

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672  
6404 SENATE LABOR & COMMERCE

808

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

8. The extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

We found no evidence of hiring practices or commission appointments that are contrary to state personnel practices. No complaints have been filed with the Human Rights Commission or the Division of Equal Employment Opportunity.

9. The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency board or commission to better serve the interests of the public and to comply with the factors.

Please refer to the previous section, Findings and Recommendations.

APPENDIX

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

<u>Category</u>	1988 <u>Authorized</u>	1988 Expenses and Encumbrances	1989 <u>Authorized</u>
Personal Services	\$2,113,600	\$2,103,406	\$2,113,600
Travel	28,660	27,423	57,100
Other Services	1,592,330	1,224,346	1,688,500
Supplies	21,000	20,800	22,000
Capital Outlay	<u>3,910</u>	<u>3,910</u>	<u>2,900</u>
<u>Total</u>	<u>\$3,759,500</u>	<u>\$3,379,885</u>	<u>\$3,884,100</u>

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

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# STATE OF ALASKA

STEVE COWPER, GOVERNOR

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

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MAR - 9 1989

March 7, 1989

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

Re. Response to Preliminary Audit Report

Dear Mr. Welker:

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

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

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

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

Recommendation No. 1A

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

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

Recommendation No. 1B

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recommendation No. 1E

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

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

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

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

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

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

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

#### Recommendation No. 2

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

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

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

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

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

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

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

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

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

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

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

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

Recommendation No. 3

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

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

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

Recommendation No. 4

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

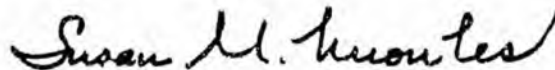
The Commission supports this recommendation.

## Appendix

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

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

Sincerely,



Susan M. Knowles  
Chairman

Attachments

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

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

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

ORDER ISSUING NOTICE OF INQUIRY FOR SIMPLIFICATION OF SMALL UTILITY REGULATION

BY THE COMMISSION:

Introduction

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

Background

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

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

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

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

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

<sup>2</sup>CS for SB569 (L&C), which was introduced in the last ses-  
 sion of the Legislature, proposed a simplified scheme of rate  
 regulation for utilities with annual gross revenues of \$1,000,000  
 or less.

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

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

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

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

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

26

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

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

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

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

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

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

#### 18 Discussion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25  
26

Alaska Public Utilities Commission  
420 "L" Street, Suite 100  
Anchorage, Alaska 99501  
(907) 276-6222

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

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

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

13 ORDER

14 THE COMMISSION FURTHER ORDERS:

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

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

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

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

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

Alaska Public Utilities Commission  
420 "L" Street, Suite 100  
Anchorage, Alaska 99501  
(907) 276-6222

**ELECTRIC UTILITIES  
(1907 Calendar Year)**

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$5,000,000)</u>				
Alaska Electric Generation & Transmission Cooperative, Inc.	\$ 17,139,417	\$ 16,256,727	\$ 66,170	1
Alaska Electric Light and Power Company	34,739,603	15,000,700	1,360,802	10,370
Alaska Village Electric Cooperative, Inc. <sup>1</sup>	27,210,242	11,405,103	1,016,263	4,970
Church Electric Association, Inc.	366,771,700	93,533,988	5,394,175	60,007
Copper Valley Electric Association, Inc.	14,053,824	7,171,696	806,209	2,350
Golden Valley Electric Association, Inc.	138,156,7	39,115,609	3,173,267	26,784
Homer Electric Association, Inc.	82,327,628	31,168,368	2,551,630	17,239
Kodiak Electric Association, Inc.	32,519,997	14,044,493	2,325,809	4,354
Natanuska Electric Association, Inc.	106,672,760	37,879,553	4,648,728	27,479
Municipal Light & Power Department, Municipality of Anchorage d/b/a	<u>146,962,166</u>	<u>61,594,072</u>	<u>722,462</u>	<u>30,040</u>
Subtotal	<u>\$966,553,848</u>	<u>\$327,258,369</u>	<u>\$22,173,595</u>	<u>184,506</u>

(This Appendix contains excerpts from the Commission's FY98 Annual Report to the Legislature; footnotes are omitted.)

12-89-1(1)  
APPENDIX 1

ELECTRIC UTILITIES (CONT.)  
(1987 Calendar Year)

Utility	Net Plant	Revenues		Assets
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,500,000 but Less Than \$5,000,000)</u>				
Alaska Power & Telephone Company	\$ 3,354,050	\$ 3,164,117	500,190	1,716
Arctic Utilities, Inc. <sup>1</sup>	2,152,979	3,146,001	249,226	26
Barrow Utilities and Electric Cooperative, Inc.	-----2	1,606,004	229,661	1,246
Bethel Utilities Corporation, Inc.	2,836,300	4,277,113	136,114	1,691
Kotzebue Electric Association, Inc.	6,449,004	2,790,390	420,407	973
Hushagak Electric Cooperative, Inc. <sup>3</sup>	4,771,174	2,490,707	260,577	1,004
Tilimjil-Nalda Regional Electrical Authority	<u>5,620,503</u>	<u>2,906,005</u>	<u>400,024</u>	<u>975</u>
Subtotal	<u>\$ 25,193,970</u>	<u>\$ 20,557,933</u>	<u>\$ 2,356,279</u>	<u>7,711</u>

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

Aniak Light and Power Company, Inc.	\$ 526,320	\$ 741,912	\$ 119,449	150
G & K, Inc.	H/A	095,014	H/A	70
Gwitchyan Zhee Utility Company <sup>4</sup>	690,130	570,608	<110,310>	297
Haines Light & Power Company, Inc.	1,206,793	1,162,049	97,064	750
I-H-H Electric Cooperative, Inc.	1,522,832	695,272	<1,032>	259
McGrath Light & Power Company <sup>4</sup>	1,069,476	037,306	143,931	231
Sand Point Electric, Inc. <sup>5</sup>	430,301	939,039	2,132	400
Tanana Power Company, Inc.	751,797	551,930	01,250	104
Yakutat Power, Inc.	<u>674,831</u>	<u>693,330</u>	<u>45,659</u>	<u>201</u>
Subtotal	<u>\$ 6,000,400</u>	<u>\$ 7,095,260</u>	<u>\$ 377,343</u>	<u>2,622</u>

ELECTRIC UTILITIES (CONT.)  
(1967 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenue	Net Income	
<u>(Gross Operating Revenue Less Than \$500,000)</u>				
Andreanof Electric Corporation <sup>1</sup>	\$ 129,345	\$ 79,072	\$ 15,203	37
Hettles Light & Power, Inc.	316,722	373,529	<47,841>	49
Far North Utilities	355,414	112,315	<6,110>	44
Levelock Electric Cooperative, Inc. <sup>2</sup>	75,534	144,844	29,344	69
Hanley Utility Company, Inc.	266,322	111,344	<66,862>	84
Middle Kuskokwim Electric Cooperative, Inc.	1,714,495	375,093	<21,233>	152
Hapaklak Irceinaq Power Company <sup>3</sup>	141,137	275,343	61,212	01
Northway Power & Light, Inc.	327,927	366,442	39,759	110
Pelican Utility Company	504,202	394,794	106,033	107
Teller Power Company	96,429	305,680	71,561	06
Subtotal	\$ 4,007,607	\$ 2,539,256	\$ 252,066	019
TOTALS	<u>\$1,002,635,913</u>	<u>\$357,450,046</u>	<u>\$25,159,203</u>	<u>195,650</u>

GAS UTILITIES  
(1987 Calendar Year)

Utility	Net Plant	Revenues		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$5,000,000)</u>				
ENSTAR Natural Gas Company <sup>1</sup> (a division of Seagull Energy Corporation)	\$157,479,366	\$99,956,451	\$15,855,146	70,223
Subtotal	\$157,479,366	\$99,956,451	\$15,855,146	70,223
<u>(Gross Operating Revenue Greater Than \$500,000 but Less Than \$1,500,000)</u>				
Darrow Utilities and Electric Cooperative, Inc.	\$----- <sup>2</sup>	\$ 804,907	\$ 74,685	900
Subtotal	\$----- <sup>2</sup>	\$ 804,907	\$ 74,605	900
<b>TOTALS</b>	<u>\$157,479,366</u>	<u>\$100,761,430</u>	<u>\$15,929,031</u>	<u>79,131</u>

REFUSE AND GARBAGE UTILITIES  
(1987 Calendar Year)

Utility	Net Plant	Revenues		Customers
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$200,000)</u>				
Anchorage Refuse, Inc.	\$2,458,004	\$ 9,210,396	\$163,811	26,076
Channel Sanitation Corporation	236,094	2,132,305	<390,404>	4,920
Drake's Sanitation, Inc. <sup>1</sup>	132,400	454,641	<8,716>	165
Eagle River Refuse, Inc.	105,610	932,965	32,697	4,110
Far North Sanitation, Inc.	1,569,616	1,214,258	133,867	712
Interior Services, Ralph E. Bartlett d/b/a	780,822	519,916	<23,940>	262
Kodiak Sanitation, Inc.	82,437	820,551	70,322	182
Peninsula Sanitation Company, Inc. <sup>2</sup>	252,395	1,350,321	85,804	1,340
Wasilla Refuse, Inc. <sup>3</sup>	130,780	541,037	74,584	702
<b>TOTAL</b>	<u>\$5,077,046</u>	<u>\$17,176,390</u>	<u>\$137,937</u>	<u>30,477</u>

GENERAL (WASTEWATER) UTILITIES  
(1987 Calendar Year)

Utility	Net Plant <sup>1</sup>	REVENUES		Users
		Total Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,000,000)</u>				
Anchorage Water and Wastewater Utility, Municipality of Anchorage d/b/a	\$54,302,553	\$18,099,005	\$<1,208,190>	49,140
College Utilities Corp. <sup>2</sup>	<u>2,201,975</u>	<u>1,366,995</u>	<u>101,412</u>	<u>1,554</u>
Subtotal	<u>\$56,584,528</u>	<u>\$19,466,000</u>	<u>\$&lt;1,106,778&gt;</u>	<u>50,694</u>
<u>(Gross Operating Revenue Less Than \$757,000)</u>				
Darrow Utilities and Electric Cooperative, Inc.	\$-----3	\$ 554,500	\$ 3,333	167
Salmantof Utilities, Inc.	50,000	004	514	3
Settlers Day Properties, Inc.	- 0 -	5,045	<159,390>	12
Subtotal	<u>\$ 50,000</u>	<u>\$ 560,509</u>	<u>\$ &lt;155,543&gt;</u>	<u>182</u>
TOTALS	<u>\$56,634,528</u>	<u>\$20,027,309</u>	<u>\$&lt;1,342,321&gt;</u>	<u>51,076</u>

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

Utility	Net Plant	Revenues		Main Access Lines
		Total Revenues	Net Income	
<b>(Gross Operating Revenue Greater Than \$4,000,000)</b>				
Alascom, Inc.	\$329,029,964	\$281,030,131	\$42,456,392	11/A
Anchorage Telephone Utility, Municipality of Anchorage d/b/a	219,695,213	87,020,300	1,669,758	112,107
General Telephone Company of Alaska	12,884,609	8,255,030	1,002,776	10,602
Interior Telephone Company	8,837,986	4,407,591	8,605	1,965
Matanuska Telephone Association, Inc.	91,414,691	29,325,474	1,381,100	25,418
Telephone Utilities of Alaska, Inc.	94,008,561	43,760,048	6,050,419	34,031
Telephone Utilities of the Northland, Inc.	22,871,989	14,845,183	2,058,959	14,297
United Utilities, Inc.	<u>15,760,748</u>	<u>7,651,037</u>	<u>652,195</u>	<u>2,865</u>
Subtotal	<u>\$794,503,841</u>	<u>\$476,294,874</u>	<u>\$56,080,292</u>	<u>201,285</u>
<b>(Gross Operating Revenue Greater Than \$1,000,000 but Less Than \$4,000,000)</b>				
Arctic Slope Telephone Association Cooperative, Inc.	\$ 3,429,404	\$ 3,828,686	\$ 564,797	855
Bristol Bay Telephone Cooperative, Inc.	3,073,711	1,517,469	150,112	942
Copper Valley Telephone Cooperative, Inc.	10,453,257	3,432,280	696,218	2,795
Nukluk Telephone Company, Inc.	2,731,542	1,363,916	347,815	642
National Utilities, Inc.	1,670,124	1,419,241	200,968	1,571
Nushagak Telephone Cooperative, Inc.	3,436,799	1,754,223	304,736	1,206
OTZ Telephone Cooperative, Inc.	<u>3,900,178</u>	<u>2,001,021</u>	<u>349,989</u>	<u>1,540</u>
Subtotal	<u>\$ 28,695,015</u>	<u>\$ 15,317,644</u>	<u>\$ 2,622,635</u>	<u>9,611</u>
<b>(Gross Operating Revenue Less Than \$1,000,000)</b>				
Dush-Tell, Incorporated	\$ 2,384,383	\$ 814,510	\$ <14,506>	520
Yukon Telephone Company, Inc.	<u>684,335</u>	<u>644,904</u>	<u>&lt;63,290&gt;</u>	<u>343</u>
Subtotal	<u>\$ 3,068,710</u>	<u>\$ 1,459,414</u>	<u>\$ &lt;77,796&gt;</u>	<u>1163</u>
<b>TOTAL</b>	<u><u>\$826,267,574</u></u>	<u><u>\$493,071,932</u></u>	<u><u>\$ 58,625,131</u></u>	<u><u>211,779</u></u>

**WATER UTILITIES**  
(1967 Calendar Year)

Utility	Net Plant <sup>1</sup>	Revenues		Users
		Gross Revenues	Net Income	
<u>(Gross Operating Revenue Greater Than \$1,000,000)</u>				
Anchorage Water and Wastewater Utility, Municipality of Anchorage d/b/a	\$91,067,395	\$17,029,084	\$391,062	40,305
Darrow Utilities and Electric Cooperative, Inc.	----- <sup>2</sup>	2,497,134	421,071	300
College Utilities Corp. <sup>3</sup>	<u>3,605,731</u>	<u>1,402,341</u>	<u>170,270</u>	<u>1,600</u>
Subtotal	<u>\$94,753,126</u>	<u>\$20,928,559</u>	<u>\$990,403</u>	<u>42,291</u>

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

Alpat Water Utility Company	\$ 93,299	\$ 22,702	\$ 9,976	76
Alyeska Utilities, Inc. <sup>4</sup>	05,609	102,143	20,522	526
Chugiak Utilities	247,410	51,919	20,454	195
Dawn Development Corporation		(Not reported)		
Eagle Utilities, Inc.	- 0 -	29,459	7,860	83
Eklutna Utilities, Inc.	456,993	193,555	<66,475>	600
ERU, Inc.	66,600	9,727	<5,352>	34
Kwik Log Water System, Myron Alton Newton d/b/a	- 0 -	2,688	890	10
Natanuska Utility Company, Inc.	69,609	12,443	<1,159>	12
McGahan Utilities, Inc.	22,801	23,046	2,683	11/1
McKinley Utilities, Inc. <sup>5</sup>	69,742	9,924	1,635	34
Norfolk Utilities, Inc.	696,505	248,156	235	866
Omlin Water Utility, Paul Omlin d/b/a	31,216	4,437	533	15
Pelican Utility Company		(Not reported)		

WATER UTILITIES (CONT.)  
(1987 Calendar Year)

<u>Utility</u>	<u>Net Plant<sup>1</sup></u>	<u>Gross Revenues</u>	<u>Net Income</u>	<u>Users</u>
Pottor Creek Water Company	\$ 128,642	500	<3,653>	9
Romig Park Improvement Company <sup>2</sup>	- 0 -	12,350	<3,174>	85
Sandlake Services, R. J. & Clara Rhodes d/b/a	35,648	28,366	9,310	138
Settlers Bay Properties, Inc.	- 0 -	8,670	<62,000>	62
South Central Utilities, Inc.	81,577	1,323	<22,103>	11
Southeast Utilities, Inc., Robert H. Scott, Evelyn V. Scott, Charles J. Schneider and Marlene C. Schneider, S & S Development d/b/a	214,912	116,903	30,415	630
Spensard Heights Water System, Wayne Cates d/b/a	5,742	4,057	<409>	40
Valley Water Company, Inc. <sup>3</sup>	<u>230,175</u>	<u>157,600</u>	<u>54,560</u>	<u>265</u>
Subtotal	<u>\$ 2,536,656</u>	<u>\$ 1,041,120</u>	<u>\$ &lt;5,460&gt;</u>	<u>3,715</u>
TOTAL	<u>\$97,289,782</u>	<u>\$21,969,607</u>	<u>\$984,935</u>	<u>46,000</u>

Sec. 42.05.305. Interest on deposits. (a) A public utility may collect and retain a deposit for contracted recurring monthly service. A public utility that collects and retains a deposit of over \$100 for recurring monthly service shall pay interest on that deposit at or before the time it is returned. Interest paid under this section shall be at the legal rate of interest at the time the deposit is made. However, if the deposit is placed in an interest bearing account, the utility shall pay the interest rate of the interest bearing account.

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

Cross references. — For legal rate of interest, see AS 46.45.010.

Sec. 42.05.381. Rates to be just and reasonable. (a) All rates demanded or received by a public utility, or by any two or more public utilities jointly, for a service furnished or to be furnished shall be just and reasonable; however, a rate may not include an allowance for costs of political contributions, or public relations except for reasonable amounts spent for

- (1) energy conservation efforts;
- (2) public information designed to promote more efficient use of the utility's facilities or services or to protect the physical plant of the utility;
- (3) informing shareholders and members of a cooperative of meetings of the utility and encouraging attendance; or
- (4) emergency situations to the extent and under the circumstances authorized by the commission for good cause shown.

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

(c) A utility, whether subject to regulation by the commission or exempt from regulation, may not charge a fee for connection to, disconnection from, or transfer of services in an amount in excess of the actual cost to the utility of performing the service plus a profit at a reasonable percentage of that cost not to exceed the percentage established by the commission by regulation.

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

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

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

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

Effect of amendments. — The 1986 amendment added subsection (c).

#### NOTES TO DECISIONS

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

**Sec. 42.05.385. Charges for water and sewer line extensions.**  
 (a) A water or sewer line extension may not be constructed unless the legislative body of each municipality through which the extension passes has approved the extension. This subsection does not apply to an extension that will not create any charges or assessments against the adjacent property.

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

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

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

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

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

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

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

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

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

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

Authority: AS 42.05.141(1)  
AS 42.05.151

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

Authority: AS 42.05.141  
AS 42.05.151

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

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

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

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3 AAC 48.700 COMMERCE AND ECON. DEV. 3 AAC 48.720

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

49.730

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

48.790

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

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

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

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

Authority: AS 42.05.141      AS 42.05.411  
AS 42.05.151      AS 42.05.421  
AS 42.05.381      AS 42.06.431

### Article 6. Miscellaneous Provisions

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

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

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

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

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

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

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

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

Appendix B

42.05.711 (b) is amended to read:

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

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

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

APPENDIX

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

<u>Category</u>	<u>1988</u> <u>Authorized</u>	<u>1988</u> <u>Expenses and</u> <u>Encumbrances</u>	<u>1989</u> <u>Authorized</u>
Personal Services	\$2,113,600	\$2,103,406	\$2,113,600
Travel	28,660	27,423	57,100 <sup>2/</sup>
Other Services	1,592,330 <sup>1/</sup>	1,224,346 <sup>1/</sup>	1,688,500 <sup>2/</sup>
Supplies	21,000	20,800	22,000
Capital Outlay	<u>3,910</u>	<u>3,910</u>	<u>2,900</u>
<u>Total</u>	<u>\$3,759,500</u>	<u>\$3,379,885</u>	<u>\$3,884,100</u>

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

Commission Footnotes:

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



**SENATE LABOR & COMMERCE COMMITTEE**

**Senator Richard I. (Dick) Eliason, Chairman**

**Senator Pat Rodey, Vice-Chairman**

**Senator Jan Falka**

**Senator Julmar Kerttula**

**Senator Jack Coghill**

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Proposed by

At Refuge Utilities Assn.

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3 PROPOSED COMMITTEE SUBSTITUTE FOR

4 SENATE BILL 298

5 IN THE LEGISLATURE OF THE STATE OF ALASKA

6 SIXTEENTH LEGISLATURE - FIRST SESSION

7 A BILL

8 For an Act entitled: "An Act relating to waste collection and  
9 recycling."

10  
11 Section 1. FINDINGS AND POLICY. (a) The legislature finds  
12 that

13 (1) the recycling and reuse of garbage, refuse, trash or  
14 other waste material ("Waste") and the material, resource, and  
15 energy recovery from Waste would substantially extend the useful  
16 life of existing solid waste disposal sites in the State of  
17 Alaska, reduce the need for new landfills, save Alaska's environ-  
18 ment, reduce outdoor pollution, and create jobs in the state;

19 (2) refuse utilities are ideally situated, to collect, and  
20 recycle waste and to engage in recovery activity;

21 (3) the recycling and recovery activity is in its infancy  
22 in the nation and particularly in the State of Alaska, derives  
23 little or no profits for those engaged in the activity, and  
24 requires that the legislature promote the activity whenever  
25 possible;

26 (4) substantial volumes of Waste are needed to make the  
27 recycling and recovery business economically viable which  
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3 requires that certificated refuse utilities collect and control  
4 the available waste in their service areas;

5 (5) it is in the public interest to encourage the existing  
6 refuse utilities to develop the necessary technology and business  
7 opportunities to engage in economical and efficient waste re-  
8 cycling and recovery activities.

9 (b) It is the policy of the State to encourage Waste re-  
10 cycling and recovery activities and to assist and encourage  
11 refuse utilities to develop Waste recycling and recovery tech-  
12 nology and to conduct an economical and efficient Waste recycling  
13 and recovery business.

14 Section 2. AS 42.05.221 is amended to read:

15 (a) A public utility may not operate and receive compen-  
16 sation for providing a commodity or service after January 1, 1971  
17 without first having obtained from the Commission under this  
18 chapter a certificate declaring that public convenience and  
19 necessity require or will require the service. A certificate to  
20 furnish collection and disposal service of garbage, refuse, trash  
21 or other waste material in an area already served by a certif-  
22 icated refuse utility may only be granted if the operating and  
23 capital expense incurred by the utility and its affiliated inter-  
24 ests on waste recovery is not 3% or more of the annual operating  
25 and capital expense of the utility and the refuse utility will  
26 not provide service to the satisfaction of the Commission. The  
27 operating and capital expense incurred by the utility and its  
28 affiliated interests for waste recovery for the 5 years prior to

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3 the filing of an application to serve in an area already served  
4 by a certificated refuse utility may be averaged to calculate the  
5 3% annual operating and capital expense figure. Where a public  
6 utility provides more than one type of utility service, a sepa-  
7 rate certificate of convenience and necessity is required for  
8 each type. A certificate shall describe the nature and extent of  
9 the authority granted in it, including, as appropriate for the  
10 services involved, a description of the authorized area and scope  
11 of operations of the public utility.

12 Section 3. AS 42.05.381 is amended by adding a new  
13 subsection to read:

14 (e) All rates charged to a municipality by a utility fur-  
15 nishing collection and disposal service of garbage, refuse, trash  
16 or other waste material shall be regulated by the commission and  
17 may not be exempt from regulation under AS 42.05.711(c).

18 (f) The commission shall adopt regulations for electric  
19 cooperatives and for utilities which furnish collection and  
20 disposal service of garbage, refuse, trash, or other waste mate-  
21 rial setting a range for adjustment of rates by a simplified rate  
22 filing procedure. A cooperative or utility furnishing collection  
23 and disposal service of garbage, refuse, trash or other waste  
24 material may apply for permission to adjust its rates over a  
25 period of time under the simplified rate filing procedure regu-  
26 lations. The commission shall grant the application if the  
27 cooperative or the utility furnishing collection and disposal  
28 service of garbage, refuse, trash, or other waste material

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3 satisfies the requirements of the regulations. The commission  
4 may review implementation of the simplified rate filing procedure  
5 at reasonable intervals and may revoke permission to use the  
6 procedure or require modification of the rates to correct an  
7 error.

8 Section 4. AS 42.05.711(d) is amended to read:

9 (d) The commission, on a finding that no legitimate public  
10 interest will be served, may exempt a utility from all or any  
11 portion of this chapter other than AS 42.05.221 - AS 42.05.281.

12 Section 5. AS 42.05.720 is amended by adding new paragraphs  
13 to read:

14 (1) "resource recovery" means the process of obtaining  
15 useful material or energy resources from waste;

16 (2) "energy recovery," means recovery in which all or a  
17 part of the waste materials are processed to utilize the heat  
18 content, or other forms of energy, of or from the material;

19 (3) "material recovery," means any process of obtaining  
20 from waste, by presegregation or otherwise, materials which still  
21 have useful physical or chemical properties after serving a  
22 specific purpose and can, therefore, be reused or recycled for  
23 the same or other purpose;

24 (4) "recycling," means any process by which solid waste  
25 materials are transformed into new products in such a manner that  
26 the original products may lose their identity;

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(5) "reuse," means the return of a commodity into the economic stream for use in the same kind of application as before without change in its identity;

(6) "waste" means garbage, refuse, trash or other waste material;

(7) "waste recovery" means resource recovery, energy recovery, material recovery, recycling or reuse of waste.

Section 6. No certificate may be granted to furnish collection and disposal service of garbage, refuse, trash or other waste material in an area already serviced by a certificated refuse utility for 1 year from the effective date of this Act.

Section 7. This Act takes effect immediately under AS 01.10.070(c).



# Fairbanks North Star Borough

25th Silver Anniversary

April 25, 1989

Senator Dick Eliason, Chairman  
Senate Labor and Commerce Committee  
P.O. Box V  
Juneau, Alaska 99811

Dear Chairman Eliason:

I want to express my appreciation for the introduction of Senate Bill No. 298, "An Act relating to deregulation of public utilities furnishing collection and disposal service of waste material," and stress my strong support of this legislation. I view deregulation as an absolute necessity for the continued survival of government-administered garbage collection services in the State of Alaska. Such legislation would finally implement the long-term (10 year) recommendation of the Alaska Public Utilities Commission for deregulation of this industry.

The Fairbanks North Star Borough currently has a widespread garbage collection system, with an annual operating budget of \$1.15 million. This entire system is serviced by APUC-certificated haulers, as required by Alaska Statute. Unfortunately, the absence of free market competition in this industry has greatly magnified and intensified the numerous problems we have experienced in trying to provide this service. The Borough's inability to initiate competitive procurement methods for the hauling of our public dumpsters and to enter into any contractual arrangements with the haulers for this service has resulted in a very non-cost-effective system. Nor is there any recourse for the Borough to ensure an acceptable quality of operation.

The problems involved in our solid waste collection system are severe and worsening. The current financial plight of all levels of government in Alaska demands the provision of cost-effective services. However, the legal monopolies granted to the APUC-certificated haulers make it impossible for us to provide cost-effective dumpster service. One of our local haulers has requested an 80 percent increase in APUC-authorized hauling rates. Nowhere in the justification for this increase was the hauler required to show that this increase would result in better service, or would solve the operational problems currently afflicting his servicing of public dumpsters.

While we do not yet know just what magnitude of increase will be forced upon us, we do know that this increase will not solve our operational problems with the dumpster system. We do know that under the current system of legal monopolies, the certificated haulers have no incentive for innovation. The result is a stagnated industry unwilling or unable to cope with rapidly evolving waste

Senator Eliason  
April 25, 1989  
page 2

regulations and liability issues. The current regulation of the waste hauling industry (which varies greatly from community to community) has prevented the Fairbanks North Star Borough, and other municipalities around the state, from developing innovative, economical solutions to the growing financial and operational problems facing garbage collection services in Alaska. Our continued inability to deal with these problems will soon force the elimination of public dumpster service in the Fairbanks area. APUC regulation of the waste hauling industry makes it impossible to overcome these obstacles.

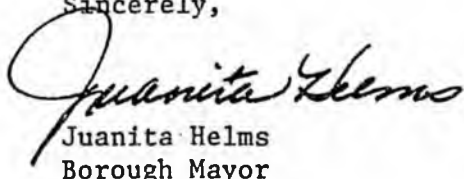
The argument that APUC regulation provides protection to public health and the environment is erroneous. The APUC provides almost exclusively economic regulation of this industry. A multitude of federal, state and local regulations covering the transport and disposal of solid waste, enforced by numerous agencies, will ensure that environmental and public health protection will not be compromised by deregulation.

I question the contention that the waste hauling industry must be protected from competition in order to allow these firms the economies of scale necessary for capitalization of equipment and operational cost recovery. The cost of the equipment necessary to service the public dumpster sites, while high, is not prohibitive. Well-managed hauling companies will survive and grow under deregulation, since they will have the equipment, experience and knowledge necessary to compete successfully in the free market environment.

I personally find it very difficult to explain to the citizens of the Fairbanks area that we have to eliminate a service that is exceedingly popular, and provides substantial public health and environmental benefits. But the Borough's current financial and operational difficulties make it impossible to continue the dumpster system unless this industry is deregulated. We need the passage of SB 298 to give us the ability to work toward solving our existing dumpster problems.

I am enclosing a copy of Fairbanks North Star Borough Assembly Resolution No. 89-035, "A Resolution Supporting Deregulation of Garbage and Solid Waste." I want to join the Assembly in urging the adoption of Senate Bill No. 298. Thank you very much for giving me the opportunity to express our position on this piece of legislation which is vital to the interests of the residents of the Fairbanks community.

Sincerely,

  
Juanita Helms  
Borough Mayor

JH/rj  
encl.

rj-5/rj10



# Fairbanks North Star Borough

25th Silver Anniversary

## FAIRBANKS NORTH STAR BOROUGH BRIEFING PAPER: DEREGULATION OF GARBAGE HAULING IN THE STATE OF ALASKA

PRESENTED TO:  
SENATE LABOR AND COMMERCE COMMITTEE  
APRIL 26, 1989

PRESENTED BY:  
RICHARD JOY, DIRECTOR OF HEALTH AND SAFETY  
FAIRBANKS NORTH STAR BOROUGH

The Fairbanks North Star Borough believes that the deregulation of garbage hauling as a public utility is an absolute necessity for the continued survival of government-administered garbage collection services in the State of Alaska. This belief is based upon the experience of the Borough in providing solid waste collection within our borough, through our relationship with the APUC-certificated haulers in the Fairbanks area. This relationship began in 1975 with the establishment of our first public solid waste dumpsters. Since that time, the garbage collection system has grown to 18 sites, with an operating budget of \$1.15 million. All of these sites are serviced by the certificated haulers, as required by Alaska Statute.

The history of this service has been one of constant growth, accompanied by the growing pains often associated with a rapidly evolving service. Unfortunately, the absence of free market competition in this industry has greatly magnified and intensified these problems. Throughout the last 14 years, the Borough has not been able to initiate any competitive procurement process for the hauling of our public dumpsters. Nor have we found any method to get the certificated haulers to enter into any contractual arrangements with the Borough for this service. The result has been, and continues to be, a very non-cost-effective system, with no recourse available for the Borough to rely on in ensuring an acceptable quality of operation.

Deregulation would result in a number of positive benefits to the Borough in our attempts to continue the provision of non-areawide solid waste collection services in the borough. Unfortunately, the dumpster system is presently faced with both major financial and operational problems. Many of these problems have resulted from, or have been worsened by, continued government protectionism in the area of garbage collection. Such problems include excessive and uncontrollable hauling costs, poor quality of service, no contractual arrangements with the haulers, no ability to specify standard equipment, roadblocks to innovative operational solutions and no clear understanding of Borough and hauler liabilities in providing this service.

Because of this, we have identified the following major benefits which would accrue to the Borough if deregulation occurs. These would include:

1. the ability to use the competitive procurement process to obtain dumpster hauling services at lower cost;
2. the ability to enter into enforceable contracts with clearly defined standards of performance;
3. the elimination of uncontrollable cost increases; and
4. the ability to develop innovative solutions to cope with existing operational problems and current and future governmental regulations.

There are usually numerous arguments advanced to justify the continued regulation of an industry. However, these arguments can all be simplified to the belief that the ultimate benefit of such regulation is improved service to the consumer. In the case of garbage hauling in the Fairbanks area, regulation has not had this benefit. Instead, the public has received poorer service, while paying a higher cost, than would have been the case without deregulation.

The problems involved in our solid waste collection system are severe and worsening. The current financial plight of all levels of government in Alaska demands the provision of cost-effective services. However, the legal monopolies granted to the APUC-certificated haulers make it impossible for us to provide cost-effective dumpster service. One of our local haulers has requested an 80 percent increase in APUC-authorized hauling rates. Nowhere in the justification for this increase was the hauler required to show that this increase would result in better service, or would solve the operational problems currently afflicting his servicing of public dumpsters.

The eventual magnitude of this rate increase is not yet known. We do know that this increase will not solve our operational problems with the dumpster system. We do know that under the current system of legal monopolies, the certificated haulers have no incentive for innovation. This has resulted in a stagnated industry unwilling or unable to cope with rapidly changing solid waste regulations and liability issues. The ultimate result will be the elimination of a service that is called the most popular service our Borough provides, and which has clear benefits in public health and environmental protection.

The current regulation of the waste hauling industry has prevented the Fairbanks North Star Borough, and other municipalities around the state, from developing innovative, economical solutions to the growing financial and operational problems facing garbage collection services in Alaska. Continued APUC recommendations over the last 10 years for deregulation of this industry have been ignored by the State Legislature. The APUC response to this dilemma has been various attempts by the Commission to allow limited competition under its regulations. The unfortunate consequence of this bandaid approach to

these problems has been widely varying regulatory positions in different communities across the state.

Failure to comprehensively address these issues has turned them from problems into crises. Our continued inability to deal with these crises will soon force the elimination of public dumpster service in the Fairbanks area. APUC regulation of this industry makes it impossible to overcome these obstacles. Unless deregulation of the industry occurs, dumpster service will be eliminated in the Fairbanks North Star Borough.

It is very important to make a clear distinction between solid waste collection (which is currently regulated by the Alaska Public Utilities Commission) and solid waste disposal (which is regulated at the state level by the Alaska Department of Environmental Conservation). Many of the arguments against deregulation of garbage collection as a public utility confuse these two very different aspects of solid waste management. Simply put, waste collection involves the pickup and transport of garbage from its place of generation to its place of disposal. Waste disposal refers to the method of rendering the garbage environmentally safe and secure, whether that be by burning, burial or some manner of waste processing and minimization.

The major concern these days, across the nation, involves the proper disposal of solid waste. When we discuss garbage deregulation in the State of Alaska we are not referring to disposal. There are numerous regulations in place to adequately address disposal. For example, in the Fairbanks North Star Borough, anyone wishing to start a solid waste disposal facility would be required to follow federal EPA regulations to locate, develop and operate that facility. They would also have to obtain a state DEC permit to operate. And finally, the Borough's approval would also be necessary before such a facility could be opened. These overlapping environmental regulations ensures the adequate protection of public health and the environment.

Solid waste collection, on the other hand, is currently regulated by the APUC, primarily from an economic standpoint. Collection is almost entirely a transportation issue. That is probably why it was initially regulated by the Alaska Transportation Commission prior to the establishment of the APUC. Collection has very little environmental or public health consequences. Both the Borough and the State (through DEC and the State Troopers) do handle such things as uncovered load enforcement, littering, and improper handling of garbage at the generator's end. The remainder of the issues surrounding garbage collection are really no different than the transport of any other freight commodity, involving the movement of materials from point A to point B in the most economical fashion.

The argument that APUC regulation of waste haulers provides protection to public health and the environment is erroneous. The APUC provides almost exclusively economic regulation of this industry. The multitude of federal, state and local regulations governing the transport and disposal of solid waste, enforced by such entities as EPA, U.S. DOT, DEC, the Alaska State Troopers and even the Fairbanks North Star Borough, ensure that environmental and public health protection will not

be compromised even if APUC deregulation occurs.

For these reasons, any arguments made against deregulation on public health or environmental grounds is a non-issue. These arguments refer to disposal practices, not collection operations. They therefore have no relevance to the deregulation of solid waste collection in the state. This distinction between collection and disposal also highlights part of the Borough's reasons for deregulation. If garbage is simply another commodity to be transported, why should it be any more regulated than any other type of freight which is transported daily over Alaskan roads? While it may take some specialized equipment to load, carry and unload garbage, the price of such equipment is not so high as to eliminate all potential competition from the marketplace. Other firms have approached both the Borough or the APUC over the years, and indicated a willingness to compete with the existing haulers. The so-called economies of scale issue, often mentioned as one reason to regulate an industry as a public utility, does not seem to have been an item of major concern to these companies.

Economies of scale are associated with the need for certain utilities to have large enough operations to capitalize their equipment over a certain number of years, and to recover their full costs of operation. In the case of an APUC-certificated hauler, we believe that such an operation does not have the magnitude of equipment costs relevant to the economies of scale issue. If deregulation were to occur, it would appear that the previously-licensed haulers would actually have an advantage regarding the equipment issue, since they would already have the most expensive equipment, which may be more difficult for a company just starting out to acquire.

Another supposed argument against deregulation involves the trading of recycling legislation in exchange for continued APUC regulation of waste collection. However, this discussion again mixes collection and disposal issues. It also further confuses the issue by mixing types of waste recovery. Most waste recovery methods are tied to solid waste disposal operations. As mentioned earlier, disposal does not involve APUC-regulated businesses. Such disposal-linked waste recovery has not worked technically or economically in the State of Alaska. The Borough is currently a key participant in the largest effort to-date in this state to utilize resource recovery measures to reduce solid waste disposal costs. This effort has met with nearly total failure, with only about four percent of the municipal waste stream being processed or recycled. This is far short of the 90 percent resource recovery figure originally projected, and comes at a cost of over \$3 million.

Source separation and collection are the only recycling activities which could be directly linked to APUC haulers. These measures are practical only if there are markets for the recycled materials within economic hauling distance. This is not the case in Alaska, making it infeasible to recycle these materials. The biggest recycling mistake that has been made in other states is the passage of government regulations which force industry and others to recycle waste, when there are not available markets for the recycled materials. This recycling proposal would apparently repeat that exact mistake.

This proposal may also have the effect of forcing out the small recycling firms that are currently operating in Fairbanks and other localities. Approval of this proposal could put these firms in direct competition with the regulated waste haulers. The protection enjoyed by the haulers from competition, and the possible requirement for them to spend a portion of their operating costs on waste recovery would appear to virtually ensure the demise of many of the current small recycling businesses.

This discussion does highlight one problem with existing solid waste regulation in Alaska. Solid waste processing is almost unregulated, sitting as it does between DEC's disposal regulations and the APUC's collection regulations. With the continued interest in such processing, and the development of additional processing facilities, it is apparent that these facilities need to be better covered by state solid waste regulations. The best approach appears to be DEC regulation of such processing, due to the potential environmental impacts resulting from these operations.

In summary, the benefits to the public of the deregulation of garbage hauling in the state are overwhelming, and far outweigh the supposed disadvantages. Even the impact on the waste hauling industry would be beneficial, in the long run. The well-managed hauling companies would adapt and grow, as a result of their experience and knowledge, coupled with their available equipment. Additional companies in Fairbanks and other locations would welcome the opportunity to compete with the existing haulers to provide economical, high-quality service. Most of the certificated firms now involved in this industry began in the late-60's and early-70's, as small, family-run businesses. Similarly, those small businesses now willing to compete in the marketplace with the licensed haulers should not be shut out. The end result would be the availability of improved, lower-cost service.

April 26, 1989

A STATEMENT FROM DAVID BRANGAN, OF ALASKA FIBERGLASS  
MANUFACTURING. 11711 SOUTH GAMBLE, ANCHORAGE 99515

REGARDING SENATE BILL 298 for presentation to the Senate  
Labor and Commerce Committee hearing 4-26-89

Our concern is the deregulation of waste material.  
Part of the process that we intend to incorporate in the  
manufacture of fiberglass insulation products includes the  
utilization of waste or recycled glass.

By deregulating this industry, the possibility would exist  
that this would disrupt our ability to utilize the waste glass  
resource - virtually rendering glass recycling (for us)  
unreasonable.

Deregulation of this industry could hinder all aspects of  
recycling in Alaska. It would render recycling a serious body  
blow.

Thank you for allowing me to comment.

BARBARA J. STEVENS, Ph.D.

President and Senior Associate

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EXPERIENCE SUMMARY:

Related research and hands-on consulting in ways to improve urban service delivery for the past fifteen years. Founded Ecodata in 1977. Prior to that, was Assistant Professor of Business Economics at Columbia University in New York. Served as project director of a major U.S. Department of Housing and Urban Development funded project designed to determine the impact of organizational arrangements for service delivery on service delivery costs and quality. Outputs of this project included extensive recommendations for improving service delivery of refuse collection, street sweeping, road repairs, traffic signal maintenance, janitorial services, payroll processing, parks maintenance, and street tree maintenance. This project built upon findings from a 1974-80 study of refuse collection and disposal, of which Dr. Stevens was co-principal investigator, involving analysis of organizational arrangement and its relationship to the cost, quality, and technology of service delivery.

Has published in academic and trade journals, spoken at national conferences, and provided expert testimony about research findings.

SELECTED PROJECT EXPERIENCE:

Oklahoma City, Oklahoma. Developed a methodology for procuring contract refuse collection services, both commercial and residential. Previously obtained disposal services, so that collectors without landfills might compete equally with those owning landfills. Bids for service provided opportunity for up to \$40 million in savings over five years. Contract for residential refuse collection allowed for guaranteed price for curbside recyclables collection, based on price of residential refuse collection. 1988

Seattle, Washington. Advised in preparation of RFPS for refuse collection services, including integrating increasing level of recyclables collection into the payment formula. Evaluated proposals and recommended selections to Council. Assisted in negotiations savings city up to 26% over previous year's costs for refuse collection. 1988.

New York City Trade Waste Association. Advised the Council of Presidents of the NYC Trade Waste Association about alternative research strategies for determining the ratio of loose waste to compacted waste. Implemented a statistical study of the compaction ratios achieved with commercial waste in New York City. Testified in rate hearing concerning findings. 1988

Stone Harbor, New Jersey. Provided an overall assessment of the borough's refuse collection and recyclables collection operation. Engagement involved redesigning the residential and commercial refuse collection routes. 1987

BARBARA J. STEVENS, Ph. D.

Denver, Colorado. As a subcontractor to Peat, Marwick, Main, Inc. developed econometric models to predict the costs of water supply over time. Predicted water supply costs based on time series analyses as well as on cross sectional analysis of a sample of water suppliers. 1987

Pittsburgh, Pennsylvania. As a subcontractor to Peat, Marwick Main, Inc. rerouted the water meter readers in Pittsburgh to minimize unproductive travel time and to equalize work assignments. 1988

Babylon, New York. Worked to procure refuse collection and recyclables collection services for the Town. This represented a change in arrangement for service delivery from private contracts between households and refuse collection firms to Town-wide mandatory collection, financed via a separate charge on the property tax. New service, including weekly collection of recyclables, provided at less than previous cost of regular refuse collection alone, due to realization of economies of contiguity and scale. 1986-88.

San Jose, California. Provided advice regarding the appropriate division of the City into solid waste collection districts. Advised on how to solicit bids and how to evaluate proposals for solid waste collection, and, as a separable issue, disposal. Compatibility with resource recovery facility and recycling programs was an essential characteristic of this project. Contracts awarded in September 1985 resulted in savings to City of \$70 million. 1984-88.

Brookhaven, New York. Advised the Town on how the existing license-non-regulated system for refuse collection could be modified so as to obtain waste flow control. Recommended districting with contracting, setting districts so as to allow all firms now operating in the Town to be eligible bidders. Estimated savings to households of over 35%. 1984.

Houston, Texas. Advised in development of productivity and quality improvement program for solid waste department. Conducted management retreat to teach processes. Developed manual on how to evaluate service for privatization on a city-wide basis. Conducted several workshops in the program for key management. Evaluated three departments for opportunities for contracting out. 1986-87.

Montgomery County, Maryland. Investigated alternatives for replacing the existing solid waste disposal tipping fee system with a combined user charge/tipping fee system. The purpose of the study was to allocate solid waste costs to the actual generator of waste and develop a system which would serve to stabilize waste flow to county disposal facilities. 1984.

Norwalk, Connecticut. Developed an new management plan for providing refuse collection and recyclables collection to households in the city. Plan implemented, with first year results showing a 15% increase in households serviced together with a 25% decrease in overall program costs. 1983-87.

City of El Paso, Texas. Conducted a detailed analysis of the level, quality, and costs of solid waste services provided by the City, including: residential, brush and bulk, and commercial collection; transfer station operations;

BARBARA J. STEVENS, Ph. D.

and, specifications and maintenance, and management. Recommendations were made resulting in cost savings and quality of service improvements. 1983

Department of Housing and Urban Development. A study designed to determine if contract service arrangements are more efficient than municipal service arrangements for local services including public works, parks and recreation and general government support services. Developed survey instruments to gather information to explain cost differences in the provision of services (quality, technology, etc.). Provided recommendations for cities on how to reduce their costs of service delivery, for particular services. 1983-4.,

Camden County Municipal Utility Authority. Prepared reports advising on appropriate organization structure for sludge treatment plan. 1983.

Fort Worth, Texas, Director project to improve productivity of solid waste collection and disposal operation. Drafted request for proposal, evaluated bids, and recommended contracting out a portion of city's service units. Also recommended six major internal changes for an overall reduction in city costs of over 20%. Drafted request for proposal for landfill operation, and advised city in selection of contractor for savings of over 30%. 1981-86.

United States Department of Energy, Argonne Laboratories. Provided economic analysis of various subsidy programs to stimulate development of resource recovery projects, in general and for specific projects. 1981

Ministry of Finance, Venezuela. Advised on the efficiency of the non-petroleum sector industries of Venezuela, including solid waste management, water supply, public transit, electricity generation, and telephone service. 1982.

Kamal Adham Group. Evaluated alternate composting systems for investment potential in Middle East. 1981

New York City Department of Sanitation. Directed project to reroute over 1000 refuse collection vehicles. Project included interviewing all 350 foremen to determine supervisory concerns and individual routing constraints. Conducted series of one-day training sessions for all first and second line supervisors in the use of the continuous path routes drawn by Ecodata. Assisted those foremen who require aid during implementation. Implemented system saved over \$9.5 million in first year. Major source of savings a reduction in miles driven due to a decrease in deadheading. 1979-81

National Science Foundation. Co-principal investigator on project entitled: Evaluating the Organization of Service Delivery: Solid Waste Collection and Disposal. Directed on-site, mail, and telephone surveys to gather data on costs of waste handling (using a uniform cost accounting system and system productivity from 350 U.S. cities, on organizational arrangements of 1,500 counties, cities and states. Found contract collection significantly less costly than municipal collection, for large cities. Conducted economic evaluation of market structure of solid waste industry in three local markets with different regulatory structures -- found all competitive. Evaluated the potential joint economies of production for various public utilities.

BARBARA J. STEVENS, Ph. D.

lection, brush and trash collection, snow plowing -- with shared labor and equipment; found significant economies in unified production and production of seasonally complementary services. Wrote book evaluating seven matched pairs of efficient and inefficient service delivery. 1974-81

Joint Housing Committee, Cairo, Egypt. Prepared tender documents for 10 TPH compost plant. Assisted in developing scheme for extension of refuse collection services to previously unserved areas of Cairo. 1980-81

BA Capital. Evaluated the market for compost from municipal waste and sewage sludge produced in Washington, D.C. 1983

Polar Foundation, Caracas, Venezuela. Determined waste generation and composition from 69 industries, 5 types of commercial establishments and 3 types of residential units from directly obtained survey data. Recommended solid waste management plan for Caracas' different waste streams. 1977-80.

Dallas, Texas; Warren, Ohio; Newark, New Jersey; El Paso, Texas; Mt. Vernon, New York; Jersey City, New Jersey; River Edge and Oradel, New Jersey; Norwalk, Connecticut. Directed project in each of these cities aimed at improving productivity of solid waste management.

Assistant Professor, Graduate School of Business, Columbia University. (Courses in Real Estate Finance, American Public Housing since the New Deal University Seminar, Econometrics, Statistics, Business Forecasting, Cost Analysis, Operations, Research, Macro-and Micro-economics.). 1974-77.

## EXPERT TESTIMONY:

Consolidated Waste. Testified on the nature of the solid waste industry relative to a petition before the Bureau of Public Utilities in New Jersey to acquire another refuse collection firm. 1986.

Jersey City, New Jersey. Testified in Administrative Law Court relating to proposed solid waste fee rate averaging scheme proposed by Hackensack Meadowlands Development Commission. Proposed rate increase eventually denied. 1985.

Waste Management, Inc. Prepared expert report on the nature of the regulation in the solid waste collection industry as part of submissions in response to a class action lawsuit alleging price fixing and customer allocation schemes. 1987-88.

Jefferson Parish, Louisiana. Testified on behalf of Parish being sued on anti-trust grounds for anti-competitive behavior in letting of contract for refuse collection and disposal. Issues on which testimony was prepared included economics of solid waste disposal and collection, and costs of various contested contractual provisions. 1985.

Anchorage Refuse, Inc. Prepared and delivered testimony before the Alaska Public Utilities Commission on the impact of competition between firms within a single service area on refuse collection costs and efficiency. 1983.

BARBARA J. STEVENS, Ph. D.

Morelli. Testified in hearing to determine the value of an asset in a terminated partnership. The asset under dispute was a lease for a landfill located in Washington State. 1981

Waste Management, Inc. Provided expert testimony in merger case being tried by U.S. Department of Justice under Section 7 of Clayton Act. Testified on economic structure of solid waste collection and disposal industry and the technology of waste handling. 1981

PUBLICATIONS:

"Cost Analysis of Curbside Programs," Bicycle, Vol. 29, #5 (May-June, 1988), pp. 37-38.

With E. Berenyi, "Does Privatization Work? A Study of the Delivery of Eight Local Services," State and Local Government Review, Vol. 20, #1, (Winter, 1988), pp. 11-20.

With G. B. Liss, "How San Jose Did It," Waste Age, Vol 17, #10 (October, 1986), pp. 85-102.

"Comparing Public- and Private-Sector Productive Efficiency: An Analysis of Eight Activities," National Productivity Review, Vol. 3, #4 (Autumn 1984), pp. 395-406.

Municipal Waste Management Systems: Planning and Practice. New York: Van Nostrand Reinhold, 1980.

With E.S. Savas. "Solid Waste Collection," in Local and State Productivity Improvement Handbook, Ed. Washnis. Washington, D.C.: National Academy of Public Administration, 1978.

"Economical Refuse Collection," in More for Less: How Municipalities Can Contract for Service, ed. Frazier and Olson. Washington, D.C.: Local Government Center Taxpayers' Foundation, 1980.

With E. Berenyi and E.S. Savas. "Evaluating the Organization and Efficiency of Urban Service Delivery Systems: Solid Waste Collection," in The Policy Cycle. Ed. May and Wildavsky. Beverly Hills, California: Sage Publications, 1978.

"The Cost of Residential Refuse Collection," "Service Arrangement and Cost of Residential Refuse Collection," and "Local Government Regulation of Residential Refuse Collection by Private Firms," in The Organization and Efficiency of Solid Waste Collection. Ed. E.S. Savas. Lexington, Massachusetts: D.C. Heath, Lexington Books, 1977.

Impact of the Federal Tax Code on Resource Recovery. Municipal Environmental Research Laboratory, U.S. Environmental Protection Agency, Cincinnati, Ohio: GPO, 1977.

"Employment, Permanent Income and the Demand for Housing," Journal of Urban Economics, Vol. 6, #4 (October 1979), pp. 480-500.

BARBARA J. STEVENS, Ph. D.

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With F. Edwards. "The Private Provision of Municipal Service: An Empirical Analysis of Alternative Refuse Collection Schemes," Journal of Industrial Economics, Vol. 27, #2 (December 1978), pp. 134-144.

"Scale, Market Structure and the Cost of Residential Refuse Collection," The Review of Economics and Statistics. (August 1978), pp. 428-438.

"Single Site Economies in the Construction of Multi-Family Housing," Land Economics, Vol. 51 (February 1975), pp. 50-57.

"Simulation As a Resource Recovery Plant Design Tool," ASME National Waste Processing Conference, New York (May 1981).

"A Method for Determining Processible Waste for a Resource Recovery Facility," 1980 National Waste Processing Conference, Washington, D.C., The ASME, 1981, pp. 49-51.

"Combining Services Can Cut Costs, Six-City Sanitation Study Indicates," 1981 Sanitation Industry Yearbook. Atlanta, Georgia: Solid Wastes Management, Communication Channels, Inc., 1980, pp. 78-98.

"Bulky Waste Problem -- Won't Go Away" American City and County, March 1980, pp. 51-53.

"The Administrative Cost of User Charges," EPA Conference on Solid Waste Management. Philadelphia, Pennsylvania. September 1978.

"Cost of Residential Refuse Collection and the Effect of Service Arrangement," Municipal Yearbook, 1977. Washington, D.C., International City Waste Management Association, 1977.

"Management Factors that Affect Refuse Collection Costs," Solid Wastes Management, September 1977, pp. 32-36.

Presented Papers:

"Curbside Collection Strategies and Implementation," 18th Annual Biocycle National Conference, Philadelphia, PA. May 1988.

"Integrating Recycling into Refuse Collection," National Solid Waste Management Association Waste Expo Conference, Washington, D.C. May 1988.

"Economics and Recycling, Does it Compute?" California Resource Recovery Association Conference, San Diego, CA, May 1988.

"Street Cleaning Efficiency," APWA Convention, Philadelphia, PA. September 1984.

"Measuring Efficiency and Effectiveness of Service Delivery in the Public Sector," NSWMA Conference, Houston, TX. October 1984.

BARBARA J. STEVENS, Ph. D.

"Identifying the Relative Efficiency and Effectiveness of Service Delivery in Your City," California Contract Cities Association, Palm Springs, CA. May 1983.

"Contracting: The Make or Buy Decision," Conference on Responding to Changing Fiscal Realities, U.USHUD, Washington, D.C., January 1983.

"Contracting Out," International City Management Association. Anaheim, California, September 1981.

"Solid Waste Collection Costs," Eighth Annual Missouri Solid Waste Management Conference. St. Louis, Missouri, July 1980.

"Multi-Service Production in City Government Waste Management." Western Economic Association. San Diego, California, June 1980.

"Management and Refuse Collection Productivity," National Solid Waste Management Association Convention,. New Orleans, Louisiana, May 1977.

"Improving Productivity in Urban Service Delivery." University of Wisconsin, Madison, Wisconsin, November 1976.

"Cost Accounting for Urban Service Delivery," University of Wisconsin, Madison, Wisconsin, November 1976.

#### EDUCATION:

Massachusetts Institute of Technology, PhD. in Economics, 1973. Field of concentration: Urban Economics, Micro- and Macro-theory, Econometrics, monetary Theory, Economic History. Thesis title: The Economics of Constructing Multi-Family Housing.

Wellesley College, Wellesley, Massachusetts. A.B. in Economics, 1968. Thesis title: The Effect of the Property Tax on the Housing Market in the City of Boston.

#### FELLOWSHIPS AND AWARDS:

Fellow, Joint Center for Urban Studies of MIT and Harvard, 1971-72.

Fellowship for research on the construction industry, Harvard University, 1971-72.

National Science Foundation Traineeship, 1968-1970.

Phi Beta Kappa, Wellesley College, 1968.

#### PROFESSIONAL MEMBERSHIPS:

American Public Works Association, American Economics Association, Western Economic Association, National Solid Waste Management Association, National Recycling Coalition.

BARBARA J. STEVENS, Ph. D.

American Public Work Association Institute for Administrative Management Committee on Local Public Works Association, 1981.

American Society of Civil Engineers, member of Solid Waste Legislative Review Committee, contributed to Digest of Solid Waste Laws and Regulations 1980-81.

By: Chris Birch  
Introduced: 03/30/89  
Adopted: 03/30/89

RESOLUTION NO. 89-035

A RESOLUTION SUPPORTING DEREGULATION OF  
GARBAGE AND SOLID WASTE

WHEREAS, under current Alaska law the Alaska Public Utilities Commission regulates the operation of garbage and solid waste disposal through its certification process, and

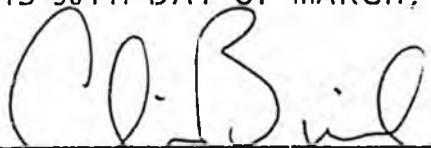
WHEREAS, the certification process results in needless expenditure of municipal funds in the procurement of garbage and solid waste collection and disposal, and

WHEREAS, if the collection and disposal of garbage and solid waste were deregulated municipalities could procure these services for the taxpayers of Alaska at a much lower cost than is currently the case, and

WHEREAS, it has been the experience in other industries that have been deregulated that costs immediately go down as market competition influences the industry that has been deregulated.

NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Fairbanks North Star Borough urges the Alaska legislature to deregulate the collection and disposal of garbage and solid waste.

PASSED AND APPROVED THIS 30TH DAY OF MARCH, 1989.

  
\_\_\_\_\_  
Presiding Officer

ATTEST:

  
\_\_\_\_\_  
Clerk of the Assembly


# Alaska MUNICIPAL League

TELEPHONE  
(907) 586-1325  
FAX 463-5480

217 SECOND STREET, SUITE 200  
JUNEAU, ALASKA 99801

March 2, 1990

TO: Senator Dick Eliason, Chairman  
Members of the Senate Labor and Commerce Committee

FROM: Scott A. Burgess, Executive Director 

SUBJECT: SB 298 - Relating to waste collection

The Alaska Municipal League supports SB 298 as introduced. The AML also supports the proposed CS for SB 298 (L&C) [Cramer 2/8/90] to the extent that it moves in the direction of deregulating solid waste services in municipalities by the APUC.

The Alaska Municipal League's 1990 Policy Statement states on page 38:

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

I understand from representatives of several of our member municipalities that have been working on this issue that the proposed CS for SB 298 (L&C) represents a compromise to complete deregulation acceptable to representatives of private haulers and those municipalities with current and specific problems. If complete deregulation is not possible through this or other legislation this year, then AML supports the proposed CS for SB 298 as a compromise to deal with some specific and immediate problems, and recognizing that all compromises are not completely acceptable to all parties.

The collection and disposal of solid waste is a traditional municipal service. Title 29 grants the authority for the collection, disposal and regulation of solid waste to municipalities. However, Title 29 (AS 29.35.050 (b) also restricts a municipality from providing this service if a private provider holds a certificate. A municipality wishing to enter the solid waste collection and disposal business can purchase the certificate or acquire it under its powers of eminent domain. The proposed CS for SB 298 makes an exception to current law for the collection and disposal of waste material left at a transfer site or generated by the municipal government or by a school district.

Solid waste is a growing environmental concern replete with increasing federal and state regulation and increasing potential costs to municipalities and private operators. A municipality must have adequate

Senator Eliason re SB 298  
March 2, 1990  
Page 2

control over solid waste collection and disposal in order to meet its, in many cases mandated, responsibility to protect the public health and welfare, specifically, protecting the health of its citizens and the environment and to keep costs at the lowest possible level. Complete deregulation or partial deregulation of solid waste in municipalities by APUC would still allow municipalities to regulate and contract out these services under Title 29.

Again, AML supports SB 298 and the complete deregulation of solid waste collection and disposal in municipalities by the APUC but also supports the proposed CS for SB 298 (L&C) as an acceptable compromise to deal now with specific and immediate problems in several of our member municipalities. Thank you.

sab3:sb298



## KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA, ALASKA 99669

PHONE (907) 262-4441

DON GILMAN  
MAYOR

March 7 1990

The Honorable Dick Eliason  
State Labor and Commerce Committee  
P.O. Box V  
Juneau, AK 99811

Dear Chairman Eliason:

On March 6, 1990, the Kenai Peninsula Borough Assembly unanimously adopted Res. 90-18, "Urging the State to Deregulate the Transportation of Municipal Solid Waste Transfer Sites" (Mayor). The assembly and mayor asked the enclosed resolution be forwarded to you.

Your review and consideration would be appreciated.

Thank you.

Respectfully,

Catherine Y. DeLacee,  
Deputy Borough Clerk

ENC: (1)

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

KENAI PENINSULA BOROUGH

RESOLUTION 90-18

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

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

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

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

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

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

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

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

MATANUSKA-SUSITNA BOROUGH

Resolution Serial No. 90-027 AM

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

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

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

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

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

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

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



# Alaska Center for the Environment

700 H Street, Suite 4 • Anchorage, Alaska 99501 • (907) 274-3621

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April 26, 1989

Alaska State Legislature  
Senate Labor and Commerce Committee  
P.O. Box V  
Juneau, AK 99811

Re: SB 296

Dear Members of the Committee:

The passage of SB 298 could have substantial negative impacts on Alaska's environment. Taking a hands off attitude concerning solid waste would be a step backward and would fly in the face of the lessons that we are learning nationwide about solid waste management.

DEC and the municipalities are ill equipped to effectively manage unregulated waste. DEC does not have enough staff to adequately monitor current landfills and is certainly in no position to take on new responsibilities. The State should maintain and strengthen existing regulations and controls, not abandon them.

The deregulation of garbage would also open the door to non-Alaskan firms, some of which have questionable reputations. The APUC can protect Alaska's environment and citizens from businesses that have little concern for Alaska.

We urge the committee not to pass out SB 298. At the very least, the bill should not be hastily passed at the end of the session, but should be held over for additional analysis, discussion, and public comment.

Thank you.

Sincerely,

*Cliff Eames*

Cliff Eames  
Issues Director

# **CORRECTION**

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

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

## KENAI PENINSULA BOROUGH

### RESOLUTION 90-18

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

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

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

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

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

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

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

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

Kenai Peninsula Borough  
Resolution 90-18  
Page 1 of 2 Pages

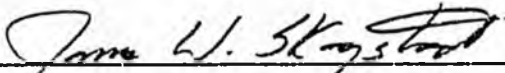
WHEREAS, legislation is before the Alaska State Legislature, which, if passed, would deregulate municipal transfer sites thus allowing the municipalities to competitively bid contracts for those hauling services;

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

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

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

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

  
James W. Skogstad, Assembly President

ATTEST:

  
Borough Clerk

MATANUSKA-SUSITNA BOROUGH

Resolution Serial No. 90-027 AM

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

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

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

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

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

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

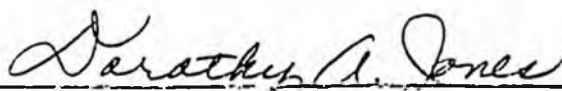
WHEREAS, SB 298 repeals a subsection of Title 29 which requires municipalities to purchase all or a portion of a Certificate of Public Convenience and Necessity of a utility

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

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

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

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

  
\_\_\_\_\_  
Dorothy A. Jones, Mayor

ATTEST:

  
\_\_\_\_\_  
Linda Dahl, Borough Clerk

(SEAL)



# Alaska Center for the Environment

700 H Street, Suite 4 • Anchorage, Alaska 99501 • (907) 274-3621

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April 26, 1989

Alaska State Legislature  
Senate Labor and Commerce Committee  
P.O. Box V  
Juneau, AK 99811

Re: SB 298

Dear Members of the Committee:

The passage of SB 298 could have substantial negative impacts on Alaska's environment. Taking a hands off attitude concerning solid waste would be a step backward and would fly in the face of the lessons that we are learning nationwide about solid waste management.

DEC and the municipalities are ill equipped to effectively manage unregulated waste. DEC does not have enough staff to adequately monitor current landfills and is certainly in no position to take on new responsibilities. The State should maintain and strengthen existing regulations and controls, not abandon them.

The deregulation of garbage would also open the door to non-Alaskan firms, some of which have questionable reputations. The APUC can protect Alaska's environment and citizens from businesses that have little concern for Alaska.

We urge the committee not to pass out SB 298. At the very least, the bill should not be hastily passed at the end of the session, but should be held over for additional analysis, discussion, and public comment.

Thank you.

Sincerely,

*Cliff Eames*

Cliff Eames  
Issues Director



May 23, 1989

The Honorable Dick Eliason  
Chairman, Labor and Commerce Committee  
Alaska State Senate  
P. O. Box V  
Juneau, Alaska 99811

Dear Chairman Eliason:

In addition to operating a refuse hauling business on the Kenai Peninsula, I also serve as President of the Alaska Refuse Utilities Association. The association has members from around the State and represents the interests and concerns of the small businessmen who operate these utilities.

We greatly appreciated the time which you took from your busy schedule to meet with us in Juneau to discuss S.B. 298, the committee bill which proposes to deregulate refuse utilities. As we stated during our meeting with you, we believe it is in the public interest to continue to regulate refuse. However, we are willing to work with you and the other committee members to develop compromise legislation which will be mutually satisfactory to everyone concerned with the refuse issue. As you may know, we have reached an informal agreement with the North Star Borough and the Kenai Peninsula Borough on the issue of large transfer containers, which is the boroughs' prime refuse concern.

The association would like to work with you and your committee during the interim to develop a committee substitute which would enjoy broad support among those interested in the refuse issue. Do you have any plans to work on S.B. 298 during the interim? If so, would you please give us notice of when the committee's meetings will occur so that we can participate in them in a positive and constructive manner.

Thank you for your attention to this matter.

Sincerely,

Sky Carver  
President

Alaska Refuse Utilities Association



## **KENAI PENINSULA BOROUGH**

144 N. BINKLEY • SOLDOTNA, ALASKA 99669  
PHONE (907) 262-4441

**DON GILMAN**  
MAYOR

### **TESTIMONY ON CSSB 298 (L&C) REFUSE HAULING DEREGULATION**

The Kenai Peninsula Borough supports CSSB 298 (L&C) and the issue of deregulation of the refuse hauling industry in general. This bill represents a compromise between municipalities and the refuse haulers. CSSB 298 (L&C) provides for the deregulation of municipal transfer sites, thereby allowing municipalities to haul or contract for the hauling of waste left at an intermediate disposal site.

The Kenai Peninsula Borough has sought deregulation of hauling of municipal transfer sites since the 1970's, when the borough asserted that after refuse was placed in these transfer sites, it became the property of the borough and did not fall under the jurisdiction of the hauler's permit, thus allowing the borough to haul or contract for hauling, the refuse to the landfill. The court rejected that position and determined that hauling of transfer boxes was within the scope of an existing hauler's permit and was a service already provided by that hauler. Because of provisions in Title 29 of the Alaska Statutes, a municipality cannot initiate its own hauling if the area is already served by a certified hauler, unless the municipality "buys out" that carrier.

Through a commission decision, the rate structure for hauling in the central Kenai Peninsula area is exempt from the normal PUC rate filing procedure, but obtaining a permit is still subject to PUC determination of public convenience and necessity. These circumstances cause the creation of a monopoly in many communities that is not subject to regulation of rate. This prevents the borough from entering into a contract with competitive bids which would ensure the lowest possible cost to the taxpayers.

In 1989, the certificated hauler in the borough requested a 25% rate increase in the two areas that still have regulated rates. The APUC denied the 25% increase but granted rate increases of 17.45% in the east peninsula area and 15.8% in the southern peninsula area. While the central peninsula area is not regulated, the hauler set those rates

to reflect the 17.45% increase awarded for the east peninsula area. Given this situation of a state agency determining the cost of doing business for a municipality, the ability of a local government to control its costs is lost. In reaction to these rate increases, and in an effort to contain the costs of the solid waste budget, the borough made a decision to remove five transfer sites which resulted in reduction of service to the public.

Due to pending EPA regulations requiring strict environmental controls, the borough is now strongly considering the concept of a central disposal site, which would require that waste generated in Seward, Kenai and Nikiski to be hauled to a site in Soldotna. With this increase in hauling, it is imperative that the borough be able to control the costs in this portion of the solid waste budget by being allowed to enter into a competitive bid situation, resulting in a contractual relationship with the hauler. Because only one hauler is now permitted to provide this service to the borough, this method of controlling costs is not available.

The Kenai Peninsula Borough appreciates your consideration of this legislation and urges you to pass CSSB 298 (L&C) from committee.



## Alaska State Legislature

House of Representatives  
COMMITTEE ON STATE AFFAIRS

March 23, 1989

TO: Rep. Dave Donley  
Chairman, Committee on Labor and Commerce

FM: Rep. H.A. "Red" Boucher  
Rep. Loren Leman  
Rep. Ann Sponholz

RE: Subcommittee on Solid Waste Utilities

The Subcommittee on Solid Waste Utilities has met to consider two questions.

- I. Should solid waste utilities be deregulated by the APUC.
- II. Should the Committee introduce legislation regulating recovery and recycling of solid waste.

Regarding Question I, the subcommittee has reviewed the past and current record on the issue of deregulating refuse utilities. Appendix One to this memorandum contains the legislative history of bills introduced in the eleventh legislature. There is no bill in the current legislature concerning deregulation of refuse utilities.

In addition, the subcommittee members met with representatives of the refuse industry, and also with Susan Knowles of the APUC, to ascertain their views on this issue.

The subcommittee has concluded that current statute requires the APUC to regulate refuse utilities (A.S. 42.05.720(F)). The fact that the legislature has considered and declined to change the statute affirms the prescribed public policy for APUC to follow.

The subcommittee is disconcerted by information from the refuse utilities that the APUC is de facto deregulating refuse utilities by encouraging applicants to apply for "certificates of public convenience

and necessity" in areas where existing refuse utilities are operating. This practice is not in conformance with the statute and should be changed in favor of stricter regulation.

The subcommittee's conclusion in favor of strict regulation is based on traditional economic theory of regulation that holds that the public interest is best served by allowing economies of scale to accumulate for capital and operational cost recovery. In exchange for the preferred monopolistic position enjoyed by most utilities, they are regulated in order to prevent public abuse in the form of excessive profits and substandard or discriminatory service. The practice of regulation saves the public from inconstancy that is the by-product of competitive markets. Regulation of utilities is especially applicable in thin markets, like most Alaskan communities, that need reliable service from fundamental utilities.

In addition, the subcommittee is persuaded that regulation of refuse utilities is necessary to protect public health and the environment. The commonplace occurrence of hazardous waste and toxic substances in our communities requires, in the opinion of this subcommittee, a measure of control and planning that can be achieved only by regulation. Issues regarding waste products and disposal methods are of increasing urgency in communities throughout the country. These issues deserve to be scrutinized more rather than less in order to preserve public health and the aesthetic values cherished in most Alaskan communities.

For the aforementioned reasons the subcommittee recommends that a letter of legislative intent be attached to HB 72 (APUC sunset bill) that reaffirms APUC's statutory mandate to regulate refuse utilities until the legislature chooses to change the statute. Suggested language follows:

The legislature finds that the APUC's practice of regulation of refuse utilities as required under A.S. 42.05.720 is inconsistent with that statute. It is the intent of the legislature that APUC should strictly regulate refuse utilities consistent with A.S. 42.05. 720.

Regarding the second question, i. e., should the Committee sponsor legislation requiring regulation of solid waste recovery and/or recycling. The subcommittee is of the opinion that the merits of the proposed legislation, Appendix Two, cannot be satisfactorily determined without public hearings. Consequently, the subcommittee supports introduction of the legislation so that public process will be available to determine its viability.

Original sponsor: Hohman

Offered: 4/23/79  
Referred: Judiciary

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 61 am H (re-engrossed)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public utilities; and providing for  
7 an effective date."

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

9 \* Section 1. AS 42.05.711(e) is amended to read:

10 (e) An [NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS CHAPTER, ANY  
11 electric, water, sewer, garbage, or telephone utility that does not  
12 gross \$50,000 [\$25,000] annually is exempt from regulation under this  
13 chapter [HEREUNDER] unless 25 per cent of the subscribers petition the  
14 commission for regulation.

15 \* Sec. 2. AS 42.05.711 is amended by adding a new subsection to read:

16 (f) An electric, water, sewer, garbage, or telephone utility that  
17 grosses more than \$50,000 and less than \$500,000 annually is exempt from  
18 regulation under AS 42.05.010 - 42.05.211 and 42.05.291 - 42.05.721  
19 unless 25 per cent of the subscribers petition the commission for  
20 regulation.

21 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.  
22 070(c).

Original sponsor: Hohman

Offered: 3/9/79  
Referred: Judiciary

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 61

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public utilities, and providing for  
7 an effective date."

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

9 \* Section 1. AS 42.05.711(e) is amended to read:

10 (e) An [NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS CHAPTER, ANY]  
11 electric or telephone utility that does not gross \$100,000 [\$25,000]  
12 annually is exempt from regulation under the provisions of this chapter  
13 other than the provisions of AS 42.05.221 - 42.05.281 [HEREUNDER] unless  
14 25 per cent of the subscribers petition the commission for regulation.  
15 In computing gross annual revenues under this subsection, the utility may  
16 exclude revenues received from its single largest governmental consumer  
17 for the delivery of services.

18 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-  
19 070(c).

## SB 61 AN ACT RELATING TO PUBLIC UTILITIES; AND PROVIDING FOR AN EFFECTIVE DATE

AMENDED TITLE: HCS CS \* AM H (RE-ENG)

PRIME SPONSORS: HOHMAN

DATE	SEQ. NO.	JOURNAL PAGE	SENATE ACTION	DATE	SEQ. NO.	JOURNAL PAGE	HOUSE ACTION
01/18/79	01	0049	FIRST READING -- COMMITTEE REPORTS	03/23/79	11	0731	FIRST READING -- COMMITTEE REPORTS
03/09/79	02	0417	COM -- CS05	04/23/79	12	1011	COM -- CS06
03/15/79	03	0502	JUD -- COM CS03	04/28/79	13	1160	JUD -- COM CS07
03/21/79	04	0577	RLS -- OTHER05				
03/22/79	05	0601	SECOND READING	05/02/79	14	1305	SECOND READING
03/22/79	06	0601	COM CS ADOPTED BY UNAN CONSENT	05/02/79	15	1305	COM CS ADOPTED BY DIV 29-07-04
03/22/79	07	0601	ADVANCED TO 3RD READING BY UNAN CONSENT	05/02/79	16	1306	AM01 ADOPTED BY DIV 23-06-11
				05/02/79	17	1306	ADVANCED TO 3RD READING BY UNAN CONSENT
03/22/79	08	0601	THIRD READING	05/04/79	27	1340	AM02 ADOPTED BY UNAN CONSENT
03/22/79	09	0602	PASSED BY DIV 20-00-00	05/04/79	28	1340	ADVANCED TO 3RD READING BY UNAN CONSENT
03/22/79	10	0602	EFFECTIVE DATE VOTE SAME AS PASSAGE	05/02/79	18	1306	THIRD READING
				05/02/79	19	1306	PASSED BY DIV 27-06-07
				05/02/79	20	1307	EFFECTIVE DATE VOTE SAME AS PASSAGE
				05/02/79	21	1307	NOTICE OF RECONSIDERATION GIVEN
				05/04/79	22	1339	ACTION NO. 021 RESCINDED BY UNAN CONSENT
				05/04/79	23	1339	ACTION NO. 020 RESCINDED BY UNAN CONSENT
				05/04/79	24	1339	ACTION NO. 019 RESCINDED BY DIV 36-00-04
				05/04/79	25	1340	READ AGAIN THIRD TIME
				05/04/79	26	1340	RETURNED TO 2ND READING BY DIV 34-00-06
				05/04/79	29	1341	READ AGAIN THIRD TIME
				05/04/79	30	1341	PASSED BY DIV 26-08-06
				MM 05/04/79	31	1341	EFFECTIVE DATE PASSED BY DIV 33-00-07

10001111

...e from "nay" to "yea."  
...: from "nay" to "yea."  
...ote from "nay" to "yea."

### DING OF SENATE BILLS

...c third time.

HCS CSSB 61amH be returned to  
d Amendment No. 2.

...l HCS CSSB 61amH be returned  
...ific amendment?" The roll was  
...esult:

...on, Barnes, Beirne, Bettisworth,  
...n, Buchholdt, Carney, Chatterton,  
...Duncan, Eliason, Freeman,  
...Gardiner, Haugen, Hayes,  
...rt, McKinnon, Malone, Martin,  
...fe, Miller, Montgomery, Moss,  
...Osterback, Parker, Parr,  
...ps, Randolph, Rogers, Schaeffer,  
...Zharoff.

...Guy, Halford, Meekins, Miles,  
...ell.

...orth:

...ater," insert "sewer,"

...asked unanimous consent that  
...There being no objection,

...d unanimous consent that HCS  
...grossed, advanced to third  
...passage. There being no  
...d.

HCS CSSB 61amH(re-eng) was read the third time.

The question being: "Shall HCS CSSB 61amH(re-eng) pass the  
House?" The roll was taken with the following result:

Yeas: 26 Anderson, Bettisworth, Branson,  
Buchholdt, Carney, Cotten, Duncan,  
Eliason, Freeman, Fuller, Gardiner,  
Haugen, Hurlbert, Malone, Martin,  
Miller, Moss, Munson, Osterback,  
Parker, Parr, Phillips, Randolph,  
Schaeffer, Smith, Zharoff.

Nays: 8 Barnes, Beirne, Chatterton, Haynes,  
McKinnon, Metcalfe, Montgomery,  
Rogers.

Not  
voting: 6 Brown, Guy, Halford, Meekins,  
Miles, O'Connell.

Representative Branson changed her vote from "nay" to  
"yea."

And so, HCS CSSB 61amH(re-eng) passed the House.

Mr. Anderson moved the effective date clause.

The question being: "Shall the effective date clause on  
HCS CSSB 61amH(re-eng) be adopted?" The roll was taken  
with the following result:

Yeas: 33 Anderson, Barnes, Beirne, Bettisworth,  
Branson, Buchholdt, Carney,  
Chatterton, Cotten, Duncan, Eliason,  
Freeman, Fuller, Gardiner, Hayes,  
Hurlbert, McKinnon, Malone, Martin,  
Metcalfe, Miller, Montgomery, Moss,  
Munson, Osterback, Parker, Parr,  
Phillips, Randolph, Rogers, Schaeffer,  
Smith, Zharoff.

Nays: 0

Not  
voting: 7 Brown, Guy, Halford, Haugen, Meekins,  
Miles, O'Connell.

And so, the effective date clause was adopted.

HCS CSSB 61amH(re-eng) was referred to the Chief Clerk  
for re-engrossment.

CS The question being: "Shall COMMITTEE SUBSTITUTE FOR SENATE  
SB BILL NO. 61 (relating to public utilities) pass the Senate?  
61 The roll was taken with the following result:

Yeas: 20 Bennett, Bradley, Colletta,  
Dankworth, Fahrenkamp, Ferguson,  
Hackney, Hohman, Kelly, Kerntula,  
Meland, Mulcahy, Ray, Rodey,  
Sackett, Stimson, Sturgulewski,  
Sumner, Tillion, Ziegler

Nays: 0

and so, COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 61 passed  
the Senate.

Senator Colletta moved and asked unanimous consent that  
the roll call on the passage of the above bill be con-  
sidered the roll call on the effective date clause.  
Without objection, it was so ordered.

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 61 was referred  
to the Secretary for engrossment.

SB SENATE BILL NO. 130 (establishing incentives for students  
130 to attend colleges and universities in Alaska) was read  
the second time.

Senator Rodey moved and asked unanimous consent that  
SENATE BILL NO. 130 be held until the March 27 calendar  
in second reading. Without objection, it was so ordered.

UNFINISHED BUSINESS

President Tillion appointed the following members to a  
Special Committee on the Permanent Fund:

- Senator Sumner, Chairman
- Senator Rodey
- Senator Hohman
- Senator Sackett
- Senator Mulcahy

The reconsideration of the follow  
up this legislative day and the b  
the Secretary for engrossment.

SENATE BILL NO. 192 (leasing  
state land for oil and gas d

HOUSE BILL NO. 179 amended S  
Facility Authority

SPECIAL ORDER

Senator Tillion moved and asked un  
be excused on March 23. Without o  
was excused.

Senator Rodey moved and asked unani  
be excused from a call of the Senat  
10:30 a.m. Without objection, Senat

Senator Sackett moved and asked unan  
be excused from a call of the Senat  
objection, Senator Sackett was excu:

Senator Kelly moved and asked unani  
be excused from a call of the Senate  
objection, Senator Kelly was excused

Senator Ray moved and asked unanimo  
excused, March 23. Without objectio  
excused.

ENGROSSMENT

The following bills have been engross  
President and Secretary and transmit  
consideration:

- COMMITTEE SUBSTITUTE FOR SENATE
- COMMITTEE SUBSTITUTE FOR SENATE  
(Finance)