-State Joint Conference on Delivery of Advanced Services in November 1999, and served as State Chair from 1999 to 2001. She was appointed by the FCC to the Universal Service Joint Board in August 2000, and was elected State Chair in 2001.

Ms. Thompson is active in community activities. She served on the Salvation Army's Booth Home Advisory Board from 1989 to 1994, acting as President in 1994, and on the Campfire Boys and Girls Board from 1995 to 2000. She and her husband have five children ranging in age from 13 to 27.

*COMMISSIONER BERNIE SMITH*



*Commissioner Bernie Smith* was appointed to the Regulatory Commission of Alaska on July 1, 1999, with a term expiring on June 30, 2003.

Mr. Smith came to the Regulatory Commission of Alaska after serving sixteen-years with Tesoro Alaska Petroleum Company. While employed with Tesoro he held positions as Manager of Alaska Government Affairs and Special Projects, Senior Engineer, and Project Engineer. In 1973, Mr. Smith graduated from Texas A&M University, with a Bachelor of Science degree in Engineering Technology. He has been active in several community organizations, currently serving as board member of the Chugiak-Eagle River Chamber of Commerce and a board member of the State Chamber of Commerce. At the time of his appointment, Mr. Smith was a member of the Alaska Board of Marine Pilots. He served as President and board member of the Boys and Girls Club of the Kenai Peninsula, and was a board member of Nikiski Fire Service Board.

Mr. Smith has two sons, ages 18 and 20.



### COMMISSIONER PATRICIA M. DEMARCO



*Commissioner Patricia M. DeMarco, Ph.D.* was appointed to the Regulatory Commission of Alaska on July 1, 1999, with a term ending June 30, 2002. Dr. DeMarco was reappointed by Governor Tony Knowles to serve for six more years. She serves on the National Association of Regulatory Utility Commissioners Committee on Consumer Affairs. Dr. DeMarco previously occupied the position of President of the Anchorage Economic Development Corporation for four years. She brings to the Commission a strong interest in utility infrastructure as a mechanism to expand the economic potential of Alaska. She has a multi-disciplined approach to solving problems and views the role of regulation as a catalyst for change.

Dr. DeMarco came to Alaska in 1995 from Connecticut where her experience included a twenty-year career in various aspects of electric utility regulation, planning, and operation. She also started a nonprofit corporation to diversify the defense dependent economy, especially the area served by the five utilities in the Connecticut Municipal Electric Energy Cooperative.

Dr. DeMarco received formal education at the University of Pittsburgh. She holds a Bachelor of Science and a Doctorate degree in biology and spent seven-years in biochemical genetics research. Dr. DeMarco is married with two adult children. She serves as Treasurer of the Anchorage Symphony Orchestra and as Secretary of the Anchorage Downtown Rotary Club.

### COMMISSIONER WILL ABBOTT



*Commissioner Will Abbott* was appointed to the Regulatory Commission of Alaska on July 1, 1999. He was reappointed in 2001 for a term expiring March 1, 2007.

Mr. Abbott previously worked for the Alaska Housing Finance Corporation, Municipality of Anchorage, a local environmental firm, and is retired from the United States Air Force.

Mr. Abbott is married and has two sons.



COMMISSIONER JAMES S. STRANDBERG



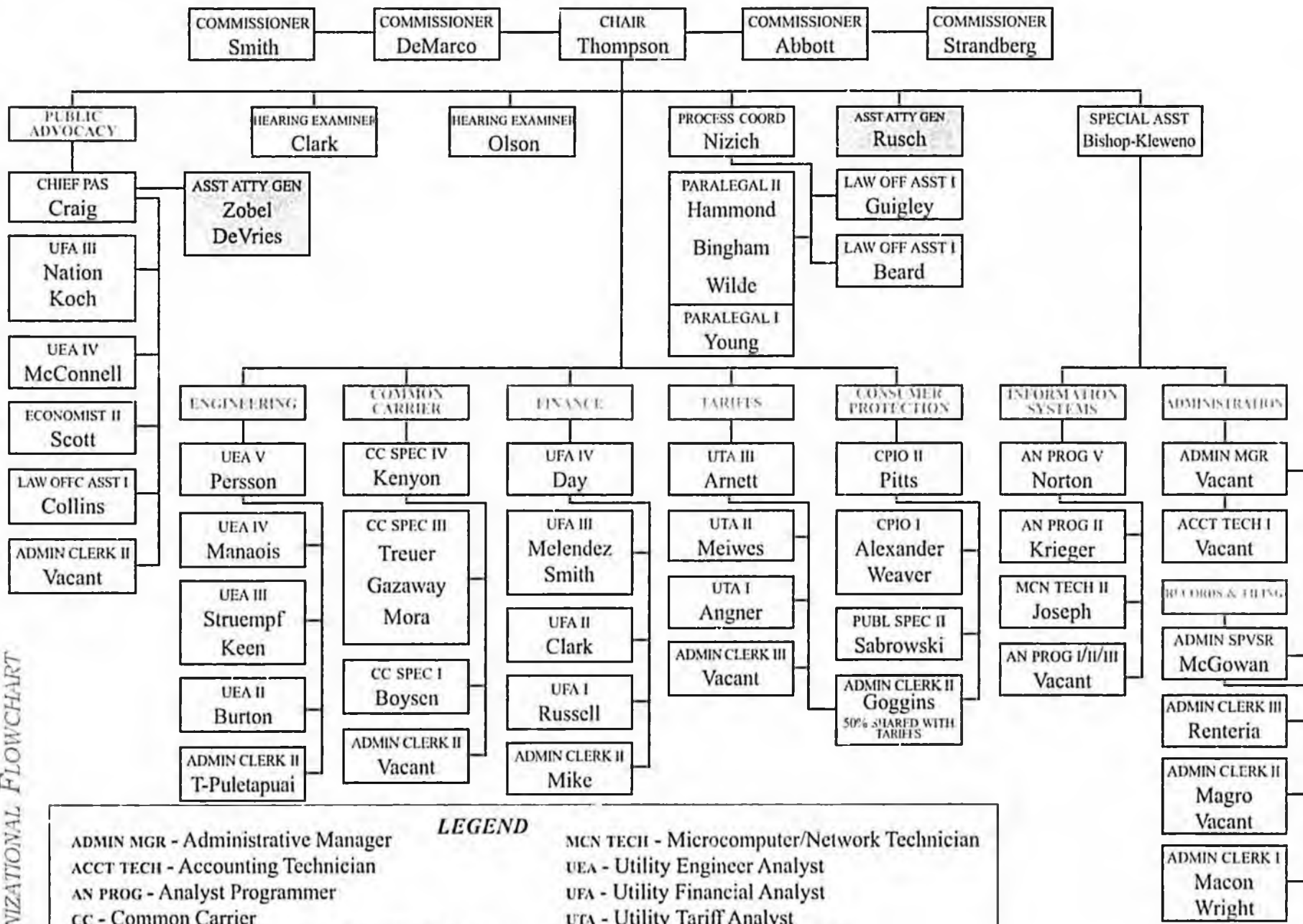
Commissioner James S. Strandberg was appointed to the Regulatory Commission of Alaska on July 1, 1999, and reappointed in 2000 for a six-year term. A life long Alaskan, Mr. Strandberg has twenty-nine years of experience as a Professional Engineer. Born in Anchorage, he attended the University of Alaska, Fairbanks and received a Bachelor of Science degree in Mechanical Engineering in 1970, and a Masters of Science in Arctic Engineering in 1983.

Mr. Strandberg is a registered mechanical and civil engineer in Alaska and has worked in rural and urban areas in his professional practice. Early in his career, Mr. Strandberg worked on the design team for the Trans Alaska Pipeline, and was stationed in Anchorage, Fairbanks, and Houston, Texas. As a Mechanical and Utilities Designer, he worked in private practice designing heating, ventilating and air conditioning, district heating, and power plant systems.

Married for 30-years, Mr. Strandberg and his wife have two grown children.

FORMER COMMISSIONERS

Commissioner	Service Date
James M. Posey .....	1997 – 1999
Sam Cotten .....	1995 – 1999
Tim Cook .....	1994 – 1999
Dwight D. Ornquist .....	1993 – 1999
Alyce A. Hanley .....	1993 – 1999
Don Schröer .....	1991 – 1997
G. Nanette Thompson .....	1995 – 1996
James E. Carter, Sr. ....	1992 – 1995
Daniel Patrick O’Tierney .....	1989 – 1994
Mark A. Foster .....	1990 – 1993
Susan M. Knowles .....	1975 – 1993
Don May .....	1990 – 1992
Peter Sokolov .....	1987 – 1991
Kathleen E. Whiteaker .....	1985 – 1990
Louis E. Agi .....	1983 – 1989
Carolyn S. Guess .....	1975 – 1989
Marvin R. Weatherly .....	1975 – 1987
Diana E. Snowden .....	1981 – 1985
Stuart C. Hall .....	1976 – 1983
Gordon J. Zerbetz .....	1963 – 1981
B. Richard Edwards .....	1974 – 1976
James R. Hendershot .....	1971 – 1975
John M. Stern, Jr. ....	1971 – 1973
Loren H. Lounsbury .....	1967 – 1971
James R. Clouse, Jr. ....	1967 – 1971
T. Stanton Wilson .....	1966 – 1966
Harold Moats .....	1965 – 1966
Maurice Chertkov .....	1965 – 1965
Joseph Fitzgerald .....	1964 – 1965
Karl Walter, Jr. ....	1960 – 1964
Charles Herbert .....	1960 – 1963
Clyde Courtnage .....	1960 – 1963



**LEGEND**

ADMIN MGR - Administrative Manager	MCN TECH - Microcomputer/Network Technician
ACCT TECH - Accounting Technician	UEA - Utility Engineer Analyst
AN PROG - Analyst Programmer	UFA - Utility Financial Analyst
cc - Common Carrier	UTA - Utility Tariff Analyst
cpio - Consumer Protection & Information Officer	PUBL SPEC - Publication Specialist

☐ Positions funded under contract. All positions are located in Anchorage. Last revised November 15, 2002.



## RCA ROSTER

The Commission is divided into nine major sections and employs 61 people with an operating budget of \$5,871,300 for the fiscal year 2002. The Chair supervises staff and serves as a liaison between staff and Commissioners, and between the Commission and the Legislature.

### Commissioners

Abbott, Will ..... COMMISSIONER  
 DeMarco, Patricia ..... COMMISSIONER  
 Smith, Bernie ..... COMMISSIONER  
 Strandberg, James ..... COMMISSIONER  
 Thompson, G. Nanette ..... COMMISSIONER, CHAIR

### Commission Support Staff

Beard, Brian ..... LAW OFFICE ASSISTANT I  
 Bingham, Mary Margaret ..... PARALEGAL II  
 Bishop-Kleweno, Dawn ..... SPECIAL ASSISTANT  
 Clark, Patricia ..... HEARING EXAMINER  
 Guigley, Jennifer ..... LAW OFFICE ASSISTANT I  
 Hammond, Anita ..... PARALEGAL II  
 Olson, Paul ..... HEARING EXAMINER  
 Nizich, Rosalie ..... PROCESS COORDINATOR  
 Rusch, Virginia ..... ASST. ATTORNEY GENERAL<sup>1</sup>  
 Wilde, Ann ..... PARALEGAL II  
 Young, Yvette ..... PARALEGAL I

### Common Carrier Staff

Boysen, Robin ..... COMMON CARRIER SPECIALIST I  
 Gazaway, Richard ..... COMMON CARRIER SPECIALIST III  
 Kenyon, Lorraine ..... CHIEF COMMON CARRIER SPEC. IV  
 Mora, Michael ..... COMMON CARRIER SPECIALIST III  
 Treuer, Philip ..... COMMON CARRIER SPECIALIST III

### Consumer Protection (CP) Staff

Alexander, Tamara ..... CP & INFORMATION OFFICER I  
 Goggins, Judy ..... ADMINISTRATIVE CLERK II  
 Pitts, Agnes ..... CHIEF CP & INFORMATION OFFICER II  
 Sabrowski, Catherine ..... PUBLICATION SPECIALIST II  
 Weaver, Rose ..... CP & INFORMATION OFFICER I

### Engineering Staff

Burton, Jerry ..... UTILITY ENGINEER ANALYST II  
 Keen, James ..... UTILITY ENGINEER ANALYST III  
 Persson, Brad ..... CHIEF UTILITY ENGINEER ANALYST V  
 Manaois, John Paul ..... UTILITY ENGINEER ANALYST IV  
 Struempf, James ..... UTILITY ENGINEER ANALYST III  
 Tauaese-Pulelapuai, Dorothy ..... ADMINISTRATIVE CLERK II

### Finance Staff

Clark, Tyler ..... UTILITY FINANCIAL ANALYST II  
 Day, Keith ..... CHIEF UTILITY FINANCIAL ANALYST IV  
 Melendez, Felix ..... UTILITY FINANCIAL ANALYST III  
 Mike, Laurentia ..... ADMINISTRATIVE CLERK II  
 Russell, Buell ..... UTILITY FINANCIAL ANALYST I  
 Smith, Chris ..... UTILITY FINANCIAL ANALYST III

### Information Systems Staff

Joseph, Vince ..... MICROCOMPUTER/NETWORK TECH. II  
 Krieger, Christin ..... ANALYST PROGRAMMER II  
 Norton, Keith ..... CHIEF ANALYST PROGRAMMER V

### Public Advocacy Staff

Collins, Deborah ..... LAW OFFICE ASSISTANT I  
 Craig, Lew ..... CHIEF PUBLIC ADVOCACY SECTION  
 DeVries, Steve ..... ASST. ATTORNEY GENERAL<sup>1</sup>  
 Koch, Katherine ..... UTILITY FINANCIAL ANALYST III  
 McConnell, Tim ..... UTILITY ENGINEER ANALYST IV  
 Nation, Parker ..... UTILITY FINANCIAL ANALYST III  
 Scott, Antony ..... ECONOMIST II  
 Zobel, Ron ..... ASST. ATTORNEY GENERAL<sup>1</sup>

### Records & Filing Staff

Macon, Leteasha ..... ADMIN. CLERK I, RECEPTIONIST  
 McGowan, Joyce ..... ADMINISTRATIVE SUPERVISOR  
 Magro, Holly ..... ADMINISTRATIVE CLERK II  
 Renteria, Letitia ..... ADMINISTRATIVE CLERK III  
 Wright, Carolyn ..... ADMINISTRATIVE CLERK I

### Tariff Staff

Angner, Matthew ..... UTILITY TARIFF ANALYST I  
 Arnett, Wendy ..... CHIEF UTILITY TARIFF ANALYST III  
 Goggins, Judy ..... ADMINISTRATIVE CLERK II  
 Meiwes, Jennifer ..... UTILITY TARIFF ANALYST III

<sup>1</sup> Employee of the Department of Law contracted to the Commission. Last revised November 15, 2002.



## COMMISSION SUPPORT STAFF

Commission Support staff provides legal and administrative assistance to the Chair and Commissioners. The Chair directs these functions with the aid of a special assistant, assistant attorney general, hearing examiners, paralegal support staff, and clerical support staff.



*Leteasha Macon, Receptionist*



*(Front row, from left) Antony Scott, Rosalie Nizich, Paul Olson, (back row, from left) Mary Margaret Bingham, Jennifer Guigley, Anita Hammond, and Ann Wilde.*



## COMMON CARRIER STAFF

Common Carrier staff develops and recommends policies concerning local and long distance telephone services, cable, radio, and satellites. Staff administers telecommunication rates, services, and facilities for certificated utilities and presents analyses to the Commission for adjudication. Staff also participates on federal-state joint boards with the Federal Communications Commission and staff from other states.



*(Front row, from left) Richard Gazaway, Lorraine Kenyon, Philip Treuer, (back row, from left) Robin Boysen, and Michael Mora.*



## CONSUMER PROTECTION STAFF

Consumer Protection staff interacts with consumers, utility personnel, members of the media, and staff. Staff investigates and resolves informal consumer complaints, promotes public relations, responds to information requests, and may assist Commission staff with formal complaints. Staff also educates consumers on utility services and rates, and disseminates information to the public and media regarding Commission proceedings.



*(Front row, from left) Rose Weaver, Agnes Pitts, Tamara Alexander, (back row, from left) Catherine Sabrowski, and Judy Goggins.*



## ENGINEERING STAFF

Engineering staff develops and recommends policies concerning utilities for electric, natural gas, steam heat, refuse, water and wastewater, and pipeline carriers. Staff administers rates, services, and facilities for certificated utilities and pipeline carriers. Staff also reviews legal descriptions for service areas, plans for plant expansion, plant-in-service schedules, and depreciation schedules. Staff presents analyses and evaluations to the Commission for adjudication.



(Front row, from left) James Keen, Dorothy Tauaese-Puletapuai, Brad Persson, (back row, from left) James Struempf, John Paul Manaois, and Jerry Burton.



## FINANCE STAFF

Finance staff analyzes and evaluates utilities and pipeline carriers financial records, including cost of service studies, Power Cost Equalization, and revenue-requirements. Staff audits utility financial statements, examines historical operating year data, and *pro forma* financial adjustments for all certificated utilities and pipeline carriers.



(Front row, from left) Chris Smith, Tyler Clark, Keith Day, (back row, from left) Felix Melendez, and Buell Russell.



## INFORMATION SYSTEMS STAFF

Information Systems staff develops computer programs for the agency's operations, educates staff on software programs, and provides computer support to the Commission. Staff also maintains the Commission's web site and works to automate parts of the Commission's processes.



Vince Joseph, and (seated) Chrisui. Krieger.



## PUBLIC ADVOCACY STAFF

Public Advocacy staff provides the Commission with a third party perspective in proceedings to advocate public interest. The Commission assigns cases to the Public Advocacy Section to investigate and participate in proceedings for utilities and pipeline carriers. Staff audits records, engages in settlement discussions, and presents findings with testimony to the Commission.



(Front row, from left) Deborah Collins, Lew Craig, Tim McConnell, (back row, from left) Steve DeVries, Katherine Koch, and Parker Nation.



## RECORDS & FILING STAFF

Records & Filing staff manages all of the Commission's public records, orders, and information requests from staff, the public, attorneys, and utilities. Staff processes new filings and documents, maintains current and archive filings, and posts public documents to the Commission's web site.



(Front row) Joyce McGowan, (back row, from left) Letitia Renteria, Holly Mayro, and Carolyn Wright.



## TARIFF STAFF

Tariff staff investigates and analyzes tariff filings and presents recommendations to the Commission at bimonthly tariff action meetings. Staff coordinates tariff meetings, complies with all public notice requirements for tariff filings, and maintains current master tariffs for all utilities and pipeline carriers.



(Front row, from left) Jennifer Meives, Wendy Arnett, Judy Goggins, (back row, from left) Brian Beard, and Matthew Angner.



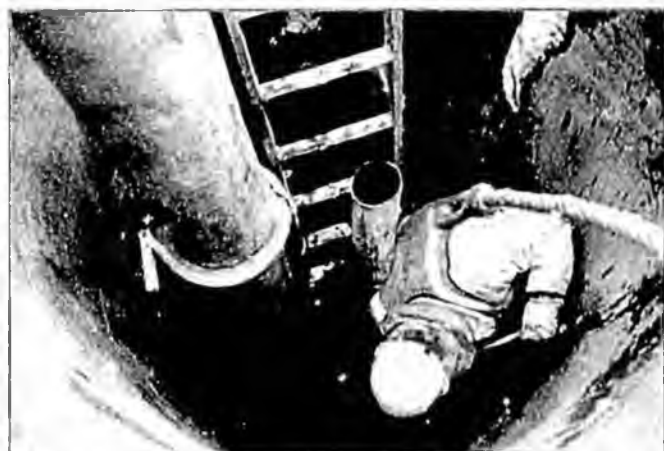
## 2002 OVERVIEW

The Commission has worked with the hundreds of public utilities in Alaska with the mission to ensure reliable continued service, sound utility management, and fair rates for residents in all communities of the state.

- ③ In 1981, the agency's role was expanded to include oversight of pipeline carriers and pipelines when it merged with the Alaska Pipeline Commission.
- ③ In 1999, the Legislature reorganized and renamed the agency to the Regulatory Commission of Alaska and established the Public Advocacy Section to advocate public interests.

Utility commissions were originally created to protect consumers, because most utility services are provided by monopolies. Today, commissions are faced with the challenge of evaluating regulations and considering policy changes to encourage telecommunications and refuse competition, while protecting consumer interests.

The Regulatory Commission of Alaska (RCA) strives to balance the utilities' and pipeline carriers' investment recovery and the public's right to receive quality service at a fair price. In doing so, the Commission issues certificates of public convenience and necessity to qualified service providers. The RCA regulates the rates, services, practices, or facilities of 257 utilities and 16 pipeline carriers in Alaska.



A service technician with Anchorage Water and Wastewater Utility (AWWU) works inside a caisson. Photo is courtesy of Municipality of Anchorage (M/A) AWWU.



A "Menzi muck" machine carries out a trench to bury power lines. Photo is courtesy of Alaska Electric Light & Power Company.

- ③ The RCA has specific jurisdiction over the operation of electric utilities, natural gas utilities, refuse collection, water and wastewater treatment, steam heat producers, telephone companies (local and instate services), as well as oil and gas pipeline carriers.
- ③ The Commission computes the power costs and resultant state assistance amounts for customers of electric utilities participating in the Power Cost Equalization program.
- ③ The Commission carries out its regulatory responsibilities through several means. It conducts audits, investigations, public meetings, Tariff Action meetings, informal and formal proceedings, and resolves consumer complaints.
- ③ The Commission functions as a quasi-judicial body when rendering decisions in formal proceedings and as a quasi-legislative body when establishing and enforcing its regulations. The statutes and regulations of the state govern the Commission's proceedings and determinations.



## OPERATING BUDGET

In 1992, following the mandate of the Legislature, the Commission enacted regulations to recover operating costs through an assessment on the revenues of regulated utilities and pipeline carriers. The Regulatory Cost Charge shows up as a recurring surcharge on the monthly billing statements to consumers and shippers.

The Legislature appropriated and the Governor approved a fiscal year 2003 budget of \$6.04 million, funded entirely from the Regulatory Cost Charge. There are no unrestricted general funds in the fiscal year 2002 appropriation.

<i>Fiscal Year</i>	1999	2000	2001	2002	<i>% Change (2001-2002)</i>
<i>Appropriations</i>					
Personal Services	\$2,839,900	\$3,287,000	\$3,422,400	\$3,734,500	
Travel	35,000	35,000	52,200	55,000	
Contractual	1,525,200	1,300,900	1,808,700	2,005,500	
Commodities	62,500	62,500	62,500	62,500	
Equipment	13,800	13,800	13,800	13,800	
<i>Total Appropriations</i>	<i>\$4,476,400</i>	<i>\$4,699,200</i>	<i>\$5,359,600</i>	<i>\$5,871,300</i>	<i>9.5%</i>
<i>Expenditures</i>					
Personal Services	\$2,616,802	\$2,989,089	\$3,402,786	\$3,584,182	
Travel	42,773	56,692	72,359	38,008	
Contractual	1,373,854	1,145,843	1,583,573	1,821,477	
Commodities	64,623	77,919	48,615	82,997	
Equipment	22,421	19,689	10,589	127,401	
Relocation Costs	0	0	140,249	0	
<i>Total Expenditures</i>	<i>\$4,120,473</i>	<i>\$4,289,232</i>	<i>\$5,258,171</i>	<i>\$5,654,065</i>	<i>7.5%</i>
<i>Revenue Receipts<sup>1</sup></i>					
General Fund	\$3,926,597	\$4,289,232	\$5,258,171	\$5,654,065	
Program Receipts <sup>2</sup>					
<i>Total Revenues</i>	<i>\$3,926,597<sup>3</sup></i>	<i>\$4,289,232</i>	<i>\$5,258,171</i>	<i>\$5,654,065</i>	<i>7.0%</i>

<sup>1</sup> The Commission received revenues under various provisions of its statutes including copying and postage charges (AS 42.05.201) and cost allocations in proceedings (AS 42.05.651 and AS 42.06.610).

<sup>2</sup> Revenues from the Regulatory Cost Charge user fee are recognized on the modified accrual method of accounting for fiscal years 2000 through 2002. Fourth quarter revenues are generated as of June 30<sup>th</sup>, but collected in July of the following fiscal year.

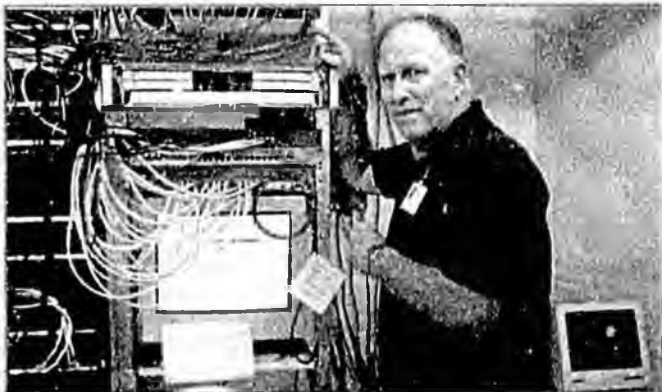
<sup>3</sup> Reporting did not include the transfer of \$332,478.63 on August 20, 1999 and \$12,171.32 on November 9, 1999.

## ECONOMIC DEVELOPMENT

The Commission supports economic development through the use of the following three tools to ensure reliable utility services at affordable rates:

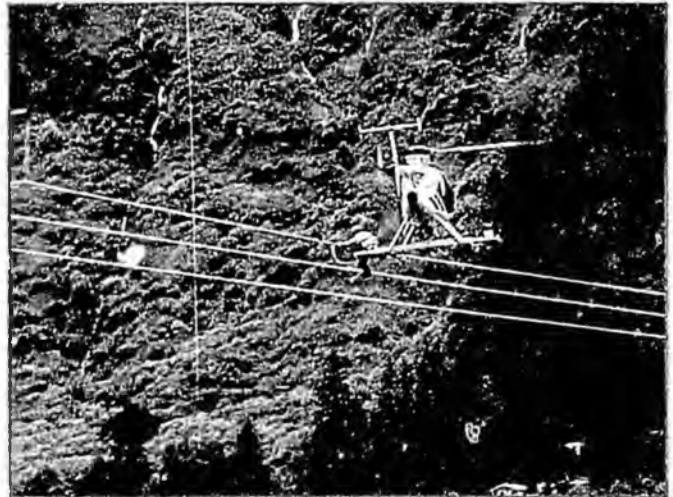
- ③ *Comparative Information*  
Consumer Protection staff provides public information to consumers about comparative utility services and rates based on filed tariffs.
- ③ *Certification Proceedings*  
The Commission issues certificates of public convenience and necessity to qualified applicants that possess the financial, technical, and management capabilities to stimulate economic development and meet the present and future demands for services.
- ③ *Rate Regulation*  
The Commission regulates utilities and pipeline carriers to ensure consumers have reasonable and just rates, with fair rates of return to the utilities. The Commission considers and approves economic development incentive rates, special contracts, and promotions that are in the public interest.

Encouraging rural economic development requires innovative solutions. One of the keys is the improvement of infrastructure to offer advanced telecommunications and energy services in rural areas. Better delivery systems mean a lower cost of power and phone service. Once these communities are linked to the "communications superhighway", there will be more local opportunities for economic interaction in the global marketplace.



*Thomas Knight, Network Administrator, grasps the OC3 fiber patch panel "where he will tap light speed". Photo is courtesy of Matanuska Telephone Association, Inc.*

## 2003 COMMISSION PLAN



*A helicopter crew replaces old aircraft marker balls on the 69kV transmission line in Juneau. Photo is courtesy of Alaska Electric Light & Power Company.*

*The Commission will continue to . . .*

- ③ Review and approve electric rates charged by regulated electric utilities statewide.
- ③ Monitor refuse services statewide and allow competition when it is in the public interest.
- ③ Review rates of existing gas utilities and applications to expand the availability of natural gas heating in the state.
- ③ Resolve disputes over pipeline tariff rates and participate in the process to develop a regulatory framework to operate a natural gas pipeline from the North Slope.
- ③ Fulfill the directives of the 1996 Telecommunications Act to allow competition and to provide choices to consumers.
- ③ Support improvements to the statewide network to allow the delivery of affordable high-speed data and voice services to all communities in Alaska.
- ③ Coordinate with state and federal agencies to implement the Federal Clean Water Act standards. The Commission will complete its effort to design an alternative regulatory framework for small and government-owned water and wastewater systems.


**FINANCIAL OPERATIONS AND  
REPORTED CUSTOMERS**

Prepared by Felix Melendez

<i>Fiscal Year</i>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<i>Net Plant</i>				
Cable Television <sup>2</sup>	\$6,751,000	\$6,232,000	\$6,574,000	\$6,380,000
Electric	1,233,579,201	1,307,506,511	1,361,572,213 <sup>1</sup>	1,389,426,622
Natural Gas	179,757,326	180,458,522	186,650,434	180,965,146
Refuse	6,638,960	5,998,254	3,072,122	3,184,025
Steam Heat	Not reported	1,776,628	7,991,033	8,484,229
Telecommunications <sup>3</sup>	417,024,290	660,653,316	625,546,641 <sup>1</sup>	599,831,476
Wastewater	97,823,582	103,568,947	84,272,842	94,340,320
Water	153,698,530	162,073,055	125,579,941	141,494,274
<i>Total Net Plant</i>	<i>\$2,095,272,889</i>	<i>\$2,428,267,233</i>	<i>\$2,401,259,226<sup>1</sup></i>	<i>\$2,424,106,092</i>
<i>Gross Revenue</i>				
Cable Television <sup>2</sup>	\$5,372,000	\$5,811,000	\$6,189,000	\$6,563,000
Electric	504,513,606	513,714,260	525,626,713 <sup>1</sup>	557,262,581
Natural Gas	100,865,752	110,451,278	99,580,257	117,028,010
Refuse	26,633,726	31,250,540 <sup>1</sup>	33,077,014 <sup>1</sup>	33,342,330
Steam Heat	Not reported	1,414,788	1,540,413	1,895,793
Telecommunications <sup>3</sup>	235,846,988	360,273,606 <sup>1</sup>	357,197,021 <sup>1</sup>	369,760,452
Wastewater	31,473,874	32,343,760	32,518,942	32,488,857
Water	35,647,884	35,503,989	36,029,727	36,959,311
<i>Total Gross Revenue</i>	<i>\$940,353,830</i>	<i>\$1,090,763,221<sup>1</sup></i>	<i>\$1,091,759,087<sup>1</sup></i>	<i>\$1,155,300,334</i>
<i>Net Income</i>				
Cable Television <sup>2</sup>	\$784,000	\$972,000	\$981,000	\$757,000
Electric	41,455,886	42,773,482	36,904,719 <sup>1</sup>	31,188,177
Natural Gas	15,710,652	18,010,521	8,789,246	6,580,788
Refuse	2,817,821	3,885,765	2,632,125	3,497,368
Steam Heat	Not reported	(2,796,173)	(1,492,060)	(1,057,779)
Telecommunications <sup>3</sup>	24,105,402	32,992,147 <sup>1</sup>	37,839,669 <sup>1</sup>	39,501,928
Wastewater	4,067,810	5,016,028	4,988,554	4,058,481
Water	6,224,657	208,994	6,811,516	5,857,628
<i>Total Net Income</i>	<i>\$95,166,228</i>	<i>\$101,062,764<sup>1</sup></i>	<i>\$97,454,769<sup>1</sup></i>	<i>\$90,383,591</i>
<i>Customers</i>				
Cable Television <sup>2</sup>	9,420	7,822	8,130	8,130
Electric	218,621	225,821	229,306 <sup>1</sup>	233,199
Natural Gas	98,220	99,285	103,728	108,487
Refuse	52,116	50,359	51,160	52,315
Steam Heat	Not reported	124	135	148
Telecommunications <sup>3</sup>	427,000 <sup>1</sup>	534,555 <sup>1</sup>	592,815	570,216
Wastewater	57,364	62,949	59,219	60,057
Water	58,212	60,586	60,292	60,150
<i>Total Customers</i>	<i>820,953<sup>1</sup></i>	<i>1,041,501<sup>1</sup></i>	<i>1,104,785<sup>1</sup></i>	<i>1,092,702</i>

<sup>1</sup> Figures have been restated to correct compilation errors in summarizing reported data in previous annual reports.

<sup>2</sup> Cable television is not regulated by the Commission as to rates and services with the exception of GCI Cable, in Juneau, which is rate regulated for basic tier channels.

<sup>3</sup> Includes local exchange carriers only.



### ELECTRIC EVENTS



*Disputed Settlement Agreement Resolved; Chugach Electric Association, Inc.*

The Commission issued an order resolving disputes arising under a Settlement Agreement between Chugach Electric Association, Inc. (Chugach), and its two largest wholesale customers, Matanuska Electric Association, Inc. and Homer Electric Association, Inc./Alaska Electric Generation & Transmission Cooperative, Inc. The Settlement Agreement provided for the determination of Chugach's current wholesale rates and the effective rates since 1997 for the two wholesale customers. Docket: U-96-37, pending



*Defining the Future Market Structure of Alaska's Electric Industry*

Through hearings and extensive comments from interested parties, the Commission examined the electric utility market structure study that was commissioned jointly with the State Legislature. Having considered gathered information and the issues highlighted by the study, the Commission found insufficient evidence in the record to show that retail electric competition would be in Alaska's public interest. There was no compelling evidence that rates would be lowered and pursuing competition would have required an extensive investment to create a well-functioning power market, exposing ratepayers to significant risks. The Commission decided to continue to monitor the dynamics that influence electric utility policy, specifically the natural gas supply and improvements to power transmission up and down the Railbelt, and should the Legislature take up policy concerning electric utility restructuring in the future, the Commission will strive for the greatest public benefit. Docket: R-97-10, closed (9/28/01)



*Rate Increase and Methodology Change; Chugach Electric Association, Inc.*

After reconsideration, the Commission granted a 3.98 percent interim and refundable rate increase to Chugach Electric Association, Inc. (Chugach), and began proceedings to determine appropriate rates and the recovery of environmental remediation costs related to its Cooper Lake Hydro Project, and to change from a Times Interest Earned Ratio to a Rate Base Rate of Return methodology of establishing rates. The proceeding will constitute the first comprehensive review of Chugach's retail and wholesale rates since 1989. Docket: U-01-108, pending

### NATURAL GAS EVENT



*Approved Cook Inlet Natural Gas Supply Contract and Review of Base Rates; ENSTAR Natural Gas Company, a Division of SEMCO*

The Commission approved a gas supply contract to help satisfy projected long-term supply requirements for the customers of ENSTAR Natural Gas Company (ENSTAR), a Division of SEMCO, to stimulate further Cook Inlet natural gas exploration efforts. Docket: U-01-07, closed (6/10/02)

The Commission investigated ENSTAR's base rates and approved their request to update the revenue-requirement to the 2000 test-year as a result of the 1999 acquisition of ENSTAR by SEMCO Energy Company. The Commission bifurcated the proceeding into two phases. The first phase established an appropriate revenue-requirement and the second phase established the appropriate rate design for ENSTAR to recover its approved revenue-requirement. Dockets: U-00-88, pending



*An employee for ENSTAR Natural Gas Company (ENSTAR), a Division of SEMCO, repairs a residential gas meter on a new home. Photo is courtesy of ENSTAR.*



"Keep Alaska's bears wild, handle your garbage responsibly." Photo is courtesy of Waste Management of Alaska, Inc.

## REFUSE EVENT



### *Consolidation of Refuse Certificates; Waste Management of Alaska, Inc.*

Waste Management of Alaska, Inc. (WMA), a wholly owned subsidiary of USA Waste Management, Inc., filed to consolidate all refuse utilities owned under a single certificate and tariff. The Commission approved WMA's application to merge its refuse public utility operations in Alaska under a single certificate. The Commission also approved an application to change the utility's name to Waste Management of Alaska, Inc. d/b/a Anchorage Refuse, Andersen Services, Arrow Refuse, Peninsula Sanitation, Star Sanitation Service, Tongass Sanitation, Wasilla Refuse, and Williwaw Services. The Commission will review the rate impact of this consolidation in 2003. Docket: U-00-30, pending

## TELECOMMUNICATIONS EVENTS



### *Local Competition in Fairbanks and Juneau*

The Commission prevailed on appeals filed by incumbent carriers who seek to overturn the Commission's orders to open up local competition in the Fairbanks and Juneau areas (U-97-82/143/144 and U-99-141/142/143) litigation is still pending. If the incumbent carrier is successful in overturning key Commission decisions in these areas, local competition

in rural Alaska markets could be delayed or halted. The Commission spent significant resources to review and resolve various disputes and requests concerning carrier-to-carrier practices and interconnection agreements. Dockets: U-96-89, U-01-37, U-01-41, U-02-18, pending



### *Designation of Public Interest Pay Telephones*

The Commission requested applications from eligible providers, following the adoption of regulations for the provision of public interest pay telephones in 2000. After final selections are made, at least one public pay telephone will be available in each community where a need for service exists. The public pay telephones will be subsidized through the Alaska Universal Service Fund. Dockets: R-97-03, U-01-124, pending



Alaska Power & Telephone Company (AP&T) customer representatives make a call. Photo is courtesy of AP&T.



### *Consideration of the Reform of Intrastate Interexchange Telecommunications Market Structure and Regulations*

The Commission continued to review regulations governing the intrastate interexchange market, access charge reform, and a variety of other matters. The review of interexchange market rules includes whether to change the responsibilities of the carrier of last resort within the state and what regulations should apply to the rates and services provided by long distance carriers to consumers and to other carriers.



The Commission is considering the appropriate manner for incumbent carriers to recover the cost of using the local network to originate and terminate interexchange services, as part of the access charge reform review. One of the primary issues in the proceeding is whether these access costs should be recovered directly from consumers (e.g., through a flat monthly surcharge) or should the costs continue to be recovered through long distance rates.

The Commission is evaluating options for streamlining the processes for authorizing long distance carriers to operate in Alaska. Such streamlining may improve the agency's efficiency and reduce regulatory burden placed on utilities. Dockets: R-98-01, R-00-04, R-01-01, pending



*Disaggregate Study Areas for Distributing Federal Universal Service Funds*

The Federal Communications Commission allowed incumbent Eligible Telecommunications Carriers (ETC) to submit plans for distributing Federal Universal Service Funds within a geographic area in order to better target federal funding to high-cost areas and consequently reduce funding to low-cost areas. In 2002, the Commission received plans from each of the regulated incumbent ETCs. These plans were uncontested and have gone into effect as allowed under federal regulation. Docket: R-00-01, pending



*Universal Service Support for Local Service; GCI Communication Corporation*

The Commission granted GCI Communication Corporation (GCICC) status as an Eligible Telecommunications Carrier (ETC) in Fort Wainwright, Fairbanks, and Juneau study areas of Alaska. Through the ETC status, GCICC is allowed to file and obtain Federal Universal Service Fund support for the provision of local service. Docket: U-01-11, pending



*Granted Partial Interim and Refundable Rate Relief Alaska Communications Systems, Inc.*

Alaska Communications Systems, Inc. (ACS) filed for the first time in ten years, a rate increase in the service areas of Anchorage, Fairbanks, Juneau, and Sitka. The Commission granted a 24 percent, interim and refundable rate increase to allow ACS to earn a reasonable rate of return on their investments. Docket: U-01-34, pending



*An Arctic Slope Telephone Association Cooperative, Inc. (ASTAC) telephone technician splices wires. Photo is courtesy of ASTAC.*



*Biennial Intrastate Interexchange Access Charge Review Methodology Adopted on a Test Basis*

On a test basis, the Commission adopted a biennial review methodology proposed by utilities that participated in the annual review of intrastate interexchange access charge rates. Under this process, the local exchange carriers (LEC) who participate in the annual pooled rate calculation file their revenue-requirements in alternating years, with approximately half of the LECs filing in a given year. The individual utility revenue-requirement reported in the prior year would be included in the pooled calculation for those LECs not filing in the current year. This methodology is anticipated to provide some overall reduction in costs for the LECs that are required to produce the revenue-requirement studies, while generally improving the quality of each annual regulatory review by reducing workload compression and allowing for a more detailed review of individual company revenue-requirements. Docket: U-01-49, closed (5/31/02)



### *Appropriate Use of Federal Universal Service Funds by Telecommunications Carriers*

As a prerequisite for continued receipt of Federal Universal Service Funds, the Federal Communications Commission (FCC) requires the Commission to annually certify whether Eligible Telecommunications Carriers (ETC) in Alaska will use the funds only for the provision, maintenance, and upgrading of facilities, and services for which the support was intended. The Commission reviewed the information concerning the use of federal funds by each ETC in Alaska and on September 26, 2001, certified to the FCC that the funds received in 2002 would be appropriately used. Docket: U-01-90, pending



*New sewer pipes to be installed in Anchorage. Photo is courtesy of Municipality of Anchorage d/b/a Anchorage Water and Wastewater Utility.*

## *WATER & WASTEWATER EVENTS*



### *Water Service Expanded to Girdwood; Municipality of Anchorage d/b/a Anchorage Water and Wastewater Utility*

The Commission approved Municipality of Anchorage d/b/a Anchorage Water and Wastewater Utility's (AWWU) application to amend its certificate and expand service into the entire Girdwood area. The Commission found AWWU would meet the fire flow needs of a proposed Girdwood Post Office. Anchorage Water and

Wastewater Utility will also offer a viable alternative to an existing small water utility if the utility experiences financial, managerial, or technical difficulties.

Docket: U-01-35, closed (6/10/02)



### *Consideration of the Regulations for Certificated Small Public Water and Wastewater Systems*

The Commission initiated an inquiry into the development of new regulations for small public water and wastewater systems as part of the State of Alaska's responsibility to the U.S. Environmental Protection Agency to implement the Safe Drinking Water Act. The State must demonstrate an effective strategy with control points to achieve statewide technical, financial, and managerial fitness or available funds could be reduced for Alaska's safe drinking water program. The Alaska Department of Environmental Conservation (ADEC) is pursuing a "Capacity Development Program" to improve the operation of small water and wastewater systems. The Commission has been working closely with ADEC and other stakeholders to develop a unified strategy to effectively implement the Capacity Development Program, so that the U.S. Environmental Protection Agency's requirements are met while minimizing regulatory redundancies. Docket: R-02-04, pending



### *Denied Request to Recover Acquisition Adjustment and Approved Cost Based Interim and Refundable Rate Relief; Golden Heart Utilities, Inc.*

Golden Heart Utilities, Inc. (GHU) water and wastewater divisions was denied a rate relief to recover an amount in excess of the price purchased for the systems acquired from Fairbanks Municipal Utilities System (U-00-115/116). However, GHU was granted an interim and refundable rate relief based on reported increases in actual investment and operating costs for the utility in test-year filings. Dockets: U-02-13, U-02-14, pending



FINANCIAL OPERATIONS

Prepared by Felix Melendez

Fiscal Year	1998	1999	2000	2001
<i>Property</i>				
Gross	\$11,143,942,613	\$11,167,509,117	\$11,422,190,371	\$11,531,079,380
Net	4,409,150,310	4,202,504,850	4,169,113,782	4,107,233,114
<i>Revenue</i>				
Gross	\$1,395,820,949	\$1,440,629,200	\$1,307,978,918	\$1,531,197,148
Net	274,463,173	504,581,438	306,261,965	381,926,530
<i>Throughput<sup>1</sup></i>				
(barrels)	686,390,088	668,104,686	722,723,334 <sup>1</sup>	754,350,768
<i>Gross Revenue</i>				
(per barrel)	\$2.03	\$2.16	\$1.81 <sup>1</sup>	\$2.03
<i>Net Revenue</i>				
(per barrel)	\$0.40	\$0.76	\$0.42 <sup>1</sup>	\$0.51

This table above shows the amount of Property and Revenue for regulated pipeline carriers. The Throughput of oil has increased 4% and \$0.22 per barrel in Gross Revenue from fiscal year 2000 to fiscal year 2001.

COOK INLET PIPE LINE EVENTS



Acceptance of Gas Sales Agreement; Alaska Pipeline Company

The Commission accepted the amended Gas Sales Agreement (GSA) between Alaska Pipeline Company, a wholly-owned subsidiary of SEMCO Energy Inc., of which the ENSTAR Natural Gas Company (ENSTAR) is a Division of the Union Oil Company of California (Unocal). ENSTAR filed a tariff advice letter requesting approval of a new GSA between Unocal and ENSTAR. The tariff was suspended for six months to allow ENSTAR the opportunity to show that the GSA provisions were in the public interest, that a reasonably competitive procurement process was undertaken, and to explain the GSA's impact on long-term regional gas supply. The Commission amended the GSA after reviewing evidence, testimony, and public comments. The GSA serves to provide ENSTAR ratepayers with a reliable supply of reasonably priced gas, and creates an incentive for more than one gas producer to remain in Cook Inlet. Docket: U-01-07, closed (6/10/02)



Rate Settlement; Cook Inlet Pipe Line Company

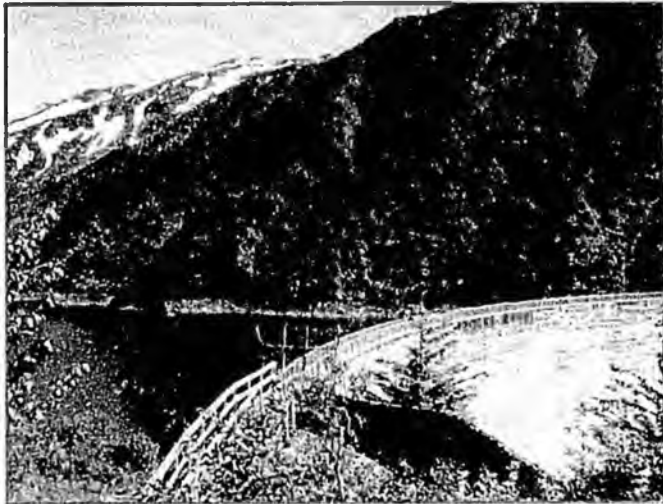
The Commission approved a multi-year rate settlement based on an agreement between the State of Alaska and Cook Inlet Pipe Line Company. The Commission accepted filed rates for the periods of 1993 through 1997; rates prescribed by the Settlement Agreement for 1998, 1999, and 2000; a settlement methodology, whereby rates were calculated for the years of 2001 and 2002; and will be calculated for future years. Docket: P-92-05, pending



Application for Certification; Kenai Kachemak Pipeline Company, LLC

The Commission processed an application from Kenai Kachemak Pipeline Company, LLC (KKPL) for a certificate to construct and operate a gas pipeline from Ninilchik to Kenai. The pipeline will transport natural gas from supplies near Ninilchik for delivery to connecting pipelines at Kenai. If granted a certificate, KKPL will be the first certificated natural gas pipeline under Alaska Statutes 42.06. Docket: P-02-06, pending

<sup>1</sup> Figures have been restated to correct compilation errors in summarizing reported data.



Salmon Creek Dam in Juneau generates over 10 percent of the city's hydroelectric power. Photo is courtesy of Alaska Electric Light & Power Company.

## NORTH SLOPE PIPELINE EVENTS



### *Transportation Rate Settlement Agreement; Alpine Transportation Company*

The Commission accepted the rate settlement for the 2001 transportation rates based on a Settlement Agreement between the State of Alaska and Alpine Transportation Company. The agreement prescribes a methodology under which the pipeline carrier must file rates at or below the maximum calculated rate. Docket: P-00-15, pending



### *Pipeline Certification; BP Transportation (Alaska) Inc.*

The Commission granted, on an interim basis, a connection permit to BP Transportation (Alaska) Inc., to connect the Northstar Oil Pipeline to the Trans Alaska Pipeline System at Pump Station No. 1. The Commission will grant a final permit if specific terms and conditions of the connection are found reasonable. Docket: P-01-06, pending



### *Pipeline Certification; Milne Point Pipeline Company*

The Commission granted, on an interim basis, a connection permit to Milne Point Pipeline Company to connect to the Oliktok Pipeline Company. The Commission will grant a final permit if specific terms and conditions of the connection are found reasonable.

Docket: P-01-07, pending

## TRANS ALASKA PIPELINE SYSTEM EVENTS



### *Reopened Quality Bank Proceedings; Trans Alaska Pipeline System Carriers*

The Federal Energy Regulatory Commission (FERC) consolidated its Trans Alaska Pipeline System (TAPS) quality bank proceedings and ordered hearings before a FERC administrative law judge. In order to place the Commission's quality bank proceedings in the same procedural status as those of the FERC, the Commission reopened Docket P-98-09; consolidated the Commission's quality bank dockets; directed that concurrent hearings be held with the FERC; and appoint an administrative law judge. Hearings in this docket will be held concurrently with FERC hearings regarding the quality bank proceedings in the fall of 2002. Docket: P-89-02, pending



### *Transfer of Ownership; Phillips Transportation Alaska, Inc.*

The Commission approved the transfer of a 3.0845 percent interest in the Trans Alaska Pipeline System pipeline and terminal assets from BP Pipelines (Alaska) Inc. (BP), to Phillips Transportation Alaska, Inc. In previous years, BP owned approximately 50 percent of the pipeline, but currently owns approximately 47 percent. Phillips Transportation Alaska, Inc. ownership has increased from approximately 24 to 27 percent. Docket: P-01-08, pending



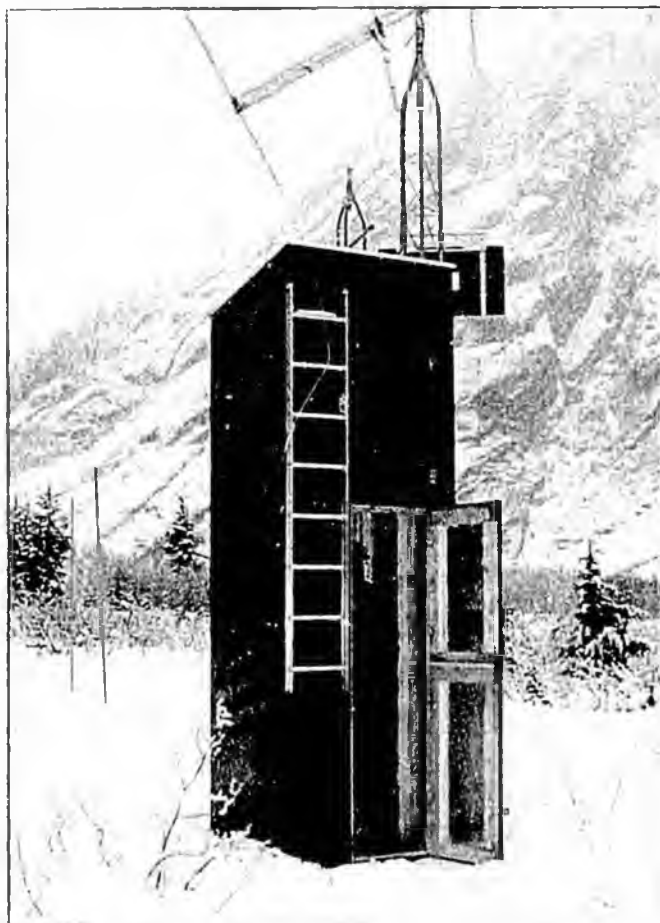
Alaska Power & Telephone Company (AP&T) wireless technician, Dave Dflaum works on the High Mountain Web Camera. Photo is courtesy of AP&T.



## ANNUAL REVIEW

The Public Advocacy Section (PAS) was established by the Legislature in 1999 to operate independently from the Commission and represent the public interest. As a party, the PAS investigates all relevant issues; presents the results of its investigation to the Commission, as necessary; and may submit stipulations of agreed upon issues for the Commission's approval. The PAS staff has the responsibility of participating as a party (when named by the Commission) and testifying in proceedings before the Commission.

The PAS generally investigates historical and subject area research of the utility proposal; conducts onsite audits of the utility's records; discovery and pre-filed written testimony; and prepares cross-examinations of utility witnesses at hearings. The PAS may also engage in settlement discussions.



A remote weather station beams weather reports to Anchorage as part of a statewide reporting system. Photo is courtesy of Alaska Electric Light & Power Company.

### *Public Advocacy Staff*

In fiscal year 2002, the PAS staffed two utility financial analysts, utility engineering analyst, law office assistant, and a section chief. Two Assistant Attorneys General provided a combined 150 percent of their time on legal support and representation for the PAS (with 50 percent of time devoted to Commission appeals). Outside consultants were employed for two cases during the fiscal year.

### *Summary of Utility Dockets*

The PAS staff filed testimony, reports or comments in 12 dockets, and participated in nine separate hearings before the Commission. In total, the PAS spent 31 days at hearing. The PAS also attended numerous prehearing and discovery conferences before Commission hearing examiners, and participated in workshops. The PAS regularly participated in settlement conferences to narrow or settle issues, and jointly filed stipulations to resolve issues in eight dockets. The PAS counsel regularly engaged in motion practice, including legal briefs when necessary. Currently, the PAS is named a party to 39 open dockets that are in various stages of investigation.

### *Summary of Regulation Dockets*

The PAS participated in two regulation proceedings. In Docket R-02-02, the PAS proposed to amend existing regulations and add a new section to the Commission's regulations that would define powers and duties of the Public Advocacy Section. The PAS petitioned the Commission to adopt the proposed amendments, presented argument at a public meeting, and filed extensive reply comments.

The PAS also participated in Docket R-02-03, regarding the proposed rules that govern fuel cost adjustment clauses. The PAS filed comments supporting regulations that would allow only costs directly associated with fuel to be passed on to ratepayers. In the proceeding, the PAS joined in a workshop with Commission staff and utilities.



## ELECTRIC EVENTS



*Transfer Price of Gas Methodology Argued; Municipality of Anchorage d/b/a Municipal Light & Power Department*

Municipality of Anchorage d/b/a Municipal Light & Power Department (ML&P) proposed to compute the transfer price of gas (associated with ML&P's purchase of one-third interest) from Beluga River Gas Field using the rate base/rate of return methodology. Subsequently, the PAS proposed using the Debt Service Coverage methodology, which the Commission approved. Docket: U-96-36, pending



*Wholesale Rates Determined; Chugach Electric Association, Inc.*

Chugach Electric Association, Inc. (Chugach) proposed rates for its wholesale customers Matanuska Electric Association, Inc., Homer Electric Association, Inc./Alaska Electric Generation & Transmission Cooperative, Inc. (AEG&T) under the terms of the Settlement Agreement. The PAS argued that certain costs incurred by Chugach should not be included in the rate and recommended other cost reductions. The Commission agreed and ordered the cost reductions. Matanuska Electric Association, Inc. and AEG&T disputed the cost allocations proposed by Chugach. The PAS argued against changing the allocations, pointing out the Settlement Agreement specified that allocations were to remain unchanged until a general rate case is filed. The Commission agreed and required compliance with the approved Settlement Agreement. Docket: U-96-37, pending



*Methodology for Line-Loss Factor Established; Chugach Electric Association, Inc.*

Chugach Electric Association, Inc. (Chugach) and its wholesale customers disagreed on how to measure and allocate line-loss. In fiscal year 2001, the PAS and other parties (Chugach, Alaska Electric Generation & Transmission Cooperative, Inc., Matanuska Electric Association, Inc., and Homer Electric Association, Inc.), presented a panel of experts to agree upon an approach through the use of a consultant. The Commission accepted the consultant's study and all issues have been stipulated with the Commission's approval pending. The PAS participated in numerous technical meetings and negotiations. Docket: U-99-106, pending



*Inclusion of Fixed Costs in Cost of Power Adjustment Argued; Homer Electric Association, Inc.*

The Commission opened an investigation into the use of Homer Electric Association, Inc.'s (HEA) Cost of Power Adjustment (COPA) to recover the fixed costs of an affiliate, Alaska Electric Generation & Transmission Cooperative, Inc. The PAS argued against the use of HEA's COPA to recover fixed costs. The Commission approved the exclusion and the affiliate's fixed costs will be determined in a pending docket. Docket: U-00-18, pending



*Electric Rates Stipulated; Golden Valley Electric Association, Inc.*

Golden Valley Electric Association, Inc. (GVEA) filed revenue-requirements, cost of service study, and a rate design study to justify a rate reduction. The PAS reviewed GVEA's financial records and applied general rate making principles to reach a settlement agreement with GVEA. The result was a 2.6 percent reduction in rates. The Commission approved the stipulation and the rate decrease was implemented. Docket: U-00-93, pending



*Taken out of service in 1998, this is one of two power houses built to generate power that used water from the Salmon Creek Dam. Photo is courtesy of Alaska Electric Light & Power Company.*



*Contributions for Line Extensions;  
Chugach Electric Association, Inc.*

Chugach Electric Association, Inc. proposed to reduce contributions to the cost of primary line extensions for residential and commercial construction with the intent to eliminate its line extension credit to new homebuyers. The PAS and the Anchorage Homebuilders Association opposed the change. The Commission accepted a stipulation among the parties to provide continued contributions at reduced levels. Docket: U-01-01, pending



*Policy on Guaranteed Recovery Argued;  
Chugach Electric Association, Inc.*

Chugach Electric Association, Inc. (Chugach) filed its first complete general rate case since 1987. The filing included a revenue-requirement, depreciation study, cost of service study, and rate redesign. Chugach requested a rate increase of four percent. The Commission decided some issues in advance of considering the overall rate increases. One issue was a request by Chugach to create two regulatory assets by granting explicit approval for the guaranteed recovery of two specific expenditures. The PAS argued against the creation of a regulatory asset in both instances as being contrary to generally accepted rate making. The Commission approved the creation of the assets. The remainder of the rate increase is being considered in fiscal year 2003. Docket: U-01-108, pending

*NATURAL GAS EVENT*



*Terms of Gas Sales Agreement Argued;  
ENSTAR Natural Gas Company, a  
Division of SEMCO Energy, Inc.*

ENSTAR Natural Gas Company (ENSTAR), a Division of SEMCO, Inc. requested approval of the Gas Sales Agreement (GSA) between Union Oil Company of California (Unocal) and Alaska Pipeline Company, a subsidiary of ENSTAR. The proceeding included the price index, peaking and transportation fee, GSA term, and opportunity for arbitrage. The PAS argued for an alternative price, against the peaking and transportation fees, a definition of termination, and a means to limit arbitrage. The Commission granted the existing terms for price, peaking and transportation fees, but set limits on the GSA term and Unocal's ability to arbitrage. ENSTAR filed

revenue-requirements without proposed rate changes. The PAS supported a decrease of 2.39% and the Commission approved a 1.96% decrease.

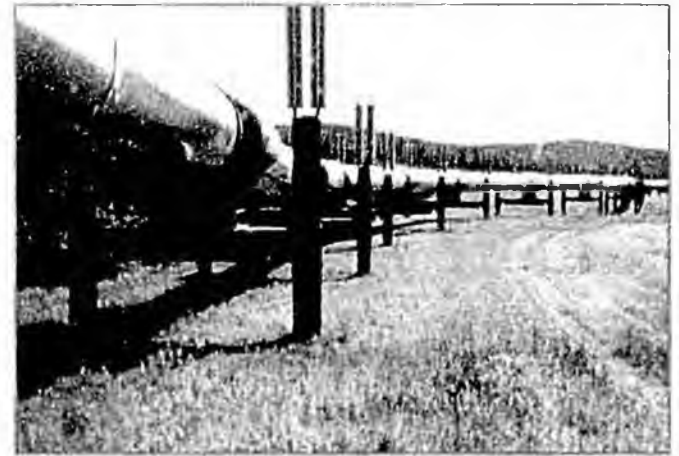
Dockets: U-00-88, pending; U-01-07, closed (6/10/02)

*PIPELINE EVENT*



*Rates for the Trans Alaska Pipeline  
System Argued*

The owners of the Trans Alaska Pipeline System, affiliates of Amerada Hess Pipeline Corporation have separate transportation tariffs that have been in contention since 1986. The PAS filed several briefs supporting a cost based transportation rate. Docket: P-97-04, pending



*The Alaska pipeline. Photo is courtesy of Alaska Division of  
Community and Business Development.*

*REFUSE EVENT*



*Revenue-Requirement Studies Argued;  
Waste Management of Alaska, Inc.*

Waste Management of Alaska, Inc. (WMA) filed proposed revenue-requirement studies in an attempt to justify rate increases in eight areas they serve. The PAS investigated and recommended the studies be rejected due to critical deficiencies. At hearing, after PAS cross-examined WMA's expert witness, WMA requested that the Commission allow a withdrawal of filings and to submit new studies using a new test-year. The Commission approved a stipulation between WMA and the PAS to allow the submission of new test-year revenue-requirements. Docket: U-00-30, pending



## TELECOMMUNICATIONS EVENTS



*Local Exchange Rates for 75-Percent of Ratepayers Statewide Argued; Alaska Communications Systems, Inc.*

Alaska Communications Systems, Inc. (ACS) local exchange companies filed for rate increases in the service areas of Anchorage, Fairbanks, Juneau, and Sitka. The PAS filed testimony of two outside consultants and a PAS witness. During the proceeding, the PAS, ACS, and GCI Communication Corporation agreed to stipulate operating expenses and to include profits in the rates. A five-day hearing was held on depreciation expense, the largest single expense included in rates. Dockets: U-01-34, U-01-82, U-01-83, U-01-84, U-01-85, U-01-87, pending



*Rural Exemption for Wireless Service Examined; Alaska Power & Telephone Wireless, Inc.*

Alaska Power & Telephone Wireless, Inc. filed an application to provide local wireless service in Ketchikan. The Commission requested information to evaluate the applicability of the rural exemption. The PAS filed a legal brief regarding rural exemption issues and the utility's requirement to meet eligible telecommunications carrier laws under the Telecommunications Act of 1996. Docket: U-01-109, pending



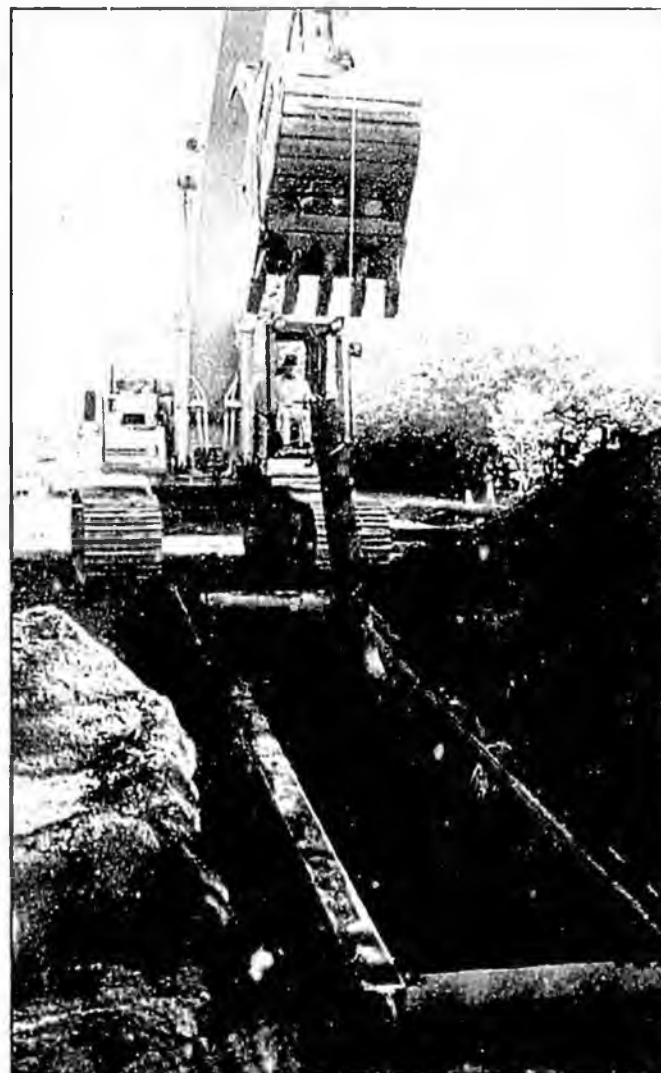
*Alaska Power & Telephone Company (AP&T) technician, Celinda Hanson is with the Power Division of Wales Island. Photo is courtesy of AP&T.*

## WATER & WASTEWATER EVENT



*Rate Increases Argued; Golden Heart Utilities, Inc.*

Golden Heart Utilities, Inc. (GHU) filed revenue-requirements and rate design studies for a proposed rate increase. The PAS countered with several proposed reductions. The Commission agreed with most of the PAS' reductions in cost and issued an order. Immediately following the Commission's order, GHU filed a second request for an increase in rates, which is still pending. Dockets: U-00-115, U-00-116, U-00-146, closed (5/21/02); U-02-13, U-02-14, pending



*Alaska Water and Wastewater Utility (AWWU) replaces old wooden water pipes. Photo is courtesy of Municipality of Anchorage d/b/a AWWU.*



### INFORMAL COMPLAINTS

Investigating and resolving complaints has become a vital element in the Commission's public protection role. The Commission urges consumers to resolve complaints directly with the utility or pipeline carrier. If the matter cannot be settled with the utility or pipeline carrier, consumers and pipeline shippers may seek relief from the Commission. If Commission Staff determines the complaint results from a violation of a tariff, Staff can require the utility or pipeline carrier to conform to the minimum standards spelled out in the tariff. Staff will investigate the complaint, review the tariff and contact the utility. Staff also reviews Commission orders, applicable statutes and regulations to determine the

validity of the complaint, and then recommend an appropriate course of action. Consumers are notified with a summary of the facts and explanation of the recommended resolution. Although a vast majority of complaints are resolved informally, if consumers are not satisfied with Staff's decision, a formal complaint may be filed directly with the Commission through the appeal process. A formal complaint that is accepted by the Commission for adjudication is assigned a docket number and an investigation is instituted into the issues raised in the complaint. In fiscal year 2002, six informal complaints appealed Staff's decision and were docketed for adjudication.

Prepared by Tamara Alexander

Complaints	1999	2000	2001	2002
Cable Television	1	1	3	0
Electric	77	67	78	72
Natural Gas	26	25	22	19
Pipeline	0	0	0	0
Refuse	5	13	14	25
Steam Heat	0	0	0	0
Telecommunications	638	450	548	587
Wastewater	3	2	4	3
Water	43	32	13	22
<b>Totals</b>	<b>793</b>	<b>590</b>	<b>682</b>	<b>728</b>

Telephone Complaints	
153	Billing Practices
291	Quality of Service
13	Rates and Charges
130	Service Availability and Line Extensions
<b>587</b>	<b>Total</b>

The figure above shows the number of informal complaints filed by customers for regulated utilities and pipeline carriers.

The data demonstrates that electric and telephone utilities generate the majority of informal complaints received by the Commission. This is generally to be expected because these utilities account for the greatest number of customers, the largest plant investment, and the most frequent regulatory activities.

Contact Summary	1999	2000	2001	2002
Telephone	11,198	9,400	10,366	10,350
Conferences	298	383	340	951
<b>Totals</b>	<b>11,496</b>	<b>9,783</b>	<b>10,706</b>	<b>11,301</b>

The figure above shows the number of telephone contacts and personal conferences handled by the Consumer Protection Staff.

Informal Complaints	
234	Billing Practices
313	Quality of Service
44	Rates and Charges
137	Service Availability and Line Extensions
<b>728</b>	<b>Total</b>

(16.7% change from fiscal year 2001)



Prepared by Tamara Alexander

<i>Complaints</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Complaints Opened	793	590	682	728
Complaints Closed	818	605	670	719
Complaints Pending (start of fiscal year)	47	22	7	19
Complaints Pending (end of fiscal year)	22	7	19	28

The figure to the right shows the number of informal complaints that were opened, processed, and closed. Complaints that were pending during the fiscal year were carried over into the next year.

### ELECTRIC EVENT



*Customer Disputes Utility's Billing Practice;  
Chugach Electric Association, Inc.*

A customer of Chugach Electric Association, Inc. (Chugach) filed an informal complaint with the Commission disputing the utility's billing practice. The utility had transferred a delinquent balance from the customer's business account to the customer's residential account. Staff investigated the complaint, and notified the customer that Chugach could not disconnect residential service for an outstanding business account balance, nor could Chugach disconnect service for nonpayment of a bill related to another class of service at a different service location. Chugach acknowledged that as the customer kept the residential account current, Chugach could not disconnect residential service for the outstanding business account. However, Chugach would disconnect the residential account if it became delinquent. Additionally, if the residential service was ever permanently disconnected at the customer's request or temporarily disconnected to transfer from one location to another, Chugach would require the delinquent business balance to be paid in full as a condition before starting new service. In review of the customer's account, Chugach found unclaimed capital credits for the business account and together with the customer, reached agreement for the unpaid balance that would be paid over the next few years with the proceeds from the capital credit. The complaint was resolved to the customer's satisfaction when Chugach agreed to remove the balance that was transferred to the residential account. Consumer Protection File: C-02-180, closed (4/29/02)

### TELECOMMUNICATIONS EVENT



*Customers Blocked from Internet Access;  
Summit Telephone & Telegraph Company  
d/b/a Summit Telephone Company*

Summit Telephone & Telegraph Company d/b/a Summit Telephone Company (Summit) established a two-way Extended Area Service (EAS) between local exchanges in Chatanika, Haystack, Cleary Summit, and Fairbanks through the Basic Exchange Telecommunications Radio Service (BETRS). The service allows customers to call on the BETRS system, to and from certain communities without incurring long distance charges. Summit became concerned when customers found it difficult to place telephone calls due to the congestion caused by increased Internet usage and the limited capacity of BETRS. Therefore, Summit notified customers and the Commission, that it would immediately block EAS access to Internet providers, causing customers to pay a long distance charge when they connect to the Internet.

The Commission received complaints opposing Summit's actions blocking EAS and argued that charges for Internet use violated the Commission's approved stipulation providing for two-way EAS. Summit was granted an interim EAS blocking of Internet calls and required to report improvements to the BETRS in the Chatanika, Haystack, and Cleary Summit areas. Docket: U-02-17, pending

## WATER & WASTEWATER EVENT

*Bulk Water Service Discontinued in Fairbanks; Golden Heart Utilities, Inc.*

The Commission granted Golden Heart Utilities, Inc.'s (GHU) request to discontinue bulk water service to customers in Fairbanks who were not connected to GHU's water system. As a result, the Commission received informal complaints from GHU's bulk water customers who stated they had no other source of water supply in terms of the water's quality or rates. Also, customers complained they had not been given adequate notification to find a new bulk water supplier.

The Commission reopened the evidentiary record and scheduled a videoconference to take additional testimony in Fairbanks and Anchorage regarding the provision of bulk water service. The Commission learned that GHU had removed all equipment that would allow continuation of bulk water service at its former location. Golden Heart Utilities, Inc. testified it was not the only available source for bulk water. As a result, a request was filed by another entity, to provide bulk water service. The Commission granted a waiver of the certificate requirement, and approved the new applicant to provide service. Dockets: U-00-115, U-00-116, (closed 5/21/02)



*View of Aspund Wastewater treatment facility near Pt. Woronzof in Anchorage. Photo is courtesy of Municipality of Anchorage d/b/a Alaska Water and Wastewater Utility.*

## TARIFF FILINGS

Tariffs are the written terms, conditions, rules and rates governing a utility's conduct in providing public utility service. They are similar to the bylaws of a corporation. In approving a certificate of public convenience and necessity, the Commission reviews the applicant's tariff. All regulated utilities and pipeline carriers are required to maintain a tariff and to operate under its terms.

Regulated utilities and pipeline carriers must notify the Commission of any proposed changes to its tariffs. In most cases, the Commission must approve tariff revisions before they can take effect. The Commission considers most tariff filings at Tariff Action meetings, which are held in public bi-monthly. For certain kinds of utilities, the Commission allows proposed tariff revisions to take effect automatically at the end of a thirty-day period. The most common occurrence of tariff revisions taking effect automatically is with respect to interexchange telecommunications utilities.

Prepared by Wendy Arnett

<i>Tariff Filings</i>	<i>2002</i>	<i>Percent</i>
Cable Television	1	0%
Electric	154	29%
Natural Gas	9	2%
Pipeline	59	11%
Refuse	13	2%
Steam Heat	8	2%
Telecommunications	253	47%
Wastewater	12	2%
Water	27	5%
<i>Totals</i>	<i>536</i>	<i>100%</i>

*The figure above shows the number and percentage of tariff filings by entity. The number of telecommunications tariff filings represents 168 filings made by local exchange carriers and 85 filings made by interexchange telecommunications carriers.*



Prepared by Wendy Arnett



<i>Tariff Filings</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Processed Routinely	560	411	475	455
Suspended	40	63	63	50
Withdrawn	17	23	23	9
Rejected	8	9	1	0
Pending	8	38	14	22
<i>Totals</i>	<i>633</i>	<i>544</i>	<i>576</i>	<i>536</i>

*The figure above: the comparison of filed tariffs, by category.*

<i>Tariff Revisions</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
General Rate Change <sup>1</sup>	47	49	30	41
General Rate Restructure	0	2	5	0
Simplified Rate Filing	2	0	6	4
New Service/Equipment Offering	168	143	100	91
Nonrecurring Rate	8	5	7	19
Universal Access Surcharge	30	4	1	1
Regulatory Cost Charge	75	107	110	106
Contracts	46	16	24	25
Fuel, gas, and purchased power surcharges; Power Cost Equalization filings; and nonfirm power purchase rates <sup>2</sup>	133	85	124	117
Rule Change	76	55	59	40
Miscellaneous	48	78	110	68
Promotions <sup>3</sup>	0	0	0	24
<i>Totals</i>	<i>633</i>	<i>544</i>	<i>576</i>	<i>536</i>
<i>Percent Change</i>	<i>+1.4%</i>	<i>-14.0%</i>	<i>+5.9%</i>	<i>-6.9%</i>

*The figure above shows the number of requests for tariff changes by category. Each request is counted only once regardless of the number of proposed tariff changes it includes.*

<sup>1</sup> In previous annual reports, some filings now shown in this category were classified as Miscellaneous. The General Rate Change category does not include simplified rate filings.

<sup>2</sup> There were no Power Cost Equalization (PCE) base rate changes for 2000, one PCE funding level change in 2001, and two PCE funding level changes in 2002.

<sup>3</sup> In previous annual reports, Promotions were counted under Miscellaneous.



Prepared by Joyce McGowan

Orders Issued	1999	2000	2001	2002
Substantive	509	566	741	518
Procedural	144	34	33	28
Totals	653	600	774	546

The figure above illustrates the number of orders issued by category.

Orders Issued	Substantive	Procedural
Cable Television	6	0
Electric	99	9
Generic <sup>1</sup>	54	5
Natural Gas	12	0
Pipeline	62	3
Refuse	35	3
Telecommunications	224	8
Wastewater	2	0
Water	24	0
Totals	518	28

The figure above shows the number of orders issued by entity in fiscal year 2002.

Docket Summary	1999	2000	2001	2002
Dockets Opened	171	205	172	152
Dockets Closed	198	206	285	194
Dockets Pending (start of fiscal year)	559	532	531	418
Dockets Pending (end of fiscal year)	532	531	418	376
Percent Change <sup>2</sup>	-5.1%	0.2%	21.3%	10.0%

The figure above shows the Commission's docket summary.

## ORDERS & DOCKETS

The Commission issued 546 decisions or orders in fiscal year 2002. They are categorized into two groups: substantive and procedural. Substantive orders reflect findings and conclusions based on evidence included in the formal record of the Commission. Procedural orders relate to the process and schedule used to handle a case.

All formal proceedings before the Commission are identified as "dockets". Dockets are numbered functionally to denote the type of proceeding, the year of its initiation, and numerical sequence in that year.

- ③ "R" represents regulatory dockets,
- ③ "P" represents pipeline dockets, and
- ③ "U" represents utility dockets.

For example, P-01-03 is the third pipeline docket opened by the Commission in the 2001 calendar year. All material, legal pleadings, and decisions are identified by this number and filed in the docket. After the Commission has issued a final order, the docket is closed.



<sup>1</sup> Generic refers to regulatory dockets involving more than one type of entity.

<sup>2</sup> The percentage figures have been restated to correct compilation errors reported in prior annual reports.



## CERTIFICATION PROCEEDINGS

Prepared by Joyce McGowan

Every utility (with limited exceptions) and pipeline carrier must obtain a certificate of public convenience and necessity to provide service to the public for compensation. The Commission must approve all amendments to, or transfers of, certificates, as well as acquisitions of controlling interest in certificate holders. In fiscal year 2002, the Commission processed 63 applications for certificates.

*The figure to the right shows the number of certification proceedings by entity.*

The criteria for issuing certificates is prescribed by law. The service must be required for the public convenience and necessity, and the applicant must be fit, willing, and able to provide the service.

Most small electric utilities in the Power Cost Equalization program applied for certificates prior to fiscal year 1989. Several of these applications are still pending approval because of incomplete financial information or system safety considerations.

*The figure to the right shows the number of certification proceedings by category.*

<i>Certification Proceedings</i>	1999	2000	2001	2002
Cable Television	0	2	3	3
Electric	3	4	7	6
Natural Gas	2	2	1	0
Pipeline	6	11	7	5
Refuse	9	6	3	3
Steam Heat	0	0	0	0
Telecommunications	61	55	42	37
Wastewater	1	2	4	2
Water	5	2	6	7
<i>Totals</i>	<i>87</i>	<i>84</i>	<i>73</i>	<i>63</i>

<i>Certification Proceedings</i>	1999	2000	2001	2002
Acquisitions	7	3	2	4
Amendments	9	13	12	4
New Certificates	50	39	33	34
Certificate Transfers	9	23	13	13
Exemption from Certification	0	0	2	1
Discontinuation of Service	1	0	7	5
Temporary Operating Authority	3	1	0	0
Other	8	5	4	2
<i>Totals</i>	<i>87</i>	<i>84</i>	<i>73</i>	<i>63</i>

## SUMMARY OF FILINGS

A substantial part of the Commission's mission is to handle and process tariff filings, formal proceedings, informal complaints, and certification proceedings. Each document filed with the Commission is electronically scanned, categorized, appropriately routed, and filed. All documents received are posted daily to the Mailsheet (Daily Filings) and available to the public for viewing on the Commission's website.



*Aerial photo of Haines, Alaska. Photo is courtesy of Alaska Power & Telephone Company.*



Prepared by Tamara Alexander, Wendy Arnett, and Joyce McGowan

<i>Utility Type</i>	<i>Informal Complaints</i>	<i>Tariff Filings</i>	<i>Certification Proceedings</i>	<i>Formal Proceedings</i>
Cable Television	0	1	3	0
Electric	72	154	6	8
Generic <sup>1</sup>	0	0	0	6
Natural Gas	19	9	0	4
Pipeline	0	59	5	6
Refuse	25	13	3	5
Steam Heat	0	8	0	0
Telecommunications	587	253	37	54
Wastewater	3	12	2	2
Water	22	27	7	4
<i>Totals</i>	<i>728</i>	<i>536</i>	<i>63</i>	<i>89</i>

The figure above illustrates the distribution of the Commission's workload for filings made in 2002. The table does not include Commission obligations arising from government actions or from initiatives taken by the Commission. Telecommunications represents 168 filings made by Local Exchange Carriers and 85 filings made by Interexchange Telecommunications Carriers.

### FORMAL PROCEEDINGS

Prepared by Joyce McGowan

In addition to tariff and certification filings, the Commission institutes formal proceedings to consider: rate changes, rule changes, special contracts, complaints against utilities and pipeline carriers, investigations of service quality or management practices, and regulations. Frequently, requests for general rate changes include or necessitate a restructuring of rates. Formal proceedings impact the Commission's workload due to considerable time and resources required to audit, investigate, prepare prefiled testimony, conduct public hearings, determine and issue decisions, and process requests for reconsideration.

The figure to the right represents categories of formal proceedings, excluding certifications. Rate-related filings continue to dominate the Commission's formal proceedings.

<i>Formal Proceedings</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Access Charge Filing	21	21	19	3
Contracts	2	1	6	2
Generic/Regulations	5	10	5	9
<i>Investigations:</i>				
Complaints	0	7	12	9
Management Practices	0	0	3	2
Interconnection	2	1	4	7
Eligible Carrier				
Designation	0	0	1	3
Investigations: Other	3	7	2	10
<i>Rate &amp; Rule Change:</i>				
General Rate Change	6	18	1	14
Rate Restructure	0	5	9	1
Service/Equipment Offering	12	13	18	14
Rate Change: Other	6	1	2	0
Rule Change	1	0	7	0
<i>Miscellaneous</i>				
Equal Access Ballots	5	3	0	2
Protected/Confidential Status	8	16	3	1
Miscellaneous: Other	0	18	7	12
<i>Totals</i>	<i>71</i>	<i>121</i>	<i>99</i>	<i>89</i>

<sup>1</sup> The act involves more than one type of utility.



## ALASKA SUPREME COURT CASES



*Chugach Electric Association, Inc. v. the Regulatory Commission of Alaska*

In fiscal year 1997, Chugach Electric Association, Inc. (Chugach) attempted to arrange power sales contracts with customers in the exclusive service territory of Municipality of Anchorage d/b/a Municipal Light & Power Department (ML&P). After which ML&P filed a complaint with the Alaska Public Utilities Commission (APUC). After briefing, the APUC issued an order prohibiting Chugach from selling power to customers in ML&P's service territory without obtaining a certificate for that service. The Alaska Supreme Court affirmed the APUC order. Case: S-09692, closed



*Matanuska Electric Association, Inc. v. Chugach Electric Association, Inc.*

In 1997, Matanuska Electric Association, Inc. (MEA) complained that the Cost of Power Adjustment (COPA) for wholesale power it purchased from Chugach Electric Association, Inc. (Chugach) was unjust and unreasonable because Chugach used an excessive line-loss factor in the computation. The Alaska Public Utilities Commission (APUC) issued U-97-36(13), which required Chugach to recalculate the COPA balancing account for 1995 through 1997 and refund excessive charges to its wholesale customers. The superior court reversed the APUC decision and MEA appealed to the Alaska Supreme Court. The Regulatory Commission of Alaska filed an *amicus curiae* brief asking the court to remand the case to the RCA. Case: S-09839, pending



*ACS of Alaska, Inc., ACS of the Northland, Inc., and ACS of Fairbanks, Inc. v. Regulatory Commission of Alaska and GCI Communication Corporation*

The Alaska Communications Systems, Inc.'s local exchange companies appealed from the superior court decision affirming the Commission's order terminating the rural exemption under the Telecommunications Act of 1996. Case: S-10466, pending

## SUPERIOR COURT CASES



*Chugach Electric Association, Inc. v. Regulatory Commission of Alaska*

After Municipality of Anchorage d/b/a Municipal Light & Power Department (ML&P) filed an application to provide electric service to a non-military customer located on Fort Richardson Army Post, the Regulatory Commission of Alaska (RCA) ruled that ML&P should list its Army Post customers in its tariff rather than in the service area description in its certificate. Municipality of Anchorage d/b/a Municipal Light & Power Department petitioned for reconsideration and Chugach Electric Association, Inc. (Chugach) sought to intervene. After extensive briefing, the RCA ruled that it has concurrent jurisdiction on the military bases so long as there is no conflict with federal law. The RCA held there is no conflict with federal law where no issue of competitive procurement is involved. The RCA determined that it would continue to follow the past practice of listing ML&P's Army Post customers in the service area description of its certificate. The superior court affirmed in the fiscal year of 2002 the RCA's order, holding that the issue Chugach attempted to appeal is not ripe for adjudication. Case: 3AN-01-8288 CI, closed



Alaska Power & Telephone Company (AP&T) Metlakatla crew (Richard Booth and Kathy Brendible) are shown working on a power pole. Photo is courtesy of AP&T.



*ACS of Alaska, Inc., ACS of the Northland, Inc., and ACS of Fairbanks, Inc. v. Regulatory Commission of Alaska and GCI Communication Corporation*

The local exchange companies now known as the Alaska Communications Systems, Inc. (ACS) companies appealed the Regulatory Commission of Alaska's order terminating its rural exemption under the Telecommunications Act of 1996. After the Iowa Utilities Board II decision by the Eighth Circuit Court of Appeals, the ACS companies moved for a stay of the Commission's order. The superior court denied the stay, and the Alaska Supreme Court rejected a petition for review. The court also denied ACS' motion to vacate the Commission's decision. The superior court issued its substantive order affirming the Commission's decision. Cases: 3AN-98-4759 CI, 3AN-98-4903 CI, 3AN-98-4905 CI (Consolidated); Telephone Utilities of Alaska, Inc. et al. v. RCA. Cases: 3AN-99-3494 CI, 3AN-99-3499 CI (Consolidated), closed



*Alaska Exchange Carriers Association, Inc. v. Regulatory Commission of Alaska*

Alaska Exchange Carriers Association, Inc. (AECA) filed a proposed tariff revision to change the procedure for modifying the first point of switching. After receiving written comments regarding the proposed tariff revision, the Commission rejected it without holding an evidentiary hearing. Alaska Exchange Carriers Association, Inc. and Alaska Communications Systems, Inc. appealed the order, contending that the Commission could not deny the tariff revision without holding an evidentiary hearing. The superior court remanded these to the Commission for an evidentiary hearing. Case: 3AN-00-3714 CI, pending



*ACS of Fairbanks, Inc. et al. v. Regulatory Commission of Alaska and GCI Communication Corporation*

Alaska Communications Systems, Inc. filed in the Alaska Superior Court for the same injunctive and declaratory relief it sought in the federal district court. Alaska Communications Systems, Inc. seeks relief from the local exchange interconnection terms arbitrated in U-99-141/142/143. The Superior Court appeal has been stayed while the same issue is litigated in the federal courts. Case: 3AN-00-3725 CI, pending



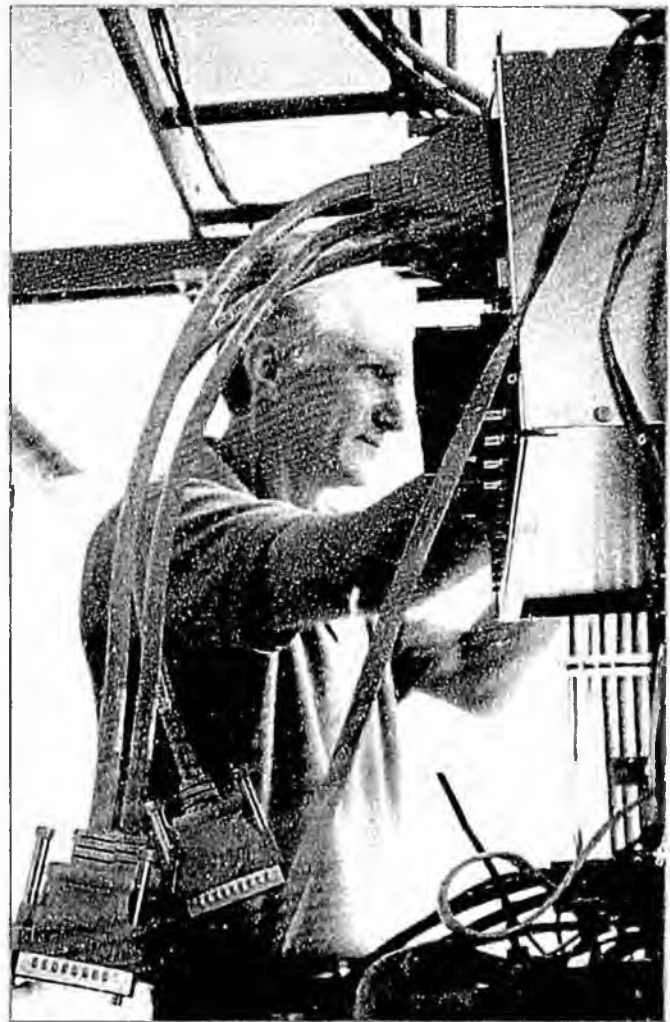
*GTE Communications Corporation v. Regulatory Commission of Alaska*

GTE Communications Corporation (GTE) appealed the Commission's order denying petitions to grant confidential status to financial statements filed in compliance with AS 42.05.451(b). Case: 3AN-00-3733 CI, closed



*Golden Heart Utilities, Inc. v. Regulatory Commission of Alaska*

Golden Heart Utilities, Inc. listed numerous points on appeal of the Commission's decisions in its last rate case. Case: 4FA-02-1444 CI, pending



Manager of Alaska Power & Telephone Co. (AP&T), Wendell Heves, works in the Wrangell Central Office. Photo is courtesy of AP&T.



## 9<sup>TH</sup> CIRCUIT COURT OF APPEALS



*ACS of Fairbanks, Inc. et al. v. Regulatory Commission of Alaska and GCI Communication Corporation*

These consolidated appeals arose from Alaska Communications Systems, Inc.'s (ACS) original action in federal court seeking injunctive and declaratory relief from the Regulatory Commission of Alaska's decisions approving the results of arbitration in GCI Communication Corporation's request for interconnection under the Telecommunications Act of 1996. The issue in Case No. 01-35344 is whether, by conducting interconnection proceedings under the Telecommunications Act, the Commission has waived the state's 11<sup>th</sup> amendment immunity from suit in federal court. In the cross-appeal, Case No. 01-35375, ACS appealed the federal district court's grant of a stay of the entire action pending the 9<sup>th</sup> Circuit's decision on the 11<sup>th</sup> amendment issue. Cases: 01-35344, 01-35375, pending

### STATUTES

The Alaska Legislature reorganized and renamed the Commission to the Regulatory Commission of Alaska (RCA) in 1999 as the state agency responsible for regulation of utilities and pipeline carriers. The RCA exists as an independent agency within the Department of Community and Economic Development under AS 42.04.010. Other provisions in the same chapter of AS 42.04 establish the RCA's structure, provide for the appointment and terms of commissioners and the employment of staff, specify powers and duties of the chair, and describe decision-making procedures for the RCA. The RCA has authority to investigate, hold hearings, prescribe systems of accounts, require the filing of reports, adopt regulations, and take other lawful actions necessary to accomplish the stated purposes of the Alaska Public Utilities Regulatory Act, AS 42.05, and the Pipeline Act, AS 42.06. The RCA's principal regulatory functions are certification and economic regulation (3 AAC 48.820(43)), which includes regulation of rates, quality of service, management practices, and consumer complaints.

The RCA has jurisdiction over public utilities providing electric, telecommunications (interexchange, local exchange, and cable television), steam heat, water and wastewater, natural gas, and refuse.<sup>1</sup> The term "public utility" is defined in AS 42.05.990(4) to mean, in general, an entity that provides any of these utility services to ten or more customers for compensation, or that sells wholesale service to a utility serving ten or more customers.

However, AS 42.05.711 provides statutory exemptions from economic regulation and, in some cases from the certification requirement, for certain kinds of utilities.

- (1) Under AS 42.05.711(b), public utilities owned and operated by a political subdivision of the state are exempt from economic regulation, unless the political subdivision elects to be regulated by the RCA. However, if any utility of a political subdivision is in competition with any other utility, then all that political subdivision's utilities are regulated.<sup>2</sup>
- (2) Under AS 42.05.711(e), electric and telephone utilities with gross revenues less than \$50,000 are exempt from both certification requirements and economic regulation, unless 25-percent of their customers petition for regulation.
- (3) Under AS 42.05.711(i), refuse utilities with annual gross revenues of \$300,000 or less are exempt from economic regulation, unless customers that pay 25-percent of the utility's gross revenues petition the RCA for regulation under AS 42.05.712(h).
- (4) Under AS 42.05.711(k), cable television utilities are exempt from economic regulation, unless subscribers petition the RCA for regulation under the procedures in AS 42.05.712.
- (5) Under AS 42.05.711(f), (g), and (h), customers of various kinds of utilities may vote for exemption from regulation by the RCA under the procedures in AS 42.05.712.

<sup>1</sup> Under AS 42.05.990(4)(E), "public utility" also includes a petroleum or petroleum product distributor "when the consumer has no alternative in the choice of supplier of an alternative product or service at an equal or lesser price;..." No entities meeting this definition of "public utility" are currently certificated or regulated by the Commission.

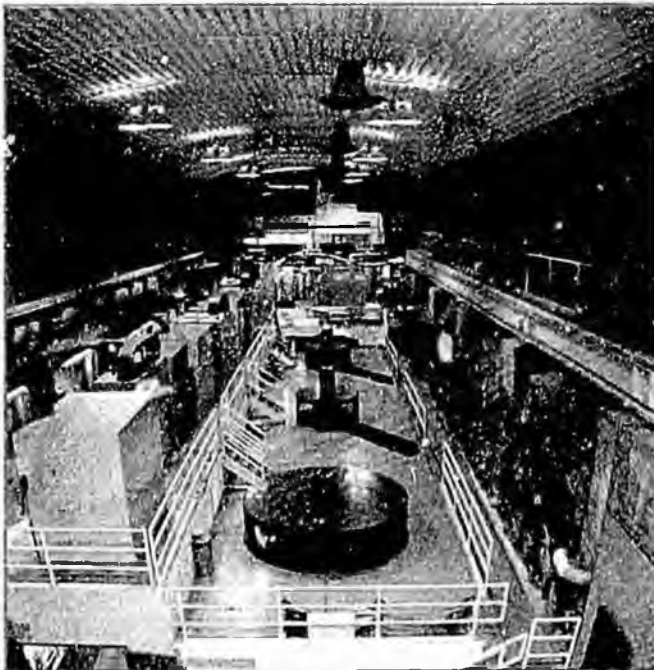
<sup>2</sup> The utilities of the Municipality of Anchorage are the only utilities operated by a political subdivision that are currently subject to economic regulation by the Commission.



(6) The RCA also has discretion under AS 42.05.711(d) to exempt a utility from all or a portion of AS 42.05 if it determines the exemption is in the public interest. The Alaska Public Utilities Commission and the RCA have exercised discretion under this statute to exempt some utilities particularly small water and competing refuse utilities from economic regulation requirements.

### *CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY*

Alaska Statutes 42.05.221 requires a public utility to obtain a certificate of public convenience and necessity from the Regulatory Commission of Alaska (RCA) before commencing service to the public. A certificate describes the nature and extent of authority granted to the utility, including, if appropriate, a description of the authorized service area and the scope of operations of the utility. Before issuing a certificate, the RCA must, under AS 42.05.241, find that the applicant is fit, willing, and able to provide the service and that the service is required for the convenience and necessity of the public. Alaska Statutes 42.05.241 also authorizes the RCA to eliminate undesirable duplication of utility service. The RCA has authority under AS 42.05.271 to amend, modify, revoke, or suspend certificates.



*Snettisham Powerplant produces 80-percent of Juneau's electricity. Photo is courtesy of Alaska Electric Light & Power Company.*

### *RATE REGULATIONS*

The Regulatory Commission of Alaska (RCA) is responsible for making or requiring just, fair, and reasonable rates, classifications, regulations, practices, services, and facilities for public utilities. The rate review process, prescribed by AS 42.05.361-42.05.441, most often begins with a tariff filing by a utility. Within 45-days, the RCA approves the filing or suspends it for further investigation. The RCA may permit an interim and refundable rate increase. If after investigation, the RCA finds the proposed rate or term of service unjust and unreasonable, the RCA will determine a just and reasonable rate or term of service.

The RCA also works with the Alaska Energy Authority in administering the Power Cost Equalization program. The RCA determines the eligibility of electric utilities and the kilowatt-hour amount paid under AS 42.45.100-42.45.190.

### *PIPELINE CARRIERS*

The Regulatory Commission of Alaska (RCA) also regulates the intrastate transportation services of oil and gas pipelines in Alaska. Under AS 42.06.240-42.06.305, the RCA grants certificates of public convenience and necessity for pipeline transportation service, and for construction or operation of any pipeline facilities in the state. The RCA has authority under AS 42.06.350-42.06.420 to review and determine intrastate service rates and charges of pipelines in the state.

The RCA is also authorized under AS 31.15.010-31.15.050 to determine if unjust and unreasonable discrimination has occurred in the sale of oil offered for purchase within Alaska.

### *ALASKA ADMINISTRATIVE CODE*

As authorized under AS 42.05.151 and other statutory provisions, the Regulatory Commission of Alaska has adopted regulations to carry out its statutory duties. The Commission's regulations are set out in the Alaska Administrative Code at Title 3, Part 5, Chapter 47 (Regulatory Cost Charge); Chapter 48 (Practice and Procedure); Chapter 49 (Deregulation); Chapter 50 (Energy Conservation); Chapter 51 (Telecommunications Relay Service); Chapter 52 (Operation of Public Utilities); and Chapter 53 (Telecommunications).

## PHOTO CREDITS

The photos presented in this publication are courtesy of the following utilities and businesses:

- ⑤ *Alaska Division of Community and Business Development* (page 28)
- ⑤ *Alaska Division of Tourism* (pages 33, 34, and inside back cover)
- ⑤ *Alaska Electric Light & Power Company* (pages 5, 6, 16, 18, 25, 26, 27, 40, and back cover)
- ⑤ *Arctic Slope Telephone Association Cooperative, Inc.* (pages 22 and back cover)
- ⑤ *Danny Daniels Photography* (pages 4, 7, 8, 9, and 10)
- ⑤ *Dept. of Fish & Game, Div. of Tourism* (pages 33, 34, and inside back cover)
- ⑤ *ENSTAR Natural Gas Company, a Division of SEMCO* (pages 20 and back cover)
- ⑤ *Holly Parsons Photography* (pages 9, 13, 14, and 15)
- ⑤ *Mark S. McCreedy, Alaska Power & Telephone Company* (pages front cover, 21, 25, 29, 35, 37, 38, and back cover)
- ⑤ *Matanuska Telephone Association, Inc.* (page 18)
- ⑤ *Municipality of Anchorage d/b/a Anchorage Water and Wastewater Utility* (pages 16, 23, 29, 32, and back cover)
- ⑤ *Rex Melton, Alaska Division of Tourism* (pages 33, 34, and inside back cover)
- ⑤ *Waste Management of Alaska, Inc.* (pages 21 and back cover)

## ACKNOWLEDGEMENTS

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- ⑤ *Agnes Pitts, Chief Consumer Protection & Information Officer*
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- ⑤ *Catherine Sabrowski, Publication Specialist*
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907.276.6222 • [www.state.ak.us/rca](http://www.state.ak.us/rca)*

## DEPARTMENT OF ENVIRONMENTAL CONSERVATION

### AS 46.03.010 - Declaration of Policy

It is the policy of the state to conserve, improve, and protect its natural resources and environment and control water, land, and air pollution, in order to enhance the health, safety, and welfare of the people of the state and their overall economic and social well being.

It is the policy of the state to improve and coordinate the environmental plans, functions, powers, and programs of the state, in cooperation with the federal government, regions, local governments, other public and private organizations, and concerned individuals, and to develop and manage the basic resources of water, land, and air to the end that the state may fulfill its responsibility as trustee of the environment for the present and future generations.

### AS 44.46.020 - Duties of department.

(a) The Department of Environmental Conservation shall

(1) have primary responsibility for coordination and development of policies, programs, and planning related to the environment of the state and of the various regions of the state;

(2) have primary responsibility for the adoption and enforcement of regulations setting standards for the prevention and abatement of all water, land, subsurface land, and air pollution, and other sources or potential sources of pollution of the environment, including by way of example only, petroleum and natural gas pipelines;

(3) promote and develop programs for the protection and control of the environment of the state;

(4) take actions that are necessary and proper to further the policy declared in AS 46.03.010;

(5) adopt regulations for

(A) the prevention and control of public health nuisances;

(B) the regulation of sanitation and sanitary practices in the interest of public health;

(C) standards of cleanliness and sanitation in connection with the construction, operation, and maintenance of a camp, cannery, food handling establishment, food manufacturing plant, mattress manufacturing establishment, industrial plant, school, barbershop, hairdressing, manicuring, esthetics, tattooing and permanent cosmetic coloring, body piercing, or ear piercing establishment, soft drink establishment, beer and wine dispensaries, and for other similar establishments in which lack of sanitation may create a condition that causes disease;

## DEPARTMENT OF ENVIRONMENTAL CONSERVATION

(D) the regulation of quality and purity of commercially compressed air sold for human respiration.

(b) The department's regulations for tattooing and permanent cosmetic coloring shops and for body piercing shops must include requirements that

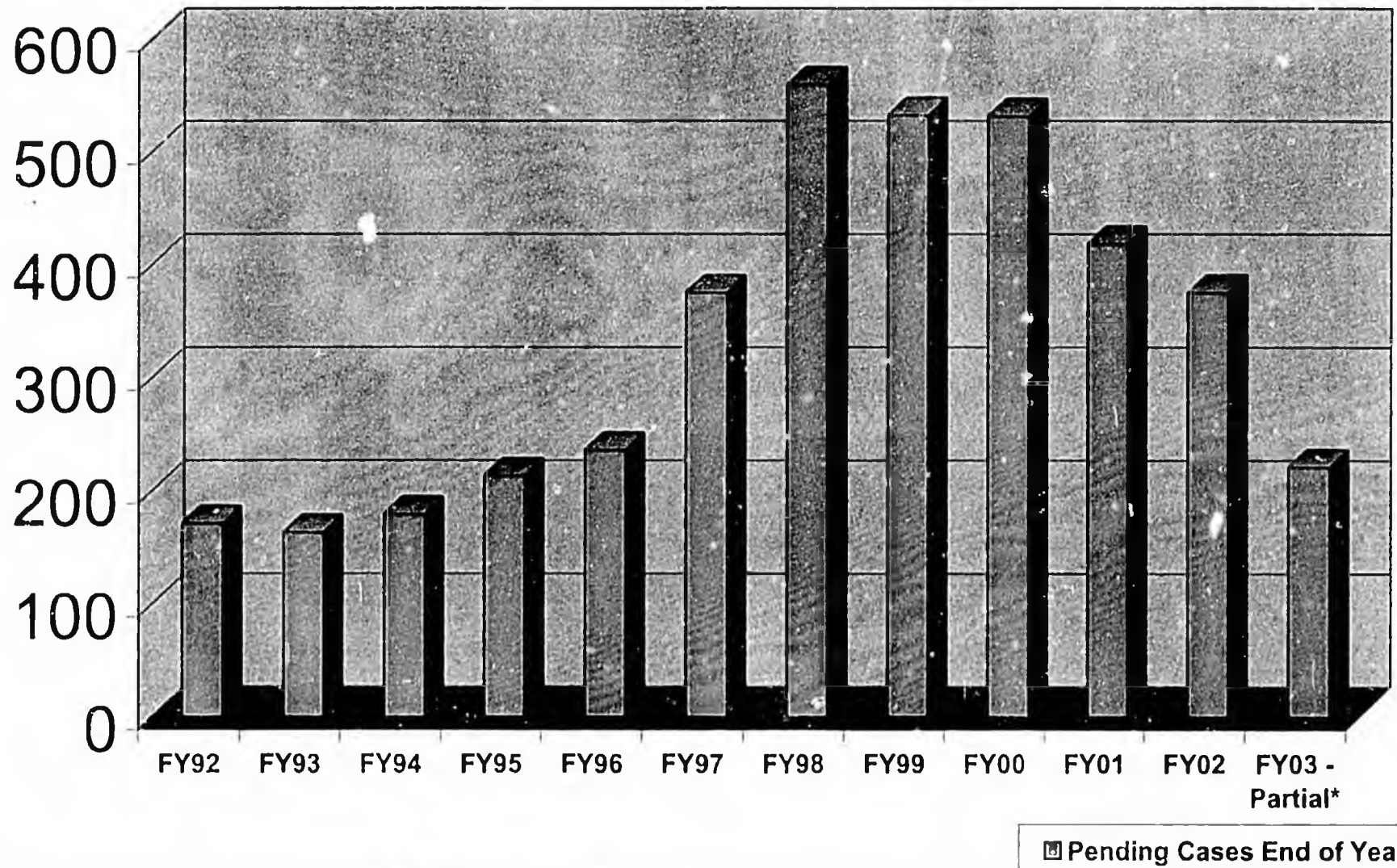
(1) the shop be equipped with appropriate sterilizing equipment, with availability of hot and cold running water, and with an appropriate waste receptacle;

(2) the owner of the shop is responsible for ensuring that case history cards are kept for each client for a period of three years after the client's most recent tattooing and permanent cosmetic coloring or body piercing;

(3) a practitioner in the shop may use only instruments for tattooing and permanent cosmetic coloring or body piercing that have been sterilized in accordance with methods approved by the department.

# THE RCA CASE BACKLOG IS GONE

Docket Cases FY92- FY02; FY03 through 12/31/02



# STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION  
OFFICE OF THE COMMISSIONER

410 Willoughby Ave., Ste 303  
Juneau, AK 99801-1795  
PHONE: (907) 465-5065  
FAX: (907) 465-5070  
<http://www.state.ak.us/dec/>

February 6, 2003

The Honorable House Finance Committee Members  
Alaska House of Representatives  
State Capitol, Room 519  
Juneau, AK 99801-1182

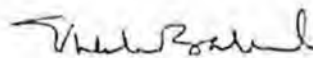
Dear Honorable House Finance Committee Members:

Thank you for the opportunity to provide an overview of the Department of Environmental Conservation to your Committee on January 30<sup>th</sup>. I enjoyed the hearing and appreciated your thoughtful inquiries. In response to those inquiries, I have attached information concerning DEC's Seafood and Food Safety Lab and Delegated primacy for your review.

For the record, I would like to correct a statement I made during the overview regarding the food safety lab in Palmer. I incorrectly stated that our building lease expires in 2003, the correct date is December 2006. I apologize for any confusion this may have caused.

Again, thank you for the opportunity to provide you information. If you would like further details, please contact me directly.

Sincerely,



Ernesta Ballard  
Commissioner

Attachment: Seafood and Food Safety Lab fact sheet  
Delegated Primacy fact sheet

# **Seafood and Food Safety Laboratory**

Division of Environmental Health, Department of Environmental Conservation

---

**The lab will close without an appropriation to build a new one. Here's how we got to this point:**

## **1997**

- Department of Administration determines it can no longer allow long-term leases at the facility because statutory rent reduction requirements.

## **1998**

- Department of Transportation and Public Facilities hires Livingston Slone to produce feasibility study that considers leasing versus owning, best location, and consolidation of the two labs the Department of Environmental Conservation operates.
- Legislature appropriated \$145.7 to evaluate replacement options.

## **1999**

- Private contractor assessment concludes Seafood and Food Safety Lab cannot be co-located with Public Health Lab primarily because construction of the Public Health Lab is already under way and its lab activities are very different, requiring detached, separate labs.

## **2000**

- Department of Environmental Conservation explores the possibility of housing its lab at Alaska Seafood International. However, according to Alaska Seafood International, its microbiological laboratory cannot fully meet the department's requirements. Alaska Seafood International lab space is 540 square feet and was never intended to be a broad-spectrum test facility. (The new Seafood and Food Safety lab is designed to be 19,312 square feet.)
- Department of Environmental Conservation selects site near Boniface and Tudor with Dept. of Transportation & Public Facilities oversight based on lab functions (proximity to major airport), cost of utilities, and access to Public Health lab. The Anchorage Planning and Zoning Commission approves the site selection report.
- Livingston Slone, hired by Dept. of Transportation & Public Facilities, determines that any existing market rental space would require a major renovation; and that building a new facility on state owned land is more cost effective than renovating an existing space or contracting for the construction of a leased facility.
- Legislature appropriates \$240.0 updating Livingston Slone's 1998 Feasibility Study to reflect the facility's being located on state land.

## **2001**

- Dept. of Natural Resources initiates land exchange with Municipality of Anchorage to acquire parcel.
- Dept. of Transportation & Public Facilities develops a construction timeline and budget.
- Dept. of Transportation & Public Facilities selects Livingston Slone for the design and engineering work with an expected completion date of June 2003.
- Legislature appropriates \$1,300.0 to design the facility.

## **2002**

- The design contractor, Livingston Slone, updates the construction cost estimate after completing the schematic design: \$14,085,2.0.
- Dept. of Administration approves extending the lease until December 2006 under the provision DEC actively pursue another option.
- A bond bill (HB51), designating lab construction funds, is introduced in the first session, but dies before final adjournment.

February 6, 2003

- Anchorage Assembly approves the land exchange and Dept. of Natural Resources completes an Interagency Land Management Agreement giving DEC the authority to manage the selected site adjacent to the Public Health Lab.

### **What the Seafood and Food Safety Lab does**

- Conducts product and water sampling required by the National Shellfish Sanitation Program so that bivalve shellfish can be commercially marketed.
- Routinely tests commercial bivalve shellfish for marine toxins responsible for paralytic shellfish poisoning and domoic acid poisoning.
- Is analyzing over 600 samples of salmon (all five species), halibut, pacific cod, sablefish, black rockfish, lingcod and pollock for heavy metals (methyl mercury, lead, and cadmium).
- Conducts on-site evaluations of, and certifies drinking water laboratories and water system operators for bacteriological monitoring as required by Safe Drinking Water Act.
- Works with commercial industries to develop safe, ready-to-eat food products to make sure the water activity, water phase salt, and salt moisture of their products are within acceptable levels.
- Evaluates raw and finished dairy products for bacterial contamination, antibiotics, butter fat content, and effectiveness of pasteurization.
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For more information, please contact Kristin Ryan at 907-269-7644

# STATE OF ALASKA

2/12  
to all members of  
2003  
State

FRANK H. MURKOWSKI, GOVERNOR

**DEPT. OF ENVIRONMENTAL CONSERVATION**  
**OFFICE OF THE COMMISSIONER**

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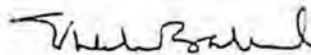
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February 6, 2003

**1/31/03**

**OVERVIEW:**

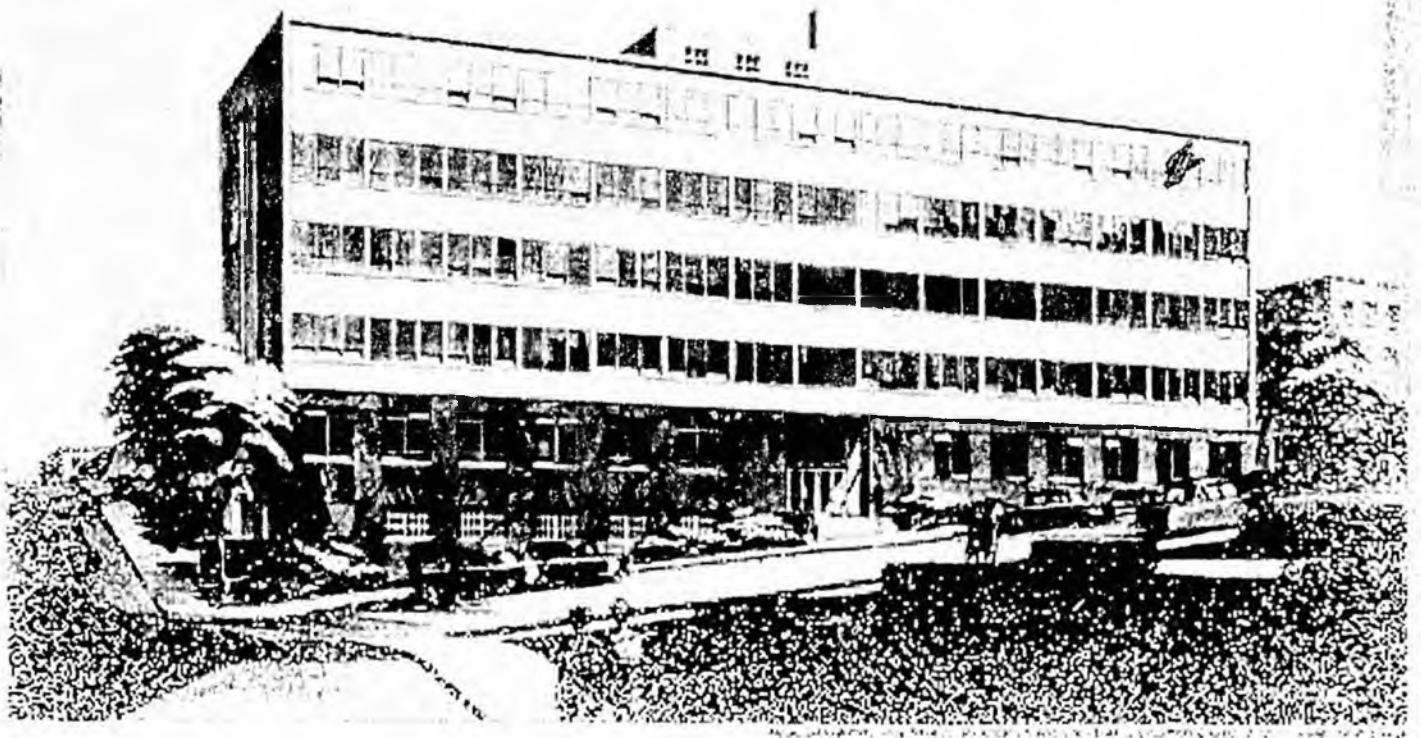
**DEPT. OF**

**H&SS**

**HFIN**

**FILE**

# Department of Health & Social Services



## Overview of Programs and Services

2003

**Joel Gilbertson**  
Commissioner

**Frank H. Murkowski**  
Governor



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# DEPARTMENT OF HEALTH AND SOCIAL SERVICES

## General Overview

### Current Mission

To promote and protect the health and well-being of Alaskans.

### History

In 1919, the Territorial Legislature created the Office of the Commissioner of Health. In 1937, the Departments of Maternal and Child Health Care and Public Welfare were established. Immediately following World War II, in 1945, Governor Ernest Gruening called a special session of the Territorial Legislature to address the paramount health issue of the day, tuberculosis, which was the leading cause of death in Alaska for many years. As part of the effort to address the tuberculosis threat, the Legislature reorganized and strengthened the Department of Health. In 1959, because of statehood, the First Alaska State Legislature combined existing health and social services agencies into a new Department of Health and Welfare. Although many reorganizations have occurred since, the basic structure and mission of the agency, renamed the Department of Health and Social Services, has remained relatively the same over the past 43 years.

### Organization

The department has eight divisions and five advisory boards, with the following missions:

### Divisions

- **Administrative Services** - To provide quality administrative services that support the department's programs.
- **Alcoholism and Drug Abuse** - To promote the health and well-being of Alaska's citizens by preventing and treating alcohol, other drugs, and inhalant abuse.
- **Family and Youth Services** - To protect children who are abused and neglected or at risk of abuse and neglect.
- **Juvenile Justice** - To protect and restore communities and victims while holding juvenile offenders accountable for correcting their behavior.
- **Medical Assistance** - To maintain access to health care and to provide coverage for Alaskans in need.
- **Mental Health and Developmental Disabilities** - To improve and enhance the quality of life for consumers impacted by mental disorders or developmental disabilities.
- **Public Assistance** - To promote self-sufficiency and provide basic living expenses to Alaskans in need.
- **Public Health** - To preserve and promote the state's public health.

### Boards and Councils

- Alaska Council on Emergency Medical Services (ACEMS)
- Advisory Board on Alcoholism and Drug Abuse (ABADA)
- Governor's Council on Disabilities and Special Education
- Alaska Mental Health Board (AMHB)
- Medicaid Rate Advisory Commission (MRAC)
- Suicide Prevention Council (SPC)

### Budget

The FY2003 Authorized Budget for the Department of Health and Social Services is \$1,479,578.0 comprised of:

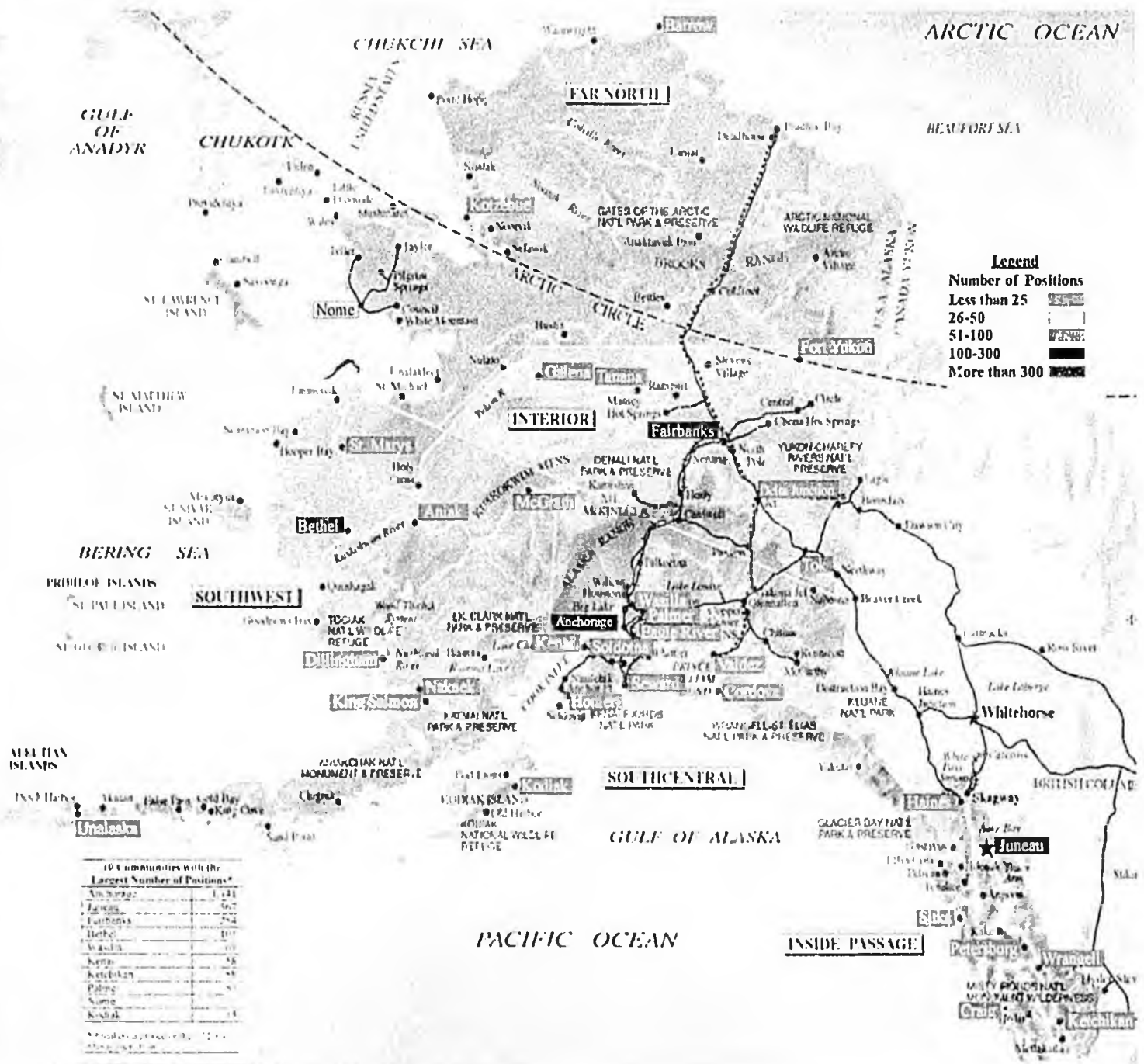
General Funds	\$487,695.1
Federal Funds	\$832,515.7
Other Funds	\$157,367.2

### Employees

The current authorized number of positions is:

PFT	2,512
PPT	74
Non-Perm	66

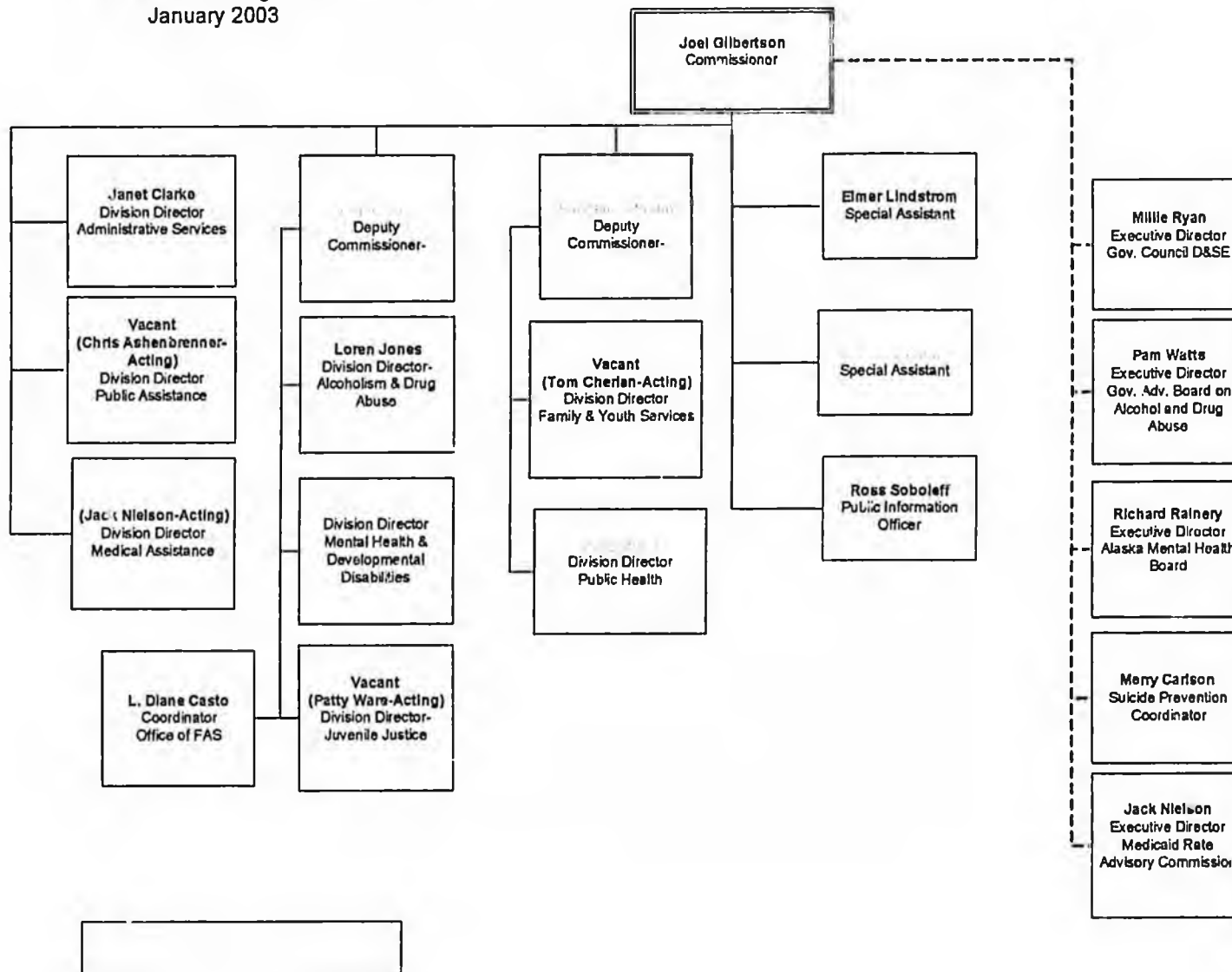
Over 60% (approx. 1500) of the staff in DHSS are assigned to direct field work, including an estimated 150 Public Health Nurses, 281 Social Workers, 307 Eligibility/Work Services workers, 270 staff at Alaska Psychiatric Institute (API), 243 Youth Detention/Treatment workers, and 105 Juvenile Probation workers. (See next page for map of employee & office locations.)



**Caseload and Other Statistical Information:**

- Benefit payments are made to over 90,000 individuals per month (including Medicaid).
- Health coverage will be provided to over 118,000 eligible beneficiaries in FY03.
- Staff are located in over 100 different communities within Alaska; they are housed in 38 state-owned facilities and 80 leased facilities.
- Over \$150 million is provided in grants to communities and non-profit entities throughout Alaska, which provides local jobs to 2400 individuals.
- Over \$700,000 in federal funds is earned through DHSS programs.

State of Alaska Department of Health & Social Services  
 Executive Management  
 January 2003



# Division of Administrative Services (DAS)

## Mission

To provide quality administrative services that support the Department's programs.

- Goals: to be efficient and effective, customer oriented and to assist all divisions meet our fiduciary responsibilities.
- Provides central administrative support to 8 DHSS divisions; offices in Juneau and in Anchorage.

## Budget Section

- Advisory and technical support on the operating budget to DHSS, management guidance and analysis to DHSS Commissioner
- Responsible for analyzing, monitoring, and managing the DHSS annual operating budget, budget amendments, revised programs, supplemental budgets, legislative budget requests, Alaska Mental Health Trust budget requests, reporting, and fiscal notes.
- Responsible for departmental policy, procedures, processing, training and controls related to the operating budget, and ensuring compliance with state laws and other procedures.
- Management oversight and support for Alaska Budget System (ABS).

## Facilities and Planning Section

- Facilities management, planning and oversight of multi-agency activities for DHSS: deferred maintenance, renovation and repair, major capital construction projects, oversight of design and construction for Department-owned and operated facilities.
- DHSS operates 35 State-owned buildings throughout Alaska [value \$319.3 million] housing mental health services, youth probation and detention services, public health nursing and laboratory services.
- Computerized preventative building maintenance program maximizes state maintenance dollars.
- Reviews Certificate of Need, approves new hospital and nursing home projects, develops and coordinates Comprehensive Integrated Mental Health Plan
- Manages nearly all DHSS capital grants.

## Finance Section

- Financial accounting and related support services to DHSS divisions, boards, and commissions
- Prompt and accurate payments to vendors; daily and weekly draws from approx. \$600 million federal funds; cash management control; recording all appropriated receipts to appropriate budget controls.
- Responsible for DHSS accounting reporting structures; preparation, submission of quarterly, semi-annual, and annual reports required by federal grants; writing, updating DHSS cost allocation plan, negotiating with Federal Division of Cost Allocation; coordination of federal and legislative financial audits and responses; ensuring DHSS compliance with all state and federal accounting and reporting requirements.

## Grants Administration

- Coordination and standardization of grant processes, assistance and training for DHSS staff in grants procurement and administration.
- Compiles, maintains DHSS grant database and grantee organizational document database, develops annual Operating Grants Booklet.
- Administers multi-program grants to Regional Native Health Corporations.