

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
5612 HOUSE COMMUNITY & REGIONAL AFFAIRS

1 employed by the prospective vendor in a managerial or supervisory
2 capacity has within the preceding five years been convicted of, in
3 prison for, or on parole for a felony, or has at any time been con-
4 victed of a crime involving theft or dishonesty or of a violation of a
5 municipal, state, or federal gambling law. The permittee or operator
6 seeking to register the prospective vendor may obtain a hearing to
7 review the department's refusal.

8 (d) Upon approval of the vendor registration, the department
9 shall issue an endorsement to the permittee's permit or the operator's
10 license that authorizes the conduct of pull-tab sales at that vendor
11 location.

12 (e) The endorsement issued under (d) of this section is an
13 extension of the permittee's or operator's privilege under AS 05.15.-
14 100 to conduct pull-tab sales in this state. A vendor may not sell a
15 pull-tab series until the permit or license containing the endorsement
16 for the new vendor location has been posted by the permittee or opera-
17 tor in the registered vendor establishment. The endorsed permit or
18 license must be clearly visible to the gaming public.

19 (f) A separate endorsement shall be issued for each vendor
20 location. The permittee or operator shall inform the department when
21 a vendor with whom the permittee or operator is contracting changes
22 the physical location at which pull-tabs are sold, and shall return to
23 the department the endorsed permit or license of a vendor that is no
24 longer selling pull-tabs on behalf of the permittee or operator.
25 Failure to inform the department of a change in vendor location, or to
26 return the endorsed permit or license to the department after a vendor
27 change, may constitute grounds for the suspension or revocation of a
28 permittee's permit or an operator's license.

29 (g) At the time that a permittee or operator annually renews its

1 permit or license, it shall also renew the registration of all loca-
2 tions where a vendor is selling pull-tabs on the permittee's or opera-
3 tor's behalf and shall pay a registration fee of \$50 for each vendor
4 location.

5 (h) A permittee or operator that uses a vendor to sell pull-tabs
6 on its behalf shall enter into a written contract with that vendor.
7 The department may inspect this contract. If the contract contains
8 provisions that violate this chapter or the regulations adopted under
9 it, the department may, after a hearing, declare the contract void,
10 and may suspend or revoke the registration of the vendor and the
11 license of the operator or the permit of the permittee.

12 (i) A person, other than a permittee's member-in-charge or an
13 operator, may not directly supply a pull-tab series to a registered
14 vendor for sale by that vendor on behalf of the permittee or operator.
15 A vendor may not acquire a series from a licensed distributor.

16 (j) A permittee or operator may not compensate a vendor for
17 selling a series of pull-tabs on the permittee's or operator's behalf
18 in an amount greater than 30 percent of the ideal net.

19 (k) An amount equal to the ideal net less the compensation paid
20 to the vendor shall be paid by the vendor within 30 days of the date
21 that the member in charge or operator delivers a pull-tab series to
22 the vendor for sale. The amount required to be paid by the vendor
23 under this subsection must be paid by check and shall be deposited by
24 the permittee or operator directly into its gaming checking account.

25 (l) A vendor may not enter into a contract with a permittee to
26 sell pull-tabs for compensation if

27 (1) the permittee is a qualified organization, and the
28 owner or manager of the vendor is a member of the governing body of
29 the organization, or is the organization's designated member in charge

1 under AS 05.15.112; or

2 (2) the permittee is a municipality, and the owner or
3 manager of the vendor is an elected official of the municipality or is
4 employed by the municipality in a managerial position.

5 * Sec. 10. AS 05.15.188(g) is repealed and reenacted to read:

6 (g) At the time that a permittee or operator annually renews its
7 permit or license, it shall also renew the registration of all loca-
8 tions where a vendor is selling pull-tabs on the permittee's or opera-
9 tor's behalf and shall pay a registration fee of \$50 for each vendor
10 location. The permittee or operator shall also forward, with each
11 vendor registration renewal, that vendor's annual payment of the
12 assessment to the charitable gaming surety fund.

13 * Sec. 11. AS 05.15.188 is amended by adding a new subsection to read:

14 (m) The vendor registration required by (a) of this section
15 shall be accompanied by payment of the vendor's assessment to the
16 charitable gaming surety fund under AS 05.15.230. The assessment
17 amount shall be set by the department by regulation and may not exceed
18 \$100. The payment shall be drawn on the checking account of the
19 vendor and may not be paid by the permittee or operator on the ven-
20 dor's behalf.

21 * Sec. 12. AS 05.15 is amended by adding a new section to read:

22 Sec. 05.15.195. ORDER PROHIBITING ACTION IN VIOLATION OF CHAP-
23 TER. (a) If the commissioner determines that a person has engaged in
24 or is about to engage in an act or practice in violation of this
25 chapter or a regulation adopted under this chapter, the commissioner
26 may, after giving reasonable notice to the person and an opportunity
27 for the person to be heard, issue an order prohibiting the violation
28 by the person. The order remains in effect until the person has
29 submitted evidence acceptable to the commissioner showing that the

1 violation has been corrected.

2 (b) If the public interest requires, the commissioner may issue
3 an emergency order prohibiting an act or practice in violation of this
4 chapter or a regulation adopted under this chapter without notice to
5 or an opportunity to be heard by the person affected by the order.
6 The commissioner shall immediately serve the person with a copy of the
7 emergency order. An emergency order expires 30 days after the date it
8 is issued, if the person affected by the order requests a hearing
9 within 15 days of receipt of the order. If the person does not re-
10 quest a hearing within 15 days of receipt of the emergency order, the
11 order becomes permanent. Following a hearing, the commissioner may
12 rescind, modify, or make permanent the emergency order.

13 * Sec. 12. AS 05.15.200(b) is amended to read:

14 (b) A person who, with the intent to mislead a public servant in
15 the performance of the public servant's duty, submits a false state-
16 ment in an application for a permit, license, or vendor registration
17 under this chapter [,] is guilty of unsworn falsification.

18 * Sec. 13. AS 05.15.210 is amended by adding new paragraphs to read:

19 (35) "ideal net" means an amount equal to the total amount
20 of receipts that would be received if every individual pull-tab ticket
21 in a series were sold at face value, less the prizes to be awarded for
22 that series;

23 (36) "permittee" means a municipality or a qualified orga-
24 nization that holds a valid permit under AS 05.15.100;

25 (37) "vendor" means a business whose primary activity is not
26 regulated by this chapter but that is engaged in the sale of pull-tabs
27 on behalf of a permittee or operator, holds a business license under
28 AS 43.70, and is

29 (A) a retail establishment;

1 (B) an eating establishment; or

2 (C) an establishment licensed under AS 04.11.

3 * Sec. 14. AS 44.62.330(a) is amended by adding a new paragraph to
4 read:

5 (55) Department of Commerce and Economic Development con-
6 cerning the regulation of charitable gaming under AS 05.15.

7 * Sec. 15. Sections 9 and 10 of this Act take effect on the effective
8 date of an Act establishing a charitable gaming surety bond that is enacted
9 by the Sixteenth Alaska State Legislature.

10 * Sec. 16. Except for secs. 9 and 10, this Act takes effect immediately
11 under AS 01.10.070(c).

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Alaska State Legislature

House of Representatives Community & Regional Affairs

TABLE OF CONTENTS

HOUSE BILL 517

1. HB 517
2. Memo from Representative Menard
3. Description of Extension Projects
4. Residences, businesses, and other buildings potentially serviced by each project
5. Maps of each geographic area
 - a. Palmer to Sutton
 - b. Palmer to the Butte area
 - c. Knik-Goose Bay Road to the Big Lake area
 - d. Meadow Lakes extension to Houston high school and Houston senior center
 - e. Pt. Mackenzie Port
6. Resolution - City of Wasilla
7. Resolution - City of Houston
8. Resolution - Houston Chamber of Commerce
9. Constituent letters



ALASKA STATE LEGISLATURE

REPRESENTATIVE CURT MENARD


165 E. Parks Hwy.
Wasilla, Alaska 99687
(907) 373-2878

P.O. Box V
Juneau, Alaska 99811
(907) 465-2679



M E M O R A N D U M

TO: Members of the House Committee
on Community and Regional Affairs

FROM: Representative Curt Menard 

DATE: March 14, 1990

RE: HB 517 - Appropriation for Mat-Su Gas Pipelines

HB 517 is in answer to concerns brought to my attention by numerous Valley residents.

1. Many homes and businesses in the areas which would be served by these lines were built at a time when gas service appeared imminent. These structures are now being heated with propane or electricity at a cost far above other fuel sources.
2. The Valley's real estate market, more so than any other area of the state, is slowly struggling out of a crisis situation. The availability of gas will greatly increase the value and desirability of homes now sitting empty, many of which are either in foreclosure or on the brink of foreclosure.
3. Reduced energy costs will stimulate development and that will boost the entire Valley economy.
4. Conversion to natural gas can reduce energy costs by up to 70%. This translates into savings for every taxpayer in the Valley as schools, fire stations, libraries and public facilities take advantage of energy savings.
5. Ground water pollution is a serious problem; each year, as underground fuel storage tanks age, so does the chance that they will develop a leak. The availability of gas provides property owners and developers with an important alternative.

This bill is in direct response to consumer requests. Thank you for your attention to my comments. I am available at any time for your questions.

Representing the
Matanuska-Susitna Borough



Co-Chair
House Resources Committee
Member
Special Committee on Tourism
State Affairs Committee
Budget Committee

**APPROPRIATION BILL FOR THE
CONSTRUCTION OF NATURAL GAS PIPELINE
EXTENSION PROJECTS**

Description of Extension Projects:

1. Palmer to Sutton A natural gas pipeline of approximately 13.8 miles from ENSTAR Natural Gas Company's (ENSTAR) Palmer gate station to Sutton, with a lateral line to the Palmer Correctional Facility. \$2,970,000.
2. Palmer -- Knik River (Palmer Butte) A natural gas pipeline of approximately 9.3 miles from Palmer to the Butte area which would cross the Matanuska River and generally follow the Old Glenn Highway. \$1,700,000.
3. Big Lake A natural gas pipeline of approximately 9.9 miles from Knik-Goose Bay Road to the Big Lake area, which would run .6 miles along Vine Road, 7.3 miles along Hollywood Road, and 2 miles along Big Lake Road. \$1,940,000.
4. Meadow Lakes - Houston School Area A natural gas pipeline of approximately 11.9 miles along Vine Street and the Parks Highway, which would terminate at the Houston high school and the senior center. Natural gas service would be available to the Meadow Lakes area. \$2,200,000.
5. Point MacKenzie Port A natural gas pipeline of approximately 13.3 miles from ENSTAR's transmission line to the proposed Point MacKenzie Port. \$4,950,000.

**RESIDENCES, BUSINESSES, AND OTHER
BUILDINGS POTENTIALLY SERVED
BY EACH PROJECT**

Palmer to Sutton

Residences: 315

Businesses: 15

Schools: 1

Other: 2 (Palmer Correctional Facility, 2 fire stations, and library)

Palmer -- Knik River (Palmer Butte)

Residences: 660

Businesses: 40

Schools: 1

Other: 3 (2 fire stations and plant material center)

Big Lake

Residences: 1050

Businesses: 55

Schools: 1

Other: 4 (2 shopping malls and 2 fire stations)

Meadow Lakes -- Houston School Area

Residences: 850

Businesses: 35

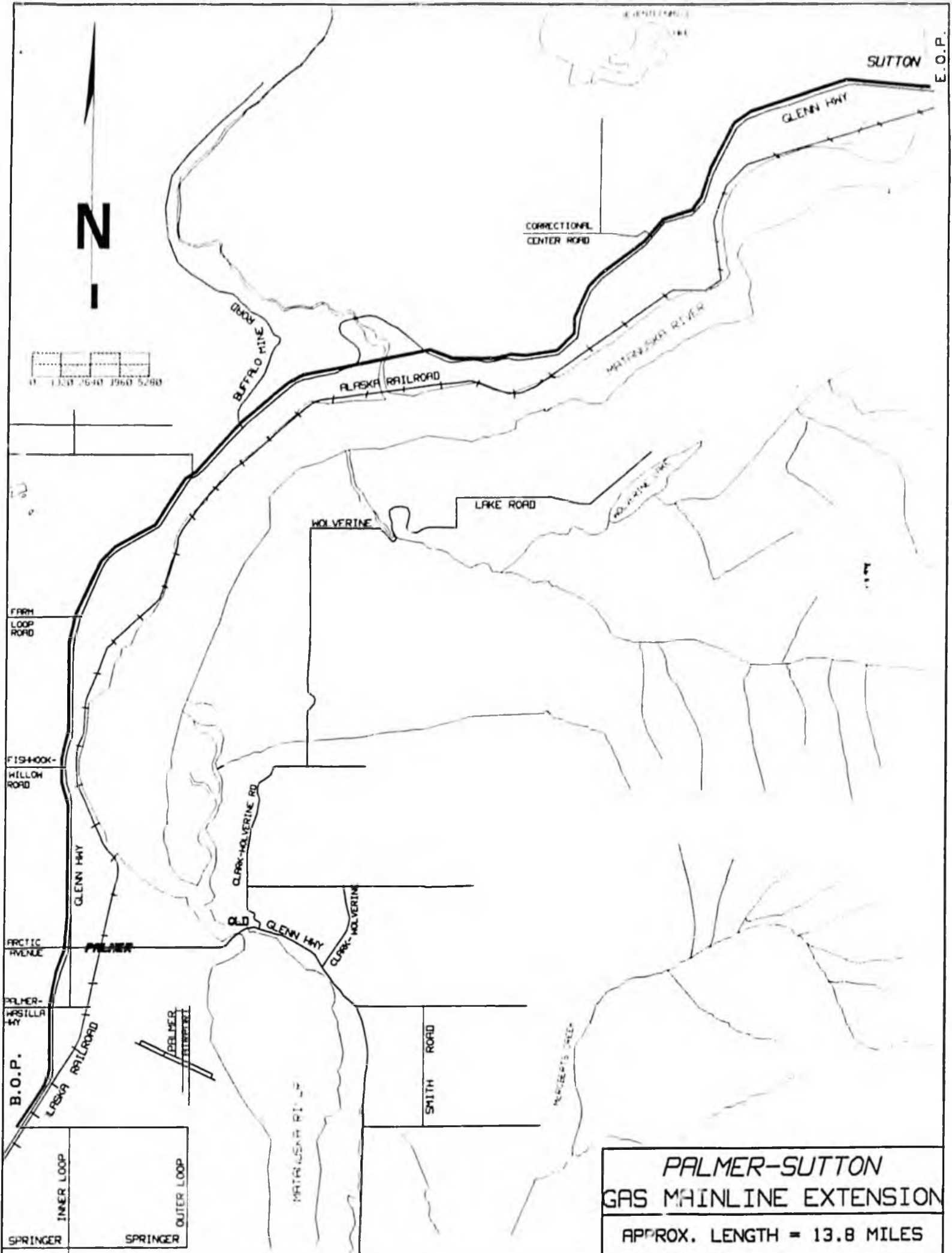
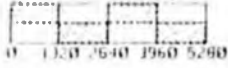
Schools: 1

Other: 5 (3 shopping malls and 2 fire stations)

Point McKenzie Port Project

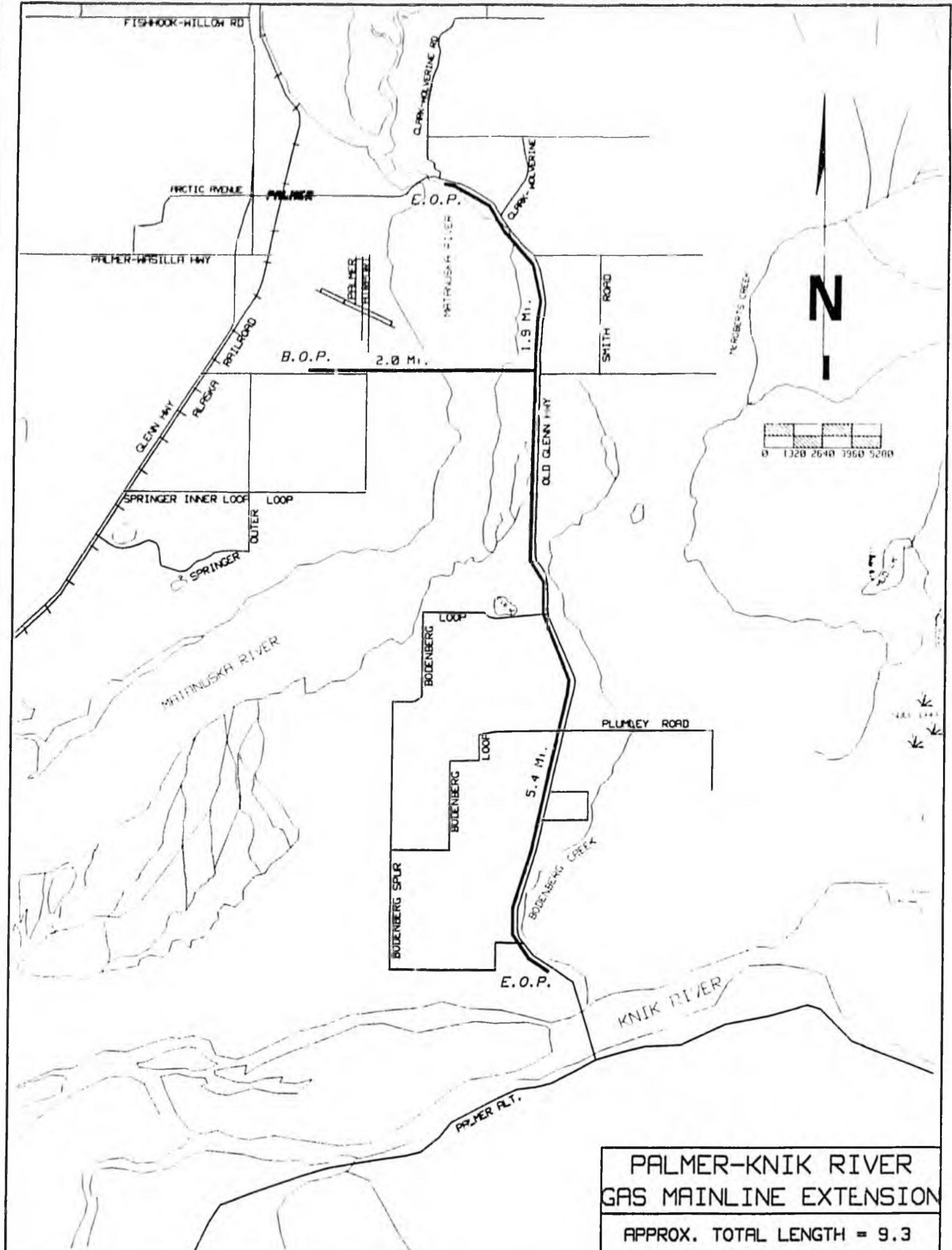
Other: Port Buildings, Economic Development Projects, and
University of Alaska Agricultural Experimental Station

N

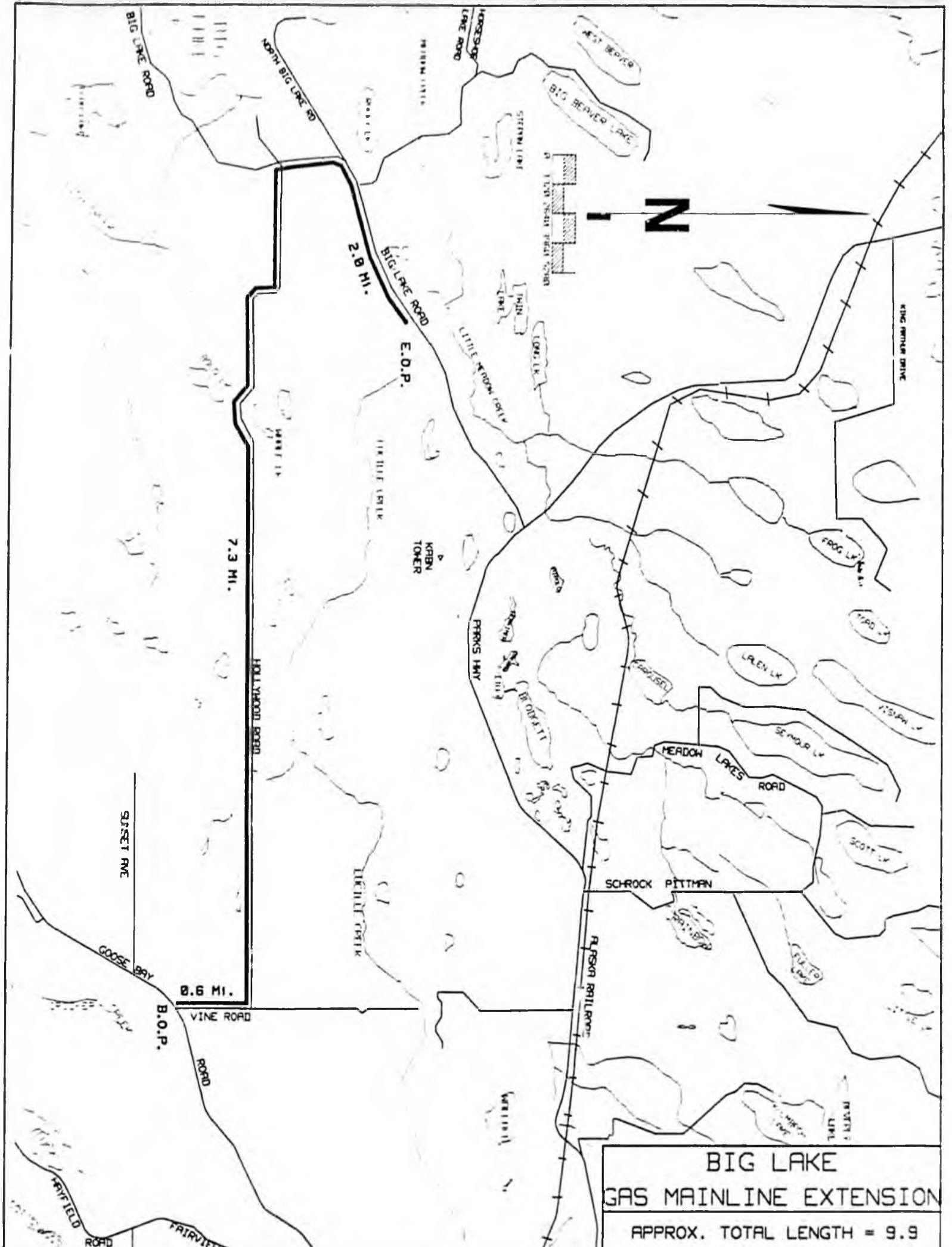


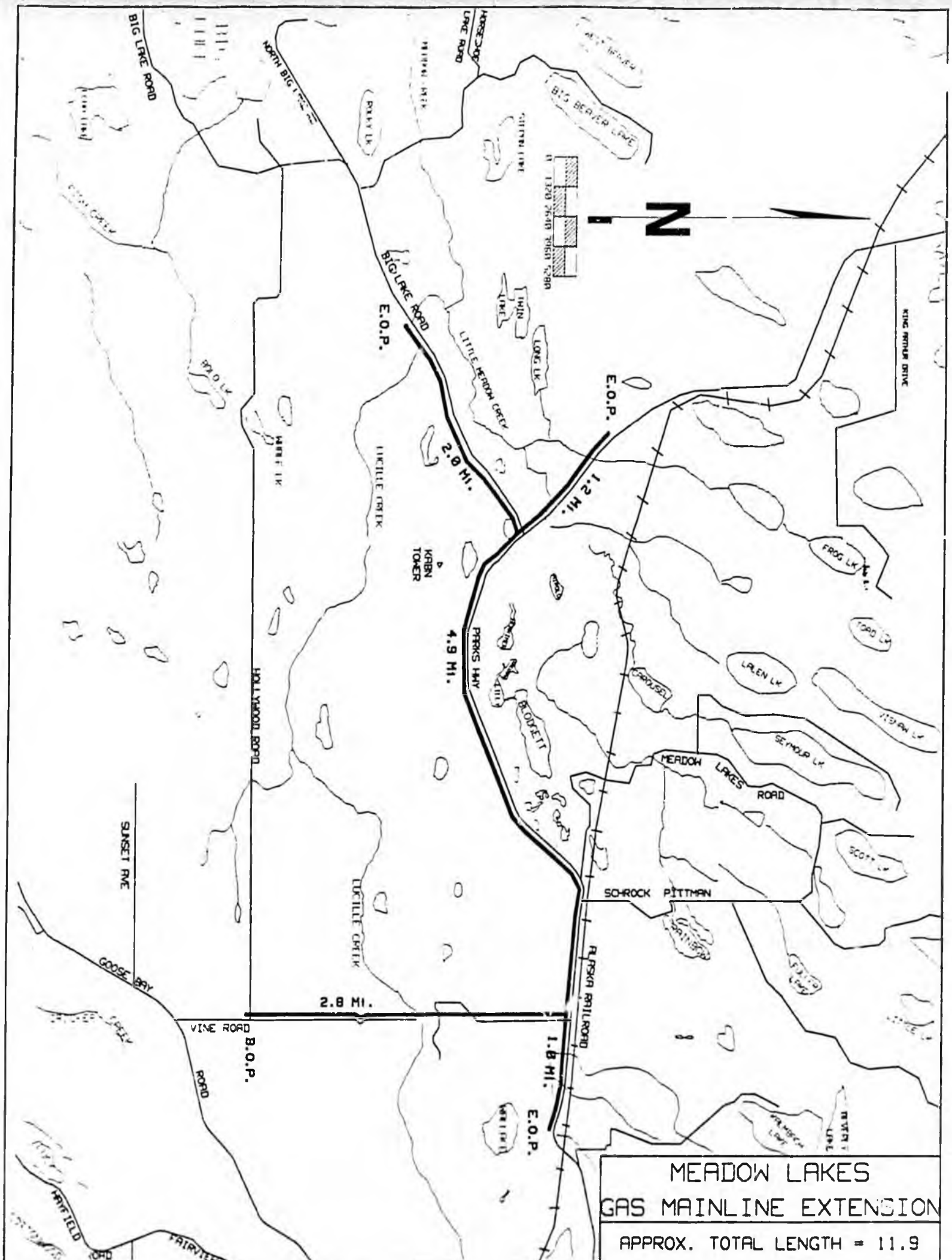
**PALMER-SUTTON
GAS MAINLINE EXTENSION**
APPROX. LENGTH = 13.8 MILES

E.O.P.

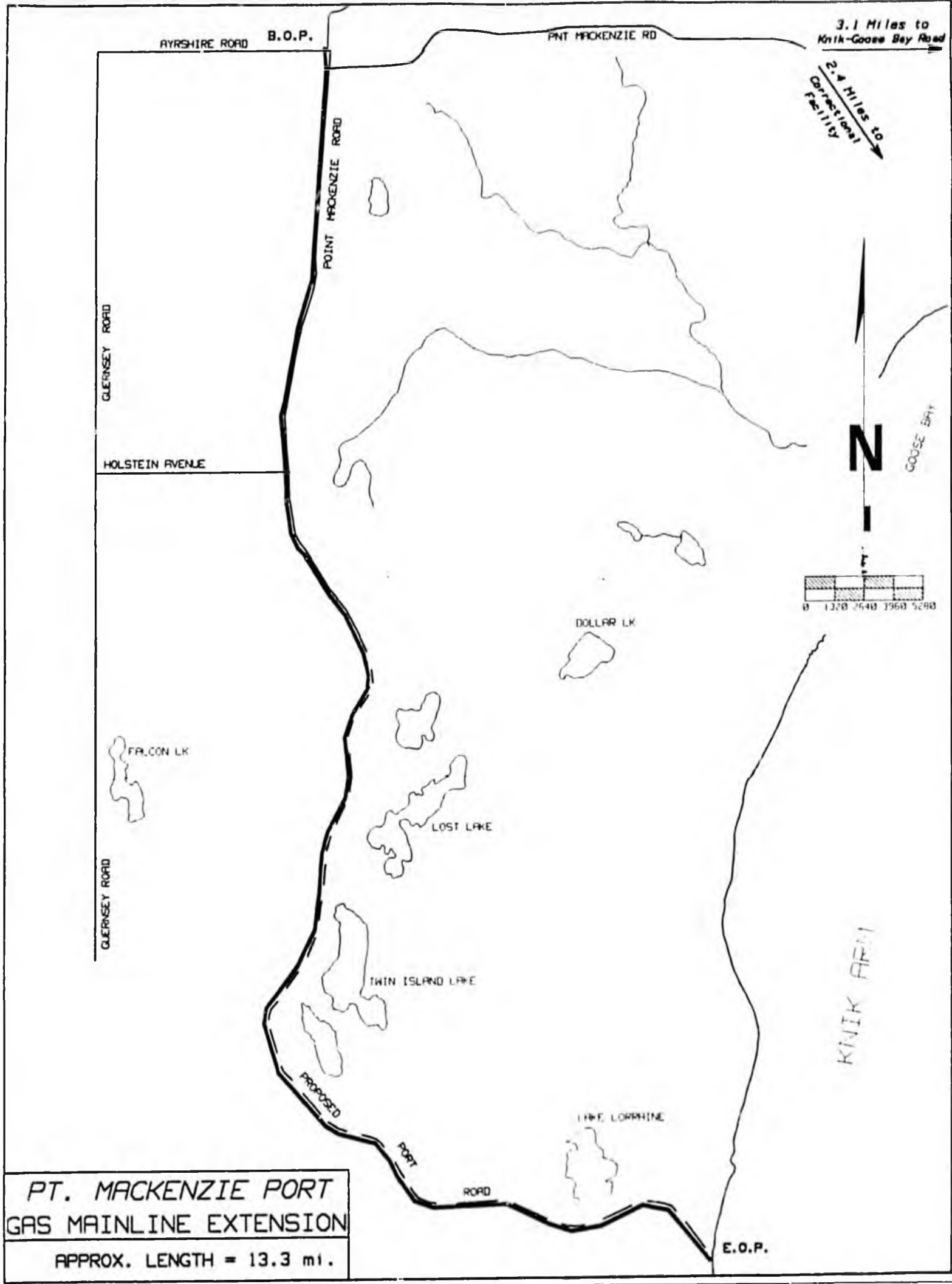


**PALMER-KNIK RIVER
GAS MAINLINE EXTENSION**
APPROX. TOTAL LENGTH = 9.3





MEADOW LAKES
 GAS MAINLINE EXTENSION
 APPROX. TOTAL LENGTH = 11.9



**PT. MACKENZIE PORT
GAS MAINLINE EXTENSION**

APPROX. LENGTH = 13.3 mi.



Requested by: Administration
Prepared by: Administration

CITY OF WASILLA

200 E. HERNING AVE.
WASILLA, ALASKA 99087
PHONE: (907) 373-9050
FAX: (907) 373-0788

RESOLUTION NO. WR90-12

A RESOLUTION OF THE CITY COUNCIL OF WASILLA, ALASKA EXPRESSING SUPPORT FOR HOUSE BILL 517 AND FOR THE USE OF RAILBELT ENERGY FUND MONIES IN THE MATANUSKA-SUSITNA BOROUGH.

WHEREAS, Representatives Curt Menard and Ron Larson have cosponsored House Bill 517; and

WHEREAS, House Bill 517 will provide for expenditure of Railbelt Energy Fund monies to benefit the residents and businesses of the Matanuska-Susitna Borough; and

WHEREAS, the construction of the natural gas pipelines, as specified in House Bill 517, will have a positive economic impact on residents and businesses in the Matanuska-Susitna Borough and therefore the City of Wasilla; and

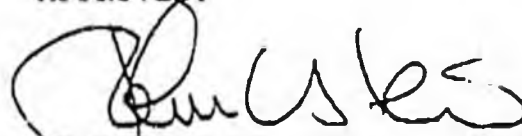
WHEREAS, reduced energy costs will spur growth and boost the local economy; and

WHEREAS, the City of Wasilla is committed to supporting economic growth for the residents of Wasilla, the Borough and the State of Alaska.

NOW, THEREFORE BE IT RESOLVED that the Wasilla City Council urges passage of House Bill 517 and commends Representatives Menard and Larson for their efforts on behalf of the community.

I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this 26th day of February, 1990.

APPROVED:


John C. Stein, Mayor

ATTEST:


Erling P. Nelson, CMC
City Clerk



RESOLUTION 90-09



HOUSTON, ALASKA
A BICENTENNIAL COMMUNITY

A RESOLUTION OF THE CITY OF HOUSTON, ALASKA IN SUPPORT OF HOUSE BILL NO. 517 ENTITLED "AN ACT MAKING APPROPRIATIONS FOR PAYMENT AS GRANTS TO THE MATANUSKA-SUSITNA BOROUGH FOR CONSTRUCTION OF GAS PIPELINE PROJECTS; AND PROVIDING FOR AN EFFECTIVE DATE."

WHEREAS, the City Council of the City of Houston is in agreement that the gas pipeline needs to be brought up into these areas, and;

WHEREAS, the City Council of the City of Houston built the Mid-Valley Senior Center in anticipation that when gas was brought to this area it could easily be converted to use the natural gas, and;

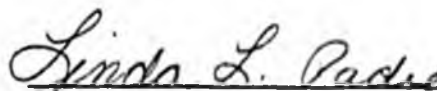
WHEREAS, the City Council would also like consideration in bringing the gas pipeline on into the business core area which is located at approximately mile 57 of the Parks Highway.

NOW, THEREFORE, be it resolved that the City Council of the City of Houston is in full support of House Bill No. 517.

ADOPTED by a duly constituted quorum of the City Council of Houston, Alaska this 22nd day of February, 1990.


Thomas F. Baird, Mayor

ATTEST:


Linda L. Padie, City Clerk



HOUSTON CHAMBER of COMMERCE

February 21, 1990

The Honorable Curt Menard
Alaska State Representative
Box V (MS 3100)
Juneau, AK 99811

Re: House Bill 517

Dear Curt,

The Houston Chamber of Commerce Board of Directors has been notified that you have co-sponsored legislation which would utilize Railbelt Energy Funds to build the natural gas line to serve Mid-Valley Senior Center and Houston High School. We strongly endorse this legislation as it will use Railbelt Energy Funds for an energy related project as well as open the entire Houston area for natural gas installation on an accelerated time table.

Sincerely,

Patrick Peters
President



CHURCH OF GOD STATE OFFICE

ALASKA - B.C.

1348 Bennington, Anchorage, AK 99508

907-272-4847

March 9, 1990

Rep. Eileen MacLean
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

Re: House Bill 517

Dear Ms. MacLean:

You are to be commended on the work done on House Bill 517
and this is to let you know you have our full support.

Sincerely,

Tom Grissom
Overseer, Church of God
Alaska & B. C.
1348 Bennington
Anchorage, Ak. 99508

Representative Eileen MacLean,

3-7-90

Regarding House Bill 517

I am for construction of natural gas pipelines to be run from Palmer to Sutton with the lateral line to the Palmer Correctional institute. It will help cut cost of energy to the owners by a considerable amount. It will make property values to increase which will create more tax revenues in the future.

Representatives Menard and Larson are to be commended for their efforts to get this bill through the House. Good luck.

Sincerely,

Pat Johnson

5000 Caprice Dr.

P.O. Box 505
Palmer, Ak 99645

March 6, 1990

Representative Eileen MacLean
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

Dear Ms. Eileen MacLean:

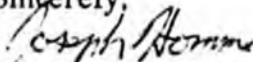
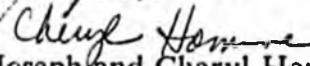
We are writing in support of the proposed natural gas pipeline which would run along the Glenn Hwy from Palmer to Sutton. We have lived in the Valley all our lives, and have paid exorbitant electric bills for years. The opportunity to have access to a gas pipeline is a very exciting prospect for us.

The money that we would save on electricity costs would amount to a minimum of \$1,200.00 per year. Of course, we would like very much to take advantage of the incredible savings!

Please consider us very much IN FAVOR of the natural gas pipeline to Sutton.

Thank you for your consideration.

Sincerely,



Joseph and Cheryl Homme
P.O. Box 3364
Palmer, Alaska 99645
745-4616 - hm
745-9252 - wk

(Corner of Farm Loop and Spring Creek Farm Roads)

Mar 12, 1998

Att: Eileen

We are in
favor of house bill
517. Please support!

Thank you

Alton + Gene O'gard

March 1, 1990

Representative Eileen Maclean
Alaska State Legislature

RE: HOUSE BILL NO. 517

While I am in favor of most methods of decreasing the cost of living for all ALASKANS and especially those that would directly affect my own cost, I have to oppose HOUSE BILL 517.

The total cost of HOUSE BILL 517 figures out to be \$13,764 million dollars. This \$13,764 million ends up in the ENSTAR, bottom line. It's an addition to ENSTAR'S growth. I am not a stock owner in ENSTAR, nor is the STATE of ALASKA. We should not be giving ENSTAR this money.

If a low interest loan of some kind could be found where the STATE could recover this money I would be for it. Maybe a P.U.D. could be formed to own these lines that ENSTAR does not want to build with their own money. ENSTAR is a for profit corporation which is fine, but not from a \$13,764 million dollar grant from the STATE.

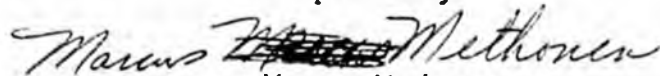
As to the proposed projects;

#1. Gas pipeline to Sutton; I believe the largest customer on this line is the STATE of ALASKA CORRECTIONAL FACILITY, consequently the GENERAL FUND of the STATE should pay their fare share of the cost, not all the monies to come from the RAILBELT ENERGY FUND.

#3. This gas line is a duplicate of the gas line to the HOUSTON HIGH SCHOOL, with the exception of the line to BIG LAKE. There are very few customers on HOLLYWOOD ROAD.

#5. While I am in favor of the proposed POINT MACKENZIE PORT, at the present time we are in a minority. So this project is ahead of our needs.

Respectfully



Marcus Methonen

P.O. BOX 521401

Big Lake, Alaska

99652

MAR 12 1990

March 1 - 1990

Representative Eileen Maclean:

We are against House Bill 517, all this bill will do is add extra money burdens on all property owners, just to serve a few.

We want you to vote no on House Bill 517.

Sincerely

17NO2E258004

Abney C. Lebeck

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE MACLEAN

NAME: KEN WIDMER
 TITLE:
 ADDRESS: POB 878142
 CITY: WASILLA
 PHONE: 373-2222
 ZIP: 99687
 BILL NO: HB 517
 SUBJECT: APPROP: MAT-SU GAS PIPELINES
 MESSAGE: I URGE YOU NOT TO APPROPRIATE ANY MONEY FOR THE PORT AT
 POINT MACKENZIE. PEOPLE OF THE VALLEY HAVE VOTED THIS DOWN. THIS IS
 JUST ANOTHER BLACK HOLE.

POMID: 14135753
 DATE: 03/12/90
 TIME: 13:57:53
 LIONAME: MAT-SU LIO

COPIES: REPRESENTATIVES SENATORS

LARSON
 MENARD
 FOSTER
 PETTYJOHN
 DAVIS, C.
 KUBINA

KERTTULA
 SZYMANSKI

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE MACLEAN

NAME: LAWRENCE AND FLORA PUNCHES
 TITLE:
 ADDRESS: PO BOX 521313
 CITY: BIG LAKE
 PHONE: 892-7326
 ZIP: 99652
 BILL NO: HB 517
 SUBJECT: APPROP: MAT-SU GAS PIPELINES
 MESSAGE: WE STRONGLY URGE YOU TO USE THE RAILBELT ENERGY MONEY TO FUND GASLINES
 IN THE MATSU BOROUGH. PLEASE PASS THIS LEGISLATION.

POMID: 14111232
 DATE: 03/12/90
 TIME: 11:12:32
 LIONAME: MAT-SU LIO

COPIES: REPRESENTATIVES

MENARD
 LARSON

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE MACLEAN

NAME: KIETH MAHOY
 TITLE:
 ADDRESS: PO BOX 871187
 CITY: WASILLA
 PHONE: 892-8590
 ZIP: 99687
 BILL NO: HB 517
 SUBJECT: APPROP: MAT-SU GAS PIPELINES
 MESSAGE: WE SUPPORT HB517.

POMID: 14095105
 DATE: 03/12/90
 TIME: 09:51:05
 LIONAME: MAT-SU LIO

COPIES: REPRESENTATIVES SENATORS

MENARD
 LARSON

KERTTULA
 SZYMANSKI

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE MACLEAN

NAME: WILLIAM SULLIVAN
TITLE:
ADDRESS: HCO2 BOX 7569
CITY: PALMER ZIP: 99645
PHONE: 745-7561
BILL NO: HB 517
SUBJECT: APPROP: MAT-SU GAS PIPELINES
MESSAGE: PLEASE SUPPORT HB517.

POMID: 141602:6
DATE: 03/12/90
TIME: 16:02:56
LIONAME: MAT-SU LIO

COPIES: REPRESENTATIVES

MENARD
LARSON

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE MACLEAN

NAME: MARY PSZNAK
TITLE:
ADDRESS: POB 1365
CITY: PALMER ZIP: 99645
PHONE: 745-3070
BILL NO: HB 517
SUBJECT: APPROP: MAT-SU GAS PIPELINES
MESSAGE: THIS SOUNDS WONDERFUL FOR THE PEOPLE WHO SAT AROUND AND WAITED FOR THE
LEGISLATURE TO TAKE CARE OF THEM. BUT WHAT ABOUT THOSE OF US WHO PAID
FOR OUR OWN LINE EXTENSIONS? ARE YOU PLANNING ON REIMBURSING US FOR
WHAT IT COST US?

POMID: 141602:6
DATE: 03/12/90
TIME: 16:02:56
LIONAME: MAT-SU LIO

COPIES: REPRESENTATIVES SENATORS

LARSON KERTTULA
MENARD SZYMANSKI
FOSTER
PETTYJOHN
DAVIS, C.
KUBINA

H B

5 2 2

HOUSE COMMITTEE REPORT

(5)

Date Referred: February 12, 1990

FURTHER REFERRALS:

Date of Committee Action:

3/22/90

FINANCE

The COMMUNITY & REGIONAL AFFAIRS Committee considered:

HB 522

HOUSE BILL NO. 522

APPROP: VILLAGE SAFE WATER PROGRAM

"An Act making appropriations for payment as grants to municipalities and unincorporated communities for water, sewer, and solid waste projects; and providing for an effective date."

RECOMMENDATIONS:

[] be replaced with CSHB 522 (C&RA) ~~the same title~~ [] a new title

~~AM~~ have attached amendment(s)

do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

[] fiscal impact _____

[] fiscal note(s) _____

[] zero fiscal note _____

[] zero fiscal note(s) _____

[] zero with analysis _____

[] zero fn/analysis _____

SIGNING DO PASS:

Eileen P. McKeown
Eugene A. Kubina

SIGNING:
(Check approp. column)

	Do Not Pass	No Rec	Amend
<u>Richard [Signature]</u>		<input checked="" type="checkbox"/>	

Eileen P. McKeown
Chairman's Signature

ALASKA STATE LEGISLATURE

Representative Eileen Panigeo MacLean
P.O. Box 290
Barrow, Alaska 99723



Chairman
Community & Regional Affairs
Committee

Vice-Chairman
State Affairs Committee
Bush Caucus

Member Finance Subcommittee
Community & Regional Affairs
Education
Corrections

WHILE IN JUNEAU
Box V
Juneau, Alaska 99811
485-4525
485-4833

HOUSE OF REPRESENTATIVES

District 22
Ambler
Anaktuvik Pass
Atkasuk
Barrow
Buckland
Deering
Kaktovik
Kiana
Kivalina
Kobuk
Kotzebue
Noatak
Noorvik
North Slope
Borough
Northwest Arctic
Borough
Nulqsut
Point Hope
Point Lay
Selawik
Shungnak
Wainwright

To: Members of the House Community and Regional
Affairs Committee

From: Rep. Eileen Panigeo MacLean

Re: HB 522, "An Act making appropriations for payment
as grants to municipalities and unincorporated
communities for water, sewer, and solid water
projects; and providing for an effective date."

Date: March 15, 1990

In many villages, water is delivered from a community well by truck. Sewage disposal is accomplished by honeybuckets which are also picked up by truck.

In many villages, Hepatitis A is a perennial problem that is attributed to current, inadequate water and sewer systems. A piped system would eliminate public contact with honeybucket containers and would dramatically reduce the risk of contracting Hepatitis.

The projects contained in HB 522 respond to the need for improving health conditions in rural Alaska by improving current water and sewer systems.

I urge your support for HB 522.

Funding Information: General Fund 346,322,700
Other Funds - 0 -
346,322,700

Original sponsor(s): REP. MACLEAN, 5011

1 IN THE HOUSE

BY THE C&RA COMMITTEE

2 CS FOR HOUSE BILL NO. 522 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations for payment as grants
7 to municipalities and unincorporated communities for
8 water, sewer, and solid waste projects; and providing
9 for an effective date."

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

11 * Section 1. The sum of 336,589,400 is appropriated from the general
12 fund to the Department of Environmental Conservation for payment as grants
13 under the village safe water program (AS 46.07) to the following municipal-
14 ities and unincorporated communities for the purposes and in the amounts
15 listed:

16 Community	Purpose	Amount
17 City of Ambler	Water and sewer improvements	\$ 365,500
18 City of Anaktuvuk	Sewage lagoon and maintenance	
19 Pass	upgrade	250,000
20 City of Angoon	Water line rehabilitation	150,000
21 City of Angoon	Tillinghams Lake water supply	1,300,000
22 City of Buckland	Water and sewer improvements	3,500,500
23 City of Coffman		
24 Cove	Septic system	3,000
25 City of Deering	Water and sewer improvements	1,153,000
26 City of Sattvik	Sewage vents	165,000
27 City of Kasaan	Water and sewer improvements	
28 and sewage lagoon		715,000
29 King Salmon	Sewer project	1,326,500

1	City of Kivik	Water, sewer, and treated	
2		water	1,500,000
3	City of Nainok	Water and sewer improvements	1,072,000
4	Kokshak	Water and sewer improvements	1,500,000
5	City of Koroobuk	Water, sewer, and solid waste	
6		improvement	2,450,000
7	City of Inukokuk	Water system improvements	250,000
8	Marlarsak	Water and sewer improvements	700,000
9	Kakshak	Sewer system extension	2,020,000
10	Koatuk	Water and sewer improvements	3,500,000
11	City of Koorvik	Water and sewer renovation	250,000
12	City of Nuiqsut	Sewage vehicle	165,000
13	City of Point Hope	Sewage vehicle	165,000
14	Point Bar	Sewage vehicle	165,000
15	Port Protection	Water and sewer	100,000
16	City of Saint		
17	George	Sewer replacement	425,000
18	City of Selavik	Water and sewer improvements	10,000,000
19	City of Thorne Bay	Utility upgrade/sanitary system	
20		replacement phase III and IV	1,031,000
21	City of Upiak	Water and sewer improvement/	
22		extension	300,000
23	City of Umiavik	Sewage vehicle	165,000
24	City of Upernivik	Installation of water distribution	
25		system phase II	300,000

26 The sum of 210,033,000 is appropriated from the general fund
27 to the Department of Administration for payment of claims under AS 37.05.-
28 315 to the following municipalities for the purposes set in the amounts
29 listed:

Community	Project	Amount
City of Sagadahoc	Sewer mainline	1,150,000
City of Danvers	Copper River Highway sewer	
	interceptor	575,000
City of Odessa	Water treatment plant replacement	600,000
City of Grant	Wastewater treatment plant upgrade	2,450,000
City of Dillingham	Water service expansion	255,000
City of Dillingham	sewer extension	324,000
City of Haines	sewer plant/force main outfall	250,000
City of Haines	sewer/water Island/Barnett	75,000
City of Hoonah	water/sewer system expansion	221,500
City of Lake	water/sewer upgrade	300,000
City of Lake	water line and replacement study	300,000
City of Klawock	water study including SIS	70,000
City of Klawock	sewer improvements	300,000
City of Skagway	water storage tank	150,000
City of Yakutat	sewage treatment plant expansion	1,500,000
City of Yakutat	water and sewer improvements	500,000

* Sec. 3. The appropriations made by this Act are for capital projects and are subject to AS 37.15.020.

* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

H

B

5

4

9

HOUSE COMMITTEE REPORT

(5)

Date Referred: February 12, 1990

FURTHER REFERRALS:

LABOR & COMMERCE

Date of Committee Action: 4/20/90

The COMMUNITY & REGIONAL AFFAIRS Committee considered:

HB 549

HOUSE BILL NO. 549

MUNICIPAL UTILITIES EXEMPT FROM APUC

"An Act relating to the exemption from regulation by the Alaska Public Utilities Commission of public utilities owned and operated by political subdivisions."

RECOMMENDATIONS:

- be replaced with CSHB 549 (CERA) the same title
- have attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s): _____
(Dept)

APPROVES PREVIOUS: _____

(Date/Dept)

- fiscal impact Minimal Econ fiscal note(s) _____
Dev.
- zero fiscal note _____ zero fiscal note(s) _____
- zero with analysis _____ zero fn/analysis _____

SIGNING DO PASS:

Richard [Signature]
Cheri Davis
Ernest G. Kubera
[Signature]

SIGNING:

(Check approp. column)

	Do Not Pass	No Rec	Amend
<u>Sileen P. Maclean</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Sileen P. Maclean
 Chairman's Signature

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: Relating to the exemption of
municipal utilities from APUC
 Sponsor: Rep. Zawacki
 Requestor: House C&RA

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	(47.1)	(47.1)	(47.1)	(47.1)	(47.1)	(47.1)
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	(47.1)	(47.1)	(47.1)	(47.1)	(47.1)	(47.1)
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	(47.1)	(47.1)	(47.1)	(47.1)	(47.1)	(47.1)
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: T.S. Moninski II, Executive Director
 Division: Alaska Public Utilities Commission
 Approved by Commissioner: Larry Merculieff
 Agency: Department of Commerce & Economic Development

Phone: 276-6222
 Date: _____
 Date: 7-17-90

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)
 6386D-3/041790b

ANALYSIS - FISCAL NOTE FOR CSSB 549 (C&RA)

CSHB 549 (C&RA) eliminates the "catch-all" provision in current statute which requires the economic regulation of all utilities owned by a political subdivision if only one of them is found to be in direct competition with another utility. The bill serves to deregulate noncompeting utilities. The CS leaves Anchorage Telephone Utility and Municipal Light & Power Company (ML&P) fully jurisdictional but has the effect of deregulating Anchorage Waste and Waste Water Utility.

This fiscal note assumes the elimination of .5 Utility Financial Analyst (Range 19A, \$27.2) and .5 Consumer Protection and Information Officer (Range 14A, \$19.9).

STATE OF ALASKA

ALASKA PUBLIC UTILITIES COMMISSION
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

STEVE COWPER, GOVERNOR

1016 WEST 6TH AVENUE
SUITE 400
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-6222

ALASKA PUBLIC UTILITIES COMMISSION

COMMENTS ON CS HB549

April 16, 1990

The Commission believes that the CS for HB549 represents a reasonable approach to the regulation of municipal utilities when one or more of those utilities compete with other utilities. The CS eliminates the "catch-all" provision in the current statutes which requires the economic regulation of all utilities owned by a political subdivision if only one of them is found to be in direct competition with another utility. At the same time, the CS allows the Commission to prevent potential cross-subsidies and reasonably assures that competition is fair.

The proposed CS avoids the substantial difficulties that are inherent in the latest version of SB 514 which the Commission is on record as opposing.

The Commission believes that it is good public policy to regulate all portions of the integrated statewide telecommunications network and, thus, supports AS 42.05.711(b)(3).

ALASKA PUBLIC UTILITIES COMMISSION
COMMENTS ON CS FOR SB 514
APRIL 9, 1990

The Commission reiterates its previous position that it does not oppose the elimination of the "catch-all" provision in the current statutes which requires the economic regulation of all utilities owned by a political subdivision if any one of them is found to be in direct competition with another utility. The Commission believes that unfair competition could be prevented if regulation were limited to just those utilities owned by a political subdivision that directly compete with other utilities.

To further limit the regulation of a competing utility to just the service in which it directly competes, however, is fraught with practical complications. Utility plant and personnel are usually shared to provide many services; consequently, it would not be possible to examine a portion of the utility's costs without examining the whole utility. Additional difficulties would arise in trying to isolate the service that would be subject to regulation, particularly when the competing service is integrated with other services. In any event, (at best) the exercise of regulating single services would be almost as costly as regulating the entire utility and be frustrating for all participants.

The Commission believes that it is good public policy to regulate the integrated statewide telecommunications network and thus supports AS 42.05.711(b)(3).

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to the exemption of
municipal utilities from APUC
Sponsor: Rep. Zawacki
Requestor: C & RA

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	(176.4)	(176.4)	(176.4)	(176.4)	(176.4)	(176.4)
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	(176.4)	(176.4)	(176.4)	(176.4)	(176.4)	(176.4)

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	(176.4)	(176.4)	(176.4)	(176.4)	(176.4)	(176.4)
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: T.S. Moninski II, Executive Director Phone: 276-6222
Division: Alaska Public Utilities Commission Date: 2/26/90

Approved by Commissioner: Larry Merculieff *Ruby Bell for* Date: 2/27/90
Agency: Department of Commerce & Economic Development

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

ANALYSIS - FISCAL NOTE FOR HB 549

If enacted, HB 549 would operate to immediately deregulate the utilities owned by the Municipality of Anchorage (MOA) which are currently regulated by the APUC. Although only 4 of 119 regulated entities (3.4%), given their size and complexity, the MOA utilities constitute a much larger work load component. Even when factoring out those areas which will continue to be jurisdictional under other sections of AS 42.05 (i.e., certifications, interconnections, wholesale power agreements, access charges, etc.), the APUC estimates that its work load will be decreased by approximately 10% if HB 549 becomes law.

A 10% reduction in the Personal Services line item, commensurate with the anticipated work load decrease, equates to 4.0 FTE positions. The distribution of impact results in staffing reductions per the following probable scenario: 1.5 Utility Financial Analysts; .5 Utility Tariff Analyst; .5 Utility Engineer; .5 Consumer Protection and Information Officer; and 1.0 support position.

ALASKA PUBLIC UTILITIES COMMISSION
COMMENTS ON HB 549*
FEBRUARY 26, 1990
PAGE 1 OF 3

The Commission believes that the changes proposed by HB 549 are contrary to sound public policy and therefore opposes its enactment. As currently written, AS 42.05.711(b) sets out the presumption that utilities owned and operated by political subdivisions are exempt from Commission regulation as to rates and quality of service. Paragraph (2) of this subsection creates an exception in cases where such utilities directly compete with another utility. In that instance, the competing utility as well as all other utilities owned by the political subdivision become subject to regulation.

The Commission believes that the existence of the current statutory language provides for a level of public protection which extends beyond the mere resolution of utility "turf wars." Subsection .711(b)(2) also protects the public from the possibility of a municipality (or other political subdivision) subsidizing its utility to thwart competition.

*Commissioner D.P.O'Tierney was out of State and did not participate in the Public Meeting where the Commission discussed this legislation.

Alaska Public Utilities Commission
Comments on HB 549
February 26, 1990
Page 2 of 3

Under regulation, the Commission provides reasonable assurance that the competitive playing field remains level. In the absence of regulation, the potential for uneconomic competition is real. Consequently, the Commission supports the continuation of subsection .711(b)(2) as sound public policy but offers the modification described below.

As noted, the current statutory language requires the regulation of all utilities owned and operated by a political subdivision even if only one of them is found to be in direct competition with another utility. This provision assists the monitoring of transactions and cost allocations between utilities to ensure that cross-subsidization does not occur. The Commission is satisfied, however, that its ability to investigate such issues would not be substantially impaired if non-competing utilities owned or operated by political subdivisions were not regulated as to rates and quality of service. Since this "catch-all" provision seems to have been the most objectionable, the Commission would not oppose substitute language which still required the regulation of a competing utility but did not require the regulation of all other utilities owned by the political subdivision. A proposed committee substitute is provided for your consideration.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

Alaska Public Utilities Commission
Comments on HB 549
February 26, 1990
Page 2 of 3

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As noted, the current statutory language requires the regulation of all utilities owned and operated by a political subdivision even if only one of them is found to be in direct competition with another utility. This provision assists the monitoring of transactions and cost allocations between utilities to ensure that cross-subsidization does not occur. The Commission is satisfied, however, that its ability to investigate such issues would not be substantially impaired if non-competing utilities owned or operated by political subdivisions were not regulated as to rates and quality of service. Since this "catch-all" provision seems to have been the most objectionable, the Commission would not oppose substitute language which still required the regulation of a competing utility but did not require the regulation of all other utilities owned by the political subdivision. A proposed committee substitute is provided for your consideration.

Alaska Public Utilities Commission
Comments on HB 549
February 26, 1990
Page 3 of 3

PROPOSED COMMITTEE SUBSTITUTE FOR HB 549

* Section 1. AS 42.05.711(b) is amended to read:

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

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

(2) A utility or electric operating entity that is owned and operated by a political subdivision and that directly competes with another utility or electric operating entity is subject to this chapter [AND ANY OTHER UTILITY OR ELECTRIC OPERATING ENTITY OWNED AND OPERATED BY THE POLITICAL SUBDIVISION IS ALSO SUBJECT TO THIS CHAPTER].

DRAFT

LIO Meeting

Tuesday, February 27, 1990

1:30 p.m.

1. Rick Besse
2. Tom Stahr
3. Joel Grunwaldt

Theme

- Not a consumer issue
- Issue is Home Rule
- Economic Deregulation - service areas still under APUC
- Border dispute changed the statute
- MOA should be exempt - as other municipalities

Comments

1. MOA should be exempt
 - Delete 42.05.711(b)(2) -- "all in one in" and "directly competes"
 - Other municipalities are exempt
 - One government overseeing another government (paternalism)
 - State over MOA
 - Home Rule
2. Border dispute started in the 1960's between ML&P and CEA
 - Was resolved by APUC action
 - APUC would continue to manage service areas
 - Border dispute was a wasteful duplication of assets. APUC regulating the city is also a wasteful duplication.
3. MOA manages SWS on a waiver
 - Consumers are protected
 - Costs are competitive

- MDA managed since 1980
 - Simplified rate filings
 - Cost effective vs. APUC regulation
 - MDA is/has been capable of managing utilities
 - Other municipalities aren't under APUC
4. MDA ordinance on self-regulation, AR 89-51 (S-3) and rules of procedure, AR 89-242 (S)
- Passed August 15, 1989
 - Several public hearings
 - * - APUC did not comment at any public hearings
 - * - Assembly unanimously supports economic self-regulation
 - * - Mayor and administration support self-regulation
 - Public friendly process
 - o Public Hearing Process
 - A. Advisory Commissions - 4
 - B. Regulatory Commission
 - C. Assembly
 - Expanded commissions from 5 members to 7 members each for more public involvement
 - * - 31 commissioners from the public
 - * - Assembly has 11 members voted in the office who make the final rate determination
 - Notice to public 30 days before a hearing
 - Notice to public 7 days before meeting
 - Procedures specify justification required for rate changes
 - Process is very public oriented patterned after Planning and Zoning Commission

- Commissioners are dedicated, concerned, knowledgeable, interested parties
5. Legislative Audit and Budget Committee report
 - Supports MOA economic regulation
 - APUC responded in kind
 - APUC process clearly costs lots of money
 - Rate payers pay for these costs
 - MOA will try to minimize regulatory costs to keep rates low for rate payers
 - Regulatory lag occurs by APUC - rates given do not fit current financial condition
 - MOA goes through a process for rate changes to the Assembly then to APUC
 6. Municipal League's support
 7. Sunset APUC legislation
 8. Attach package
 9. Attach copies of commission

BH41



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 086-89

Meeting Date: September 12, 1989

From: Mayor

Subject: Assembly Resolution No. AR 89-152(S) Amending the Code of Regulations and Adopting Municipal Regulations 4.70 and 4.80 Relating to Rules of Procedure for the Anchorage Utility Advisory Commissions and Anchorage Utility Regulatory Commission, Respectively

The subject resolution has been resubmitted for Anchorage Assembly approval pursuant to Anchorage Municipal Code 3.40.040 and in conjunction with the Assembly approving AR No. 89-113 and AO No. 89-51(S-3) pertaining to economic self-regulation of municipal public utilities. Recognizing that effective self-regulation requires the implementation of certain uniform rules of procedure by the advisory and regulatory commissions, the subject resolution and associated rules of procedure are submitted for Assembly consideration and approval.

Regulation 4.70 sets forth procedures applicable to regular and special meetings conducted by the municipal advisory commissions at which ongoing utility matters are systematically addressed, and procedures applicable to public hearings on matters of permanent rate increases and customer complaints per AMC 3.40 and 3.60, respectively, and on other matters as provided for per AMC 4.70.010. Particular consideration is given the public in permanent rate and complaint matters due to the direct effect decisions made in these areas have on the utilities' customers. Such consideration in matters of permanent rates is reflected in the public notice provisions of 4.70.404 and throughout Articles III, IV and V which specifically address the public hearing process, including filing requirements and public participation in the permanent rate and associated cost-of-service and rate design processes. Special provision is made for abbreviated filings, where applicable and special contracts to ensure appropriate review within shorter and specific timeframes. As indicated in 4.70.402, applications for review of complaint matters shall be reviewed in accordance with the administrative adjudication procedures in AMC 3.60.

Regulation 4.80 sets forth procedures applicable to meetings conducted by the regulatory commission at which primarily rate matters would be addressed, and procedures for reviewing recommendations received from the advisory commissions on rate matters. Discretion is afforded the regulatory commission to make its own recommendation, accompanied by draft ordinance,

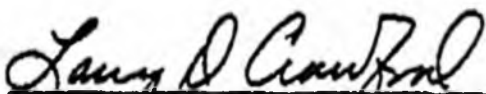
based solely on the review of the record as developed before the advisory commissions and made available to it, or upon a public hearing conducted by the regulatory commission itself. The same consideration given the public in the advisory commission regulations apply to, and appears throughout the regulatory commission regulations, particularly with respect to noticing and participatory provisions and throughout Articles III, IV and V.

Municipal Regulations 4.70 and 4.80 are designed to provide a framework within which the respective advisory and regulatory commissions can be relied upon to function both responsibly and effectively in assisting the Municipal Assembly in regulating municipal public utilities.

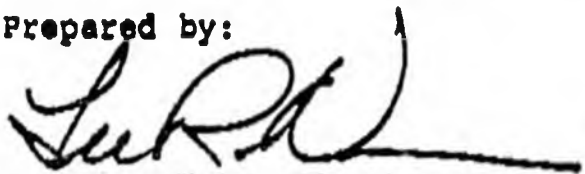
Municipal Regulations 4.70 and 4.80 reflect the coordination and cooperative efforts of the administration, municipal utilities, and the utility commissions. The Administration recommends approval of AR No. 89-152(S) adopting Municipal Regulations 4.70 and 4.80 relating to advisory and regulatory commissions rules of procedure.

Concur:

Prepared by:




Larry W. Crawford
Municipal Manager



Lee R. Nunn, Executive Manager
Enterprise Activities

Respectfully submitted,



Tom Fink
Mayor

6/comm

Submitted by: Mayor Tom Fink
Prepared by: Enterprise Activities
For Reading: September 12, 1989

APPROVED

Date: 9-12-89

ANCHORAGE, ALASKA
AR NO 89-242(S)

1ST and Last pages ONLY

A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, AMENDING THE CODE OF REGULATIONS AND ADOPTING REGULATION 4.70 RELATING TO THE ANCHORAGE UTILITY ADVISORY COMMISSIONS' RULES OF PROCEDURE AND REGULATION 4.80 RELATING TO THE ANCHORAGE UTILITY REGULATORY COMMISSION'S RULES OF PROCEDURE.

THE ANCHORAGE MUNICIPAL ASSEMBLY RESOLVES:

WHEREAS, the Municipality of Anchorage adopted Assembly Resolution No. 89-113 on August 15, 1989 exempting itself, pursuant to Alaska Statute 42.05.721(b), from economic regulation by the Alaska Public Utilities Commission; and

WHEREAS, the Anchorage Municipal Code 3.40.040 requires that regulations adopted by municipal commissions for purposes of governing its procedures be approved by resolution of the Assembly to be effective.

NOW THEREFORE, BE IT RESOLVED by the Assembly of the Municipality of Anchorage, Alaska, as follows:

Section 1. The Assembly hereby finds and concludes that it would best serve the interests of the citizens of Anchorage and the customers of the Anchorage municipal public utilities if uniform rules of procedure were adopted and approved for the Anchorage Utility Advisory Commissions and the Anchorage Utility Regulatory Commission.

Section 2. Based on its findings, the Assembly hereby amends the Code of Municipal Regulations to read as follows:

Regulation 4.70

ANCHORAGE UTILITY ADVISORY COMMISSIONS

RULES OF PROCEDURE

Sections:

ARTICLE I -- OFFICERS

4.70.101 Chair and vice-chair.
4.70.102 Secretary.

ARTICLE II -- MEETINGS

4.80.506 Rate design.

Each municipal public utility shall submit appropriate justification for and analysis of changes to the rate structure as such relate to its pricing objectives.

Section 3. This resolution shall become effective immediately upon passage and approval by the Anchorage Municipal Assembly.

PASSED and APPROVED by the Anchorage Assembly this 12th day of September, 1989.



Chairman

ATTEST:



Municipal Clerk

P/DENNIS-DENNIS12/cis

ANCHORAGE WATER & WASTEWATER COMMISSION
Rick Besse, Staff Support
786-5506

Murphy, 99508, 06, 900214, 20
Ms. Laurel A. Murphy
4014 Reka, H-6
Anchorage, Alaska 99508
276-7474
6/3/86

Redmond, 99509, 06, 910214
Ms. Pat Redmond
P.O. Box 90079
Anchorage, Alaska 99509-0079
265-0433
3/22/88

Neuser, 99502, 06, 910214, 10
Mr. David Neuser
7501 Cranberry Road
Anchorage, Alaska 99502
243-5651
03/08/88

Crowder, 99577, 06, 910214, 10
Mr. Del Crowder
10736 High Bluff Drive
Eagle River, Alaska 99577
694-8989(h)/745-3211(w)
11/12/89

Lawrence, 99507, 06, 920214, 10
Mr. William B. Lawrence
8631 Jupiter Dr.
Anchorage, Alaska 99507
257-2648
5/21/85

Nichols, 99503, 920214, 10
Melvin Nichols
4040 B Street
Anchorage, Alaska 99503
562-2000
2/28/89

Schroer, 99508, 920214
Don Schroer
1035 W. Fireweed Lane
Anchorage, Alaska 99503
272-5668(H)/279-2522(W)
3/7/89

SOLID WASTE ADVISORY COMMISSION
Joel Grunwaldt, Staff Support
561-1906

Miller, 99508, 04, 900214, 10
Mr. Robert Miller
University of Alaska, Anchorage
3221 Providence Drive
Anchorage, Alaska 99508
786-1900
7/26/88

Anderson J, 99503, 04, 900214, 10
Mr. James C. Anderson, C.P.A.
2525 Blueberry, Suite 202
Anchorage, Alaska 99503
258-7713
10/08/85

CPA

Coyne, 99504, 04, 910214, 10
Mr. Jack Coyne
4006 Hampton Drive
Anchorage, Alaska 99504
276-4557
9/15/87

Attorney

Burrows, 99508, 04, 910214, 20
Niki Burrows
608 North Klevin
Anchorage, Alaska 99508-1430
274-1179
5/24/88

Recycling interest

Huber, 99503, 04, 920214, 10
Mr. Francis J. Huber
501 W. 20th Avenue
Anchorage, Alaska 99503
272-4747
10/88

Lee, 99501, 930214
Harry R. Lee, P.E.
810 Whitney Road
Anchorage, Alaska 99501
279-3148(H)/276-8234(W)
9/12/89

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274-6205
9/12/89

Telephone Commission

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Water/Wastewater Commission

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Solid Waste Service Comm.

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Robert Shipley
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Carl Harmon
11811 Hilltop Drive
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Tom Fink,
Mayor

Anchorage Telephone Utility

600 TELEPHONE AVENUE, ANCHORAGE, ALASKA 99503-6091
TELEPHONE (907) 561-3000
Telex 090-26-532
Facsimile (907) 561-1703



Owned by the
Municipality
of Anchorage

January 26, 1990

The Honorable Jim Zawacki
House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Zawacki:

In 1989 the Municipality of Anchorage Assembly and Administration reviewed its position relative to its regulatory posture with the Alaska Public Utilities Commission. After weeks of consideration and study the Administration and the Assembly adopted a new regulatory policy which involved removing the Municipal utilities from the jurisdiction of the APUC. This resulted in an ordinance creating a regulatory body for review of rate and operation matters which was followed by an ordinance adopting a regulatory process.

It has now been determined that the existing regulatory statute (42.05.711b2) needs amending to exempt the Municipality of Anchorage utilities from regulation, to correspond with the regulatory exemption of the utilities owned by the cities of Fairbanks and Ketchikan.

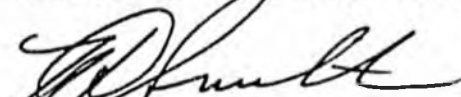
We strongly support this legislation, because we believe the existing regulatory process is unnecessarily costly, time consuming and cumbersome, and because we believe that the criteria for the regulation of Anchorage owned utilities are no longer valid. We are attaching the draft of the legislation for your review and comment.

The Honorable Jim Zawacki
January 26, 1990
Page Two

If you should have further comment or questions concerning this legislation, please let me know. Again, we sincerely hope that you will support legislation that exempts Municipality of Anchorage utilities from APUC regulation.

Sincerely,

ANCHORAGE TELEPHONE UTILITY ADVISORY COMMISSION



Harold D. Smith
Chairman

HDS:DRM:is

Attachment

(265-4416)

TABLE OF CONTENTS

	<u>Page No.</u>
Summary	1
MOA Legislative Package Exerpt	2
Draft Senate Bill	3
Draft House Bill	6
Draft Alaska Municipal League Policy Statement 1990	9
February 21, 1989 Report to Legislative Budget and Audit Committee	11
Summary of Economic Effects of Self-Regulation for MOA	27

SUMMARY

Current statutes allow municipal public utilities to be exempt from economic regulation by the Alaska Public Utilities Commission (APUC). Due to the border dispute between Municipal Light and Power (ML&P) and Chugach Electric Association (CEA) the utilities of the Municipality of Anchorage (MOA) were subject to regulation. The border dispute and competition between ML&P and CEA has been resolved and there is no need for economic regulation by APUC since the Municipality can regulate the utilities. The current statute does not make it clear as to how the municipal public utilities become exempt.

The proposed bill would allow municipal public utilities to be exempt from APUC regulation unless the Municipality allowed a utility to be regulated.

- The proposed changes have no effect on the regulation of rural electric association's or investor-owned utilities.
- Legislative audit found in February 1989 that municipal public utilities should not be regulated by the APUC.
- Anchorage's municipal public utilities are the only ones in the state now regulated.
- APUC regulation would still exist for service areas, joint use and inter-connection.
- Additional regulation above the Administration and the Assembly is unnecessary and a wasteful resource.
- A significant cost savings for the State and the Municipality would be achieved.
- The MOA has an ordinance and rules of procedure to self-regulate its municipal public utilities that involves the public and exceeds the level of APUC/public review.

SELF-REGULATION PROCESS OF THE MUNICIPALITY OF ANCHORAGE

Economic regulation of utilities by the Municipality of Anchorage requires the utilities to prepare justification for presentation to the public at hearings held by the citizen commissions established to advise and another regulatory commission to review recommendation by the utilities. The regulatory commission includes a member from the four advisory commissions and three members drawn from the general public. The Assembly has the final authority over economic regulation and rate changes require a public hearing by the Assembly.

The Administration and the Assembly will regulate the utilities quicker and at less cost than the lengthy and costly proceedings before the APUC.

(See attached chart)

MUNICIPALITY OF ANCHORAGE

Economic Self-Regulation Flow Chart

Proposals From Utilities

- Revenue Requirements Study
- Revenue Deficiencies
- Cost of Service Study
- New Tariff Offerings
- Special Contracts

Determinations by
Commissions

- Public Hearings
- Review and Recommendations
of Rates, Regulations and
Policies
- Findings and Conclusions
- Complaints

Approval by Assembly

- Public Hearings
- Ordinance Submitted by
Mayor
- Assembly Approval of Rates,
Contracts and Regulations

Anchorage Utilities

Anchorage Telephone Utility
Anchorage Sewer Utility
Anchorage Water Utility
Municipal Light and Power
Anchorage Refuse Collection
Utility
Anchorage Solid Waste Disposal
Utility

Anchorage Commissions

Advisory:

Anchorage Telephone Commission
Anchorage Water and Wastewater Commission
Municipal Light and Power Commission
Anchorage Solid Waste Services Commission

Regulatory:

Anchorage Utility Regulatory Commission

TITLE: Municipal Utility Self-Regulation

SPECIAL LEGISLATIVE REQUEST:

Revisions to the state statutes limiting the power of the APUC to regulate rates and clarifying Anchorage's right to exempt its municipal utilities from economic regulation by the APUC.

BACKGROUND/JUSTIFICATION:

Alaska Statute 42.05.711 currently provides that public utilities owned and operated by municipalities are exempt from economic regulation by the Alaska Public Utilities Commission unless they choose to be regulated or direct competition is found to exist between a municipally-owned public utility and another public utility. If direct competition is found to exist, AS 42.05.711 directs that all of the municipally-owned public utilities are subject to economic regulation by the APUC. The Municipality of Anchorage believes that AS 42.05.711 should be amended to eliminate the "direct competition" exception to economic deregulation, thereby limiting APUC rate regulation to those municipal utilities who specifically choose to be regulated.

1. The Municipal Light and Power Department/Chugach Electric Association boundary dispute, which precipitated the onset of AS 42.05.711, has been resolved.
2. Whether or not a municipal public utility is subject to economic regulation by the APUC, the APUC retains jurisdiction per AS 42.05.221, over such matters as wasteful duplication of facilities where direct competition within the same service area occurs (as was the case before the ML&P/Chugach Electric boundary settlement dispute).
3. Concerns over the potential for cross-subsidization between municipally-owned utilities are unnecessary because (a) the Anchorage owned public utilities are independently operated and by Charter must have separate books of accounts, (b) the Mayor and Assembly are directly accountable to the voting public, (c) the public and its consumer representatives have the right to participate in the ratemaking process under economic self-regulation, and (d) all rate decisions are eligible for judicial review in the Alaska Court System.

A legislative priority is to remove the "direct competition" exception from the statute, thereby allowing Anchorage, absent its consent, to regulate the rates of its utilities and allow for adequate rates of return for its respective utilities.

STAFF CONTACT: Will Gay, Acting Executive Manager,
Enterprise Activities, 343-4906

12/18/89

Offered:
Referred:

Original sponsors:

IN THE SENATE

SENATE BILL NO. _____

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act related to municipal utility self-regulation."

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

Article 10. General Provisions.

Section	Section:
711. Exemptions	720. Definitions
712. Deregulation ballot	721. short title

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

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

(1) the governing body of a political subdivision may elect to be subject to this chapter. [; AND]

[(2) A UTILITY OR ELECTRIC OPERATING ENTITY THAT IS OWNED AND OPERATED BY A

POLITICAL SUBDIVISION AND THAT DIRECTLY COMPETES WITH ANOTHER UTILITY OR ELECTRIC OPERATING ENTITY IS SUBJECT TO THIS CHAPTER AND ANY OTHER UTILITY OR ELECTRIC OPERATING ENTITY OWNED AND OPERATED BY THE POLITICAL SUBDIVISION IS ALSO SUBJECT TO THIS CHAPTER.)

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

(d) The commission, on a finding that no legitimate public interest will be served, may exempt a utility from all or any portion of this chapter.

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

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

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

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

(i) A utility which furnished collection and disposal service of garbage, refuse, trash, or other waste material and has annual gross revenues of \$200,000

or less is exempt from the provisions of this chapter, other than the certification provisions of AS 42.05.221 - 42.05.281, unless 25 percent of the subscribers representing 25 percent of the gross revenue of the utility petition the commission for regulation.

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

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

(l) A person, utility, or cooperative that is exempt from regulation under (a) or (d) - (k) of this section is not subject to regulation by a municipality under AS 29.35.060 and 29.35.070. (§ 6 ch 113 SLA 1970; am § 3 ch 76 SLA 1973; am § 8 ch 83 SLA 1980; am §§ 7 - 9d 136 SLA 1980; am § 89 ch 59 SLA 1982; am § 1 ch 30 SLA 1983; am § 68 ch 74 SLA 1985; am § 1 ch 80 SLA 1985; am § 2 ch 107 SLA 1986).

Offered:
Referred:

Original sponsors:

IN THE HOUSE

HOUSE BILL NO. _____

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act related to municipal utility self-regulation."

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

Article 10. General Provisions.

Section	Section:
711. Exemptions	720. Definitions
712. Deregulation ballot	721. short title

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

(1) the governing body of a political subdivision may elect to be subject to this chapter. [; AND]

((2) A UTILITY OR ELECTRIC OPERATING ENTITY THAT IS OWNED AND OPERATED BY A

POLITICAL SUBDIVISION AND THAT DIRECTLY COMPETES WITH ANOTHER UTILITY OR ELECTRIC OPERATING ENTITY IS SUBJECT TO THIS CHAPTER AND ANY OTHER UTILITY OR ELECTRIC OPERATING ENTITY OWNED AND OPERATED BY THE POLITICAL SUBDIVISION IS ALSO SUBJECT TO THIS CHAPTER.]

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(i) A utility which furnished collection and disposal service of garbage, refuse, trash, or other waste material and has annual gross revenues of \$200,000

or less is exempt from the provisions of this chapter, other than the certification provisions of AS 42.05.221 - 42.05.281, unless 25 percent of the subscribers representing 25 percent of the gross revenue of the utility petition the commission for regulation.

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Alaska Municipal League
Policy Statement

1990



Adopted at the Business Meeting
of the 39th Annual Local Government Conference
of the
ALASKA MUNICIPAL LEAGUE
Juneau, Alaska
November 17, 1989

PART VI

UTILITIES AND ENVIRONMENT

A. UTILITY REGULATION

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

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

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

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

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

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

B. FUNDING ASSISTANCE FOR UTILITIES

1. Construction Grant Program: The League strongly endorses the concept of the State's paying at least 50 percent of the cost of sewage systems, auxiliary equipment, solid waste facilities, and water systems constructed by municipalities under

Self Regulation report

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

February 14, 1989

Audit Control Number

08-1354-89-R

Commissioner, Department of
Commerce and Economic Development Larry Mercurieff

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

Members of the
Alaska Public Utilities Commission

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

STATE OF ALASKA

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

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

February 21, 1989

Members of the Legislative Budget
and Audit Committee:

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

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

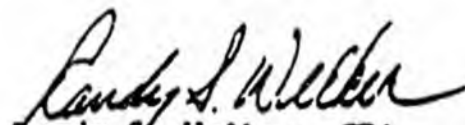
February 14, 1989

Audit Control Number

08-1354-89-R

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

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



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

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

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

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

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

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

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

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

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

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

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

Type	Under \$500,000		Under \$750,000		Under \$1,000,000	
	Util.	Customers	Util.	Customers	Util.	Customers
Electric	10	819	15	1,990	18	2,691
Telephone	-0-	-0-	1	343	2	863
Gas	-0-	-0-	-0-	-0-	1	908
Water	22	3,715	22	3,715	22	3,715
Sewer	2	15	3	382	3	382
<u>Total</u>	<u>34</u>	<u>4,549</u>	<u>41</u>	<u>6,430</u>	<u>46</u>	<u>8,559</u>
<u>Percent</u>	<u>40.57</u>	<u>.87</u>	<u>48.87</u>	<u>1.17</u>	<u>54.87</u>	<u>1.57</u>

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

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

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

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

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

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

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

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

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

Recommendation No. 2

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

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

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

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

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

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

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

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

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

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

Based upon the above, we recommend that the statutes be amended to establish a full-cost allocation funding approach for APUC. In conjunction with this shift toward program receipts funding, AS 42.05.631 and AS 42.06.610 should be amended, as follows:

1. These statutes should be amended to specify that all costs of the commission may be allocated.
2. Alaska Statute 42.05.631 should be changed to require interim allocation, rather than awaiting completion of a proceeding. The commission has estimated their unbilled utility allocations at \$1.6 million with an average age of 3.0 years. We note that the related pipeline statute, at AS 42.06.610, already requires interim billings. However, APUC does not appear to be in compliance, with their estimated unbilled pipeline allocations at \$2.1 million with an average of 4.7 years. Further, APUC should amend their regulation at 3 AAC 48.157 which provides for cost allocations after pipeline hearings rather than on the required interim basis.
3. These statutes presently require allocation to the parties of a proceeding including the commission; these should be modified to exclude the commission. However, the provisions allowing the commission to allocate among the parties as is reasonable and just should be retained, thus the commission may occasionally absorb some costs indirectly and have a need for minimal General Fund monies.
4. For economically regulated companies, on a case-by-case basis, the commission should be allowed to determine whether the costs being allocated are to be passed through to the consumers.

Recommendation No. 3

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

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

STATE OF ALASKA

STEVE COWPER, GOVERNOR

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March 7, 1989

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

Re. Response to Preliminary Audit Report

Dear Mr. Walker:

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

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

Alaska Public Utilities Commission is operating in an efficient and effective manner and should continue to regulate public utilities and pipelines. (Page 9.)

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

Recommendation No. 1A

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

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

Recommendation No. 1B

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

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

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

Recommendation No. 1C

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

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

Recommendation No. 1D

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

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